



ICADE SANTÉ

INVESTOR PRESENTATION CREDIT ROADSHOW

October 2019

AGENDA

Today's speakers

1. Icade Santé at a glance
2. Compelling market fundamentals
3. Icade Santé's strategy
4. Financial performances and credit highlights

Appendices

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SPEAKERS

TEAM A



Victoire AUBRY

Executive committee member in charge of Finance and IT – CFO of Icade

Victoire Aubry is a graduate from Dauphine University and HEC Paris. After 10 years in the Investment Bank Ixis, she joined in 2000 the Caisse des Dépôts group Finance and Strategy Department. In September 2005, she became Head of the Performance Steering management team for CNP Assurances and in 2012, became a member of the Executive Committee in charge of Finance, Risk, IT systems, Purchases and Legal at Compagnie des Alpes. Victoire joined Icade on 1st September 2015 as a member of the Executive Committee, in charge of Finance and IT.



Etienne MAURER

Financial Director of Icade Santé

Etienne Maurer is a graduate from ISC Paris. He started his career in 1985 and then successively held several positions in securities management for life insurance companies and securities broker. Etienne joined the financing division of Icade in 1997 and successively held the positions of financial director of Icade Foncière Publique, director of financial structuring of Icade Pôle Equipements Publics and Santé. He became Financial Director of Icade Santé in 2014.

TEAM B



Xavier CHEVAL

Executive committee member in charge of Healthcare Investment division – CEO of Icade Santé

Xavier Cheval, 36 years old, holds a master of business administration from INSEAD (2016) and master of engineering from Centrale Paris (2005). He began his career in 2005 with EY as a consultant in project finance. In 2007, he joined Icade to establish and grow the nascent healthcare property division as an analyst and from 2009 as head of investments. Xavier Cheval was appointed Deputy CEO of the Healthcare Property Division on January 2017. On April 25, 2019, Xavier Cheval has been appointed CEO of Icade Santé.



Jean-Philippe CARRASCOSA

Head of Corporate and Financing – Finance Department Icade

Jean-Philippe Carrascosa joined Icade in 2007 and successively held the positions of Head of debt and Director of financing and cash management. Jean Philippe began his career working for Caisse d'Epargne Rhône-Alpes capital markets division. He subsequently served as an Actuary and then as Head of Financial Services at Locindus, a finance company specialized in real estate leasing.

1. ICADE SANTÉ AT A GLANCE



ICADE SANTÉ AT A GLANCE



THE LARGEST FRENCH HEALTHCARE REIT

Successful growth story

*Icade Santé has become the **largest European healthcare** property investment platform in 10 years*

Partnerships with Operators

*Simultaneous growth creating a **mutually beneficial & long term** relationship*

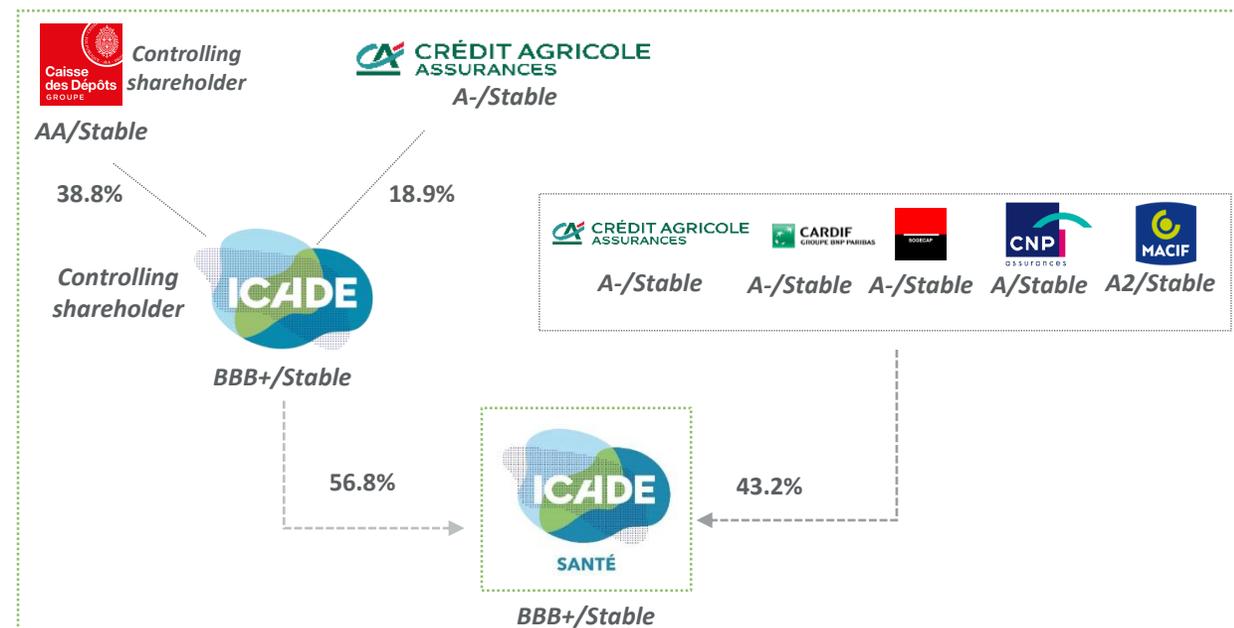
Tax-efficient 'SIIC' Regime

applicable to Icade Santé

As of 31/12/2018

GAV⁽²⁾ : €4.5bn	Net Initial Yield: 5.8%
114 assets owned 100% leased	WAULT: 7.6 years <i>As of 30/06/2019</i>
€236m reported rental income €191m EPRA earnings	LTV: 31.7% <i>Net debt: €1.4bn</i>

A STRONG OWNERSHIP STRUCTURE⁽³⁾



Notes : (1) Covered Icade Healthcare Europe, directly owned by Icade SA and out of Icade Santé's scope
 (2) Global Asset Value
 (3) As of September 30, 2019

A STRONG BUSINESS MODEL WITH LONG-TERM CASH FLOWS AND POSITIVE SOCIAL IMPACT

✓ Strong Fundamentals

- ✓ In depth **market knowledge** & understanding of **operators needs**
- ✓ Very sound **financial performance**

Robust business profile

- ✦ **Comprehensive in-house platform** to source, develop, acquire & manage assets
- ✦ Track-record of **strategic partnerships with top-tier operators**
- ✦ A de-risked pipeline, with **100% pre-letting and attractive characteristics**

Targeted and result driven Strategy

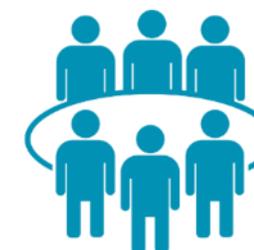
- 🎯 **Value creation** as a key driver: rental growth achieved through steady investments and **adequate capex plan**
- 🎯 **Regular growth: long term, inflation-linked cash flows with high predictability**

3 GOOD HEALTH AND WELL-BEING Social impact

- 📊 **Embedded positive social impact:** Activity oriented by itself toward improving social benefits
- 📊 Invest to **deliver modern and cost-efficient care in line with CSR objectives**



Average lease term in France: 12 years



CSR and Innovation Committees with Health Operators



KEY DIFFERENTIATING FACTORS OFFERING A ROBUST PROFILE

A DIVERSIFIED €4.5BN PORTFOLIO WITH CRITICAL SIZE AND SCARCITY VALUE



- 79 MSO clinics⁽¹⁾
- including 1 under construction
- 7 MHE facilities⁽²⁾
- 14 nursing homes
- 14 Rehabilitation facilities
- including 1 under construction
- +1 under a preliminary agreement, under construction



Notes: (1) MSO : Medicine, Surgery, Obstetrics
 (2) MHE : Mental Health Establishments
 (3) Source : Le Point – August 2019
 (4) Acquisition of 12 healthcare facilities in July

LARGEST PLAYER IN THE FRENCH MARKET (€bn as of Dec. 2018)



