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ICADE

PRESS RELEASE

Paris, 17 February 2015

ICADE – 2014 FULL-YEAR RESULTS
A YEAR OF SUCCESS AND A PREPARED FUTURE

- **A refocused and adapted portfolio**
- **Improvement in the average cost of debt (−76bp) and LTV (−60bp)**
- **Increase in EPRA Earnings from property investment (+6.4%) and Group net current cash flow (+0.7%)**
- **2015 leasing renewals anticipated**
- **Change in governance**

In spite of a lacklustre economic environment, Icade's first year post-merger with Silic has validated the relevance and potential of its model.

1. Leasing activity sustained

2014 was marked by the near total leasing of EQHO space. In fact, in addition to the leasing in June 2014 of over 40,000 m² with KPMG, in the second half of 2014, Icade announced the signing of two leases covering over 16,000 m² with exclusive tenants. Today the rental dynamic is maintained since 3,724 m² of additional space, i.e. two floors, were signed on 13 February with UBAF, a French bank financing trade between Asia, Europe and the Middle East, for a fixed term of six years starting on 1 September 2015. The balance, which represents around 15,000 m², is the subject of advanced negotiations which confirm the goal of full leased occupancy by 30 June 2015.

In 2014, Icade also initiated renewals of 73,200 m² securing €14 million in rent over a fixed period of around five years. Furthermore, it has broadly anticipated the primary rental challenges of 2015 and 2016 in securing over half of the expiration of leases.

	31/12/2014	31/12/2013 restated	*Change*
Group net current cash flow per share[(a)]	**€4.31**	**€4.28**	*+0.7 %*
EPRA Earnings from property investment per share	**€3.66**	**€3.44**	*+6.4 %*
NAV per share	**€78.4**	**€78.9**	*(0.6) %*
NNNAV per share	**€75.2**	**€77.3**	*(2.7) %*
Cost of net debt	**3.07%**	**3.83%**	*(76) pb*
LTV	**36.9%**	**37.5%**	*(60) pb*

[(a)] The changes in fair value of derivatives, previously included in the Group net current cash flow, have been excluded since 30 June 2014.

2. Rationalisation and opportunism in portfolio management

2014 has been marked by the following major sales motivated both by the continuation of the disposal policy of non-strategic assets and the will to seize market opportunities:

- the total withdrawal from Germany;
- the exit of the retail segment through the sale of the Mr Bricolage portfolio;
- the crystallisation of significant value with the disposal of the Link building (15^{th} district of Paris).

These disposals were carried out under very satisfactory financial conditions; for the sole commercial property portfolio, they totalled over the year €464.3 million which represents an overall premium of 5.01% on the latest fair values. Strategic assets now account for 98% of the total portfolio.

Investments over the period were concentrated on assets in development (€205.9 million) and the strengthening of Icade Santé's leading position through the acquisition of 12 clinics (€390.5 million).

EPRA triple net asset value stood at €75.2 per share on 31 December 2014, down 2.7% compared to 31 December 2013 (€77.3). Several assets, mainly those located in prime or rebounding areas where yields have compressed (Paris and inner northern suburbs) have seen their value rise sharply; other assets, particularly those located in the outer Paris suburbs, in contrast, have seen their value decline slightly. However, it is mainly the very steep contraction of interest rates increasing the fair value of Icade's fixed rate debt which explains the change in triple net asset value. In fact, the simple net asset value marks only a slight drop of 0.6% to €78.4.

3. Proactive debt management

Icade has been able to take advantage of attractive financing conditions to lower its average cost of debt to 3.07% (down 76bp compared to 2013) and to diversify through the launching of a treasury bill program and a new, widely subscribed seven-year bond issue of €500 million with a 2.25% coupon.

The volatility of the group's liabilities has also been decreased thanks to the repurchase of a large share of its "ORNANEs" convertible bonds maturing in 2017. The outstanding bonds after this transaction represent only 25.7% of the initial series issued by Silic.

4. Solidity of the income statement of property investment

Rental income produced by the property investment division during 2014 totalled €556.0 million, i.e. an increase of €105 million compared to 2013 (+23.3%) due mainly to the acquisition of Silic (+€96.8 million). On a like-for-like basis, rental income has remained stable in an unfavourable environment for the office and business park sector.

EPRA Earnings from property investment are up 28.9% at €269.9 million, demonstrating the ability of the group to adapt to this environment. Per share, these earnings posted a growth of 6.4% to €3.66 compared to €3.44 in 2013.

As far as property development is concerned, Icade has maintained the level of its reservations of housing units and signed several major commercial operations (Le Garance and Panorama T6 in Paris, Îlot A3 in Lyons).

Group net current cash flow, which includes ERPA Earnings from property investment and cash flow from other activities, totalled €317.9 million as at 31 December 2014 versus €260.7 million as at 31 December 2013, a 21.9% increase. Per share, it totalled €4.31, up 0.7% (€4.28 in 2013).

5. Dividend up

Considering these sound results, Icade will propose to the shareholders a dividend up 1.6% at €3.73 per share at the shareholders' meeting which will be held on 29 April 2015. The dividend payment will take place on 7 May 2015.

6. Outlook

In 2015 and 2016, Icade should see an increase in its EPRA Earnings from property investment, through the marketing of EQHO and the delivery of secured projects (le Monet in Saint-Denis in 2015 and the head office of Veolia in Aubervilliers in 2016).

2015 EPRA Earnings from property investment, and therefore the 2015 dividend, should be up slightly compared to 2014 :

- thanks to increased marketing efforts across the whole portfolio in order to raise the financial occupancy rate to above 90%;
- thanks to control over operational costs, particularly under the effect of cost synergies as a result of the merger with Silic;
- in spite of the likely acquisition of "Millénaire 3" by the French Government;
- maintenance of LTV at around 40% and the continued reduction of the average cost of debt through greater financial disintermediation.

2015 Group net current cash flow will change related to the performance of the property development activity.

7. Governance

Following Serge Grzybowski's resignation announced today, the Board of directors of Icade has put in place, on a temporary basis, a new governance scheme entering into force as of today:

- the functions of Chairman and Chief Executive Officer are dissociated;
- Jean-Paul Faugère, Chairman of the Board of CNP Assurances and Director of Icade representing Caisse des Dépôts, is appointed acting Chairman of the Board of Icade;
- Nathalie Palladitcheff, until now member of Icade's executive committee in charge of finance, legal and IT, is appointed acting CEO of Icade.

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The Board of Icade has set itself the goal to approve a definitive governance scheme before the next shareholders' meeting which is to vote on the 2014 financial statements on 29 April 2015.

The consolidated statements have been audited by the statutory auditors.

Nathalie Palladitcheff and Julien Goubault will present the 2014 annual results to the analysts on 18 February 2015 at 8:30 a.m.

The presentation will be available on the internet site:

In French: http://www.icade.fr/finance/resultats-publications/presentations-financieres
In English: http://www.icade.fr/en/finance/results-and-publications/financial-presentations

Live broadcasting with synchronised slides will be accessible beginning at 8:00 a.m. (Paris time), on the internet site via the following link:

In French: *https://engage.vevent.com/rt/icade/index.jsp?seid=83*
Conference ID: SFAF Icade French: 950699

In English: *https://engage.vevent.com/rt/icade/index.jsp?seid=79*
Conference ID: SFAF Icade English: 950700

ABOUT ICADE

Listed real-estate investment company and subsidiary of the Caisse des Dépôts, Icade is a major player of Grand Paris and of the territorial development able to bring global, sustainable and innovative solutions adapted to the needs of its customers and issues of the city of tomorrow. Premiere property investment company of Europe offices, in 2014 Icade recorded a EPRA earnings of €270 million euros As at 31 December 2014, EPRA adjusted net asset value (triple net) reached €5,528 million, or €75.2 per share.

The text of this communication is available on Icade's internet site: **www.icade.fr.**

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1. PROFIT/(LOSS) AND CASH FLOWS

1.1. Property Investment Income statement as at 31 December 2014

(in millions of euros)	31/12/2014 Property Investment (EPRA)	31/12/2014 Other[1]	31/12/2014 Total	31/12/2013 restated Property Investment (EPRA)	31/12/2013 restated Other[1]	31/12/2013 restated Total
RENTAL INCOME	556.0	-	556.0	450.9	-	450.9
Charges from real estate	(2.4)	-	(2.4)	(1.5)	-	(1.5)
Rental charges not recovered	(33.2)	-	(33.2)	(14.7)	-	(14.7)
Charges on buildings	(2.3)	-	(2.3)	(16.6)	-	(16.6)
Net rental income	518.0	-	518.0	418.1	-	418.1
Margin (net rents / rental income)	*93.2%*		*93.2%*	*92.7%*		*92.7%*
Net functioning costs	(52.8)	-	(52.8)	(29.8)	-	(29.8)
Profit/(loss) from other activities	0.4	-	0.4	-	-	-
EBITDA	465.7	-	465.7	388.3	-	388.3
Amortization and impairment of operating assets	(8.0)	(6.3)	(14.3)	(9.6)	-	(9.6)
CURRENT OPERATING PROFIT/(LOSS)	457.6	(6.3)	451.3	378.7	-	378.7
Amortization and impairment of investment properties	-	(264.3)	(264.3)	-	(270.9)	(270.9)
Profit/loss from disposals	-	98.6	98.6	-	120.7	120.7
Impairment on acquisition differences	-	-	-	-	(3.2)	(3.2)
Share in profit/loss of equity-accounted companies	5.1	(6.6)	(1.4)	13.3	(11.3)	2.1
OPERATING PROFIT/(LOSS)	462.8	(178.5)	284.2	392.0	(164.7)	227.3
Cost of gross debt	(149.5)	-	(149.5)	(145.9)	-	(145.9)
Net income from cash and cash equivalents, related loans and receivables	15.6	-	15.6	12.2	-	12.2
Cost of net debt	(133.9)	-	(133.9)	(133.7)	-	(133.7)
Adjustment to value of derivatives and other discounting (ORNANEs)	-	(5.3)	(5.3)	-	8.5	8.5
Other financial income and charges	(5.1)	-	(5.1)	0.1	-	0.1
FINANCIAL PROFIT/(LOSS)	(139.0)	(5.3)	(144.3)	(133.6)	8.5	(125.1)
Corporate income tax	(6.9)	(0.2)	(7.1)	(10.9)	0.4	(10.4)
Net profit/(loss) – Property development, services, inter-group	-	39.9	39.9	-	53.2	53.2
NET PROFIT/(LOSS)	316.9	(144.0)	172.8	247.5	(102.5)	144.9
Net profit/(loss) – Share of non-controlling interests	47.0	(25.8)	21.2	38.2	(20.1)	18.0
NET PROFIT/(LOSS) - GROUP SHARE	269.9	(118.2)	151.5	209.4	(82.4)	126.9
Average number of shares in circulation, diluted			*73,735.312*			*60465.381*
NET PROFIT/(LOSS) – GROUP SHARE (in €/share)			*€2.05*			*€2.08*

[1] The "Other" column groups the activities of Property Development and Services, the depreciation allowance of the investment properties, the profit/(loss) of the disposals, the conversion to fair value of financial instruments and ORNANEs, and other non-recurring items.

