



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS IN 2007

CHANGES IN GROUP STRUCTURE

A number of companies joined or left the group in 2007:

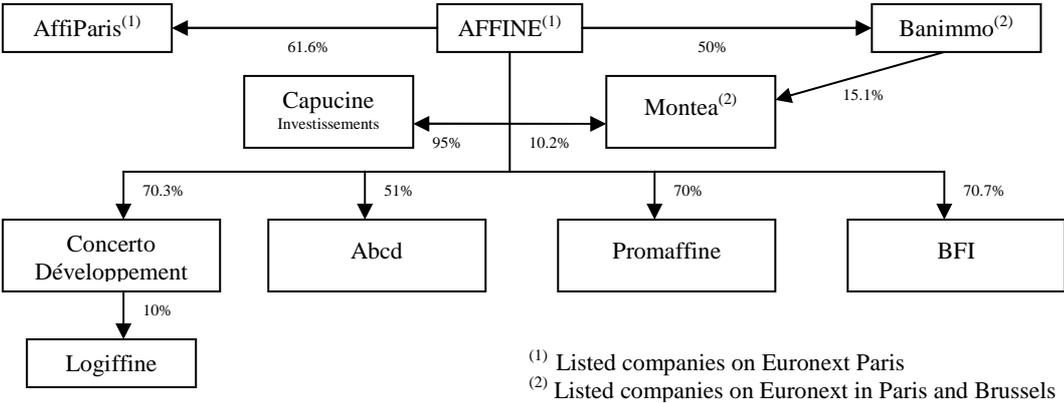
- On February 19, Affine acquired a 64.22% equity stake in Compagnie Foncière Fideimur at €19.10 per share. Following the public tender offer which closed on March 2, Compagnie Foncière Fideimur increased its equity capital by €11.1m through the issue of new shares, reducing Affine's interest to 51%. In the second half, Affine steadily increased its equity holding to 61.6%. AffiParis, its new name as of July 26, had its share listed on Compartment C of Euronext Paris and opted for the status of SIIC¹ with effect from April 1, 2007. It now specialises in commercial property in Paris.
- On January 20, Cardev (wholly-owned by Affine) was formed in Brussels to build a warehouse in the Cargovil area of Vilvoorde.
- On October 26, Molina SAS² (95%-owned by Affine) was formed for the acquisition and transformation of a logistics building in Saint Etienne.
- On December 4, Logisiic became an SIIC called Capucine Investissements focusing on commercial investment in the city centre and inner suburbs. Affine holds a 95% stake alongside its manager. In December, Capucine Investissements acquired Les Valliers SCI³.
- Concerto Développement absorbed Cochets Project SCI by universal asset transfer and created Concerto Balkans SRC in Bucharest.
- All the companies operating business centres under BFI brandname (Lemaco, Casf) were absorbed by BFI by universal asset transfer.
- Promaffine created four dedicated companies for specific projects, sold 46 Provence SCI in Paris 9, and liquidated Rennes Chantepie Lot N56.

¹ SIIC – a French listed real estate investment trust

² SAS – a French simplified joint-stock company

³ SCI – a French private real estate company

Group Structure



As of December 31, 2007, Holdaffine^(*) held 54.8% of the equity (and 68.3% of voting rights) of Affine, with the balance (45.2 % of the equity) constituting the free float^(**).

(*) including 1.1 % holding by directors
 (**) of which Axa Aedificandi 4.9 % (voting rights 6.1 %)

KEY DATA

CONSOLIDATED FINANCIAL STATEMENTS

(€ million)	2006 ⁽¹⁾	2007
Revenues ex-VAT ⁽²⁾	118.7	139.6
New investments	198.8	164.2
- Acquisition (Banimmco)	76.3	-
- Acquisition (Fideimur) ⁽³⁾	-	33.8
- Rental properties ⁽⁴⁾	100.9	88.7
- Lease finance	13.0	8.5
- Equity investments ⁽⁵⁾	8.6	33.2
Balance sheet		
- Total assets	1,063.5	1,363.1
- Rental properties ⁽⁶⁾	721.5	967.1
- Lease finance	131.8	108.6
- Equity investments	61.5	86.3
Shareholders' equity (before allocation)	354.1	570,0
Solvency ratio	32.2%	39.8%
Net profit	64.0	91.6
- of which Group share	59.0	78.2
Return on equity ⁽⁷⁾	18.1%	16.1%
Rental properties portfolio ⁽⁸⁾		
- Including transfer taxes	746	996
- Excluding transfer taxes	715	947
Group share of net asset value		
- replacement NAV	352	518
- liquidation NAV	321	469

⁽¹⁾ restated

⁽²⁾ including margin on development operations

⁽³⁾ of which €28.2m on acquisition in March 2007

⁽⁴⁾ at historic cost, in full ownership or lease financed

⁽⁵⁾ excluding impact of fair value

⁽⁶⁾ including assets under construction and receivables

⁽⁷⁾ calculation of ROE

⁽⁸⁾ market value

AFFINE COMPANY STATEMENTS

(€ million)	2006	2007
Number of shares as of December 31	2,699,999	8,108,595 ⁽⁹⁾
Shareholders' equity (before allocation) ⁽¹⁰⁾	200.3	283.1
Net profit	15.1	16.8
Dividend	12.1	13.4
- <i>per share</i>	€4.50	€1.65 ⁽⁹⁾

⁽⁹⁾ after three-for-one split of shares

⁽¹⁰⁾ including mandatory convertible bonds (ORA) and perpetual subordinated loan notes (TSDI)

RESULTS

Consolidated financial statements

Consolidated net profit came to €91.6m, up sharply(+ 43%) from 2006.