RAPIDLY GROWING PORTFOLIO with strong operational features

100%
Occupancy rate

17 clinics selected in the France Top 50 clinics⁽³⁾

114
Assets as of June 30 2019

Broad coverage of the French territory

126⁽⁴⁾
Assets as of September 30, 2019

Diversification in types of facilities

2. COMPELLING MARKET FUNDAMENTALS



SUPPORTING TRENDS FOR ICADE SANTE ACTIVITIES

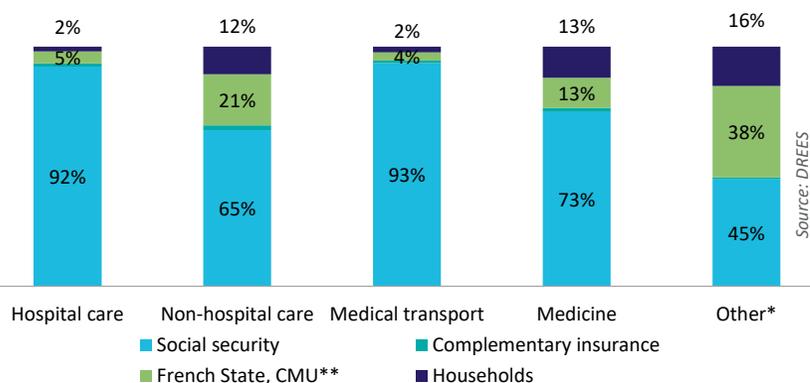


GENERAL TRENDS IN EUROPE AND FRENCH SPECIFICITIES CREATE STRONG DEMAND FOR HEALTHCARE SERVICES

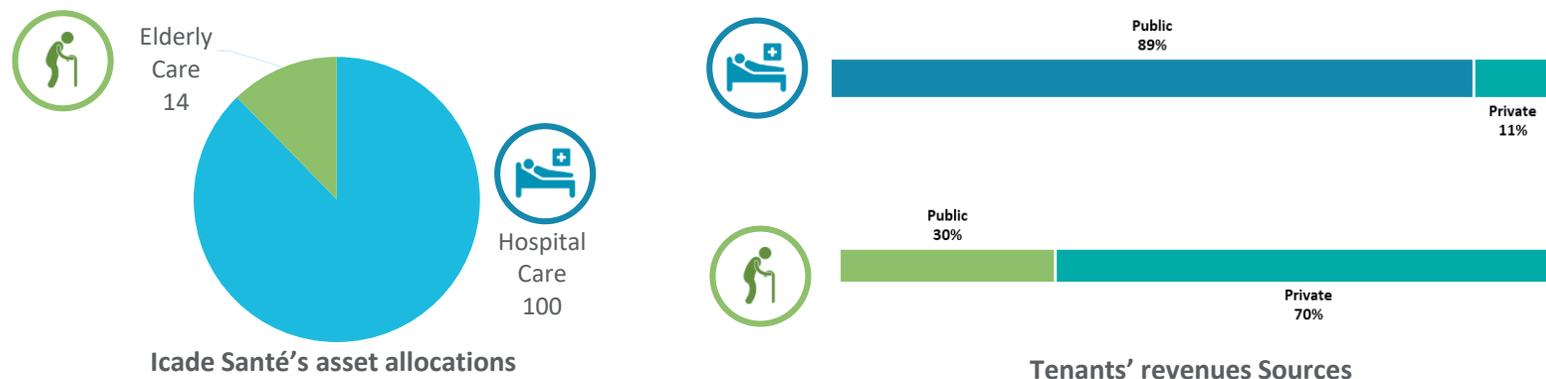
HEALTHCARE EXPENDITURES : A SOUND LEVEL OF PUBLIC COVERAGE

Very low Households' participation in healthcare financing

Consumption of medical care and goods (CSBM)



Icade Santé's tenants and their source of revenue



95%

of the French population is covered



64%

of the private sector employees covered by a collective complementary health insurance



93%

of the retirees covered under a collective agreement

- TENANTS' REVENUES MAINLY COMPOSED OF PUBLIC FUNDING, BOTH IN THE PUBLIC AND PRIVATE SECTORS
- IN ELDERLY CARE, ALL MEDICAL FEES ARE STATE-FUNDED, ONLY HOUSING IS MOSTLY FUNDED BY OCCUPANTS
- MOST LONG-LASTING DISEASES ELIGIBLE TO A 100% SOCIAL-SECURITY COVER

FRENCH MARKET: STRONG MOMENTUM AND HIGH BARRIERS TO ENTRY



HOSPITAL CARE

(MSO, PAC, PSY)

- Public hospitals and non for-profit organisation account for **76% of the beds vs. 24% for private hospitals**
- Number of beds defined by ARS¹ **with very few authorizations granted and no new facilities allowed**
- Market prices set annually by French State (« T2A »)
- Significant investments expected to introduce new technology, upgrade facilities and increase outpatient and ambulatory
- Call for efficiency driving growing market share of large private operators



ELDERLY CARE

(Nursing homes)

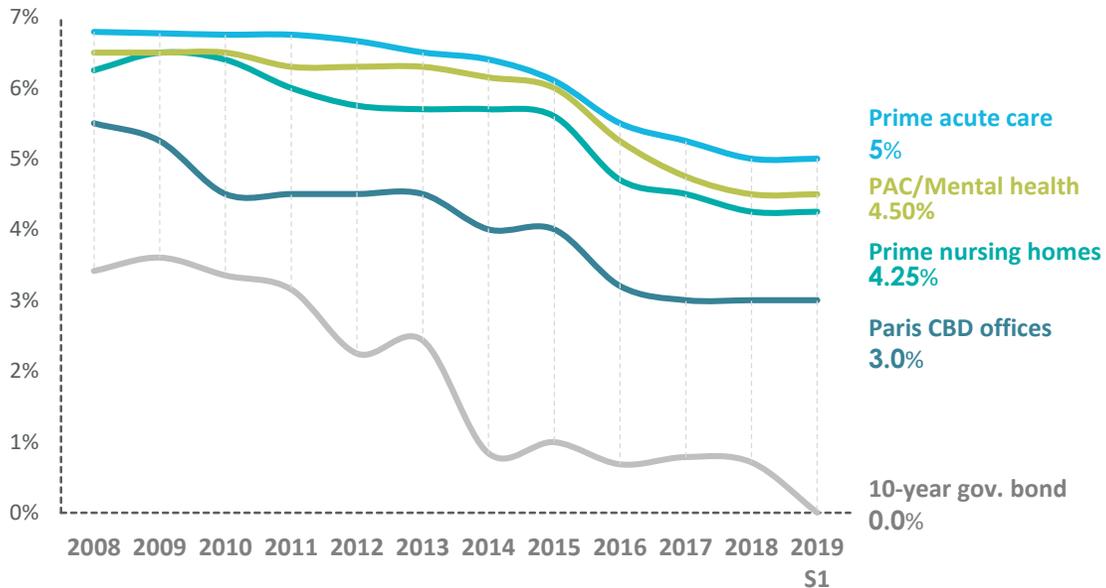
- Public hospitals sector account for **50% of the market**
- Number of beds defined by ARS **with very few authorizations granted since 2010**
- Market prices set annually by the State for 30% of the market and 70% is priced freely by operators
- Large private operators (both France- and foreign-based) **growing dynamically** in France and Europe
- Legal framework: **new legislation on dependency by the end of the year expected to benefit private sector players**

LOW RISK, LONG-TERM, NON-CYCLICAL ASSET CLASS WITH INFRA-LIKE CHARACTERISTICS

An attractive risk premium in France

- **Stable prime yields** in H1 2019 in healthcare
- **Attractive yield with a risk premium of over 125 bps to 200 bps** compared to Paris CBD offices

Prime yields (at period end)



Market data

LOW RISK

- Triple net leases
- **Lower volatility** compare to other real estate classes
- **Attractive risk-adjusted return**
- **Increasingly structured and liquid asset class** with track-record of 2nd hand transactions

LONG TERM

- **12-25 year lease term** in Europe
- **No break clause**
- **Options to extend**

NON-CYCLICAL

- **Continued healthcare spending growth** irrespective of economic cycle
- **Non-discretionary spending**
- **Captive tenants**

INFRA-LIKE

- **Regulated market with significant barriers to entry**
- **Controlled supply** (ARS authorization)
- **High income yield**
- **High margin** and 100% occupancy rate



THE ASSET CLASS IS ATTRACTIVE GIVEN THE LOW VOLATILITY OF THE HEALTHCARE DEMAND, THE NATURE OF OPERATORS REVENUES (MOSTLY PUBLICLY FUNDED) AND THE LEASE DURATION

3.

ICADE SANTÉ'S STRATEGY



A DISCIPLINED INVESTMENT POLICY

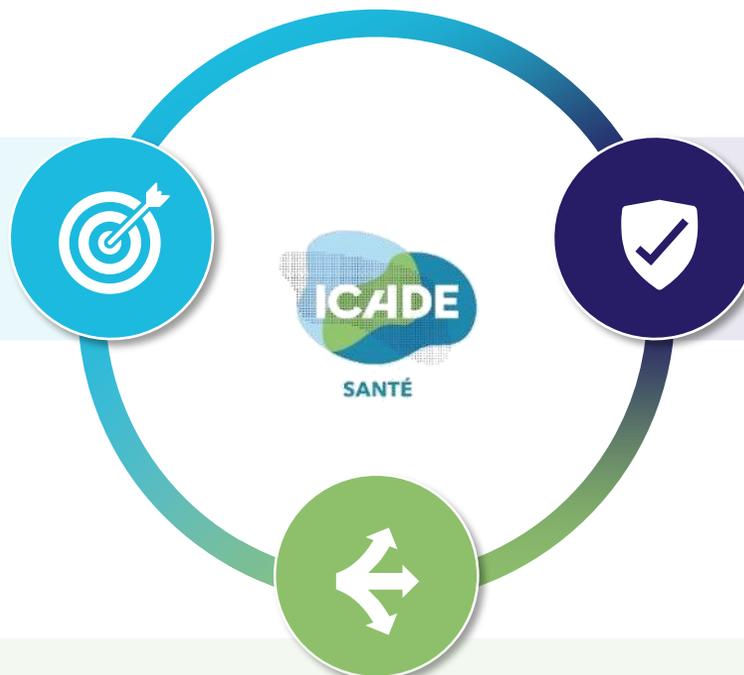
Focus on healthcare assets only
leveraging on leading position, tenant relationship & market trends



