

During the quarter, Foncière PAREF pursued its selective disposal and debt reduction policy and continued to seek to increase the value of its property assets and develop its management on behalf of third parties business.

1 – Property portfolio and Group debt

1.1 Property portfolio

The following changes have affected the consolidated group property portfolio since 1 January:

- As part of its selective disposal policy and pursuant to the undertaking signed in December, in March, the Group sold the building of the private hospital located on Avenue Parmentier in Paris, at the net sales price of €14 million (equal to the appraised value at 31 December), thereby generating a capital gain of €3.1 million in the parent company financial statements.
- The last section owned in the Bell shopping centre in Jerusalem by SCPI Interpierre (a fully consolidated subsidiary) was sold for US\$ 90 thousand. The SCPI no longer owns any foreign assets.

At 31 March 2011, PAREF owned three buildings subject to an undertaking to sell: the Rivoli and Roule buildings, whose disposal was signed in April for a total price of €13 million (equal to the appraised value at 31 December) and the Fontenay-le-Fleury building (78), whose sale may be finalised at the end of the year, subject to meeting various conditions precedent (city planning and planning permission in particular).

The Group's property portfolio was thus valued at €193 million at the end of March 2011, compared to €207 million at the end of December. This decline was due to the sale of the Avenue Parmentier building. The property portfolio was valued based on appraisals at the end of December, except for SCPI and OPCI which were revalued at 31 March. This includes the Pierre 48 and Novapierre SCPI shares held by the Group (€1.4 million), recognised as financial assets in the IFRS balance sheet and the shares held in the Vivapierre OPCI (€7.9 million, compared to €7.4 million at the end of December), in which PAREF holds 27% of the share capital and which are equity accounted.

1.2 Financial debt

In addition to the standard amortisation of the capital of loans financing investment property, major movements since 1 January include the repayment of the Parmentier loan (€3 million). The €3 million cash facility granted by CIC was renewed during the quarter (it remained undrawn at 31 March).

Financial debt (including Interpierre) amounted to €116 million at 31 March 2011 (compared to €127 million at 31 December). The ratio of consolidated debt (net of cash and cash equivalents and escrow accounts acting as sureties for loans) to the value of property assets, including the property assets held by Interpierre and SCPI and OPCI shares (loan to value ratio) was 55% at the end of March (compared to 58% at the end of December). This ratio fell to 53% at the end of April following the disposal of Rivoli-Roule.

¹ Unaudited data

The Group's bank borrowings were either contracted at a fixed rate or at a capped variable rate. At 31 March 2011, 98% of outstanding debt was at a fixed rate or hedged by a swap.

2. – Growth in revenue from recurring operations of 13.7% to 31 March

The quarterly revenue amounted to €7.06 million, compared to €7.11 million in the 1st quarter of 2010, which however included one sale by the property dealing business for €0.9 million (Lisieux). Recurring operations, excluding property dealings, grew by 13.7%.

Revenue (€thousands)	Q1 2011	Q1 2010	% change	FY 2010
Rent and cost recovered	5,482	5,481	0.0%	22,969
residential	781	754	3.6%	3,159
commercial	4,701	4,727	(0.6%)	19,810
Management fees	1,577	729	116.3%	4,140
<u>Total recurring operations</u>	7,059	6,210	13.7%	27,109
Property dealings	0	900	ns	946
Consolidated IFRS revenue	7,059	7,110	(0.7%)	28,055

2.1 - Rent revenue stable due to the integration of Interpierre

Rent and costs recovered for the 1st quarter were stable at €5.5 million, unchanged from the same period last year. However, data for the 1st quarter of 2010 did not include SCPI Interpierre, which owned a portfolio of 6 buildings generating quarterly rent revenue before cost recovered of €0.2 million).

On a comparable group structure bases, rent revenue declined by 3.5%.

The financial occupancy rate has decreased slightly since the start of the year to 89% (compared to 90% at 31 December, due to the departure of Interpierre tenants in Lognes and Vitry).

2.2 – Strong increase in SCPI subscription fees

Management fees from third parties totalled €1.6 million for the period, more than double those for the same period of 2010.

This performance was more particularly due to the strong rise in gross SCPI subscription fees to €1.0 million, in particular by Novapierre (SCPI stores). Peref Gestion benefited from a very favourable environment for the collection of capital by property securities and its positioning, with a complete range of SCPI premises, including residential (Pierre 48), commercial (Novapierre) and office/business (Interpierre). Recurring OPCl management fees also grew, due to Vivapierre (holiday resorts), which carried out a major work programme last year.