Operating profit was up 9.8% due to various factors:

- the margin on rental properties was significantly higher at €111.8m (+ 23%); after deduction of net capital gains on disposal of €27.0m and the contribution of the fair value adjustment of €27.8m, the operating margin on rental properties came to €57.0m, as against €42.6m in 2006 (+ 33.9%). In contrast, the margins generated by property development and construction engineering (€10.6m), lease financing (€10.2m) and the activity of business centres (€3.6m) remained stable;
- a significant increase in financial costs from €23.1m to €35.1m, due to the rise in interest rates;
- dividends received totalling €4.3m (compared with €0.6m in 2006)

Operating expenses amounted to €33.7m compared to €24.9m in 2006. Within this item, personnel expenses rose €10.2m to €13.3m, due particularly to the increase in the number of group employees. The group's recent acquisitions (Abcd, Banimmo and AffiParis) accounted for 60% of the increase in other overheads.

Pre-tax profit came to €87.5m, compared with €68.7m in 2006 (+ 27.2%), largely due to the €12.6m exceptional gain on dilution when Banimmo shares were floated on Euronext Brussels.

The group also booked a tax credit of €4.1m, thanks largely to tax income of €8.9m resulting from a writeback of deferred tax when AffiParis adopted SIIC status, after deduction of the corresponding exit tax.

Operating cash flow excluding overheads grew by 12.2% to €93.3m compared to €83.1m in 2006. After allowance for overheads, operating cash flow amounted to €65.7m, compared to €62.8m in 2006.

Affine

Affine's net profit grew by 11.4% compared to 2006, amounting to €16.8m.

Gross operating profit was 24% higher, due particularly to a higher rental property margin (+ €6.3m) and dividends from subsidiaries (+ €10.1m), that partially offset financial expenses that were up by €8.9m (of which €2.6m from interest on the perpetual subordinated loan notes, not taken into account in the consolidated result since these notes are similar to shareholders' equity). Pre-tax profit only rose 2% to €17.8m, largely due to the impairment provision against the BFI investment and a part of the shareholders' advance.

The income tax charge for the year was virtually nil since, unlike in 2006, Affine did not exercise any early option as lessee and did not therefore generate any exit tax.

Banimmo

The Banimmo sub-group's net profit was stable at €22.7m.

Rental income fell markedly (-28.6%) due to the significant asset disposals made in 2006. Capital gains on disposal came to €23.1m (compared to €23.3m) in 2006, while the negative fair value adjustment of assets decreased by 3.6 to €1.5m.

Given an increase of €2.1m in administrative expenses (e.g. public tender offer, increase in personnel, other extraordinary income), operating profit was down by -15.6% at €28.8m and pre-tax net profit by 10.7% at €22.3m.

The sub-group recorded a net tax write-back of €0.5m whereas it had borne a net expense of €2.2m in 2006.

Montea, in which Banimmo and Affine jointly has owned 25% since its creation in October 2006, generated a net profit of €14.4m in 2007; operating profit, after overheads, came to €9.9m and the portfolio's fair value grew by €5.6m.

AffiParis

The 2007 financial year at AffiParis was reduced to 9 months, from April 1 to December 31, 2007 (while the previous financial year had been extended to 15 months).

The delivery of the entire Baudry/Ponthieu property generated a sharp increase in rents, from €1.7m to €6.6m (on an annual basis). The apparent downturn in the consolidated net profit of the AffiParis sub-group was due to the fair value adjustment, which had been very high in 2006 (€53m) when the Baudry/Ponthieu complex was delivered, and which had been virtually nil in 2007. Apart from this book value adjustment, operating results improved from a loss of -€21.1m to a profit of €8.1m.

Other subsidiaries

Following the delay in the launch of various programmes, and due particularly to a longer than expected delay in gaining final planning, the sub-group **Promaffine** posted a net loss of €286k in 2007.

The sub-group **Concerto Développement** saw a decline in revenues in 2007 (€27.1m compared to €39.5m in 2006), which caused a contraction of its operating income, down to €2.3m compared to €6m the previous year. The late delivery of the Hem platform and the delayed launch of the Madrid operations were the main reasons. Net profit came to €1.1m, down from €3.3m the previous year.

Continuing development of the activity of the sub-group **Affine building construction and design** in 2007, enabled it to raise its revenues to €107.7m, up from €30m in 2006, which required significant extra resources. Operating profit, virtually nil in 2006 (the year it was formed), came to €2.3m in 2007. Similarly, net profit, marginally negative in 2006, came to €2m in 2007 after a €1m tax charge.