Initial target:
short & medium stay



Ongoing diversification in long-term stay and nursing homes



Attractive asset base
fueled by a 12 years growth story offering an undisputed market leadership



Mostly operating assets as well as **brownfield/ greenfield projects**



100% let portfolio through long-term lease agreements with **industry leading operators**

Continued Product diversification (long-term care) while keeping growth in existing markets

*Investment of €1.0bn by 2022
(Yield target = In line with current yield levels)*



Ageing population and favorable healthcare systems in Western Europe

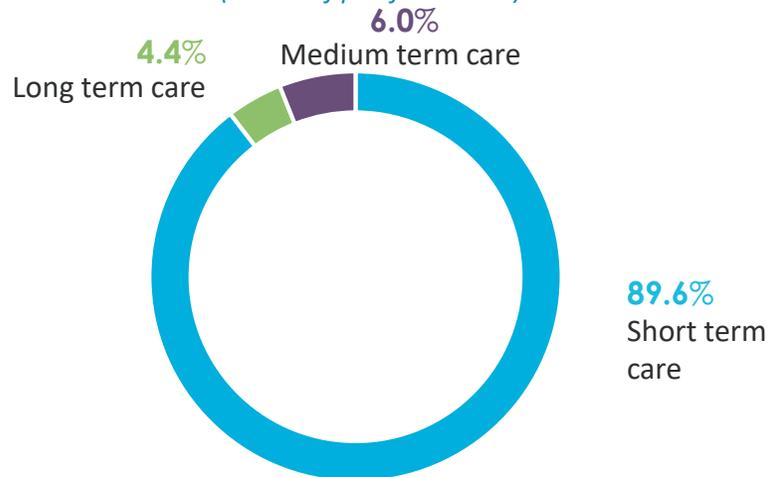


Regulation favoring existing market players and limiting new bed openings

PRODUCT MIX EVOLUTION

Product mix by segment as of June 30, 2019

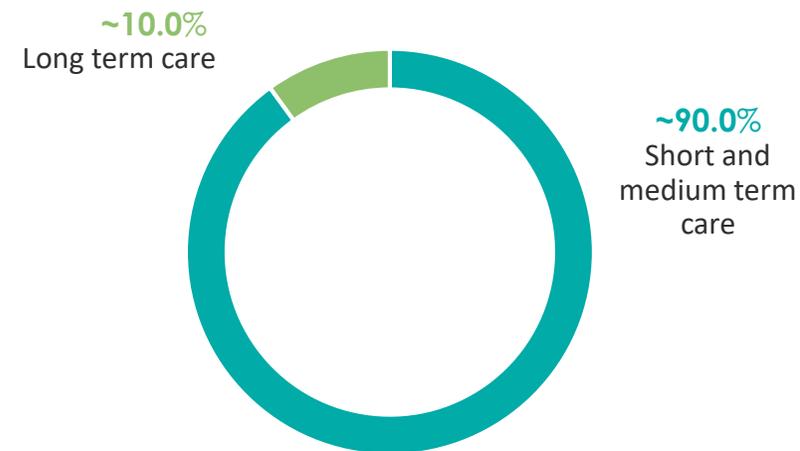
(as a % of portfolio value)



€4.5 BN
PORTFOLIO SIZE

Product mix by segment as of December 31, 2022

(as a % of portfolio value)



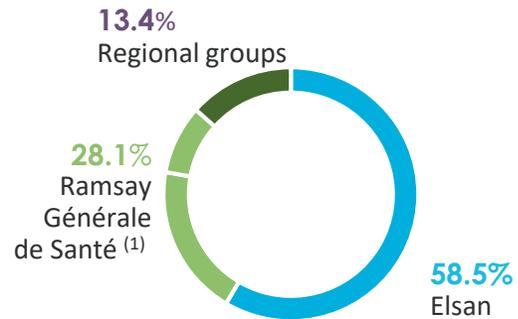
€5.5 BN⁽¹⁾
PORTFOLIO SIZE

- DIVERSIFICATION OF THE ASSETS PORTFOLIO INTO LONG TERM CARE...
- WHILE MAINTAINING ITS STRONG BASIS OF SHORT TERM CARE ASSETS

A STRONG AND LOW RISK TENANTS' BASE

INDUSTRY-LEADING OPERATORS AS TENANTS

**Breakdown by operator
as of December 31, 2018**
(as a % of gross rental income)



(1) incl. Capiro for 8.3%
(Capiro has been acquired by Ramsay Santé in the end of 2018)

TENANTS' CREDITWORTHINESS: A SECURED & UNIQUE THREE-LEVEL UNDERWRITING SCHEME

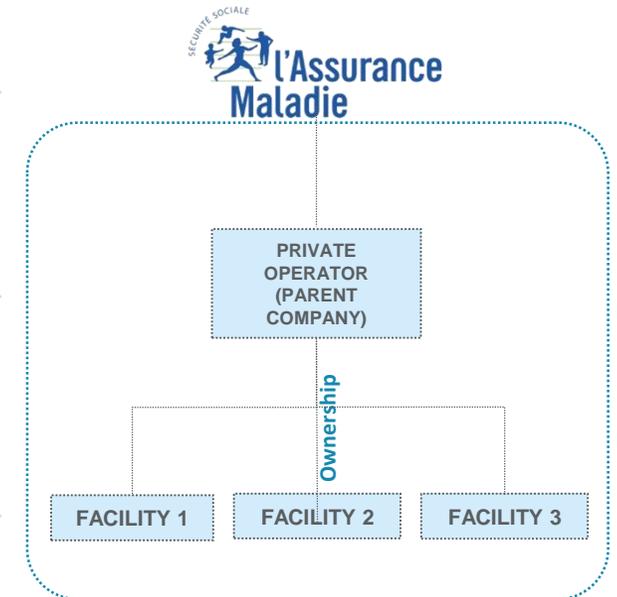
- **Level 1** : Lease agreement with each facility
- **Level 2** : Irrevocable corporate guarantee of the parent company of each facility
- **Level 3** : Enforceable claims on tenants' receivables from the french social security



Level 3

Level 2

Level 1



EMBEDDED POSITIVE SOCIAL IMPACT

- Activity oriented by itself toward **improving social benefits**
- Invest to **deliver modern and cost-efficient care in line with CSR objectives**

Social

Assisting operators in improving their CSR performance and integrating social innovations



CSR and Innovation Committees with Health Operators



Geolocation application facilitating indoor tracking of outpatients during their hospital stay



Partnership approach with Public authorities

20 840

beds and places in healthcare facilities

Environmental

Assisting customers in matters of environmental performance



Assisting operators in optimizing their energy performance (targeted coverage of at least 75% of operators in 2019)



Reduction of the CO₂ emissions intensity of Clinics of **3%** between 2016 and 2018

Integrating the best certification and labelling standards



Polyclinique Reims Bezannes

100% of major new projects of the Healthcare Property Investment Division with HQE certification



100% of HQE Certifications have a level of Very Good or Excellent

Promoting biodiversity to make the assets more appealing



Icade Santé is committed to funding the restoration and preservation of 1 sq.m of natural habitat for 1 sq.m of land developed



24,480 sq.m were restored and maintained in 2018

IMPACT



ICADE SANTÉ IS WELL ON TRACK TO MEET-UP ITS DEMANDING CSR TARGETS

4. HÔPITAL PRIVÉ DE L'OUEST PARISIEN

FINANCIAL PERFORMANCES AND CREDIT HIGHLIGHTS

SOUND FINANCIALS, SUPPORTED BY STABLE COMMITTED CASH-FLOWS

LARGE & SOUND PORTFOLIO

As of H1 2019

€4.5bn

CAGR 2007-H1 2019: +39%

PORTFOLIO GAV

100%

OCCUPANCY RATE

7.6 years

WAULT

SOLID CASH FLOW GENERATION

€236m

€129m H1 2019 (+12.3% YoY)