1.2. Cash flows

(in millions of euros)	31/12/2014			31/12/2013 restated		
EPRA Earnings from property investment	269.9		269.9	209.4		209.4
Net current cash flow from other activities		48.1	48.1		51.4	51.4
Group net current cash flow			317.9			260.7
(in euros per share)						
EPRA Earnings from property investment	*€3.66*		*€3.66*	*€3.44*		*€3.44*
Net current cash flow from other activities		*€0.65*	*€0.65*		*€0.84*	*€0.84*
Group net current cash flow			*€4.31*			*€4.28*

2. ACTIVITY AND PROFIT/(LOSS)

2.1. Highlights

Rental business

The financial year 2014 was marked by the near total leasing of EQHO tower space. In fact, in addition to the leasing in June 2014 of over 40,000 m² with the KPMG company, in the second half of 2014, Icade announced the signing of two leases covering over 16,000 m² with exclusive tenants. The balance, which represents less than 19,000 m², is the subject of advanced negotiations.

In 2014, Icade also initiated renewals of 73,200 m², securing €14 million in rent over a fixed period of around five years.

Asset rotation

Investments made in 2014 amounted to €720 million, broken down as €250 million in development, €429 million in acquisitions (mainly in the healthcare portfolio) and the balance of €42 million on maintenance work on the portfolio.

The financial year 2014 was marked by the delivery of office buildings of close to 28,000 m². This was the case with the "Sisley" building in Saint-Denis (19,500 m², leased to the Siemens company) and the "Brahms" building on the parc de Colombes (8,600 m², leased to Alcatel). The "Millénaire 3" building located in Paris 19 and pre-rented to the Ministry of Justice will be delivered in the first half of 2015.

In extending the disposals occurring during the year 2013, the year 2014 was characterised by the continued active optimisation of the portfolio of activities of Icade and the increased focusing of its assets on commercial property.

The total sales conducted over the year represent €481 million with an emphasis on:

- the total withdrawal from the German portfolio which represents €159 million over the year;
- completed sales of nearly €154 million for the non-strategic assets portfolio (block sales of residential units, the "Mr Bricolage" portfiolio, jointly-owned office space);
- disposals of mature assets for €117 million.

Concerning the commercial property development business, on behalf of the Ministry of the Interior, the agency France Domaine exercised the purchase option that it held at the end of the lease in the planned project signed in the first half-year with Icade for the "Le Garance" building in Paris 20 on 31 December 2014.

Financing strategy

Accelerated asset optimization has been continued in 2014, through the renegotiation of a significant share of bank debt (€875 million), the issuing of a new bond in particularly favourable conditions (€500 million for 7 years), the strengthening of unused lines of credit, for a higher amount (€1,260 million) and accompanied by improved financial conditions, and lastly by the 3rd quarter launch of a commercial paper program (graded A2 by Standard & Poor's).

The goal of lowering the cost of debt by 40 to 60 basis points in 2014 was surpassed with an average rate of establishment at 3.07% versus 3.83% as at 31 December 2013.

Portfolio

On a like-for-like basis, the value of all the entire portfolio is slightly down (-0.3%) with respect to 2013. Compared with 30 June 2014, this change is, in contrast, positive by 0.6%, particularly considering a compression of rates noted in Paris and in the first rim suburbs.

Continuing the trend observed in the first half-year, the value of Parcs des Portes Nord de Paris improved by 7.8% over the past year, which validates the development strategy of this area.

The value of EQHO has again appreciated in the second half-year with a positive change of 4.2%, i.e., annual growth of +5.5% compared with 31 December 2013, because of signings occurring during the year.

Post-closing events

None.

2.2. Outlook

In 2015 and 2016, Icade should see an increase in its EPRA Earnings from property investment, through the marketing of EQHO and the delivery of secured projects (le Monet in Saint-Denis in 2015 and the head office of Veolia in Aubervilliers in 2016).

2015 EPRA Earnings from property investment, and therefore the 2015 dividend, should be up slightly compared to 2014:

- thanks to increased marketing efforts across the whole portfolio in order to raise the financial occupancy rate above 90%;
- thanks to control over operational costs, particularly under the effect of cost synergies as a result of the merger with Silic;
- in spite of the likely acquisition of "Millénaire 3" by the French Government;
- maintenance of LTV at around 40% and the continued reduction of the average cost of debt through greater financial disintermediation.

2015 Group net current cash flow will change related to the performance of the property development activity.

2.3. Property Investment Division

2.3.1. Portfolio presentation

The assets of Icade's Property investment division represent over 2.7 million m² of leasable floor space. It is primarily composed of offices, business parks and health care establishments. Finally, residually, Icade owns a very small number of non-strategic assets, such as warehouses and dwellings.

Portfolio breakdown in leasable surface areas

Geographic region	Strategic assets			Alternative assets portfolio			
(in m^2)	Business parks	Offices	Sub-total	Healthcare (*)	Non-strategic assets portfolio	Total	%
Paris	144,142	17,174	161,316	2,644		163,960	6.05%
La Défense/Near La Défense	87,617	288,994	376,611	-	-	376,611	13.89%
Other Western Crescent	62,746	84,070	146,816	-	-	146,816	5.41%
Inner Ring	364,350	112,964	477,314	10,695	-	488,009	17.99%
Outer Ring	790,408	42,721	833,129	58,760	15,915	907,804	33.47%
Regional	-	30,993	30,993	525,216	72,736	628,945	23.19%
COMMERCIAL PROPERTY INVESTMENT	**1,449,263**	**576,916**	**2,026,179**	**597,315**	**88,651**	**2,712,145**	**100.00%**
%	53.44%	21.27%	74.71%	22.02%	3.27%	100.00%	

(*) In proportion to Icade's stake in Icade Santé (56.5%).

Strategic assets portfolio

Description of the portfolio

- Offices

Icade owns office buildings (with a total area of 610,000 m² including 33,600 m² being restructured) primarily in Paris, the Western Crescent and Villejuif.

In 2014, Icade delivered a building in Saint Denis (Sisley) of 19,500 m² leased entirely to Siemens.

On the other hand, Icade sold six office buildings with a total area of 26,900 m² (the Link Building in Paris with 10,650 m², three ground floor shops in Montpellier with 2,700 m² and two buildings in Cap Breton with 13,550 m²).

- Business parks

Additionally, Icade holds business parks located in Paris 19, Saint-Denis, Aubervilliers, Rungis, Naterre-Seine, Paris-Nord, Colombes, Cergy, Antony, Every, Villebon and Fresnes, i.e., 1,555,700 m² including 106,400 m² being restructured. The business parks stand out for their high organic development potential. That is why the Commercial Property Investment Division is concentrating a significant proportion of its medium-term investments in this segment, both for the refurbishment of existing assets and the construction of new assets. This business is a future cash flow generator and a significant value creator.

In 2014, Icade delivered a building in Colombes (Brahms) with 8,600 m² leased entirely by Alcatel. Icade also acquired the 50% of office buildings held by Klépierre in the Millénaire 5 and 6 buildings (8,500 m²) located in the Parc du Millénaire in the north of Paris.

On the other hand, Icade sold three buildings with area of 16,300 m² including two in Fresnes and one in Evry.

Market context

Investment in business real-estate: Strength due to mega-deals.

At the end of 2014, there were €22.6 billion which have been compiled in France, with close to 7.9 billion exchanged in the 4th quarter. The year 2014 returned to the pre-crises levels of 2006.

The segment of deals greater than €200 million has alone concentrated over 46% of the total commitments. In total, although the volumes exchanged grew to around 40% between 2013 and 2014, the number of transactions has shrunk by 20%, confirming the lack of offers.

In 2014, France had the best performance among the large mature European markets. Paris inner city remains a strong place for secured real-estate investment with €6.5 billion commitments in offices (44% of the total). The focus on secured buildings remains tight. In fact, the "core" assets attracted 65% of the office commitments in 2014, versus 58% in 2013.

On the other hand, the off-plan sales market, after a subdued new-year start, has picked up over the last months in very targeted locations in the Paris market. (Source: CB Richard Ellis).

Like the offices which concentrated 65% of the volumes exchanged with €14.6 billion, the retail property segment has done very well with performance surpassing 27% of the total, representing €6.1 billion in commitments. Finally, the investment in industrial and logistics with €1.8 billion, is slightly down over one year (8%). (Source: CB Richard Ellis).

The offices: A market in full recovery over the entire year

The year 2014 was characterised by the compression of "prime" returns, a result of the traditional weakness of the cost of money. The Parisian "prime" rate of return now totals 3.75% for the offices. This rate crash spread to the best locations of the Western Crescent, to the North and South rings and the outer ring, but a hierarchical organization remains.

The "prime" rental rate of return henceforth ranges from 3.75% to 5.00%. The offices of the Parisian CBD are now positioned on the same level as London. The appeal of real-estate is much stronger than the OAT returns which passed under the 1% bar at the start of December 2014,

The rates for La Défense are between 5.25% and 6.50%, for the Western Crescent between 4.65% and 8.75%, for the inner ring, between 5.25% and 8.75% and elsewhere in France between 5.40% and 8.00%.

Demand placed above 13% compared to 2013

The volume of demand placed on offices in IDF (Ile de France) totalled 2.1 million m² over the entire year 2014 ; the office market in this area posted an increase of 13% compared to 2013 but volumes remain 8% below their 10-year average.

The niche for hypermarkets greater than 5,000 m² jumped 26% in 2014 with 62 transactions for 826,800 m² (versus 53 transactions in 2013 totalling 655,500 m²). The small and medium segment (less than 1,000 m²) also performed well (+8%), while the intermediate market between 1,000 m² and 5,000 m² posted a limited annual increase of +1%.

Across the market as a whole, 40% of surface areas leased in 2014 were new or restructured offices (stable compared to 2013: 41%). Among all of the geographic sectors of Ile-de-France, La Défense showed the strongest dynamism in 2014 with 234,800 m² placed, the highest since 2008. (Source: CB Richard Ellis).