From January 2, 2007, all the group's business centres were consolidated in **Business Facility International**. It recorded an operating loss of €-0.9m (compared to a loss of €1.7m for the consolidated BFI sub-group in 2006); accounting standards required a provision of €3.6m to be temporarily set aside for technical negative goodwill. Consequently, the net loss came to €4.8m (compared to a loss of €2.0m in 2006 for the consolidated BFI sub-group).

COMPTES CONSOLIDES - CONSOLIDATED STATEMENTS

**COMPTE DE RESULTAT
(présentation économique)**

**PROFIT AND LOSS ACCOUNT
(economic presentation)**

	Retraité (Adjusted)		
	2006 (M€)	2007 (M€)	
<u>IMMEUBLES DE PLACEMENT</u>	91,1	111,8	<u>RENTAL PROPERTIES</u>
Produits	62,9	77,2	Income
Charges	(20,3)	(20,2)	Expenses
Résultat de cessions	12,3	27,0	Net gain from disposals
Impact net de la Juste Valeur	36,2	27,8	Net fair value adjustment
<u>LOCATION-FINANCEMENT</u>	10,0	10,2	<u>LEASE FINANCE</u>
Produits	15,1	13,4	Income
Charges	(5,7)	(5,0)	Expenses
Résultat de cessions	0,6	1,8	Net gain from disposals
<u>OPERATIONS IMMOBILIERES</u>	10,7	10,6	<u>DEVELOPMENT</u>
Produits	90,1	171,8	Income
Charges	(79,4)	(161,2)	Expenses
<u>AUTRES ACTIVITES</u>	3,3	8,7	<u>OTHER ACTIVITIES</u>
Produits	7,8	13,0	Income
Charges	(4,5)	(4,2)	Expenses
<u>INTERETS, DIVIDENDES & DIVERS</u>	(21,6)	(29,7)	<u>INTERESTS, DIVIDENDS AND MISCELLANEOUS</u>
Produits	2,6	8,5	Income
Charges	(24,2)	(38,3)	Expenses
RESULTAT OPERATIONNEL	93,5	111,6	OPERATING PROFIT
Frais de personnel	(10,2)	(13,3)	Personnel expenses
Autres frais administratifs	(14,6)	(20,4)	Other administrative expenses
Divers	0,1	9,6	Miscellaneous
RESULTAT COURANT AVANT IMPOT	68,7	87,5	PROFIT BEFORE TAX
Impôt sur les sociétés et divers	(4,8)	4,1	Income tax and miscellaneous
RESULTAT NET	64,0	91,6	NET PROFIT
dont part du groupe	59,0	78,2	of which group share
dont part des minoritaires	5,0	13,4	of which minority interests

COMPTES CONSOLIDES - CONSOLIDATED STATEMENTS

BILAN (présentation économique)	Retraité (Adjusted)		BALANCE SHEET (economic presentation)
	2006	2007	
	(M€)	(M€)	
ACTIF			ASSETS
Caisses, autres prêts et créances sur établissements de crédit	11,6	42,1	Cash and bank
Prêts et créances sur la clientèle	28,4	49,7	Client receivables
Actifs financiers	46,8	70,5	Financial assets
Opérations de location-financement	131,8	108,6	Lease Finance
Immeubles de placement ⁽¹⁾	721,5	967,1	Rental properties ⁽¹⁾
Participations mises en équivalence	25,1	28,6	Participations (equity method)
Autres immobilisations	4,3	3,1	Other fixed assets
Comptes de régularisation et actifs divers	87,2	86,5	Prepayments and other assets
Ecarts d'acquisition	6,9	6,9	Goodwill
TOTAL DE L'ACTIF	1 063,5	1 363,1	TOTAL ASSETS
PASSIF			LIABILITIES
Dettes envers les établissements de crédit	562,5	588,0	Bank debts
Dettes envers la clientèle	10,2	12,2	Client payables
Dettes représentées par un titre	0,0	24,9	Bonds
Comptes de régularisation et passifs divers	131,7	162,2	Accrued expenses and other liabilities
PASSIF ENVERS LES TIERS	704,4	787,4	LIABILITIES TO THIRD PARTIES
Provisions pour risques et charges	5,0	5,7	Provisions for risks and contingency liabilities
Dettes subordonnées	31,0	105,4	Subordinate debts
Capital	47,6	47,7	Share capital
Primes d'émission	23,4	23,8	Issue premium
Actions propres	(0,4)	(5,4)	Treasury stocks
Réserves, report à nouveau	174,9	271,5	Reserves, retained earnings
- part du groupe	143,8	184,2	- group share
- part des minoritaires	31,1	87,3	- minority interests
Gains ou pertes latents ou différés	13,6	35,3	Unrealised profit or loss
Résultat net	64,0	91,6	Net profit
- part du groupe	59,0	78,2	- group share
- part des minoritaires	5,0	13,4	- minority interests
FONDS PROPRES	354,1	570,0	SHAREHOLDERS' EQUITY
TOTAL DU PASSIF	1 063,5	1 363,1	TOTAL LIABILITIES