FY 2018 NET RENTAL INCOME

7.3%

FY18 EPRA COST RATIO

€191m

FY 2018 NET CURRENT CASH FLOW

STRONG BALANCE SHEET

As of H1 2019

2.10%

vs. 2.33% as of 30/06/2018

AVERAGE COST OF DRAWN DEBT AFTER HEDGING

>5years

5.1 years

AVERAGE DEBT MATURITY

-0.9pts

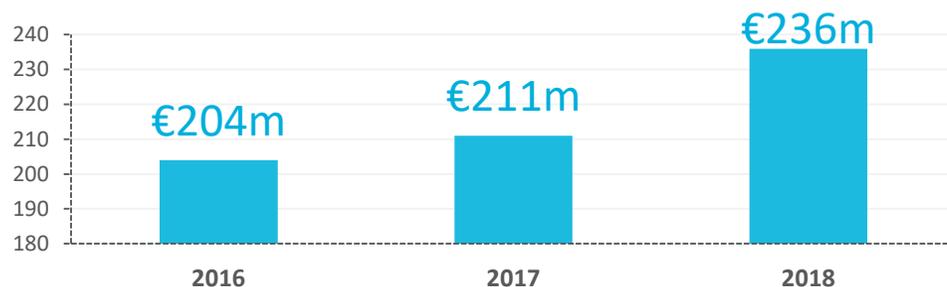
30.8%

vs. 31.7% as of 31/12/2018

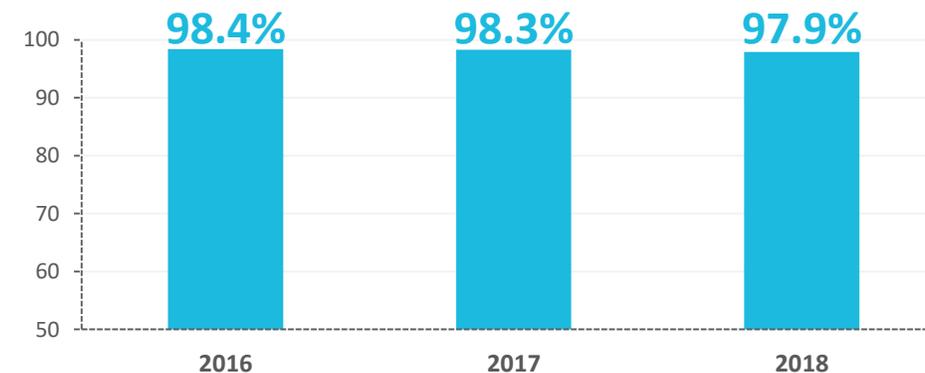
LTV

FINANCIAL HIGHLIGHTS: STRONG CASH-FLOW GENERATION

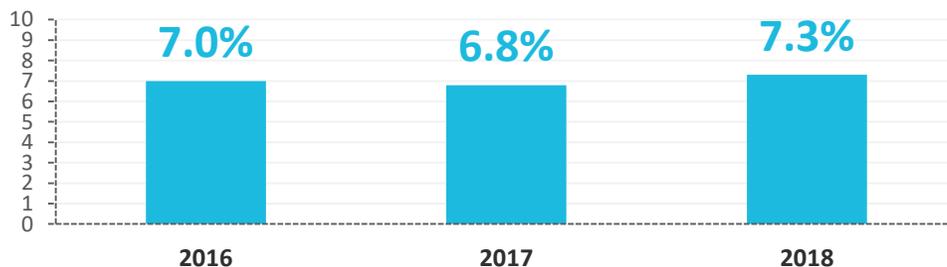
Net Rental Income: 7.6% CAGR over the past 3 years
(11% CAGR over the past 5 years¹)



Margin rate (Net rental income / Gross rental income) close to 100%



EPRA Cost Ratio



RNR/NCCF: 9% CAGR over the past 3 years
(12% CAGR over the past 5 years¹)



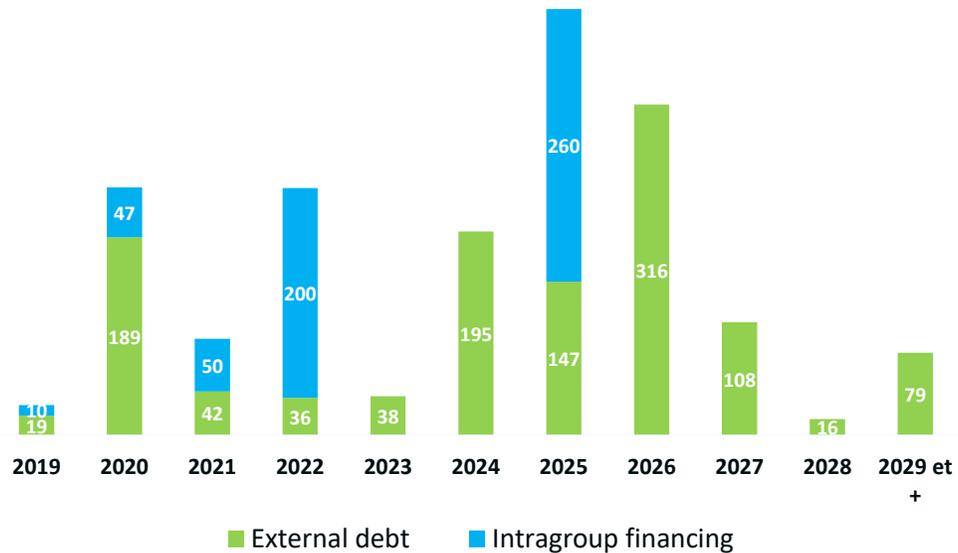
- STEADY GROWTH OF P&L METRICS OVER THE PAST 5 YEARS...
- ... ASSOCIATED WITH STABLE AND CONFORTABLE EBITDA MARGIN

A STRONG DEBT STRUCTURE (1/2)

Maturity schedule of drawn debt

(in €m)

GROSS DEBT AS OF 06/30/2019 €1,755.7m



- **HEDGED⁽¹⁾ OR FIXED-RATE DEBT REPRESENTS 88%** (AS OF JUNE 30TH, 2019)
- **AVERAGE DEBT MATURITY ABOVE 5 YEARS AT THE END OF JUNE**
- **STRONG LENDER POOL (TOP TIER FRENCH FINANCIAL INSTITUTIONS)**

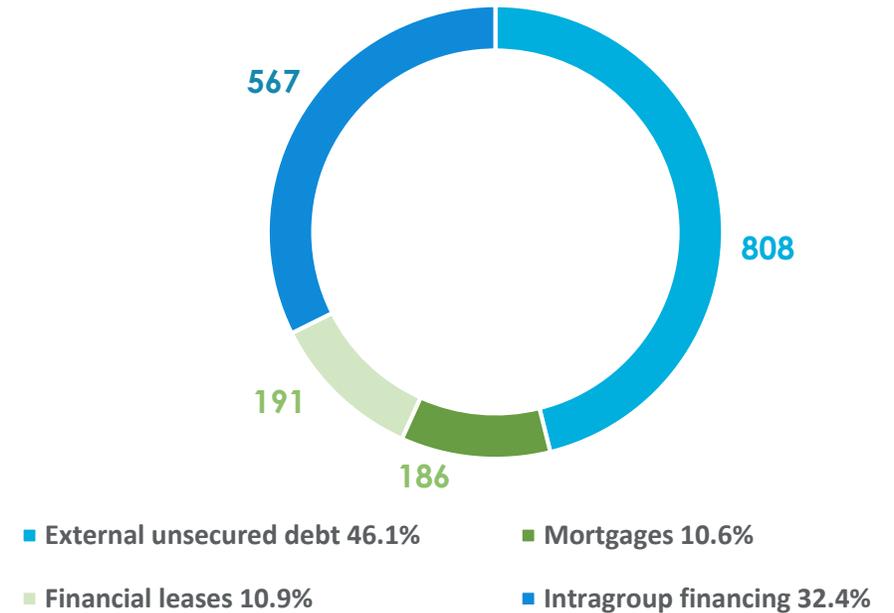


SANTÉ

(1) Forward Hedges starting in 2019

Diversification of funding sources

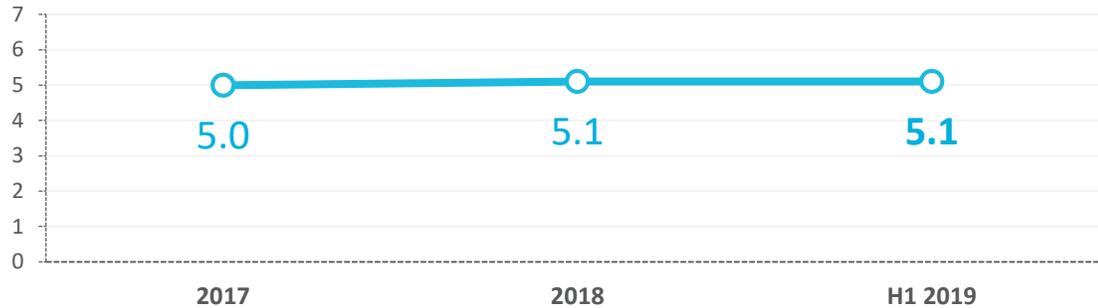
(in €m ; excluding accrued interest)