Immediate supply increased by 2.5% over one year, to 4 million m² as at 1 January 2015. The vacancy rate in the Greater Paris area remained stable, on average at 7.2% for Ile-de-France (5.1% in Paris, around 12% in La Défense and in the Western Crescent). The share of new or restructured area in immediate inventory represents 20%, a relative stable proportion for several years.

The geographic and structural disparities remain significant. Out of all the sectors, it is the peripheral locations and especially those in the West (La Défense and the Western Crescent) which concentrate 54% of the new and restructured supply in the region and 48% of the inventory > 5,000 m².

The face values for leases in Ile-de-France have stabilised but vary from one sector to another.

In Paris, the stable level of available inventory keeps rental values stable even though the peripheral markets push the face values and especially economics lower. The average weighted face rent in Ile-de-France for new, restructured or refurbished space totalled €297/m²/year excluding taxes and charges at year-end, stable compared to 2013 (€294/m²/year before taxes and charges at the end of 2013).

The incentives remain elevated in all sectors, on the order of 20% for transactions > 1,000 m².

The average "prime" rent in Paris Centre West totalled €687/m²/year excluding taxes and charges, versus €707/m²/year excluding taxes and charges in 2013. In La Défense, progressive leasing of new and restructured assets delivered during the last 18 months has increased the "prime" rent to €498/m²/year excluding taxes and charges, versus €442/m²/year excluding taxes and charges in 2013. In the Western Crescent, significant transactions have led to an increase, €459/m²/year excluding taxes and charges, versus €438/m²/year excluding taxes and charges in 2013. (Source: CB Richard Ellis).

Alternative assets portfolio (Icade Santé)

Description of the portfolio

The leader in its market, Icade has become a major player in healthcare since 2007 by building up a property portfolio of 71 establishments, featuring:

- assets that are instant cash flow generators;
- initial fixed lease terms of 12 years and a residual term of 8.8 years as at 31 December 2014;
- high rental margin rates (net/gross rent).

For the development and management of Icade Santé, Icade benefits from a team and expertise recognised on the market.

In 2014, Icade acquired 12 healthcare establishments for a total of €390.5 million.

In order to support its growth and maintain the Group's key balance sheet ratios, Icade Santé successfully opened €250 million of its capital, during the 1st half of 2012 to three institutional investors (Crédit Agricole Assurance, BNP Paribas Cardif and CNP Assurances). At end-2012, a second capital increase of €155 million was carried out, to support investments in the 2nd half of the year (including €45 million provided by Icade). In July 2014, a new capital increase was carried out for a total of €190 million with OPCI Messidor, C-Santé, Holdipierre, MF Santé and SOGECAPIMMO and Icade (€107 million).

As at 31 December 2014, Icade's stake in Icade Santé stood at 56.5%.

Market context

A market of monovalent assets with a long term investment horizon.

Two types of assets are usually distinguished on the healthcare real estate market:

- the health establishments that are short-stay in medical, surgery and obstetrics (MCO) or medium-stay which are for psychiatric or after care and re-habilitation (SSR);
- the medical-social establishments, namely elderly care homes (Housing Establishments of Dependent Elderly Persons or EHPAD), retirement homes (Housing Establishments for Elderly Persons or EHPA) and residence services.

These monovalent assets are of various property natures, sometimes with large areas of medical and technical capacities and sometimes mainly housing structures.

The leases signed on these assets are predominantly for a duration of 12 years fixed and all the charges are recoverable by the tenants (including major works falling under Art. 606 of the French Civil Code). However, since the publication of the French Law 2014-626 dated 18 June 2014 on commercial leases (the Pinel law) and the entry into force of the decree specifying the law in matters of division of the charges, major works falling under Article 606 of the French Civil Code are now the responsibility of the lessor in new leases signed on or after 5 November 2014, In the scope of externalisations, undertaking of works and guarantees are then taken or contributed by the sellers

A class of assets created the growing interest of numerous investors

Healthcare property has long been a niche gathering few investors or narrowly tied to the operators of establishments. Yet, with the research of diversification towards property assets procuring stable long-term rents, attractive returns and low risk of vacancy, the interest and the number of players has greatly increased in healthcare property.

Icade Santé, the market leader specialising in healthcare assets (MCO, SSR and psychiatric facilities), Gecimed (a subsidiary of Gecina), Foncière des Murs and Cofinimmo (a Belgian REIT) are the primary investors in France.

In the last few years, several asset managers have also greatly contributed to the increased market activity in 2014: BNP PARIBAS (Health Property Fund 1), PRIMONIAL (Primovie), Swiss Life REIM and also La Française.

Last, international property investment companies - notably North American - specialised in the healthcare sector have also made investments in Europe and are interested in France.

Rare products that lead to rate compression

The healthcare real-estate market is now characterised by increased demand on the part of investors. The supply of quality assets is limited and even primarily related to the externalisations of the operators who participate in the concentration of the sector or through sales of premises and business assets carried out by the doctors (primary market).

After a year 2013 in retreat in terms of investment volume (around €450 million compared to €650 million in 2011 and 2012), the year 2014 posted an investment volume of over €620 million,

This rise is not only the reflection of large operator externalisation transactions (Capio, Médipôle Partenaires) which have continued, but also of a record number of transactions on the secondary market which represent close to 40% of total volume. This increase in transactions between investors is the reflection of a growing maturity of the market.

The current "prime" rate of return (new or excellent condition for establishments nicely positioned in dynamic pools, excluding Paris) is about 6.40% to 6.60% for medical, surgery, obstetrician clinics and 5.50% for Housing Establishments of Dependent Elderly Persons (EHPAD). (Source: JLL).

Non-strategic assets portfolio

In 2014, Icade continued its policy of refocusing its activities around strategic assets proceeding with the sale of all of its assets located in Germany and its "Mr Bricolage" retail business. It also sold a warehouse in Besançon (73,660 m²) and 122 dwellings.

Thus, Icade still residually holds warehouses and dwellings.

2.3.2. Key figures as at 31 December 2014

Key figures for Property Investment

(in millions of euros)	31/12/2014	31/12/2013 restated	Change
Rental income	556.0	450.9	+23.3%
Net rental income	518.0	418.1	+ 23.9%
Margin (net rents / rental income)	*93.2%*	*92.7%*	
OPERATING PROFIT/(LOSS)	284.2	227.3	+ 25.1%
Financial profit/loss	(144.3)	(125.1)	+ 15.3%
Profit tax	(7.1)	(10.5)	(32.4%)
Net profit/(loss) Property Investment	132.9	91.7	+ 44.9%
NET INCOME GROUP SHARE PROPERTY INVESTMENT	113.8	75.0	+ 51.7%
EPRA earnings from property investment	269.9	209.4	+ 28.9%
or in €/share	*€3.66*	*€3.44*	+ 6.4%

Development of Property Investment rental income

(in millions of euros)	31/12/2013 restated	Acquisitions/ Deliveries	Disposals/ restructuring	Indexing	Rental business	31/12/2014	Variation on a like-for-like basis
France Offices	138.0	35.5	(2.2)	0.6	(0.2)	171.7	0.3%
Business parks	147.9	70.4	(0.8)	0.4	(2.2)	215.8	(1.2%)
STRATEGIC ASSETS	285.9	105.9	(3.0)	1.0	(2.4)	387.5	(0.5%)
ALTERNATIVE ASSETS	123.9	17.0	-	1.0	(0.1)	141.7	0.7%
NON-STRATEGIC ASSETS	46.7	-	(14.7)	-	0.6	32.7	1.3%
Intra-group Property Investment businesses	(5.6)	(0.1)	-	-	(0.3)	(5.9)	5.3%
RENTAL INCOME	450.9	122.8	(17.7)	2.0	(2.2)	556.0	(0.0%)

Rental income generated by the Property Investment division during the financial year 2014 accounts for €556.0 million, or an increase of €105 million in rent, up 23.3% compared to 2013.

On a like-for-like basis, rental income is stable.

- Changes in scope of consolidation: +105.1 million.
  - Or €122.8 million in additional rent related to acquisitions and deliveries including:
    - €96.8 million for the Silic acquisition;
    - €17.0 million for the clinics acquired in 2013 and 2014;
    - €5.0 million for the acquisition of f 50% of the offices held by Klépierre in the Millénaire 5 & 6 buildings;
    - €3.2 million for the delivery of the Sisley building in Saint-Denis leased entirely to Siemens.
    - €0.8 million for the delivery of the Brahms building in Colombes leased entirely to Alcatel.
  - Asset disposals led to a decrease in rental income of €16.8 million, revolving around the sale of non-strategic assets for €14.7 million for non-strategic assets (warehouses, offices in Germany, shops and dwellings) and mature strategic assets for €2.2 million;
  - Restructurings were accompanied by a loss of rental income of €0.8 million.
- Like-for-like basis: -0.2 million
  - The variation of indices represents an increase in revenue of €2.0 million.
  - Meanwhile, rental activity presents a negative net balance of €2.2 million, which breaks down as follows:
    - -€2.8 million for several rent renegotiations in the parks, primarily conducted successfully in exchange for an extension of lease terms and a reduction in rents, illustrating Icade's ability to build loyalty among its tenants despite them being aggressively pursued by the competition;

- +€0.6 million including -€0.3 million for the flow of entries and exits especially in the parks and warehouses and +€0.9 million for an exceptional asset accounted for in 2013.

Net rent from the Property Investment division for the year 2014 totalled €518.0 million, i.e., a margin rate of 93.2%, almost stable compared to 2013 (+0.5 point).

	31/12/2014		31/12/2013 restated	
(in millions of euros)	Net rental income	Margin	Net rental income	Margin
France Offices	158.7	92.4%	126.9	92.0%
Business parks	191.8	88.9%	133.5	90.3%
STRATEGIC ASSETS	350.5	90.5%	260.4	91.1%
ALTERNATIVE ASSETS	140.0	98.8%	122.4	98.8%
NON-STRATEGIC ASSETS	21.8	66.6%	32.2	69.0%
Intra-group Property Investment businesses	5.8		3.1	
PROPERTY INVESTMENT DIVISION	518.0	93.2%	418.1	92.7%

- the rate recovery on strategic assets decreased slightly mainly because of the decline in the occupancy rate in the sites of the outer ring and mainly Rungis and Paris-Nord.
- non-strategic assets have seen their rates decline 2.4 points, particularly in the warehouses after the sale of the completely occupied Besançon warehouse.

The **financial profit/(loss)** of the Property Investment division as at 31 December 2014 totalled -€144,3 million versus -€125.1 million as at 31 December 2013.

This change can mainly be explained by the increase in debt related to Silic's integration into Icade's consolidation as at 22 July 2013 (see Chapter 2.1: "Financial Resources").

