PAREF
VOTRE CAPITAL PIERRE

Quarterly business report

3rd quarter 2011

At 30 September 2011, PAREF recorded a 12.8% increase in consolidated revenue to € 22.6 million

While rental income for the first 9 months declined by 3.3% on a like-for-like basis, primarily due to the renegotiation of certain leases, business involving management on behalf of third parties experienced particularly strong growth in the third quarter of 2011.

1- Property portfolio and Group financial debt

1.1 Property portfolio

At 30 September 2011, the Group's property portfolio was valued at € 183.6 million (including Group-managed SCPIs and OPCIs of € 9.0 million), compared to € 176 million at 30 June 2011. This increase was primarily due to the acquisition of Watford.

As indicated in the publication of the half-year financial statements, in July 2011 PAREF Group acquired all shares in Watford, the owner of a building site located in Nanterre, which benefits from a full 11,000 m^2 planning permission, free and clear of any legal encumbrances, to develop this property.

It should also be noted that:

- As previously announced, the Les Ulis building should be sold for € 3 million by the end of the 2011 financial year,
- Two major conditions precedent were recently waived in relation to the transfer process of the Fontenay le Fleury building. The sale should be permitted to go through at the start of the 2012 financial year.

There were no other changes to the property assets of the Group, which continued its selective disposal programme, prioritising mature or unsuitable assets.

1.2 Financial debt

The Group continued to reduce its debt during the quarter, due to the normal amortisation of the capital of loans taken out to finance investment property; at 30 September 2011, consolidated financial debt was € 105.6 million, compared to € 107.8 million at 30 June 2011 and € 126.7 million at 31 December 2010.

At 30 September 2011, the Group had cash and cash equivalents of € 4 million, excluding € 2.3 million in escrow accounts, classified as non-current financial assets. Therefore, net consolidated financial debt amounted to € 99.3 million at 30 September 2011. The Company also avails of undrawn credit facilities of € 5.7 million.

The LTV ratio (consolidated financial debt – cash and cash equivalents – escrow accounts) / property assets) was 54.1% at 30 September 2011, compared to 58% at 31 December 2010.

The significant reduction in debt since 31 December 2010 was primarily due to the early repayment of loans following the disposal of assets in the first half of the 2011 financial year (a € 14.8 million debt reduction in that respect).

The Group's bank loans were either contracted at a fixed rate or at a capped variable rate. At 31 September 2011, virtually all outstanding mortgage debt had a fixed rate or was hedged by a swap.

2. 18% revenue growth in recurring activities to 30 September 2011 (excl. property dealing)

Revenue (€ thousands)	Q3 2011	30 Sept 2011 (9 months)	30 Sept 2010 9 months	% change
Rent and costs recovered	5,035	15,742	16,799	(6.3%)
residential	779	2,342	2,348	(0.3%)
commercial	4,256	13,400	14,451	(7.3%)
Management fees	3,310	6,918	2,411	186.9%
Total recurring activities	8,345	22,660	19,210	18.0%
Property dealing	0	0	900	ns
IFRS consolidated revenue	**8,345**	**22,660**	**20,110**	**12.7%**

2.1 Rental income:

Rent and costs recovered during the third quarter totalled € 5.04 million, an 11.2% decline compared to the third quarter of 2010, mainly due to the selective disposals carried out in 2011. Over the first 9 months, rental income declined by 6.3% to € 15.74 million.

Movements related to changes in group structure accounted for a decline of € 0.52 million and were due to:

- the sale of assets during the first half of 2011 (Parmentier private hospital and Rivoli / Roule buildings), which resulted in a reduction of € 0.86 million in rent,
- an increase in rent (and costs recovered) of € 0.34 million, resulting from the contribution to SCPI Interpierre, which took effect on 1 July 2010.

On a like-for-like basis, the decline in rent (and costs recovered) over 9 months was 3.3%.

The decrease in rent and costs recovered excluding changes to the group structure was € 0.54 million. This was largely due to the renegotiation of certain leases (Pantin and Bondoufle) and tenants vacating smaller premises.

At 30 September 2011, the occupancy rate increased moderately to 90%, compared to 89% at 30 June 2011, mainly due to the renting out of part of the Houssaye en Brie building.