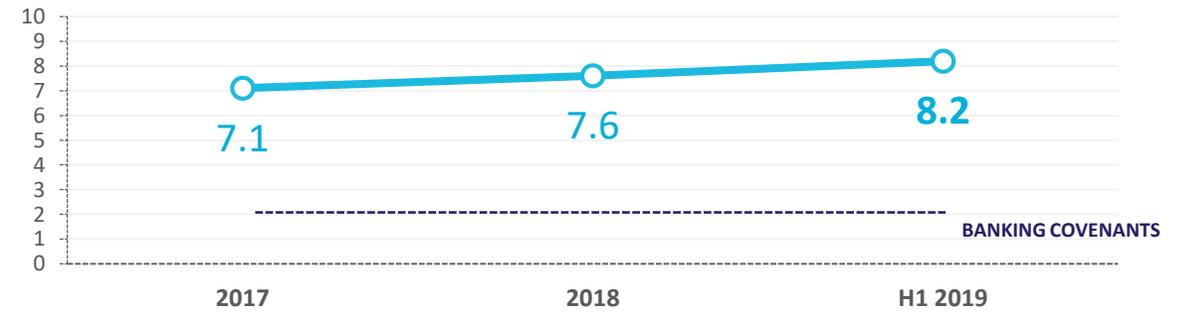
- **46% OF DEBT IS UNSECURED AND GRANTED BY BANKS**
- **PLEGDED ASSETS REPRESENT 26% OF ICAIDE SANTÉ'S GAV AS OF DEC.2018**
- **INCREASE EXTERNAL DEBT FROM 40% IN 2015 TO 68% AT THE END OF JUNE 2019**

A STRONG DEBT STRUCTURE (2/2)

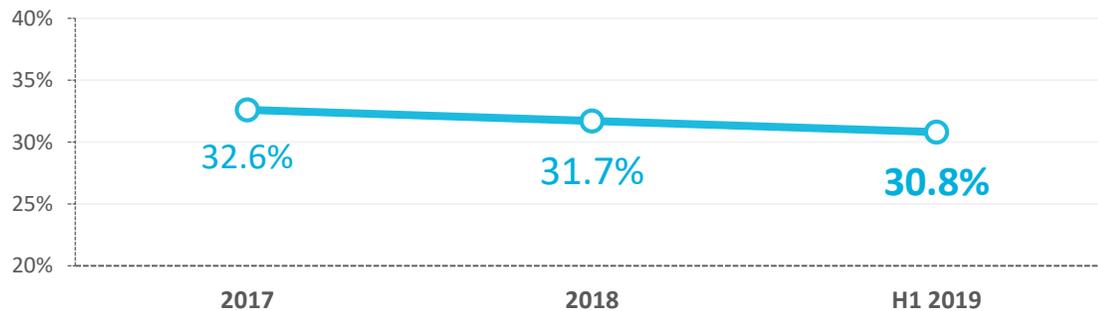
Average debt maturity above 5 years



Interest cover ratio ⁽¹⁾



LTV ratio at 30.8%



- MATURITIES HAVE BEEN LENGTHENED ABOVE 5 YEARS WHILE COST OF DEBT REMAINS ATTRACTIVE
- LOW LTV RATIO LEAVING ROOM TO SUPPORT INVESTMENT GROWTH

FINANCIAL POLICY



LTV and ICR

- LTV ratio: aiming at c.40% end of the plan
- Maintain robust ICR level



Liquidity and hedging policies

- Hedging ratio: minimum 80%
- RCF line already in place



Optimizing financing structure

- Opportunity to access the disintermediate debt market and increase the average debt maturity while taking profit of the low rate environment



Autonomy of the financing resources

- Objective: 100% of external debt at the end of the plan
- Benefit from strong shareholders support



Dividend policy

- Pay-out ratio \geq 80% of NCCF

OVERALL, ICADE SANTÉ IS COMMITTED TO MAINTAIN A STRONG INVESTMENT GRADE PROFILE IN LINE WITH ICADE'S OWN STRONG BBB+ RATING

STANDARD & POOR'S INAUGURAL RATING

On the 17th of October, Icade Santé was assigned a **BBB+ (Stable outlook)**:

https://www.standardandpoors.com/en_EU/web/guest/article/-/view/type/HTML/id/2321065

INDICATIVE TERMS AND CONDITION OF THE INAUGURAL ISSUE

Issuer	Icade Santé
Issuer's rating	BBB+
Notes rating	BBB+ expected
Notional amount	EUR 350 – 500m
Type	Fixed
Status of the Notes	Senior Unsecured
Maturity	10 years expected
Joint Bookrunners	BNP Paribas, CACIB, HSBC, Natixis, SG CIB
Documentation	Standalone
Specific clauses	Negative pledge, Change of Control, Make Whole call option, Clean up call (75%), 3m par call, Restriction on Secured borrowings
Law	French
Listing	Euronext Paris
Denominations	€100,000 + €100,000
Use of Proceeds	General Corporate Purposes

A TOP-NOTCH HEALTHCARE REIT IN EUROPE

**A new credit signature on the French market :
ICADE SANTÉ**

MARKET

**Supportive trends in the French
healthcare market**

**UNIQUE
PORTFOLIO**

**Diversified and qualitative
portfolio of assets**

MODEL

**A robust and stable investment
property business model with high
predictability of cash flows**

SUPPORT

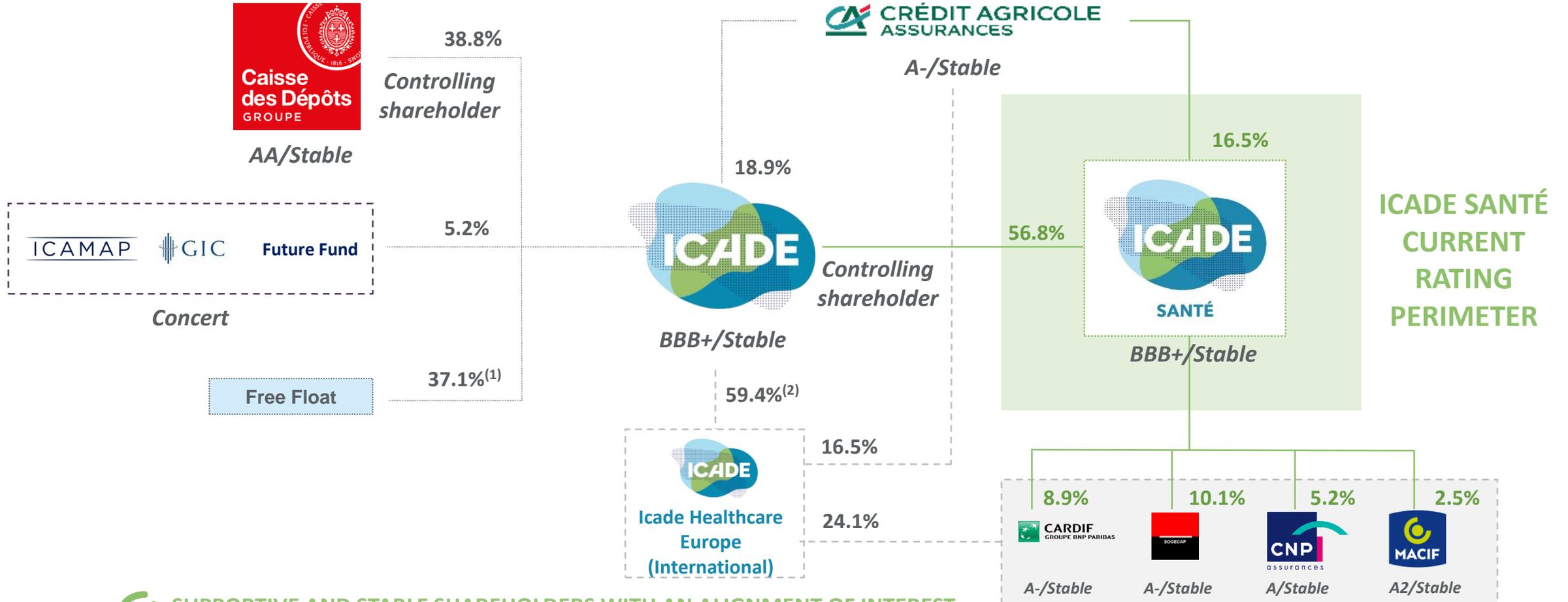
A sound ownership structure

Icade Santé Bond : An ESG investment



APPENDICES

ICADE SANTÉ AT A GLANCE: A STRONG OWNERSHIP STRUCTURE



- SUPPORTIVE AND STABLE SHAREHOLDERS WITH AN ALIGNMENT OF INTEREST
- FULLY INTEGRATED, ICADE SANTÉ REMAINS A KEY SUBSIDIARY FOR ICADE S.A.
- ICADE SANTÉ IS CONTROLLED BY ICADE S.A. AND THE MAIN FRENCH LIFE INSURANCE COMPANIES



As of 30/06/2019, last S&P rating available on 03/09/2019

Notes : (1) of which 0.27% corresponding to Icade's mutual fund, 0.85% for treasury shares

(2) SIIC Status can only be applied to a SIIC subsidiary and not the subsidiary of a subsidiary. Therefore for structuration purpose, International development is made through Icade Healthcare Europe(IHE/owned by Icade SA) as of now.