The **duplicate Corporate income tax charge** from the Property Investment division as at 31 December 2014 totalled -€7.1 million, down €3.4 million compared to 31 December 2013. This change can be explained by a significant drop in the taxable activity in the German scope following the asset disposals occurring between 2013 and 2014.

After accounting for the items above, **EPRA Earnings from property investment** reached €269.9 million (€3.66/share) as at 31 December 2014, versus €209.4 million as at 31 December 2013 (€3.44/share).

2.3.3. Rental activity from the Commercial Property Investment Division

Classes of assets	Leasable space *(in m²)*	Leased space *(in m²)*	Financial occupancy rate *(in %)*	Index-linked IFRS Rental Income *(in millions of euros)*	Fixed residual term of leases [1] *(in years)*
France Offices	576,916	469,119	80.3%	171.9	4.3
Business parks	1,449,264	1,215,288	83.1%	214.3	3.1
Healthcare	597,315	597,315	100.0%	88.7	8.8
Warehouses	88,651	68,382	81.8%	2.7	2.6
COMMERCIAL PROPERTY INVESTMENT	2,712,146	2,350,104	84.6%	477.6	4.7

[1] *Total rents reported for the term of the lease.*

New signings

For Icade, the year 2014 was characterised by intense commercial activity, both in the first and second half-years with strong commercial success, especially in La Défense. Reflecting the rental market in Ile-de-France, Icade noted a resumption of signings greater than 5,000 m². Icade has recorded signing of 127 new leases concerning close to 146,200 m² (including 123,700 m² in the strategic portfolio) and representing €46.4 million in facial rent including 73% effective in 2015. Thus, this commercial dynamism will bear its fruit in the 2015 financial indicators.

The main signings revolved on the leasing of:

- 76% of the space in the EQHO tower concluded with the signing of three leases: 40,468 m² leased to KPMG in April 2015 for a fixed term of 12.5 years, 9,555 m² leased to Air Liquide in August 2015 for a term of nine years and 5,616 m² leased to La Banque de France in September 2015 for a term of nine years;
- 5,616 m² leased to Tarkett including 1,872 m² in Icade's share in Tour Intiale building in La Défense (effective date 1 March 2105);
- 5,018 m² leased to QVC in the Gardinoux building in the Portes de Paris (effective date 1 January 2015);
- 2,817 m² leased to Xerox in the Exelmans building in the Paris Nord (effective date 1 March 2015);
- 2,740 m² leased to the Ministry of Justice in the Millénaire 2 building (effective date 1 April 2015);
- 2,539 m² in the European building in Evry leased to the La Direccte company (effective date 1 September 2014);
- 2,524 m² of the Millénaire 2 building leased to the Regional Health Agency ("*Agence Régionale de Santé*") (effective date 25 March 2014)'
- In the non-strategic portfolio, three leases were signed for a total area of 22,500 m².

Tenant departures

Departures corresponded to 152,900 m² and represented €28.4 million in lost rent. 40,100 m² of this space was not re-leased because a restructuring or construction project is planned.

In the scope of the offices, the tenant departures concerned 18,030 m².

- 2,604 m² in the space of the Défense1 building to be restructured in view of housing the Campus La Défense project. Most of these tenants were transferred in the Axe Seine transaction;
- 4,816 m² (in proportion to holding) in the Tour Initiale in La Défense (Nexity tenant);
- 3,236 m² in the Défense2 building including 1,980 m² related to the Socomie employees who were transferred to Millénaire 1.

For business parks, the number of tenant departures during the financial year stood at a significant 126,300 m². The Rungis and Paris Nord sites had a significant but anticipated tenant turnover. The year 2014 was marked by the exit of 16 leases whose areas exceeded 2,000 m², i.e., a total of 69,400 m² including two leases with an area over 12,000 m².

- Mondelez in the "Saarinen" building in Rungis for an area of 12,773 m²;
- Alcatel in the "Bourgognes" building in Colombes for an area of 17,924 m², Alcatel having leased 8,614 m² in the "Brahms" building in Colombes delivered in the 3rd quarter 2014.

Finally, thanks to the efficiency of the asset management teams, numerous surface areas vacated in 2014 have been or are about to be re-leased. The property investment teams' activity also led to the renewal of 73,200 m² of surface areas, under less favourable rental conditions (-16%), although securing €14.4 million over a fixed period of approximately five years.

The **vacant space** as at 31 December 2014 stood at 362,000 m² and €90.1 million in potential rent. 71,600 m² of this space has been pre-leased effective in 2015.

- the EQHO tower alone represents €35.6 million, or close to 40% of the total potential rent and in area of 79,000 m², 56,000 m² of which is pre-leased;
- the business parks represent €45.8 million, including €13.9 million in the area of Rungis (including €3.3 million in the Saarinen building following the departure of the Mondelez tenant in the 4th quarter 2014) and 7.7 million in Nanterre Seine (including €4.4 million in the Axe Seine building).

The average fixed term of the leases is 4.7 years and slightly less in the offices because of the maturity in 2015 of four leases of the AXA tenant for a total area of 75,400 m².

As at 31 December 2014, the 10 largest tenants accounted for total annual rents of €138.6 million (35.6% of annual rents from assets excluding Healthcare).

The **financial occupancy rate** at 84.6% as at 31 December 2014 is down 3.2 points in comparison to 31 December 2013 (87.8%).

This change is related to a combination of several factors:

- offices: the drop in the occupancy rate of 3.4 points is related to the impact of the restructuring start-up and non-leasing of space in December 2014 in the PB5 building in La Défense.
- business parks: the drop in occupation has penalised the financial occupancy rate by 3.9 points, notably in the Rungis parks (-9.5 points) and Paris Nord (-8.5 points). The exit of Mondelez in Rungis has negatively impacted the Rungis rate by -5 points.

The leasing of 56,040 m² of the EQHO tower whose effect in 2015 will bring the financial occupancy rate to 88.9%, i.e., a rise of 4.3 points and 11.4 points in the occupancy rate of the offices.

Schedule of leases per business in annual rents (in millions of euros)

	France Offices	Business Parks	Healthcare	Warehouses	Total	Share of total
2015	55.9	41.3	-	0.7	97.9	20.5%
2016	15.8	56.8	0.2	0.6	73.4	15.4%
2017	15.1	40.7	-	0.8	56.6	11.9%
2018	18.9	15.9	-	0.2	35.0	7.3%
2019	9.6	18.1	3.1	-	30.8	6.4%
2020	4.3	8.9	15.1	0.2	28.5	6.0%
2021	25.9	15.7	3.8	-	45.4	9.5%
2022	3.5	7.0	4.5	0.2	15.2	3.2%
2023	5.8	4.8	17.6	-	28.2	5.9%
>2023	17.1	5.1	44.4	-	66.6	13.9%
Total	171.9	214.3	88.7	2.7	477.6	100.0%

Among the leases maturing in 2015, five leases represent close to 40% of the potential exits in rents, four of which are the subject of advanced renegotiation in favour of renewal. The AXA tenant concentrates a total area of 75,400 m² including 57,800 m² which are in the process of re-negotiation.

Excluding these four leases, the total maturing in 2015 stands at €66.4 million. Based on the turnover of tenants observed in previous financial years, only 25% to 30% of potential exit options are actually exercised. There is therefore a strong possibility that a significant share of tenants with an exit option in 2015 will decide not to exercise this right and opt to extend their lease for a new three-year period.

The business park users, especially in the former Silic portfolio, occupy small and medium space and are committed mainly to 3/6/9 leases explaining the significant share of breaks for the years 2015 to 2017. Thus, the property investment teams have set up leasing orders in all parks, the goal being to re-lease the medium spaces on the basis of 6/9 year leases.

2.3.4. Investments

Icade has continued to add value to its assets in order to increase the generation of cash flows in the longer term, and at the same time, it has acquired healthcare assets that produce immediate cash flows. Total investments over the period amounted to €720.3 million.

To finance its investments over the financial year, Icade used its own cash flow, corporate credit lines and more specifically for investments in its subsidiary Icade Santé, capital increases carried out with institutional investors.

The investments are presented according to the recommendations of the EPRA in distinguishing tenant works, leasing fees and financial costs under the title "others".

(in millions of euros)	Asset acquisitions	Construction / Asset restructuring	Other Capex (GER, REL)	Other	Total
France Offices	-	78.4	5.4	16.1	99.9
Business parks	38.1	127.5	19.0	14.3	198.8
STRATEGIC ASSETS	38.1	205.9	24.3	30.4	298.7
Healthcare	390.5	28.8	1.0	0.3	420.7
ALTERNATIVE ASSETS	390.5	28.8	1.0	0.3	420.7
NON-STRATEGIC ASSETS	-	-	0.1	0.8	0.9
Intra-group Property Investment businesses	-	-	-	-	-
PROPERTY INVESTMENT DIVISION	428.6	234.7	25.5	31.5	720.3

This policy can be divided into four types of investments:

Asset acquisitions

Icade follows a selective acquisition strategy concerning assets with high profitability and generating instant cash flows. In 2014, the amount of acquisitions stood at €428.6 million and concerns:

- twelve healthcare establishments including three clinics of the Groupe Médipôle Sud Santé in the eastern Pyrénées, seven clinics with Capio Santé, one clinic in Caen and the La Muette clinic in Paris;
- the acquisition of 50% of the offices held by Klépierre in the Millénaire 5 and 6 buildings in Aubervilliers.

Construction/extensions and asset restructurings

These investments are mainly related to:

- strategic assets for €205.9 million in 2014, including:
  - the offices in France for €78.4 million, with the construction expenses of two buildings in Saint Denis including €10.2 million for the Sisley in Saint-Denis (delivered in April 2014 and pre-leased to Siemens), €40.2 million for Le Monet in Saint-Denis (delivery planned for the 2nd quarter 2015 and pre-leased to SNCF). The studies on the Camps La Défense building in Nanterre Prefecture concerned €6.6 million. The restructuring of the PB5 towers whose works were completed in December 2014 and the works in the EQHO tower concerned respectively €10.4 and €15.7 million,
  - the business parks at €127.5 million, with the construction expenses of Millénaire 3 pre-leased to the Ministry of Justice in April 2015 (€44.9 million), the head office of Véolia (€40.4 million), the start of the Millénaire 4 building (€8.0 million), the Québec in Rungis (€19.7 million), the Brahms in Colombes (€14.6 million). This construction is all pre-leased with the exception of the Québec building (12,000 m²), deliverable at the beginning of 2015 and the Millénaire 4 building deliverable at the end of 2016.
- alternative assets: it's a matter of construction or extensions of clinics for a total of €28.8 million whose rental conditions, set contractually during acquisitions, will be subject to extra rent at delivery.