⁽¹⁾ y compris immobilisations en cours et créances rattachées / including assets in construction and associated receivables

COMPTES INDIVIDUELS - COMPANY STATEMENTS

COMPTE DE RESULTAT
(présentation économique)

PROFIT AND LOSS ACCOUNT
(economic presentation)

	2006 (M€)	2007 (M€)	
<u>IMMEUBLES DE PLACEMENT</u>	22,2	28,5	<u>RENTAL PROPERTIES</u>
Produits	34,6	41,0	Income
Charges	(17,7)	(16,9)	Expenses
Résultat de cessions	5,3	4,4	Net gain from disposals
<u>LOCATION-FINANCEMENT</u>	12,5	12,6	<u>LEASE FINANCE</u>
Redevances	38,7	33,2	Income
Charges	(26,8)	(22,9)	Expenses
Résultat de cessions	0,6	2,3	Net gain from disposals
<u>INTERETS, DIVIDENDES ET AUTRES</u>	(5,2)	(3,5)	<u>INTERESTS, DIVIDENDS AND</u>
Produits	12,8	26,3	<u>MISC</u> Income
Charges	(18,0)	(29,8)	Expenses
PRODUIT NET BANCAIRE	29,5	37,5	NET BANKING INCOME
Frais de personnel	(4,1)	(4,1)	Personnel expenses
Autres frais administratifs	(3,7)	(5,8)	Other administrative expenses
Redevances crédit-preneur	(3,8)	(5,4)	Lease finance rents paid
Divers	(0,5)	(4,4)	Miscellaneous
RESULTAT COURANT AVANT IMPOT	17,4	17,8	PROFIT BEFORE TAX
Résultat exceptionnel	0,0	0,0	Exceptional profit and loss
Impôt sur les sociétés	(2,1)	(0,1)	Income tax
Divers	(0,2)	(0,9)	Miscellaneous
RESULTAT NET	15,1	16,8	NET PROFIT

COMPTES INDIVIDUELS – COMPANY STATEMENTS

BILAN
(présentation économique)

BALANCE SHEET
(economic presentation)

	2006 (M€)	2007 (M€)	
ACTIF			ASSETS
Caisses et créances sur établissements de crédit	3,7	17,7	Cash and bank
Créances sur la clientèle	27,4	63,0	Client receivables
Obligations, actions & autres titres monétaires	8,4	6,4	Bonds, shares and other money-market securities
Participations, activités de portefeuille et parts dans les entreprises liées	140,7	172,1	Participations and investments in group companies
Location-financement	134,8	112,2	Lease finance
Immeubles de placement	266,1	260,0	Rental properties
Autres immobilisations	26,0	42,3	Other fixed assets
Actions propres	0,4	4,9	Treasury stocks
Autres actifs	12,5	16,1	Other assets
Comptes de régularisation	5,3	6,9	Prepayments
TOTAL DE L'ACTIF	625,3	701,6	TOTAL ASSETS
PASSIF			LIABILITIES
Dettes envers les établissements de crédit	384,0	371,0	Bank debts
Comptes créditeurs de la clientèle	9,7	17,4	Client payables
Dettes représentées par un titre	0,0	0,0	Bonds
Autres passifs	25,0	24,1	Other liabilities
Comptes de régularisation	6,2	6,0	Accrued expenses
PASSIF ENVERS LES TIERS	424,9	418,5	LIABILITIES TO THIRD PARTIES
Provisions pour risques et charges	0,1	0,0	Provisions for risks and contingency liabilities
Dettes subordonnées	30,4	107,0	Subordinate debts
Capital	47,6	47,7	Share capital
Primes d'émission	23,4	23,8	Issue Premium
Réserves, report à nouveau	83,7	87,8	Reserves, retained earnings
- dont écarts de réévaluation	31,1	28,0	- of which variances from revaluation
Résultat net	15,1	16,8	Net profit
FONDS PROPRES	200,3	283,1	SHAREHOLDERS' EQUITY
TOTAL DU PASSIF	625,3	701,6	TOTAL LIABILITIES

THE AFFINE SHARE

Increase in capital

As a result of the Annual General Meeting of April 26, 2007 giving every shareholder the option of receiving the balance of the 2006 dividend in shares, 2,866 new shares were issued, taking the number of shares in circulation at June 30, 2007 to 2,702,865 for share capital of €47,700,000. On July 2, the number of shares was multiplied by three following a three-for-one split, to increase the liquidity of the share and stimulate the market. As of December 31, the number of shares in circulation was 8,108,595.

Stock market situation

The company is listed on Euronext Paris Compartment B and is included in the SBF 250 (CAC Small90), SIIC-IEIF and EPRA indexes.

Following the authorisation given by the Annual General Meeting of April 26, 2007, the company purchased 87,185 of its own shares during the financial year to provide for bonus share awards to personnel.

The liquidity contract signed with Fortis Bank provides for continuous stock quotation in order to stimulate trading. After taking account of purchases and sales in the year, the liquidity account comprised 44,523 shares at the end of 2007, which are reported as treasury shares under assets in the balance sheet. The average number of daily transactions was 7,023 shares in 2007 compared to 6,177 (after the three-for-one split) in 2006 (+ 13.7%).