A STRONGLY EXPERIENCED AND DEDICATED MANAGEMENT TEAM



XAVIER CHEVAL
CEO OF ICADE SANTÉ

Icade S.A.
represented by
Olivier Wigniolle,
Chairman



OPERATIONS

11 professionals



Philippe Ingouf
Head of Operations



Benoit Fosse
Director

LEGAL / DEVELOPMENT

4 professionals

INVESTMENTS

5 professionals



Guillaume Tessler
Head of Int. Development



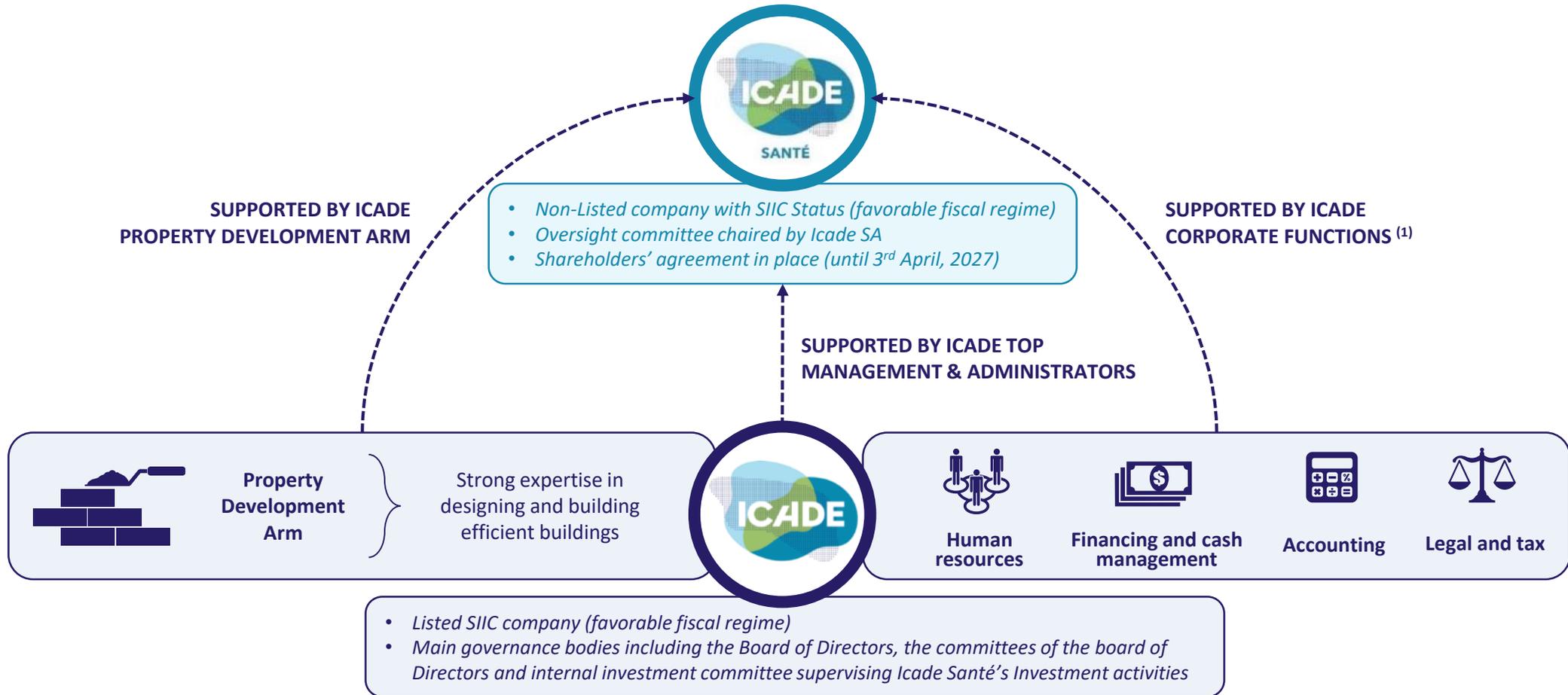
Etienne Maurer
Financial Director

FINANCE

3 professionals



ICADE SANTÉ AT A GLANCE: FOCUS ON RELATIONSHIP WITH ICADE S.A.



- ICADE SANTÉ GOVERNANCE PROCESS BENEFITS FROM ICADE TOP MANAGEMENT AND ADMINISTRATORS' EXPERTISE
- STRONG RELATIONSHIPS BETWEEN ICADE SANTÉ'S TEAM AND ICADE GROUP'S CORPORATE FUNCTIONS
- CONTINUOUS INTERACTION BETWEEN ICADE SANTÉ AND THE GROUP'S PROPERTY DEVELOPMENT ARM

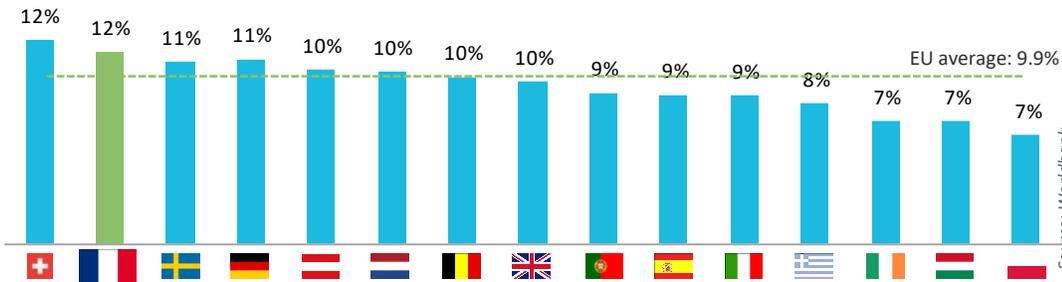


Note : (1) Icade's group support to Icade Santé includes four areas of expertise and is subject to management fees

FRANCE IS EUROPE'S 2ND LARGEST HEALTHCARE MARKET

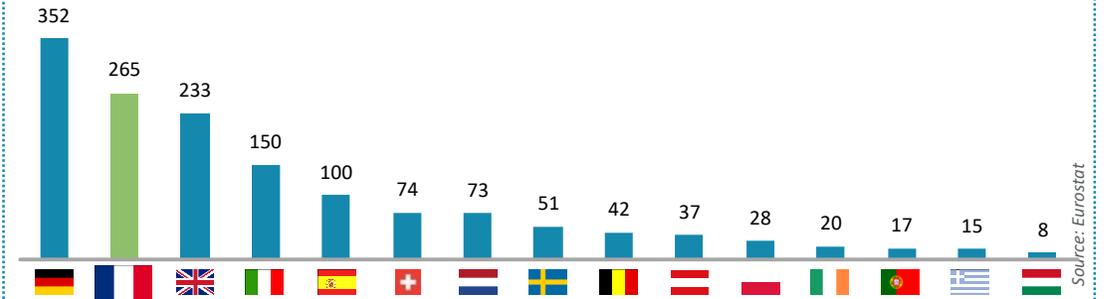
France allocates a significant share of its GDP to health expenditures...

Current health expenditure (% of GDP, 2016)



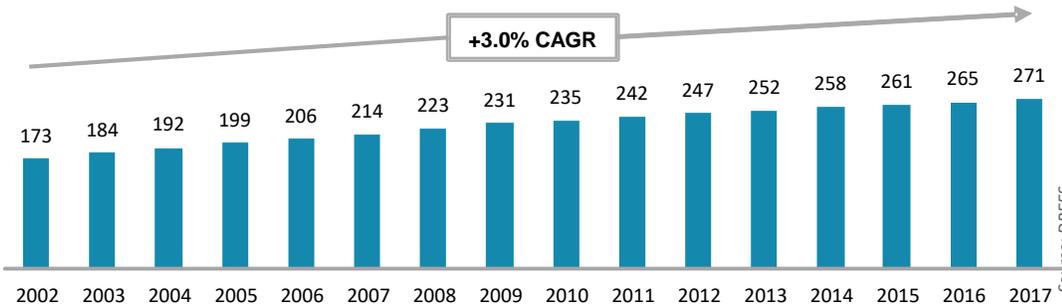
...and is Europe 2nd largest healthcare market

Current healthcare expenditure across the EU (€bn)



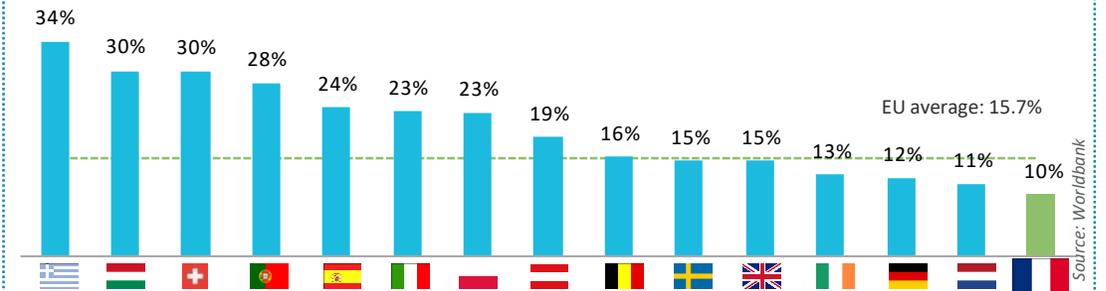
Current health expenditure growing steadily in France

Current health expenditure - France (€bn)



Only a fraction of health expenditure is paid for by households

Out-of-pocket expenditure (% of current health expenditure)