Other *Capex*

Representing primarily the renovation expenses of the business parks (major maintenance and repairs, refurbishment work of the premises).

Other

Representing mainly the support measures (tenant works), the costs associated with leasing these assets, and the capitalised financial costs of projects under development.

Development projects

A €1.4 billion pipeline including €621 million committed and secured at 75%,

						Remaining to be produced			
	Delivery	Pre-leasing	Area	Rents	Cost[1]	Total	2015	2016	2017
Millénaire 3 (Paris 19)	2015	100%	32,000	11.6	150.4	17.0	17.0	-	-
Monet (Saint-Denis)	2015	100%	20,700	6.3	89.9	7.1	7.1	-	-
Québec (Rungis)	2015	0%	11,600	3.4	47.2	3.5	2.8	0.7	-
Véolia (Aubervilliers)	2016	100%	45,000	16.5	224.0	156.3	94.5	54.2	7.6
Millénaire 4 (Paris 19)	2016	0%	23,000	8.7	109.2	82.8	39.6	42.1	1.1
PROJECTS LAUNCHED		75%	132,300	46.5	620.6	266.8	161.1	97.0	8.7
Pop Up (Saint-Denis)		0%	28,300	8.9	110.4	105.1			
Ottawa (Rungis)		0%	13 600	3.9	47.6	39.9			
Campus La Défense (Nanterre)		0%	79,200	29.1	454.0	346.3			
Vauban (Rungis)		0%	20,400	5.8	89.6	71.3			
Vancouver (Rungis)		0%	13 600	3.9	51.5	45.6			
PROJECTS CONTROLLED		0%	155,100	51.6	753.1	608.2			
TOTAL			287,400	98.1	1,373.7	875.0	161.1	97.0	8.7

[1] Cost of the project as approved by the authority of Icade's governance. This price includes the book value of the property investment, works budget, the cost of financial porterage and the possible support measures.

2.3.5. Arbitration

Icade is carrying out an active trade-off policy on its assets, based on three main principles:

- optimisation, rotation :sale of mature assets, for which most of the asset management work has been done and where there is a probability of significant capital gain on the sales;
- portfolio streamlining: sale of assets of modest size or held under joint ownership;
- commercial property focus, disposal of non-strategic assets: sale of assets not belonging to the core business of the Commercial Property Investment division.

The value of sales made during 2014 was €480.0 million.

Assets	Optimisation	Portfolio streamlining	Shift to the commercial sector	Total
France Offices	116.8	30.3	-	147.1
Business parks[1]	-	16.4	4.7	21.1
Strategic assets	116.8	46.7	4.7	168.2
Shops and shopping centres	-	-	130.7	130.7
Germany	-	-	158.6	158.6
Warehouses	-	-	9.5	9.5
Housing	-	-	13.0	13.0
Non-strategic assets portfolio	-	-	311.8	311.8
Property Investment Division	116.8	46.7	316.5	480.0

[1] Including €2.7 million in intra-group transfers from Property Investment to Property Development

This relates primarily to the following:

- the December 2014 sale of the Link asset (10,650 m²) located in Paris which had been acquired during the repurchase of Compagnie La Lucette;
- the disposal in 2014 of the entire balance of the assets located in Germany;
- the disposal in the 4th quarter 2014 of the retail business Mr Bricolage;

These arbitrations were motivated by the refocusing policy on strategic assets and the attractiveness of the offerings.

This arbitration policy illustrates Icade's ability to adapt to market conditions which change quickly. In particular, the sale of the Link building demonstrates how Icade in 2014 was able to profit from the growing appetite of investors for well-leased buildings located in Paris.

2.4. Other activities

Key figures	31/12/2014				31/12/2013 restated			
(in millions of euros)	Property development	Services	Inter-group	Total	Property development	Services	Inter-group	Total
Revenues	1,166.7	44.6	(19.1)	1,192.3	970.4	48.4	(25.8)	993.0
EBITDA	55.7	1.7	(0.3)	57.1	44.2	4.6	0.8	49.6
Margin (EBITDA/Revenues)	*4.8%*	*3.8%*	*1.5%*	*4.8%*	*4.6%*	*9.5%*	*-3.1%*	*5.0%*
OPERATING PROFIT/(LOSS)	64.2	1.0	(1.9)	63.3	73.5	3.4	2.8	79.7
Financial profit/loss	3.6	(0.1)	-	3.5	2.2	(0.1)	-	2.1
Profit tax	(25.2)	(1.7)	-	(26.9)	(27.0)	(1.6)	0.1	(28.5)
Net profit/(loss)	42.6	(0.8)	(1.9)	39.9	48.5	1.7	2.9	53.2
NET INCOME GROUP SHARE	40.5	(0.8)	(1.9)	37.8	47.2	1.7	2.9	51.9

2.4.1. Development Division

Key figures

Summary income statement by business

(in millions of euros)	31/12/2014 IFRS	31/12/2014 Reclassification of co-enterprises	31/12/2014 Total	31/12/2013 restated IFRS	31/12/2013 restated Reclassification of co-enterprises	31/12/2013 restated Total	Change
Residential Property Development	795.4	31.9	827.3	702.5	26.8	729.3	13.4%
Commercial Property Development	371.9	46.5	418.4	267.9	94.3	362.2	15.5%
Intra-group Property Development businesses	(0.6)	-	(0.6)	-	-	-	-
REVENUE (*)	1,166.7	78.4	1,245.1	970.4	121.1	1,091.5	14.1%
Residential Property Development	45.2	1.7	46.9	37.6	2.4	40.0	17.2%
Commercial Property Development	10.5	5.7	16.2	6.6	15.3	21.9	(25.9%)
EBITDA	55.7	7.4	63.1	44.2	17.7	61.9	1.9%
Residential Property Development	46.9	-	46.9	52.4	(2.1)	50.3	(6.8%)
Commercial Property Development	17.4	(0.1)	17.3	21.2	-	21.2	(18.4%)
OPERATING PROFIT/(LOSS)	64.2	(0.1)	64.1	73.5	(2.0)	71.5	(10.3%)

(*) Revenue based on progress, after inclusion of the commercial progress and work progress of each operation.

ICADE considers that the application of the IFRS 11 standard on co-enterprises does not allow it to fully reflect the business of Property Development.

The financial indicators indicated below therefore take into consideration the co-enterprises in proportional consolidation (economic presentation).

The IFRS 11 standard requires the equity method of accounting for co-enterprises. Consequently, the financial indicator tables below present the passage from the accounting presentation to the economic presentation.

Development backlog and Service order book

The backlog represents the revenue signed (before tax) but not yet posted for development operations based on progress and signed orders (before tax).

The order book represents the service contracts (before taxes) that have been signed but are not yet productive.

(in millions of euros)	31/12/2014 Total	31/12/2014 Île-de-France	31/12/2014 Regions	31/12/2013 Total	31/12/2013 Île-de-France	31/12/2013 Regions
Residential development (incl. subdivision)	825.8	386.9	438.9	1,011.7	599.0	412.7
Commercial Property Development	183.8	146.5	37.3	233.5	215.8	17.7
Public and Healthcare Development	182.5	9.8	172.7	249.0	19.9	229.1
Project management services order book	41.9	29.7	12.2	44.3	25.0	19.3
Engineering order book	-	-	-	-	-	-
TOTAL	1,234.1	572.9	661.2	1,538.5	859.7	678.8
Share of total	100.0%	46.4%	53.6%	100.0%	55.9%	44.1%

The Property Development division's total backlog was €1,234.1 million (versus €1,538.5 million as at 31 December 2013), down 19.8% compared with 31 December 2013.

These changes can be analysed as follows:

- a decrease of 18.4% of the "Residential Property Development" backlog, related in part to the advancement of significant operation works in North East Paris (Paris 19 - Mac Donald), whose delivery is planned for the 2nd quarter of 2015.
- a drop in the "Commercial Property Development" backlog of €233.5 million to €183.8 million, primarily because of the delivery over the year of several large-scale transactions (Joinville Urbagreen, Saint Denis Landy le Sisley, Lyon Opale, Paris Pushed Slab, Paris PNE offices).
- a decrease of 27% of the "Public and Healthcare Development" backlog related to low renewal, this year, of development contracts for this business.
- the project services order book decreased 5.3% (€42.0 million versus €44.3 million).

Residential property development

	31/12/2014			31/12/2013			
(in millions of euros)	IFRS	Reclassification of co-enterprises	Total	IFRS	Reclassification of co-enterprises	Total	Change
Revenues	795.4	31.9	827.3	702.5	26.8	729.3	13.4%
EBITDA	45.2	1.7	46.8	37.6	2.4	40.0	17.1%
Margin (EBITDA/Revenues)	*5.7%*	*5.2%*	*5.7%*	*5.4%*	*8.9%*	*5.5%*	
OPERATING PROFIT/(LOSS)	46.9	(0.0)	46.9	52.3	(2.1)	50.2	(6.5%)

The residential property market stabilised in 2014. In an unstable economic climate, deteriorating macro-economic indicators and a lack of confidence among private individuals as well as investors are encouraging caution. Only the still lower and lower interest rates support the market in creating a historic situation in the matter.

We note a certain return to private investors. The tax and regulatory measures in the "ALUR" law and the provisions of the "PINEL" law should start generating some positive effects in 2015.

Over the entire territory, the residential market contracted significantly in Ile-de-France, but has observed good resistance in the rest of France, contrary to 2013.

Leasing has, nevertheless, remained active and better than in 2013. The flow of commercial stock has increased slightly (7.7% rate of flow versus 6.6% in 2013).

The number of first-time buyers and second-time buyers is down slightly, but this is more than compensated for by investor activity sustained by block sales and private investors being present a little more often than in 2013.

Sales of social and intermediate leases are also down slightly,

The revenue of the residential property development business totalled €827.3 million as at 31 December 2014, up 13.4% compared to 2013. This increase is primarily explained by good control of construction sites, and the rise in power of the Paris Nord Est (North East Paris) operation (Paris 19 - Mac Donald: 1,126 dwellings).

EBITDA for this business rose to €46.8 million (5.7% of revenue) compared with €40.0 million in 2013 (5.5% of revenue).

This performance is mainly related to better coverage of fixed costs, with regard to the importance of the year's revenue.

The operating profit/(loss) for the Residential Development Division was down 6.7% (€50.2 million as at 31 December 2014 compared with €46.8 million as at 31 December 2013), given the significant reversals of non-recurring provisions in 2013.

The Residential Property Development Division remains vigilant in its commitments by adapting production to market conditions and tightening its commitment criteria to preserve operations margins and its volume of activity.