As of December 31, 2007, the number of treasury shares on the company's balance sheet totalled 136,859 for a cost price of €5.4m compared to €3,426m (before the bonus issue) for a cost of €444k as of December 31, 2006.

After remaining in the €45/50 bracket (after the split) in the first half, the Affine share suffered from the markets' backlash against property stocks, a consequence of rising interest rates and greater difficulty in raising finance following the subprime crisis in the United States. The 2007 year-end closing price of €37.50 represented a fall of 17.7% (after a rise of 53.9% in 2006). The fall continued in the first few weeks of 2008 in line with the general crisis on the stock market, pushing the Affine share down to around €32 on the date the Board of Directors approved the financial statements, down some 15% compared with January 1st.

Net asset value

Thanks to the strengthening of consolidated shareholders' equity following the €75m issue of perpetual subordinated loan notes and the net profit for the year, the liquidation net asset value came to €469.2m (+ 46% compared to the end of 2006), representing €57.9 per share. The replacement NAV came to €517.9m (€63.9^(*) per share), which made for a discount of around 50% on the share price. This NAV calculation includes the published asset value of Banimmco but does not account for the fair value of properties undergoing major renovation and the Dolce conference centres.

- (*) ~~€60.0~~ excluding ORA
€54.7 excludg ORA and TSDI
€53.2 after ORA conversion
€50.9 excluding ORA and TSDI
€45.6 after ORA conversion and excluding TSDI

CARACTERISTIQUES BOUSIERES

STOCK MARKET INFORMATION

Marché	Euronext Paris Compartment B	Market
Code ISIN	FR 0000036105	ISIN code
Bloomberg	IML FP	Bloomberg
Reuters	BTTP.PA	Reuters
Nombre de titres	8 108 595	Shares outstanding
Flottant	45 %	Free float
Capitalisation au 31 décembre 2007	304 M€	Market capitalisation at December 31, 2007

CHIFFRES CLES PAR ACTION (EN €)

KEY FIGURES PER SHARE (IN €)

	2006(*)	2007	
ANR de remplacement	43,45	63,86	Replacement NAV
Résultat net consolidé	7,90	11,30	Consolidated net profit
Dividende	1,50	1,65	Dividend
Cours de clôture	45,57	37,50	Closing price
Rendement sur cours de clôture	3,3 %	4,4 %	Return per closing share price

(*) retraité et après division du pair par 3

NEW INVESTMENTS

During the year, Affine group pursued vigorous investment efforts despite fierce competition on the property market for most of the year. Through their capacity to find and carry out complex transactions, the group's various property companies succeeded in meeting the criteria for profitability and risk set by the group. The total investment volume, which came to €198.8m in 2006 (of which €76.3m was for the acquisition of Banimmio shares), amounted to €164.2m (of which €28.2m was for the acquisition in March 2007 of shares in Compagnie Foncière Fideimur), split between Affine (62%) and Banimmio (38%).

1- Investments carried out by **Affine** (directly or via other companies) came to €49.5m. These involved (i) the acquisition of buildings:

- Saint Julien les Metz (57): 6,000 sqm of multi-tenant offices on the La Tannerie site;
- Saint-Etienne (42): in a state of future completion, 42,000 sqm of vacant warehouses will be renovated in 2008 to house three tenants including the French army's archives and printing service (EDIACAT).

and (ii) the purchase of leasing contracts as lessee at:

- Saint Julien les Metz (57): 3,150 sqm of offices let to SAGE
- Thouars (79): 32,000 sqm of warehouses let to Norbert Dentressangle
- Cergy Saint Christophe (95): 3,200 sqm of offices and industrial premises let to Alcoa Fastening Systems
- Kremlin Bicêtre (94): 3,000 sqm of multi-tenanted offices
- Miramas (13): 12,000 sqm of warehouse let to Logiland, a logistics company acting for the Nortène group; the renovation and extension were conferred to Concerto Développement.

Affine also set up lease finance of €8.45m for a company in the Cauval Industrie group for a 14,000 sqm warehouse occupied by Dunlopillo at Limay (78).

The subsidiary Capucine Investissements purchased a 7,000 sqm complex of commercial-use buildings near Troyes (10).

2- In 2007, **Banimmio** completed or initiated a substantial number of new transactions in Belgium and France:

- Acquisition for €45m of a hotel and conference centre at Chantilly (60), which will be managed by Dolce and undergo major renovation work.
- Joint signature with Montea (in which Banimmio holds 15% and Affine 10%) for the acquisition of the offices and logistics site for Unilever Belgium in Brussels. The logistics areas will belong to Montea and Banimmio will own the 13,600 sqm office building, which is fully let.
- Signature of an operational leasing contract with Mobistar to build its future 29,600 sqm head office at Evere, with a fixed lease of 15 years.