At 31 March, assets managed by PAREF GESTION (including those of Peref Group) totalled €681 million (compared to €659 million at 31 December and €641 million the previous year). Out of this total, assets managed on behalf of SCPIs (including Interpierre) amounted to €321 million and those of OPCIs represented €148 million. SCPI Novapierre's capitalisation has increased by 13% since 1 January to €85 million. Those of Pierre 48 and Interpierre grew by 4 and 3%, respectively.

The assets managed by PAREF GESTION at 31 March 2011 (including those managed on behalf of the Group) may be analysed as follows:

ASSETS MANAGED BY PAREF GROUP

Capital under management	31/03/2011		31/12/2010		% change	
	m ²	€thousands	m ²	€thousands	m ²	€thousands
Paref Group (1)	247,401	206,988	247,401	206,988	0%	0%
Interpierre	47,702	16,461	47,779	16,028	0%	3%
Novapierre 1	25,237	85,399	22,685	75,341	11%	13%
Pierre 48	52,236	219,541	52,660	211,775	(1%)	4%
Total SCPIs (2)	125,175	321,400	123,124	303,144	2%	6%
Vivapierre (1)	53,833	116,500	53,833	115,375	0%	1%
Naos (1)	5,982	31,500	5,982	28,550	0%	10%
Total OPCIs	59,815	148,000	59,815	143,925	0%	3%
Third party	16,593	20,817	16,593	20,917	0%	0%
Usufruct counted twice (3)	(16,661)		(16,661)			
Interpierre (4)	(47,779)	(16,461)	(47,779)	(16,028)		
Grand total	384,544	680,744	382,493	658,947	1%	3%

(1) appraised value of assets at 31 December

(2) capitalisation at 31 March based on share issue prices at that date

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

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

3 – Share capital

At the start of March, the Autorité des Marchés Financiers (AMF) informed PAREF that the Company's principal shareholder, the Lévy-Lambert family (which owns 31.6% of the share capital and 39.4% of voting rights) had to comply with new public offering rules before 1 February 2012, i.e. reduce its shareholding to below 30% or file a public offering with the AMF. The AMF had specified that only individuals who already held between 30% and 33.33% of the share capital at 1 January 2010 could continue to benefit from the 33.33% threshold rule.

The Lévy-Lambert family shareholding had increased to between 30% and 33.33% between 1 January 2010 and 1 February 2011, but only passively due to a reduction of the share capital. The Lévy-Lambert family notified the Company that it has applied for an exemption from the AMF.

4 – Planned acquisition of Watford

Paref has put forward a firm bid for the acquisition of Watford Eurl through its wholly-owned subsidiary Watford II Sarl, for €0.6 million, the sole aim of which, is to own a building site located in Nanterre (92) which benefits from an 11,000 m² planning permission, free and clear of any appeal. This company has debt of €7.5 million. The signing of this acquisition remains subject to the fulfilment of ongoing due diligence procedures.

5 – Outlook

The selective disposals carried out during the period and the €4.6 million capital increase carried out last October have strengthened PAREF Group's financial position and facilitated the development of the business of management on behalf of third parties.

The governance changes announced on 11 April 2011 will take effect after the General Meeting of 11 May and will contribute to accelerating the Group's development.

With a stronger and younger management team, PAREF Group will continue to implement its growth strategy, which is based on the development of its asset portfolio, with a moderate use of leveraging, primarily through indirect investment via minority shareholdings in OPCIs launched by PAREF Gestion, and the development of management on behalf of third parties.

The development of new institutional, dedicated or theme-based OPCIs, in the wake of Vivapierre, Polypierre and Naos, should increase before the planned termination of certain tax incentives.

PAREF may also benefit from the significant potential of the SCPI management business. With a complete range of residential (Pierre 48), stores (Novapierre 1) and offices (Interpierre) SCPIs, PAREF Gestion will be able to tap into savers' strong interest in property securities.

The selective disposals policy will be continued and will feature one or two disposals a year of assets reaching maturity or inconsistent with our strategy.

Lastly, PAREF will continue its policy of increasing its equity, in particular through capital increases by contributions in kind, depending on the opportunities that will present themselves.