As at 31 December 2014, unsold completed inventory comprised of 123 residential properties, representing €25.4 million in revenues compared with an inventory of 109 plots as at 31 December 2013 for €21.1 million in revenues.

The indicators below reflect the condition of the residential property market. The trend in 2015 should be identical to that of 2014, with market stability in volume and low price erosion, if the rates are kept at their current levels.

The revenue of the Residential Property Development division should register a drop in 2015 because of the end of the significant Paris-Nord Est operation.

In the Île-de-France region, the ambition of the Grand Paris project to increase production to 70,000 homes, i.e., doubling current production, is also an encouraging sign for the development in sales volumes.

At the national level, Icade is also counting on the institutional investment dynamic in interim housing in order to grow its production.

Primary physical indicators as at 31 December 2014:

	31/12/2014	31/12/2013	Change
Marketing of new housing units and plots for construction			
Île-de-France	1,249	1,422	(12.2%)
Regions	3,307	2,114	56.4%
TOTAL PLOTS *(number)*	4,556	3,536	28.8%
Île-de-France	278.2	351.6	(20.9%)
Regions	619.7	443.1	39.9%
TOTAL REVENUE *(potential in millions of euros)*	897.9	794.7	13.0%
Launch of projects to build new residential properties and building plots - SO			
Île-de-France	1,044	2,535	(58.8%)
Regions	2,003	1,948	2.8%
TOTAL PLOTS *(number)*	3,047	4,483	(32.0%)
Île-de-France	261.0	656.4	(60.2%)
Regions	397.5	371.4	7.0%
TOTAL REVENUE *(potential in millions of euros)*	658.5	1,027.8	(35.9%)
Reservations of new homes and plots of building land			
Housing reservations *(number)*	3,849	3,533	8.9%
Housing reservations in millions of euros (including tax)	783.7	776.4	0.9%
Housing withdrawal rate *(in %)*	19%	25%	(23.6%)
Building plot reservations *(number)*	63	72	(12.5%)
Reservations of building plots in millions of euros (including tax)	4.0	7.5	(46.4%)
Average sale price and average surface area based on reservations			
Average price including taxes per habitable m^2 *(in €/m2)*	3,615	3,535	2.3%
Average budget including tax per residential unit *(in k€)*	205.7	219.8	(6.4%)
Average floor area per residential unit *(in m²)*	56.9	62.2	(8.5%)

Breakdown in reservations by type of customer

	31/12/2014	31/12/2013
Social housing companies – Social landlords	20.9 %	30.5 %
Institutional Investors	15.4 %	9.8 %
Individual Investors	33.0 %	24.4%
Buyers	30.7 %	35.3 %
Total	**100.0 %**	**100.0 %**

The number of dwellings and building plots sold during the year 2014 has increased 28.8% compared to the previous year (4,556 plots versus 3,536 plots).

The number of dwellings and building plots launched in the year 2014 totalled 3,047 compared to 4,483 as at 31 December 2013. The year 2013 saw a number of significant launchings, notably the start of large operations such as Paris 19 Mac Donald (1,126 plots) and Boulogne Trapèze Est B5 (412 plots).

Net new dwelling reservations and building plots created by Icade as at 31 December 2014 grew 8.5% in volume compare to the previous year, reaching 3,912 reservations. In value, the amount is stable totalling €787.8 million (versus €783.9 million as at 31 December 2013) because of a lower proportion of reservations made in Ile-de-France (28.2% versus 46.2% as at 31 December 2013) where the average price is greater than that noted in the region.

The average price of reservations per m² was €3,615/m² at the end of the year 2014, up 2.3% compared to the end of 2013 (€3,535/m²). This change is explained primarily by the decrease in average area per dwelling (56.9 m² as at 31 December 2014 versus 62.2 m² as at 31 December 2013), more marked in the rest of France than in Ile-de-France.

The number of reservations made with private customers was up and stood at 63.7% of reservations for the year 2014 versus 59.7% for the year 2013, related to a significant increase in individual investing (33% versus 24%).

The volume of block reservations is down (36.3% instead of 40.3%) with a different division between the social and institutional leases (20.9% instead of 30.5% for social lease investors) and (15.4% versus 9.8% for institutional investors).

Notarised sales as at 31 December 2014 reached 3,133 plots for revenue of €673.6 million, versus 3,792 plots for €817.4 as at 31 December 2013, i.e. a drop of 17.3% in volume. This erosion is explained partly by the extension of transformation time limits of reservations in authentic instruments.

Property portfolio

The housing property and building plots investment portfolio remains stable. It stood at 6,835 plots as at 31 December 2014 (6,291 plots as at 31/12/2013) for potential revenue estimated at €1.45 billion (versus €1.4 billion as at 31/12/2013).

Commercial Property Development

	31/12/2014			31/12/2013			
(in millions of euros)	IFRS	Reclassification of co-enterprises	Total	IFRS	Reclassification of co-enterprises	Total	Change
Revenues	371.9	46.5	418.4	267.9	94.3	362.2	15.5%
EBITDA	10.5	5.7	16.2	6.6	15.3	21.9	(26.0%)
Margin (EBITDA/Revenues)	*2.8%*	*12.2%*	*3.9%*	*2.5%*	*16.2%*	*6.0%*	
OPERATING PROFIT/(LOSS)	17.4	(0.1)	17.3	21.2	(0.0)	21.1	(18.0%)
Public and Healthcare	82.9	3.8	86.7	80.4	12.1	92.5	(6.2%)
Commercial	269.7	43.3	313.0	157.3	84.0	241.3	29.7%
Project Management Assistance	19.2	(0.6)	18.7	30.2	(1.8)	28.4	(34.3%)
REVENUE	371.9	46.5	418.4	267.9	94.3	362.2	15.5%

Public and Healthcare business

2014 revenue for the "Public and Healthcare" Development business fell by 6.2% in 2014 reaching €86.7 million. The launching of the works of the "Private Hospital of Nouméa Division" in the second half-year has allowed catching up for the slowdown in revenue noted in the 1st half-year of 2014.

As at 31 December 2014, the portfolio of projects in the domain of "Public and Healthcare" Development corresponds to 278,996 m² (278,508 m² as at 31 December 2013) of projects, including 106,506 m² of works in progress.

Over the financial year 2014, the deliveries represent 44,708 m², with the delivery of the PPP Zoo de Vincennes for 10,000 m² in the first quarter of 2014.

Since 1 January 2014, €43.4 million (in Icade share) of new contracts were signed off plan or in property development contracts. Moreover, Réseau Ferré de France has designated the grouping conducted by ICADE as award-winner for the creation of the new TGV (high speed) "*Montpellier-Sud de France*" train station in the form of a public-private partnership (PPP).

Commercial property and shops

As at 31 December 2014, the revenue from the office development and shops business totalled €313.0 million, versus €241.3 million as at 31 December 2013. This increase of 29.7% is primarily attributable to the disposal of the "le Garance" building occurring as planned on 31 December 2014. On behalf of the Ministry of the Interior, the agency France Domaine exercised the purchase option that it held at the end of the lease in the planned project.

Over the year 2014, several significant operations were delivered (Joinville Urbagreen, Saint Denis Landy le Sisley, Lyon Opale, Pushed Slab, PNE bureaux, etc...), representing a total of 120,142 m² of floor space delivered.

As at 31 December 2014, Icade Property Development has a portfolio of projects in the domain of the Commercial Property Development and Retail Shops of around 835,489 m² (versus 879,000 m² as at 31 December 2013), including 196,617 m² of projects in development. The works were just launched for the creation of "Panorama T6" located in the Zac (integrated development zone) Paris Rive Gauche (16,498 m²).

Speculative transactions represent a commitment of €130.4 million as at 31 December 2014, down substantially compared to 31 December 2013 (€232.7 million).

Project Management Assistance

The project management assistance business concerns project management assistance contracts and studies created for customers from Public and Healthcare sectors, Commercial Property and Retail Shops.

In 2014, revenue from this business fell 34.3% to €18.7 million.

Requirements for working capital and borrowing

Working capital requirement (WCR) improved strongly and shrank €125.3 million since the beginning of the financial year 2014, totalling €254.9 million.

This drop is completely attributable to the Commercial Property business because of deliveries in the year 2014 and the disposal of the Le Garance building in Paris occurring at the end of the year.

The Commercial Property WCR is slightly positive at €15.7 million even though that of Residential increased to €239.2 million, but remained stable in proportion to the revenue in comparison to 2013 (28.9% of the 2014 revenue, versus 28.6% in 2013).

Net cash flow from the Property Development division totalled €158 million.

2.4.2. Services Division

The Services Division comprises the property management business as well as the consultancy and solutions business.

Revenues from this division reached €44.6 million as at 31 December 2014 compared with €48.4 million as at 31 December 2013.

This change is mainly related to the effects of change in the scope. In fact, the disposal in 2013 of the Suretis subsidiary, specialised in the operation of security services and electronic surveillance, led to a loss of revenue of €1.9 million. On a like-for-like basis, revenue is down €1.9 million compared to 2013 primarily because of a significant decrease in the activity of transaction consulting.

The assets managed by the property management business as at 31 December 2014 has improved slightly in comparison to that of 31 December 2013. In fact, the integration of Silic in 2013 allowed the allocation on 1 January 2014 to Icade Property Management of the external assets up to then managed by Socomie (close to 80,000 m²). On the other hand, Icade won the order of property agent for the D2 tower located in Courbevoie, a building of 54,550 m² on 171 meters offering 37 floors.

2.5. Group net current cash flow

After taking into account the above items, the Group net current cash flow reached €317.9 million (€4.31/share) as at 31 December 2014, versus €260.7 million as at 31 December 2013 (€4.28 €/share).

	31/12/2014			31/12/2013 restated			
(in millions of euros)	EPRA Earnings from property investment	NCCF Other activities	NCCF Group	EPRA Earnings from property investment	NCCF Other activities	NCCF Group	Change
EBITDA	465.7	57.0	522.7	388.3	49.6	437.9	19.4%
Depreciation not related to investment properties	(8.0)	8.0	-	(9.7)	9.7	-	
Share in profit/loss of equity-accounted companies	5.1	7.7	12.8	13.4	15.7	29.2	
CURRENT OPERATING PROFIT/(LOSS)	462.8	72.7	535.5	392.0	75.1	467.1	14.7%
Profit/(loss) of non-consolidated companies	0.6	0.8	1.4	0.6	-	0.6	
Cost of net debt	(133.9)	2.8	(131.0)	(144.4)	12.9	(131.5)	
Other financial income and charges	(5.7)	(0.1)	(5.8)	10.2	(10.9)	(0.6)	
CURRENT FINANCIAL PROFIT/(LOSS)	(139.0)	3.6	(135.4)	(133.6)	2.0	(131.5)	2.9%
CURRENT CORPORATE TAX	(6.9)	(26.0)	(32.9)	(10.9)	(24.5)	(35.4)	(7.0%)
Profit/(loss), minority interests share	(47.0)	(2.2)	(49.2)	(38.1)	(1.3)	(39.4)	24.9%
EPRA EARNINGS FROM PROPERTY INVESTMENT	269.9		269.9	209.4		209.4	
NET CURRENT CASH FLOW FROM OTHER ACTIVITIES		48.1	48.1		51.3	51.3	
GROUP NET CURRENT CASH FLOW			317.9			260.7	21.9%
Data in euros per share	€3.66	€0.65	*€4.31*	€3.44	€0.84	*€4.28*	*0.7%*

The Group net current cash-flow is comprised of the following two items:

- EPRA Earnings from property investment. Introduced in the 2013 accounts, it measures the cash flow from the property investment business pursuant to the EPRA recommendations; and
- the "Net current cash flow from other activities" which measures the cash flow from property development activities and services.