- Acquisition of a 5,100 sqm building occupied by Agfa at Kontich.
- Takeover bid on property certificates in North Plaza, owner of a 13,630 sqm building to be renovated in Brussels; with 32% of certificates at the end of the offer period in January, Banimmo is in a position of influence regarding the sale of the building.
- Acquisition of Bouwcentrum in Antwerp, an exhibition centre let to property company Artexis, which will undergo renovation and future extension on an adjacent site.
- Purchase near Orléans of a 2,400 sqm commercial complex.
- Exercise of an option to develop an 8,000 sqm shopping centre at Clamart which will be delivered in 2008.

In addition, Banimmo created a partnership with the American group Pramerica to set up a €200m fund (30% Banimmo, 70% Pramerica) to invest in shopping centres in France.

Banimmo cemented its partnership with the city of Ghent and it will be responsible for developing an area of nearly 380,000 sqm for mixed use in the Flanders Expo area.

For its part, in its first year of operation, **Montea** invested €30.6m in 16,500 sqm of logistics buildings at Savigny-le-temple (acquired from Affine), 23,000 sqm at Malines and 13,600 sqm at Alost.

- 3- **AffiParis** made its first investment in December for a total of €7.7m, in line with its strategy of focusing on Parisian business property, by the acquisition from Affine of a multi-tenant office building of 1,700 sqm in Paris 3, with a return of almost 6.5%

ASSETS EVOLUTION

The group's property assets were valued as of December 31, 2007 by external valuation companies. The value of the 123 properties excluding transfer taxes came to €947m, compared to €715m at the end of 2006. On a like-for-like basis, the market value of assets in the portfolio as of December 31, 2006 increased by 6.5% during the year. The amount of rent received was €63.3m compared with €52.4m in 2006 (+20.7%).

Breakdown of property assets

- 1- **Affine's** portfolio (excluding Banimmo and AffiParis) consists of 84 buildings in the Paris area and other regions of France, and a property complex in Berlin. It covers an area of nearly 565,000 sqm and its estimated value as of December 31, 2007 was €631m, including transfer taxes.

Excluding new acquisitions, Affine signed 35 new leases relating to 36,000 sqm, and leases were renewed by 9 tenants occupying 29,000 sqm. Revenues from leasing activities (excluding Banimmo and AffiParis) were 23.3% higher, totalling €43.1m compared to €35.0m in 2006. This was due both to an increase in existing rents and a positive balance of rents from properties acquired and sold. On a like-for-like basis, rents were 6.6% higher over the year.

Of the new leases, 21 involved Jardin des Quais (50% Affine, 50% Banimmo) which owns and operates a 23,000 sqm shopping centre on the banks of the Garonne in Bordeaux (33) city centre. The new tenants are factory outlet stores in keeping with the concept of Quai des Marques to which the majority of the five buildings are dedicated. Substantial renovation work has been carried out on the appearance and functionality of the site.

In order to avoid any over-concentration of risk with regard to rental income, none of Affine's twenty largest tenants, including Wincanton, SNCF, Amadeus, Nissan, TDF, and the Mairie of Corbeil-Essonnes, together accounting for 47% of rental income, represented 10% or more of the total rents.

As of December 31, 2007, the financial occupancy rate of Affine's property assets (excluding Banimmo and AffiParis and excluding properties undergoing redevelopment at Val d'Yerres, St Cloud and Bordeaux) was 94.5%, compared to 94.0% at the end of 2006

During the year, Affine (excluding Banimmo and AffiParis) sold eleven assets (two of which were to group companies since they no longer corresponded to Affine's investment criteria in terms of size, profitability or diversification), representing a total area of 22,000 sqm. The total amount of sales came to €19.6m, and the capital gain posted in the financial statements was €1.6m.

During the year, purchase options were exercised on 60 lease finance contracts relating to 90,000 sqm; 15 of these were at the end of the contract and 45 were early (1 partially and 28 were part of a major outsourcing of assets by Accor group in 2006 to a buyer who signed a lease with purchase option in 2007). The capital gain was €1.8m. Gross commitments decreased by €33m to €265m in the year, and consequently the amount of fees continued to decline, totalling €27.2m in 2007 compared to €31.2m the previous year.

- 2- As of December 31, 2007, **Banimmo**'s property assets included 17 assets with a total book value of €182m. In accordance with Banimmo's policy, the area occupancy rate was 87%, as a portion of the buildings were empty so that renovation work could be carried out.

Two large sales were made during the year:

- The balance of 40% of Brouckere Tower Invest, a company owning a 36,000 sqm office building in Brussels, was sold to MSEOF, a fund managed by Morgan Stanley that had already purchased 60% of the company in 2006. The sale generated a net capital gain of €9.5m in 2007.
- Orco Property Group purchased the CAP 2 building that was built in Luxembourg by Banimmo. The building, fully let, covers 7,750 sqm and its sale generated a net capital gain of €9.7m.

Banimmo conducted an active rental policy to market nearly 17,300 sqm of offices, 5,700 sqm of industrial premises and 7,000 sqm of warehouses for total annual rents of €5.1m.