With regard to new and departing tenants:

- Part of the La Houssaye en Brie building was rented out in August 2011 for an annual net rent of € 206 thousand under a tenancy at will. It should be specified that two units of the Bondy building were recently rented out (with effect from 1 November 2011)
- As previously specified, the tenant of the Cauffry building gave formal notice of departure with effect from 31 October 2011 (a net rent of € 332 thousand per year for 10,800 m²). The same tenant eventually signed a new lease (for a 2,800 m^2 floor area) with effect from 1 November 2011, for an annual net rent of € 92 thousand. Another tenant is expected to rent out a 1,200 m^2 unit shortly. The tenant of the Berger building (France Telecom) also gave formal notice of departure with effect from March 2012. This very well located building, situated at the exit of the Forum des Halles, is currently being actively marketed.

2.2 Management on behalf of third parties:

Over the first 9 months of the financial year, a strong increase was recorded in management fees (recurring management fees and subscription fees), to € 6.92 million, compared to € 2.41 million over the first 9 months of 2010. Fees for the third quarter alone represented € 3.31 million, reflecting an increased momentum in fund-raising carried out on behalf of SCPIs managed by PAREF GESTION. These funds totalled € 70 million for the first 9 months of the 2011 financial year, compared to € 31.3 million for 2010, excluding the contribution to Interpierre.

SCPI Novapierre (retail outlets) and Pierre 48 (residential property in Paris and the Paris region) collected € 45.76 million and € 23.61 million, respectively, over the first 9 months of the 2011 financial year. They generated subscription fees of € 3.61 million and € 1.58 million, respectively, compared to € 0.49 million and € 0.29 million over the first 9 months of 2010. The fully-consolidated SCPI Interpierre (office and business premises) collected just over € 1 million for the period to 30 September 2011. Fees paid to business brokers represented € 2.67 million for the first 9 months of 2011.

Recurring SCPI management fees (excluding Interpierre, which is fully consolidated) amounted to € 1.27 million, an increase of 8.8% compared to 30 September 2010. This growth should continue as SCPIs attract further investment over the next few months.

The management of OPCIs (Vivapierre, Naos) generated management fees of € 0.4 million. OPCI Polypierre also invested € 0.4 million in SCPI shares, in anticipation of being able to make more substantial investments.

The assets managed by PAREF GESTION at 30 September 2011 (including those managed on behalf of the Group) grew to € 711 million, compared to € 650 million at 31 December 2010, due to SCPI fundraising over the first 9 months of the year and the acquisition of Watford.

ASSETS MANAGED BY PAREF GROUP

Capital under management	30 Sept. 2011		31 Dec. 2010		Change	
	m^2	€ thousands (1)	m^2	€ thousands	m^2	€ thousands
Paref Group	**242,188**	**174,562**	**247,401**	**197,995**	**(2%)**	**(12%)**
Interpierre	47,702	17,775	47,779	16,028	**0%**	**11%**
Novapierre 1	27,126	123,197	22,685	75,341	**20%**	**64%**
Pierre 48	52,329	246,039	52,660	211,775	**(1%)**	**16%**
Total SCPI (2)	**127,157**	**387,011**	**123,124**	**303,144**	**3%**	**28%**
Vivapierre	53,833	115,600	53,833	115,375	**0%**	**0%**
Naos	5,982	41,075	5,982	28,550	**0%**	**44%**
Total OPCI	**59,815**	**156,675**	**59,815**	**143,925**	**0%**	**9%**
Third parties	**5,593**	**10,638**	**16,593**	**20,917**	**(66%)**	**(49%)**
Usufructs counted twice (3)	(16,661)		(16,661)		**0%**	
Interpierre (4)	(47,702	(17,775)	(47,779)	(16,028)	**0%**	**11%**
Grand total	**370,390**	**711,112**	**382,493**	**649,954**	**(3%)**	**9%**

(1) appraised value of assets at 30 June 2011 (excl. Vivapierre)

(2) capitalisation at 30 September based on the share issue price at that date

(3) floor areas counted both by Pierre 48 (bare owner) and Paref or third party management (usufruct).

(4) value counted both by Paref Group (consolidated data) and Interpierre

3. Outlook:

For SIIC PAREF:

- the Group intends to continue its selective disposal policy in future months, targeting mature or unsuitable assets, and to focus its efforts on increasing the value of other assets, and
- to continue to prepare for the launch of the property development project resulting from the acquisition of Watford (building site located in Nanterre).

Development of management on behalf of third parties:

- the PAREF GESTION teams are fully committed to developing the SCPIs they manage
- certification is pending for a dedicated OPCI
- PAREF GESTION is preparing the launch of new dedicated vehicles, one of which concerns residential property.

NB: Unaudited data