GROUP
Affine

AFFINE CHOOSES SIIC STATUS FOR ITS CONTINUED DEVELOPMENT

New operations: +107%
Rental income: +5%
NAV: +1.3%
Share price (9 months): +23%

Affine opts for SIIC status

Article 208C of France's General Tax Code gives French real estate listed companies the option to adopt listed property investment company (SIIC) status as from 1 January 2003, and Affine has elected to benefit from this new tax regime. The credit institution status it enjoys as a lease finance company is unchanged. Affine's subsidiary Immobercy has also opted for SIIC status.

Affine's H1 2003 accounts were prepared under the previous tax regime, since the decision to convert to SIIC status was taken after 30 June. However, given that the full-year 2003 accounts will be prepared under the new regime, pro-forma first-half accounts incorporating the accounting adjustments necessary for SIIC status are also shown below.

Shareholders' equity strengthened

The balance sheet revaluation related to the change to SIIC status gives rise to valuation differences of EUR 73.2m. After deduction of an exit tax of EUR 9.5m, this raises group consolidated shareholders' equity from EUR 86.2m to EUR 147.4m as of 30 June 2003. .

In addition to the issue of new Afffine shares in exchange for Imaffine shares brought to it by minority shareholders, thereby raising its stake in the subsidiary to 78.1%, Affine also bolstered its shareholders' equity via a successful EUR 20m issue of mandatorily convertible bonds (*obligations remboursables en actions*, or ORA) maturing in 2023, mainly subscribed by a specialised US fund.

New operations doubled

Against a generally gloomy economic background, necessitating an even more selective approach to investment , Affine invested EUR 21.3m in new operations (versus EUR 10.3m in the first half of 2002), comprising:

- leasing operations totalling EUR 15.7m
- rental properties totalling EUR 5.7m.

Limited company with share capital of EUR 40,000,000 - Paris register of commerce and companies: 712 048 735
Head office: 65, rue d'Anjou 75008 PARIS
Tel : +33 1 44 90 43 10 - Fax: + 33 1 44 90 43 57 - email: info@affine.fr

Two other operations on rental properties with a combined value of EUR 22.7m were under negotiation as of 30 June.

Lessees also exercised their options to buy on 14 leases and the company's arbitrage policy generated a pre-tax net capital gain of EUR 0.2m (versus EUR 1.6m in H1 2002).

Growth in property rentals

Affine's rental income was up 5% in the first half of 2003. Leasing income, however, was as expected 10.3% lower than in the first half of 2002, as the new rental contracts signed were insufficient to fully offset this structural downtrend in lease finance outstanding.

Concerto made further progress on existing logistics sector projects (Saint-Malo, Marly-La-Ville), as well as beginning new projects in Bourg-lès-Valence, Mitry-Mory, etc. However, these projects made only a minor contribution to first-half accounts .

Promaffine continued to act as sub-contracted project manager for Affine on the St.-Germain-en-Laye project (scheduled for delivery in 2004). In Paris, it launched a programme to convert office space into residential premises.

Finally, Imaffine sold its stake of almost 20% in Bellatrix, a company owning two Paris hotels. This disposal generated a pre-tax net capital gain of EUR 1.6m.

Slight rise in net asset value

Based on end-of-period property appraisal values, the company's rental property assets, net of registration fees, were worth EUR 215.7m as of 30 June 2003 (versus EUR 209.7m as of 31 December 2002). This represents an unrealised capital gain of EUR 75.5m. Taking into account consolidated shareholders' equity of EUR 79.4m as of 30 June (group share after distribution of interim dividend), Affine's net asset value, net of registration fees, was EUR 150.5m, or EUR 66.2 per share, at the end of H1 2003, versus EUR 148.5m at end-2002 (+1.3%).

Distribution of interim dividend

As in previous years, Affine's Board of Directors resolved in November to pay an interim dividend of EUR 2.8m (EUR 1.20 per share) in respect of 2003.

Strong share price rally

The Affine share price has gained over 20% since the start of the year on higher trading volumes. It is, nonetheless, still trading at an attractive 30% discount to NAV as of 30 June 2003.

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Stable net profit

Affine's net profit was stable versus H1 2002, at a highly satisfactory EUR 6m, while pre-tax profit on ordinary activities showed a further rise of 5.1% on the year-ago period. Consolidated net profit came in at EUR 4m, versus EUR 5.7m in H1 2002, due to lower revenues on current development operations.

EUR m	H1 2002	H1 2003	Pro forma SIIC status H1 2003
Leasing	9.2	7.5	7.5
Properties	7.6	7.1	6.7
Development	2.9	1.2	1.2
Other income and expenses	(7.5)	(6.3)	(6.3)
Consolidated net banking product	12.2	9.4	9.0
Operating expenses	(5.4)	(3.4)	(3.4)
Consolidated pre-tax profit on ordinary activities	6.9	5.9	5.6
Tax and miscellaneous	(1.2)	(2.0)	(3.4)
Consolidated net profit	5.7	4.0	2.1
Company pre-tax profit on ordinary activities	6.7	7.1	6.8
Company net profit	6.0	6.0	4.2

Stable outlook

Given the tax and accounting implications of its decision to adopt SIIC status, Affine's full-year pre-tax profit on ordinary activities should, subject to the arbitrage transactions currently under way, be similar to the figure reported in 2002. At consolidated level, meanwhile, it is likely to remain lower than in the previous year.

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DESCRIPTION OF AFFINE

Affine is one of the leading independent players in the French commercial property financing sector, operating in the areas of lease finance, rental properties, financial and logistics engineering and property development. Affine manages 410 properties, 325 of them under leasing contracts (1.4 million m^2) and the other 85 under rental agreements (270,000 m^2). The group's financial and logistics engineering and property development businesses are carried out by its specialist subsidiaries Imaffine, the Concerto group and Promaffine. Affine is listed on the Premier Marché of the Paris Bourse and has been admitted to the Nextprime segment of Euronext (Euroclear: 3610, Bloomberg: IML, FP, Reuters: BTTP.PA).

- ***CONTACTS*:**

Maryse AULAGNON
Chairman and Chief Executive
+33 (0) 1 44 90 43 10

Alain CHAUSSARD
Vice-Chairman and deputy Chief Executive
+ 33 (0) 1 44 90 43 10

Financial Communications:
Point Final – Manuel Andersen - +33 (0) 1 53 30 26 80 - mandersen@pointfinal.com