As a reminder, since 30 June 2014, Group net current cash flow excludes the change in fair value of derivatives and ORNANEs.

2.6. Obligation of the SIIC regime and distribution

The ratio of activities not eligible for the SIIC regime in the parent company's balance sheet totalled 8.81% as at 31 December 2014.

Icade's 2014 net book profit was €95.1 million, corresponding to a fiscal profit of €170.2 million.

This tax base breaks down over the various sectors as follows:

- €92.4 million in exempt current income from SIIC activities, subject to a 95% distribution obligation;
- €47.7 million in exempt current income from SIIC activities, subject to a 60% distribution obligation;
- €14.6 million in tax-exempt dividends from SIIC subsidiaries, subject to a 100% distribution obligation;
- taxable profit, which stands at €15.5 million before allocation of previous deficits.

These results generated a distribution obligation of a total of €131.0 million for the financial year 2014, broken down as follows:

- €87.8 million relating to the rental business (95% obligation);
- €28.6 million relating to the sales (60% obligation);
- €14.6 million relating to dividends from SIIC subsidiaries (100% obligation).

Furthermore, in the scope of the subsidiaries having opted for the SIIC regime, created during the financial year 2014, Icade committed to substituting them for their distribution obligations, totalling €17.1 million.

This results in a total distribution obligation of €148.1 million.

	Fiscal Profit/(Loss)	Distribution obligation		Fiscal Profit/(Loss)	Distribution obligation	
(in millions of euros)	31/12/2014	%	Amount	31/12/2013	%	Amount
Current profit/(loss) from SIIC activities	92.4	95.00%	87.8	52.8	95.00%	50.2
Profit/(loss) from disposals	47.7	60.00%	28.6	(17.2)	0.00%	-
Dividends from SIIC subsidiaries	14.6	100.00%	14.6	48.3	100.00%	48.3
Taxable profit/(loss)	15.5	0.00%	-	20.9	0.00%	-
TOTAL	170.2		131.0	104.8		98.5
Limitation on obligations for exempt profit			N/A			83.9
Taking over of distribution obligations for merged companies			17.1			80.0
TOTAL			148.1			163.9

The distribution of a dividend of 3.73 euros per share will be proposed to the Annual General Shareholders' Meeting, which will take place on 29 April 2015. Based on existing shares as at 17 February 2015, i.e. 74,022,386 shares, the dividend distribution amount proposed to the Shareholders' Meeting will be €276.1 million.

	31/12/2014	31/12/2013
Dividend *(in millions of euros)*	276.10	271.30
Including current dividend	276.10	271.30
Including exceptional dividend	-	-
Dividend *(in €/share)*	3.73	3.67
Including current dividend	3.73	3.67
Including exceptional dividend	-	-

Article 6 of the amended 2012 French Finance Law introduced an additional contribution to the corporate tax, which is calculated on the amount of revenues distributed. This contribution represents 3% of dividends distributed beyond the distribution obligation. In 2014, Icade paid €3.2 million for this tax.

2.7. Non tax deductible charges

The financial year's charges do not include expenditure, which is non-deductible by the tax authorities, as defined by the provisions of Article 39-4 and 223 quarter of France's General Tax Code.

2.8. Contracts

2.8.1. Major contracts

Icade and its subsidiaries did not conclude any significant contracts, outside the normal course of business, for the unit consisting of Icade and its subsidiaries during the two years preceding the date of this report.

2.8.2. Related-party transactions

The most significant contracts concluded between Icade and/or certain of its subsidiaries include: contracts for service provisions, a brand license as well as financing contracts.

Moreover, the report produced by Icade's statutory auditors on the agreements and regulated commitments referred to in Article L.225-38 of the French Commercial Code which were authorised or which continued during the year ended 31 December 2014 is reproduced in Chapter 7 of this annual report.

The group consolidated some support functions within Icade. Thus, in 2008, Icade concluded service-provision and brand licensing contracts with its subsidiaries effective 1st January 2008, which were continued to 30 June 2014.

Moreover, brand licensing contracts have been concluded starting 1 January 2008 and have been continued throughout the financial year 2014.

2.8.2.1. Service-provision contracts

Icade undertook to ensure a group of services for the benefit of its subsidiaries. These contracts were continued until 30 June 2014.

On 1 July 2014, the administrative management and property management activities coming from Icade and the former Sillic, until then exercised respectively by Icade and by the SAS Socomie, were grouped within the GIE Icade Management.

This legal structure, coming out of the transformation of the SAS Socomie, received by way of a contribution, the set of material and human means constituting the activity of assistance and services in matters of support functions and in real-estate matters, for the exclusive benefit of the companies of the Icade group.

The relations between the GIE Icade Management and its members, exclusive beneficiaries of its services, are governed by internal regulations and service provision contracts.

2.8.2.2. Brand licensing contracts

Icade grants to the subsidiaries concerned the non-exclusive right to use the name "Icade" and the "Icade" trademarks and stylised "I", the dot of which shows the Caisse des Dépôts badge, in their company name, and/or their sign within the scope of their business activities as well as the right to use the logo owned by Icade.

The brand licenses were concluded for an initial period of one year, renewable by tacit agreement for a further three years. The brand license contracts can be terminated annually by either party by giving at least three months' notice before the end of the current year.

2.8.2.3. Specific clauses relating to activities

None.

3. NET ASSET VALUE AS AT 31 DECEMBER 2014

3.1. Valuation of property assets

3.1.1. Surveyors' mission and methodology

3.1.1.1. Valuation mission

Icade's property assets are valued by independent property surveyors twice a year for the publication of the half-yearly and annual financial statements, according to arrangements compliant with the SIIC code of ethics published in July 2008 by the Fédération des sociétés immobilières et foncières [Federation of property and real-estate companies].

The property valuations were performed by Jones Lang LaSalle Expertises, DTZ Eurexi, CBRE Valuation, Catella Valuation FCC and BNP Paribas Real Estate.

At the beginning of 2014, Icade launched a consultation with the principal real estate experts in the scope of renewing valuation missions of its office and business parks portfolio. The experts were retained according to the criteria of independence, qualification, reputation, skill in real estate appraisal, ability in matters of organization and resourcefulness and proposed price level but also with the desire to rotate experts by portfolio.

The property valuation fees are billed to Icade based on a flat remuneration, taking into account the specifics of the buildings (number of units, number of square meters, number of current leases, etc.) and independent of the value of the assets.

The surveyors' assignments, for which the main methods of valuation and the conclusions are presented hereafter, are performed according to the standards of the profession, in particular:

- the Property Valuation Charter, fourth edition, published in October 2012;
- the Barthès de Ruyter report from the COB (AMF) dated 3 February 2000 on the valuation of the property assets of companies making public offerings for investment;
- at the international level, the TEGoVA (The European Group of Valuers' Association) European valuation standards published in April 2009 in the Blue Book and the standards of the Red Book from the Royal Institution of Chartered Surveyors (RICS).

These various texts specify the qualification of the surveyors, the rules for good conduct and ethics and the basic definitions (values, surface areas, rates and the main valuation methods).

On each valuation assignment and during the presentation of values, Icade ensures the consistency of the methods used for valuation of its assets within the panel of surveyors.

The values are established on the basis of "duties included" and "duties excluded", the "duties excluded" values being determined after deduction of fees and legal expenses calculated on an outright basis by the surveyors.

The Crystal Park office building and the EQHO and PB5 towers are appraised twice ; the valuation retained corresponds to the average of the two appraised values.

The sites are systematically visited by the surveyors for all new assets coming into the portfolio. New site visits are then organised according to a long-term schedule or each time that a specific event in the life of the building requires it (occurrence of significant modifications in its structure or environment).

Following the procedures currently in practice within the Group, including land reserves and projects under development, all Icade's assets were valued at 31 December 2014, with the exception of:

- properties currently in a disposal process, including those covered by a promise of sale at the time the accounts were closed and which are valued on the basis of the contract selling price; as at 31 December 2014, the jointly owned lots in the Arago Tower and the Rueil extension. The Strasbourg warehouse was appraised as at 31 December 2014 but has been valued at the offer accepted at the end of 2014;
- the buildings underlying a financial operation (i.e. capital leasing or rent with the option to buy where Icade acts exceptionally as the leaser), which are maintained at the total financial debt entered in the accounts, or as in this case, the purchase option cited in the contract: the Levallois-Perret office block leased to the Ministry of the Interior for a 20-year duration with a purchase option (LDA) is the only building which figures in that category on 31 December 2014;
- public buildings and works held via a PPP (public-private partnership) which are not valued, as the ownership ultimately returns to the State at the end of partnership contracts. These assets are therefore held at the net book value and listed without modification in the property assets currently published by Icade;
- buildings acquired less than three months before the semi-annual or annual closing date, which are valued at their net book value. As at 31 December 2014, one clinic in Caen falls into that category.

3.1.1.2. Methodology used by the surveyors

The methodologies used by the surveyors were identical to those used in the previous fiscal year.

The investment properties are valued by the appraisers by crossing two methods: the revenue method (the surveyor using the net rent capitalisation or discounted cash flow method, whichever is the most appropriate) cross-checked using the method of direct comparison with the prices of transactions recorded on the market on equivalent assets in terms of nature and location (unit, block or building price).

The net revenue capitalisation method consists of applying a rate of return to revenue, whether that revenue is established, existing, theoretical or potential (market rental value). This approach may be carried out in different ways according to the revenue basis considered (actual rent, market rent and net revenue) to which different rates of return correspond.