The year 2007 also saw the opening of the Dolce La Hulpe conference centre (264 rooms) after a major €40m renovation. This centre has been added to the Dolce Chantilly centre (200 rooms) that is undergoing renovation within a structure in which Banimmo holds 49% alongside private investors. La Hulpe's revenues amounted to €15.8m and EBITDA €3.3m with an occupancy rate of 49% (after 10 months of activity); Chantilly posted revenues of €16.2m and EBITDA of €3.8m with an occupancy rate of 69.5%.

As of December 31, 2007, **Montea**'s property assets related to 271,000 sqm and were valued at €136.4m excluding transfer taxes (up 35% since the company was formed). Montea also owns nearly 45,000 sqm of land with development potential.

- 3- **AffiParis**'s portfolio comprises 22 properties occupying nearly 70,000 sqm, of which three in Paris represent 81% of the total value of the assets, valued at €177m. The principal asset, the 10,000 sqm Baudry/Ponthieu property complex in Paris 8, is leased almost entirely to Baker & McKenzie. At the end of December 2007, the occupancy rate was 93.5%, with the properties in Paris 98.5% let.

No significant sales occurred during the year and nearly 6,000 sqm were sublet or had a new lease assigned.

The properties outside Paris are due to be sold in 2008.

ACTIVITY OF SERVICES SUBSIDIARIES

1- Concerto Développement

A subsidiary of Affine specialised in logistics engineering, Concerto Développement saw sustained activity both in France and Spain, through its subsidiary Concerto Développement Iberica.

In France, operations related to:

- the acquisition of a lease finance contract on a warehouse in Miramas, which was subsequently sold to Affine (see above). Concerto Développement will be responsible for the renovation of the warehouse and the construction of a 5,700 sqm extension;
- the construction for DHL Fashion Group of an 11,270 sqm warehouse at Tilloy les Cambrai (59), with delivery planned for the beginning of 2008. This complex is currently being sold to Montea;
- the construction and marketing of platforms covering 42,600 sqm in Hem (59) and 85,000 sqm in Montéleger (26) for the "joint-venture" Logiffine created in 2006 with Macquarie Global Property Advisors (MGPA). The first facility in the Montéleger operation was delivered in December 2007;
- continuing studies for a 130,000 sqm logistics area in Mer (41).

In Spain, the year saw the sale to a fund managed by Lasalle Investment Management of the two Madrid platforms of Azuqueca (19,000 sqm) and Alcala (9,100 sqm) in the course of construction, and continued development of the Sant Feliu de Buixalleu area near Barcelona (40,000 sqm).

Concerto Développement also completed a 10,500 sqm warehouse for a subsidiary of Affine in Vilvoorde (Belgium) and continued to review projects in Romania, Portugal and Switzerland.

2- Affine Building Construction and Design (Abcd)

This construction engineering company, created at the beginning of 2006, is specialised in the construction of industrial buildings in France, Germany (Abcd Deutschland) and Spain (Abcd Iberica).

In 2007, Abcd maintained stable growth with the delivery of a significant number of operations totalling 300,000 sqm:

- 62,000 sqm in Savigny sur Clairis (89)
- 52,000 sqm in Vatry (51)
- 22,000 sqm in Canly (60)
- 21,000 sqm in Baule-sur-Loire (45)
- 18 000 sqm in Montéleger (26)
- 90,000 sqm renovated in Bagneux (92)

- 10,000 sqm in Madrid (Spain)
- 25,000 sqm in Kassel (Germany)

At the end of 2007, the order book totalled €145m and included operations signed in 2007 which will be completed in 2008, in Soissons (37,000 sqm), Calais (16,000 sqm), Hem (42,000 sqm), Dijon (9,300 sqm), Marly (21,000 sqm), Mont Saint Martin (14,000 sqm), Cambrai (10,000 sqm), Brie Comte Robert (7,000 sqm), Beaulieu sur Layon (30,000 sqm), Narbonne (40,000 sqm), Elancourt (36,000 sqm), Madrid (25,000 sqm) and Cologne (33,000 sqm).

Abcd was sold on 28 February 2008 to the private equity fund Atria Capital Partenaires.

3- **Promaffine**

In addition to the sale of a 3,200 sqm property in Paris 9 to be renovated, the company pursued current projects which are due to continue over 2008 and 2009:

- second tranche of the residential co-development programme in Rue Copernic (Paris 16)
- 28,000 sqm of co-developed HEQ offices, business activities and shops in Paris 11
- 111 apartments in Lucé (28) to be delivered at the end of 2009 / beginning of 2010
- 88 apartments in Bourghéroulde (27) to be delivered at the end of 2009 / beginning of 2010
- launch within a co-development of a programme of 210 apartments and shops in Marseille 10
- study of a 13,000 sqm project in Nanterre "Seine Arche" (92), for which Promaffine was designated as co-development leader.

Promaffine is responsible for the rehabilitation of two HEQ office and shopping properties of 4,000 sqm and 5,000 sqm in Soissons (02), one of which will be developed for Affine.

4- **Business Facility International (BFI)**

BFI, which runs 14 business centres in Ile de France and the provinces (one as a franchise), consolidated its position on the market in 2007, without any new openings. On a like-for-like basis, revenues came to €7.3m, up 6% compared to 2006.

BFI became part of the Alliance Business Centres Network which brings together over 600 centres around the world.