ICADE SANTÉ - LEADERSHIP IN SOURCING, DEVELOPING, ACQUIRING & MANAGING HEALTHCARE ASSETS

- **Demonstrated capacity to grow to >100 assets** in a **dozen years**, providing Icade Santé with a market leader position
- Ability to **see and participate in all commercial discussions** to source attractive and highly efficient buildings for its operating partners
- **Uniqueness of Icade Santé's expertise** thanks to its **close ties with the Group's Property Development arm**, strong know-how in designing and building efficient buildings meeting operators expectations
- Icade Santé's **capacity to be a key partner financially as well as technically** – through modernization, reorganization and optimization – is a key driver of its portfolio attractivity, and financial return.
- **Virtuous cycle** of Icade Santé's model: **long-term partnerships with tenants** allowing to match their operating needs and achieve organic operational growth

CASE STUDIES OF 2018 ACHIEVEMENTS

Croix du Sud – Ramsay Santé *Quint-Fonsegrives (Haute-Garonne)*



- Develop a **leading multi-disciplinary** healthcare **facility**
- **Reorganize** healthcare **services** and **merge three different sites into one**
- A medical project which sharply **increases the ambulatory surgery component**, expected to represent **70%**
- **Icade Promotion** worked **hand-in-hand with tenant** to **design** facilities

Nursing Homes - Résidalya *Le Grand Jardin (Le Lavandou, Var)*



- Seek to capitalize on the **rapid expansion** in the **nursing home** sector
- **Typical** nursing homes **sale-and-leaseback transaction following** a first call for tender and **disposal of 14 nursing homes in Sep. 2017**
- Tenant **externalization strategy** to **reduce** the **financial burden of real estate** investments

ATTRACTIVE LEASE CHARACTERISTICS FOR THE FRENCH MARKET

STRONG COMMON FEATURES

12 years

Usual lease term
With no break option

9-12 years

Renewal

Triple Net Leases

100% of charges (excl. maintenance)
paid by tenants

Art. 606

States that the landlord is responsible
for maintenance major works only



HEALTH SECTOR



MEDICAL-SOCIAL SECTOR

	Short-term care facilities – acute care (MSO)	Medium-term care facilities PAC/PSY	Long-term care facilities (nursing homes...)
Real estate	Mostly technical space & equipment more ambulatory care & reduced accommodation structures	Mostly accommodation structures with less technical equipment (easier to convert the properties)	Primarily accommodation structures little or no technical equipment (easier to convert the properties in urban settings)
Investment	+++	+	+
Operators	3 nationwide operators incl. 2 leaders (RS and ELSAN)	National or regional operators from the healthcare (RS) or medical-social segment (KORIAN / ORPEA)	About ten nationwide operators incl. 3 leaders (Korian, Orpea, DomusVi) rapidly expanding abroad
Index-linked rent reviews	ILC (commercial rent index) ¹		50% IRL (rent review index) + 50% nursing home fees
Yield (prime assets at end of 2018)	Higher yields (Prime 5.0% incl. Duties)	« Intermediate » yields (Prime 4.50% incl. Duties)	Yields driven by the LMP status (Prime 4.25% incl. Duties)

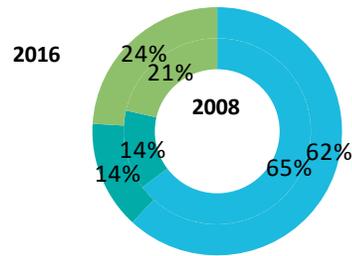
- **Very attractive lease profiles** which have favored the **rise of this alternative market** for real estate specialists
- **Long-term leases** (no longer than 12 years to avoid costly notary leases)
- **Similarly to retail, most charges are born by tenants**
- **Icade Santé** holds **the largest portfolio of MSO facilities** in France and is present **across all segments**. It benefits from **its expertise** in **satisfying complex building optimization**
- **Initial rent level determined in partnership with operators to match expected operational performance**



PRIVATE HOSPITAL MARKET: FUNDAMENTALS AND TRENDS

Private (for-profit) hospitals on a positive trend

Hospital beds by hospital ownership



Public Not-for-profit private For-profit private

Source: Eurostat

2004 reform - "Tarification à l'Activité" (T2A)

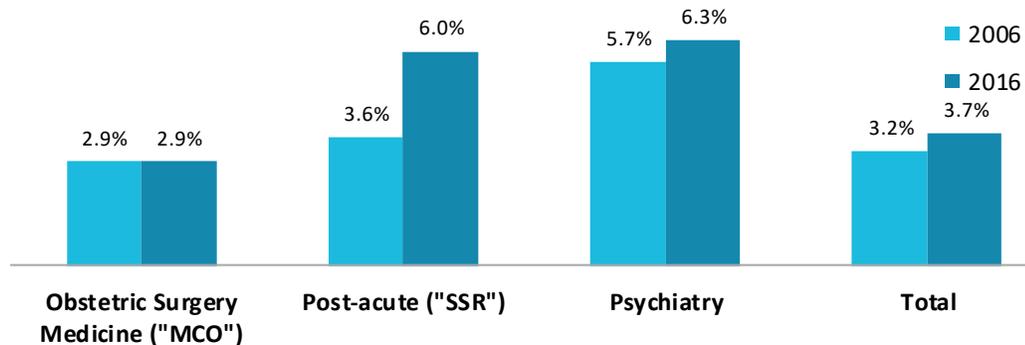
Before 2004

- **Public and private non-for-profit:** A global endowment for each hospital
- **Private for-profit:** Reimbursement based on a tariff list negotiated with the local authorities ("ARS")

After 2004

- Reimbursement rate of each service based upon a **nation-wide** tariff list
- Applies to all hospitals (public and private)

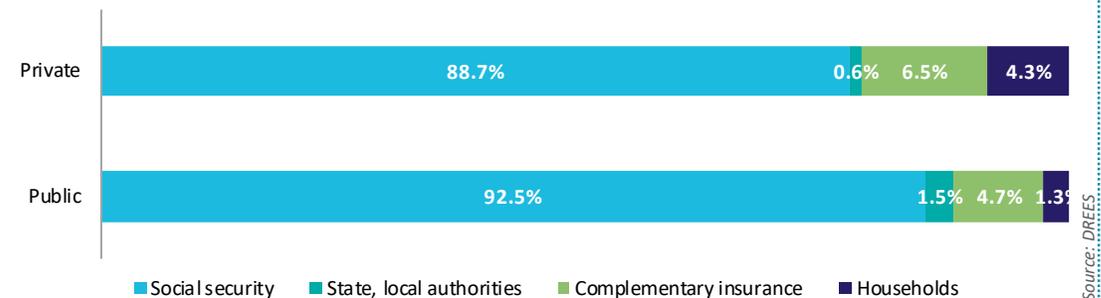
Net income (% of revenue) of private hospitals increases



Source: DREES

Even for private hospitals, the bulk of the revenue is publicly financed

Hospital expenditure financing sources (2017)



Source: DREES

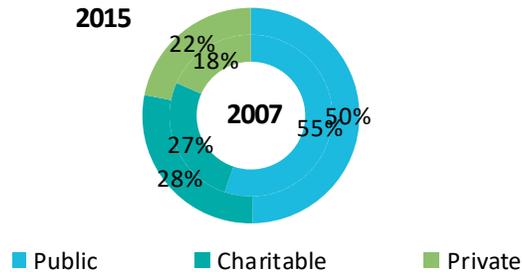
- PRIVATE HOSPITALS BENEFIT FROM A STRONG GOVERNMENTAL SUPPORT
- INCREASE OF THEIR MARKET SHARE WHILST MAINTAINING A LOW BUT STABLE PROFITABILITY



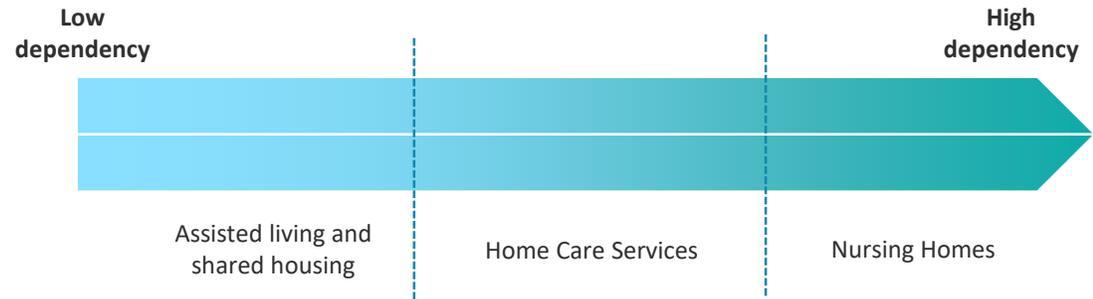
ELDERLY CARE MARKET: FUNDAMENTALS & TRENDS

French EHPAD capacity is shifting towards the private sector

Permanent beds in EHPADs in France



Elderly care encompasses a broad range of services



Since 2010, the French legal framework limits new bed openings, hence sustaining prices

- In France, health policy is set on a national level but coordination is regional
 - Before 2010:** EHPAD operators had to request the “Conseil Général” (local authority) and the relevant ARS (“Agence Régionale de Santé”)
 - Since 2010:** New bed openings are initiated by public authorities and awarded through a tender offer
- The new regulation had several consequences:
 - Bed volume growth stiffly decreased, hence sustaining prices
 - Existing EHPAD players are favored

France enjoys favorable pricing structure (nursing homes)

Share of nursing homes expenses



Accommodation / services	Dependency	Care
70%	10%	20%
Prices can be set freely by nursing homes operators May be eligible for public housing subsidies	Fixed on a yearly basis and regionally	French Social Security

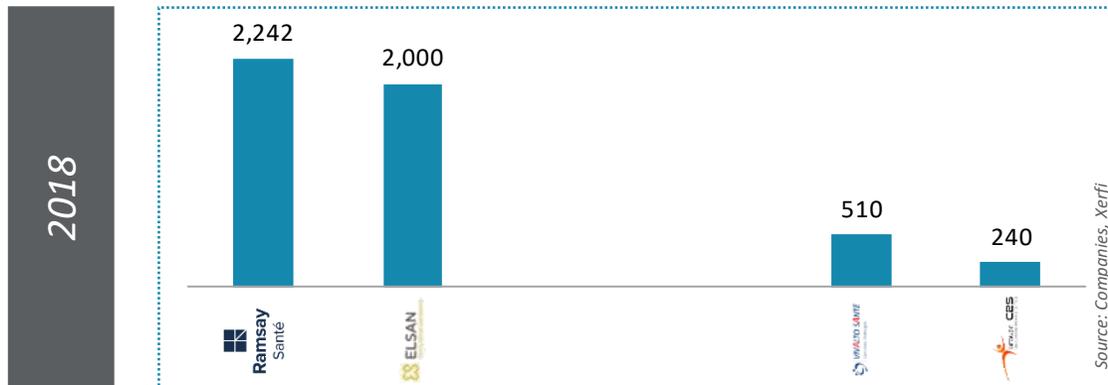
Source: Korian, FY18 annual report

- SECTOR IS SUPPORTED BY STRICT PUBLIC REGULATION AND PARTIAL REIMBURSEMENT
- EXISTING PLAYERS ARE FAVORED BY REGULATION, WITH FOCUS ON GROWING EXISTING ASSETS

SECTOR CONSOLIDATION LED BY OPERATING EFFICIENCIES AND ECONOMIES OF SCALE

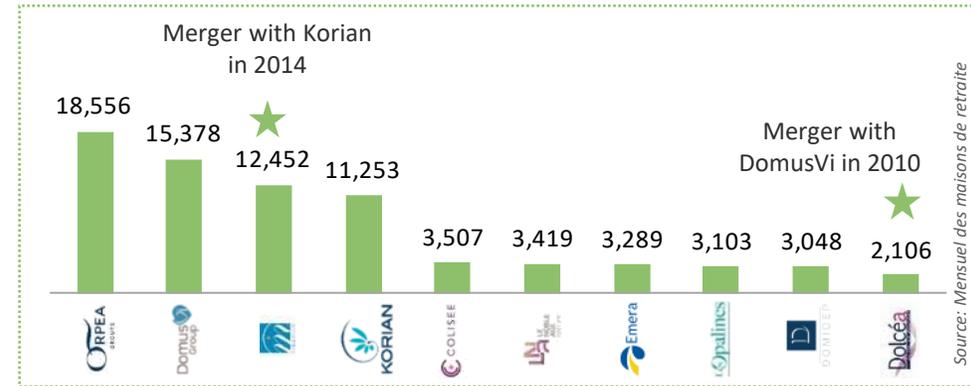
HOSPITAL CARE (France)

Revenue (€m)



ELDERLY CARE (France)

Number of beds



- THE HOSPITAL CARE SECTOR WITNESSED A FAST CONSOLIDATION GIVEN THE STRONG SCALE ECONOMIES IT ALLOWS
- FEWER PLAYERS NOW ENSURE A CRITICAL SERVICE TO THE FRENCH STATE MAKING THEM STRONGER TENANTS

CONTINUED DIVERSIFICATION INTO LONG-TERM CARE FACILITIES IN H1 2019 (1/2)



Residalya – Granvelle nursing home, Besançon (Doubs)

Performance in H1 2019 buoyed by acquisition-led growth and completions in 2018:

Rental income up +12.3% at €129.3m

Renewal ⁽¹⁾ of 8 leases helping to extend WAULT to break to 7.6 years

Continued diversification into long-term care facilities

- Acquisition of **12** healthcare facilities including **7** nursing homes for **€191m** incl. duties

**STRATEGY IMPLEMENTED
IN ACCORDANCE WITH THE ROADMAP**

CONTINUED DIVERSIFICATION INTO LONG-TERM CARE FACILITIES IN H1 2019 (2/2)



Le Diamant nursing home (Korian) – Alençon (Marne)



Jardin Atlantique nursing home (Korian)
Le Pouliguen (Loire-Atlantique)



Villa Saint Do nursing home (Korian)
Bois-Guillaume (Seine-Maritime)

Continued diversification into long-term care facilities

- 7 nursing homes
- 4 PAC facilities
- 1 psychiatric facility

Leading operators: **Korian, Ramsay Santé, INICEA and SGMR**

Average unexpired lease term of **6 years**, with rental income generated immediately

Yield in line with market yield for comparable assets

→ Transaction completed in July 2019

**STRENGTHENED MARKET LEADERSHIP IN HEALTHCARE REAL ESTATE
WITH A PORTFOLIO OF 126 ASSETS AFTER THE ACQUISITION
FOR A TOTAL VALUE OF €4.7bn (EXCLUDING DUTIES)**

ICADE SANTÉ IS ABLE TO BUILD LONG-TERM PARTNERSHIPS



Parc Clinic (Hérault)



Private hospital de l'Ouest Parisien (Yvelines)



Le Mont des Landes nursing home (Gironde)



Claude Bernard Clinic (Val-d'Oise)



Porte Océane Clinic (Vendée)



Esquirol Saint-Hilaire Clinic (Lot-et-Garonne)

INNOVATION AND CSR AT THE CORE OF OUR PROJECTS

Environmental impact

Impact on Climate Change

- Assisting at least **75%** of healthcare facility operators in optimizing their energy performance starting in 2019

Biodiversity

- Fund the restoration and preservation of **1 sq.m** of natural habitat for **1 sq.m** built as part of developing new projects starting in 2019 (Nature 2050 Program)

Circular economy

- Implement a reuse process for refurbishments over 3,000 sq.m starting in 2021

Certification and labelling standards

- 100 %** of major new projects (>7.500 sq.m) HQE certified starting in 2019

Social Impact

Territorial cohesion and inclusion

- Adapting real estate solutions to help healthcare operators improve the quality of patient care
- Developing a Code of Ethics setting out the quality requirements for investing in nursing homes

Assisting operators in improving their CSR performance and integrating social innovations

- Set up CSR & innovation committees with at least **70%** of healthcare operators by 2020
- For HQE-certified projects, ensure that at least **75%** of floor space is composed of low-emitting materials starting in 2020

Responsible procurement policy

- Implement responsible procurement charters on **100%** of the construction contracts

- ICADE SANTÉ EXPECTS GROWING DEMAND OF ITS STAKEHOLDER FOR INNOVATION AND CSR FOCUS AND HAS ALREADY SET UP DEMANDING TARGETS CAUTIOUSLY MONITORED BY THE ENTIRE ORGANIZATION
- ICADE SANTÉ'S CSR OBJECTIVES ARE DIRECTLY DECLINED FROM ICADE S.A.'S OVERALL CSR STRATEGY

SHIFT TO EXTERNALIZATION: SUPPORTING OPERATORS TO FOCUS ON CORE GROWTH

Externalization drivers

- **Source of financing for core operations:** Selling assets provides cash to finance growth, medical equipment
- **Asset optimization:** benefit from REIT expertise in handling real estate asset: capacity to invest (capex), know-how in redevelopment, day-to-day property management and optimization of building consumption etc.
- **Optimal capital allocation:** real estate ownership is equity-consuming. Operators' shareholders may expect their resources to be focused on operating healthcare services, not owning assets

Similar trends as in retail, lodging or services: ownership of Real Estate is not core to operators' business model

Operators highlight their focus on operating facilities



“LNA Santé is not meant to own its buildings as the final objective is to lighten each operating company’s asset base and to dedicate the bulk of its resources to optimizing their operations” 2018, Registration document translated from French



“The group regularly engages a review of its long term real estate strategy to rebalance its activity towards its core operations as a provider of hospital care [...]. Under this frame, Ramsay Santé has externalized – in several waves – a share of its real estate portfolio” 2018, Registration document – translated from French

Shareholders of key players are not expecting real estate ownership as part of the strategy of their investments

- REAL ESTATE OWNERSHIP IS NOT CORE TO HEALTHCARE OPERATORS STRATEGY
- HENCE THE TREND TO EXTERNALIZE ASSETS, WHICH HAS LED TO THE EMERGENCE OF A NEW ASSET CLASS