FINANCING

From the start of the summer 2007, the general context deteriorated in terms of bank finance and restricted access to the capital market but Affine group was able to fund its investment programme under satisfactory terms.

Its property financing operations proved well suited to this environment:

- diversification in banking relations
- financing with recourse to Affine
- medium-sized credits established per transaction, secured by real estate assets
- loans repaid over the term planned for holding the asset
- hedging of interest rate risks

During the year, Affine group set up €69.0m of newbank loans (excluding lines of credit and including €18.3m for the takeover of Fideimur which became AffiParis), increased its borrowings by €90m due to the acquisition of Fideimur, received €20.7m financing embodied in lease finance contracts and repaid €150m of loans during the year, which represents a net increase in bank debt of €29.7m.

Affine has confirmed lines of short-term credit with 6 banks for a total of €36m, unused as of December 31, 2007.

In addition, on July 13, 2007, Affine issued a total of €75m of perpetual subordinated loan notes (TSDI) through lead arrangers Deutsche Bank and Natixis, listed on the Luxembourg stock exchange. These perpetual subordinated notes attract variable-rate interest based on Euribor, payable provided the company pays its shareholders a dividend in excess of the mandatory dividend resulting from its status as an SIIC and a former SICOMI. This issue has strengthened Affine's consolidated shareholders' equity and supplementary (upper tier 2) capital in the calculation of the solvency ratio, with no dilution for Affine's shareholders.

In June 2007, Banimmo launched a public tender offer for the issue of new shares at €21 per share. This issue, oversubscribed by 1.4, generated €56.7m in new funds for its development. The Banimmo share has been listed on Euronext Brussels since June 26 and on Euronext Paris since December 31. The free float accounts for 23% of total capital, with the balance being held by Affine (50%) and the directors (27%).

Banimmo has a permanent line of €215m from a banking pool operated by Aaréal to finance its investments; as of December 31, 2007, the drawdowns on this line amounted to €19.9m. Banimmo also regularly issues commercial paper on the Belgian market, which totalled €25.3m as of December 31, 2007.

As of December 31, 2007, the consolidated financial statements showed net financial debt with credit institutions, including acquisition liabilities and borrowings by Banimmo and AffiParis, of €571.0m compared to €550.9m as of December 31, 2006. This represented 1.1 times the replacement net asset value compared to 1.6 times at the end of 2006. The ratio of annualised net financial costs to the average liabilities owing to credit institutions was 5.5% (4.4% in 2006) and the average term of debt was 6.2 years (excluding Banimmo).

HUMAN RESOURCES

As of December 31, 2007, the group had a total of 155 people on its staff, as follows:

- 72 employees and 83 managers
- 60 men and 95 women
- 128 in France, 19 in Belgium, 5 in Spain and 3 in Germany

Affine and Promaffine signed an agreement in December 2001 on the reduction of working hours; flexible working time was instituted within an annual work load of 1,600 hours. The "solidarity day" instituted by the French law of June 30, 2004 was implemented by reduction in working time.

The profit sharing agreement signed on June 25, 2004 by Affine, Promaffine and Concerto Développement enables their employees to share in their company's profits. Under this agreement, a gross sum of €217,971 was paid to the personnel in 2007 as a share in the profits for 2006.

Staff training focused on two main areas – technical and linguistic. Affine's training budget represented 2.6% of the payroll (above the legal minimum of 0.9%) and 30 employees received such training 2007.

Affine contributed €6,616 in 2007 to the "Association du fonds d'insertion professionnelle des travailleurs handicapés" (AGEFIPH), which supports the integration of disabled people in the workplace.

As of December 31, 2007, Affine's employees had no holdings in the company's share capital through a mutual fund or company savings plan (article L225-102 of the French *Code de Commerce*).

The Board of Directors, meeting on December 10, 2007, on the authorisation of the Ordinary and Extraordinary General Meeting of November 9, 2005 and on the recommendation of the Remunerations Committee of December 10, 2007, proceeded to allocate 25,200 free shares to certain managers and directors of the group.

PROVISIONS RELATING TO INDUSTRIAL AND ENVIRONMENTAL RISKS

In order to meet changes in client requirements and regulatory standards, the group participates in the High Environmental Quality (HEQ) scheme, which consists of limiting the impact of a construction or renovation project on the environment, whilst ensuring healthy and comfortable living conditions for the occupants of the building.

A number of operations meeting this process have already been launched by the group's various development companies: Promaffine (Soissons and Ivry projects), Abcd ("site" charter to reduce nuisance), and Concerto Développement (completion of Hem and Bourges-Valence). The group's property companies will pay particular attention in the future to the quality of assets included in their portfolios in this respect.

As of December 31, 2007, the group's only known pollution risk concerns a building in Antwerp sold in 2006, for which a provision of €2.4m has been accrued on Banimmo's balance sheet.

OUTLOOK

In the current climate, Affine group will continue to pursue its development in line with the criteria of prudence and selectivity in terms of its investments. If economic and financial conditions allow, the group expects to be able to generate, excluding exceptional items, consolidated earnings in 2008 close to that of 2007.