The discounted cash flow method assumes that the value of the assets is equal to the discounted sum of the financial flows expected by the investor, including resale at the end of the holding period. In addition to the resale value obtained by applying a theoretical rate of return on the rents for the last year, which differs depending on the sites, the financial flows integrate the rents, the different charges not recovered by the owner and the heavy maintenance and repair work. The discount rate is calculated based either on a risk-free rate plus a risk premium (linked both to the property market and the building in question, based on its qualities in terms of location, construction and security of revenues) or on the weighted average cost of capital.

Irrespective of the method used, the valuation calculations are carried out on a lease by lease basis, except for particular cases and exceptions.

Land reserves and buildings under development are also valued at their fair value. They are therefore subject to a valuation taken into account in calculating the NAV. The main methods used by the surveyors are the developer balance sheet and/or discounted cash flows, combined in some cases with the comparison method (see above for details of the last two methods).

The developer balance sheet method involves producing the financial balance sheet for the project according to the approach of a property developer to whom the land has been offered. From the selling price of the building on delivery, the surveyor deducts all the costs to be incurred, building costs, fees and margin, financial expenses as well as the amount that could be assigned to the land cost.

For buildings under development, all outstanding costs linked to the completion of the project, along with the carrying charge until delivery, must be deducted from the buildings' provisional sale price.

Projects under development are valued on the basis of a clearly identified and documented project, as soon as planning permission can be examined and implemented.

Whichever method is selected, it is ultimately up to the property surveyors to set a value and discount rate in line with the risks inherent in each project and, in particular, the state of progress of the various authorisation and building phases (demolition permit, building permit, objections, progress of work, any pre-marketing or rental guarantee). From the exit value, the surveyors must explain which procedure they followed in estimating the degree of risk and revaluation attaching to the building in the light of the circumstances under which they work and the information made available to them.

The buildings of clinics or healthcare establishments are valued by surveyors taking the average value obtained using the rent capitalisation (or rental value) method or the discounted future cash flow method.

The market value of a hospital is essentially dependent on operation and its ability to generate sufficient revenues to ensure a normal return on the property investment. These buildings fall under the category of single-use buildings and the value given by the surveyor nevertheless is totally related to its operation and consequently the value of the business. Being unsuitable for use as another business without substantial conversion works, these premises are not subject to renewal rent capping or review, or the traditional rules for determining the rental value because the configuration and specialisation of the building imposes objective physical limits on the operator (number of beds or rooms, etc.) regardless of its qualities.

The market rental value used by the property surveyors is therefore based on taking into account a quota share of the average revenue or EBITDA that the establishment made over the last few years of operation, with or without adjustment, in the light of its category, contents, its administrative environment, the quality of its operating structure (price positioning, subsidies, operating accounts, etc.) and any competition. The establishment's premises could otherwise be valued by capitalisation of the rental income advised by Icade.

3.1.2. Summary of surveyor valuations of Icade's assets

The classification of assets is presented in the following way:

- strategic assets comprise offices in France (including public buildings and works held via public-private partnerships) and business parks (including the Le Millénaire shopping centre);
- alternative assets include only the Healthcare portfolio;
- non-strategic assets comprise the assets located in Germany, warehouses, shops and housing.

Furthermore, assets in the Healthcare portfolio are valued in proportion to Icade's stake in Icade Santé (56.5%). If these assets were included at 100% of their value, Icade's portfolio would total €10,151.4 million excluding duties instead of €9,901.1 million at the end of 2013 and €10,682.2 million including duties instead of €10,376.2 million at the end of 2013.

(value of the portfolio excluding duties in millions of euros Group share)	31/12/2014	31/12/2013 restated (1)%	Change *(in millions of euros)*	Change *(as a %)*	Change on a like-for-like basis (2) *(in millions of euros)*	Change on a like-for-like basis (2) *(as a %)*	Total areas *(in m²)*	Price (3) *(in €/m²)*	Net rate of return, excl. duties (4) *(as a %)*	Reversion potential (5) *(as a %)*	Overall market rental value *(in millions of euros)*	EPRA vacancy rate (6) *(as a %)*
France Offices												
Paris	220.2	309.3	(89.1)	(28.8%)	+13.6	+6.6%	17,174	12,823	5.2%	(1.1%)	11.4	11.6%
La Défense/Near La Défense	1,681.6	1,709.7	(28.1)	(1.6%)	(57.4)	(3.4%)	320,134	5,253	7.5%	(6.7%)	118.7	34.6%
Other Western Crescent	723.7	756.0	(32.3)	(4.3%)	(28.5)	(3.8%)	84,070	8,608	7.4%	(9.4%)	48.6	0.3%
Inner Ring	569.7	453.3	+116.4	+25.7%	+99.7	+22.0%	112,973	5,043	6.1%	(2.7%)	34.1	1.1%
Outer Ring	66.6	66.8	(0.2)	(0.2%)	(1.8)	(2.7%)	29,096	1,190	12.2%	(5.5%)	4.1	18.3%
Total IDF	3,261.9	3,295.1	(33.2)	(1.0%)	25.6	+0.8%	563,447	5,732	7.1%	(6.5%)	216.8	20.1%
Regional	77.1	103.5	(26.4)	(25.5%)	(0.3)	(0.3%)	4,348	1,746	9.9%	(22.4%)	0.6	10.9%
TOTAL	3,339.0	3,398.6	(59.6)	(1.8%)	25.4	+0.8%	567,795	5,702	7.1%	(6.5%)	217.4	20.1%
Property reserves and projects under development	119.6	155.3	(35.7)	(23.0%)	(84.3)	(54.3%)						
TOTAL	3,458.6	3,553.9	(95.3)	(2.7%)	(59.0)	(1.7%)	567,795	5,702	7.1%	(6.5%)	217.4	20.1%
Business parks												
Paris	701.7	674.8	+26.9	+4.0%	+22.4	+3.3%	143,959	4,874	6.8%	(1.5%)	46.8	10.2%
La Défense/Near La Défense	234.6	230.0	+4.6	+2.0%	(0.2)	(0.1%)	94,365	2,486	7.7%	+4.3%	18.6	41.3%
Other Western Crescent	161.9	150.4	+11.4	+7.6%	(4.4)	(2.9%)	62,746	2,580	7.2%	(2.6%)	11.4	11.0%
Inner Ring	944.0	914.9	+29.1	+3.2%	(15.4)	(1.7%)	373,076	2,530	7.9%	(1.1%)	73.4	9.6%
Outer Ring	1,429.2	1,503.2	(74.1)	(4.9%)	(66.3)	(4.5%)	821,820	1,739	8.5%	(0.6%)	121.0	20.7%
Total IDF	3,471.3	3,473.4	(2.0)	(0.1%)	(63.8)	(1.8%)	1,495,966	2,320	7.9%	(0.8%)	271.1	16.9%
Property reserves and projects under development	691.6	487.8	+203.8	+41.8%	+89.7	+18.4%						
TOTAL	4,162.9	3,961.1	+201.8	+5.1%	+25.9	+0.7%	1,495,966	2,320	7.9%	(0.8%)	271.1	16.9%
Strategic assets	7,621.5	7,515.0	+106.5	+1.4%	(33.1)	(0.4%)	2,063,761	3,251	7.5%	(3.5%)	488.5	18.3%
Healthcare												
Inner Ring	54.8	39.5	+15.3	+38.9%	+1.1	+2.7%	13,339	4,112	6.4%			0.0%
Outer Ring	202.9	193.3	+9.6	+4.9%	+8.3	+4.3%	58,758	3,453	6.7%			0.0%
Total IDF	257.7	232.8	+24.9	+10.7%	+9.4	+4.0%	72,097	3,575	6.6%			0.0%
Regional	1,070.7	833.4	+237.3	+28.5%	+17.4	+2.1%	525,196	2,039	6.8%			0.0%
Alternative assets portfolio	1,328.4	1,066.2	+262.2	+24.6%	+26.8	+2.5%	597,293	2,224	6.8%			0.0%
Non-strategic assets(7)	179.2	499.2	(320.0)	(64.1%)	(20.4)	(10.3%)	88,651	254	11.4%			19.6%
GENERAL TOTAL	9,129.1	9,080.4	+48.6	+0.5%	(26.7)	(0.3%)	2,749,705	2,931	7.4%			15.5%
Including consolidated assets by the equity	*184.2*	*251.6*	*(67.3)*	*(26.8%)*	*(69.4)*	*(27.6%)*						

(1) Restated for a change in adjustment method related to the consistency of appraisal value/consolidated financial statements
(2) Net change in dispositions for the period and investments
(3) Established according to the appraisal value excluding duties.
(4) Net annualised rents for rented floor areas added to potential net rents of vacant floor areas at the market rental value related to the surveyed value excluding duties of the rentable floor areas.
(5) Difference ascertained between the market rental value of the rented floor areas and the annual rent net of unrecoverable charges for the same space (expressed as a percentage of net rent). The reversion potential as calculated above is established without taking into consideration the schedule of repayments of the leases and is not subject to discounting.
(6) Calculated based on the estimated rental value of vacant premises divided by the overall rental value.
(7) The indicators (Total area, Price in €/m², EPRA net rate of return excluding duties and vacancy rates) are presented excluding the Residential Property Investment Division and excluding PPPs.

3.1.2.1. Strategic assets

The overall value of the strategic portfolio in Icade share totals €7,621.5 million excluding duties as at 31 December 2014 versus €7,515.0 million at the end of 2013, i.e, an increase of €106.5 million (+1.4%).

After eliminating the impact of investments and acquisitions and disposals carried out during 2014, the change in the value of strategic assets is – 0.4 %.

By value, 99% of the portfolio is located in Île-de-France.

The value of property reserves and projects under development amounted to €811.2 million as at 31 December 2014 and breaks down as €239.0 million in property reserves and €572.2 million in projects under development.

France Offices

During 2014, investments made in office assets, which mainly include work on the Monet and Sisley buildings in Saint-Denis, rose to a total of € 99.9 million.

After eliminating the impact of these investments and asset disposals carried out during the financial year, the change in the value of the Offices Division as at 31 December 2014 was – €59.0 million on a like-for-like basis (i.e., – 1.7 %) and is broken down as follows:

- an effect related to the buildings' business plan (change in the rental situation and works budgets and rent indexation) of – €105.5 million;
- an effect linked to the downward adjustment in rates of return and discount rates used by property surveyors to reflect changes in the real-estate market, of +€46.5 million.

Business parks

The property assets of the business parks consist of built assets in use as well as property reserves and building rights for which property projects have been identified and/or are under development.

During the year 2014, Icade made €160.8 million in maintenance and development investments in its business parks.

On a like-for-like basis, after the elimination of investments, the acquisition of 50% of the Millénaire 5&6 office building with Klépierre and some disposals, the value of the business parks portfolio grew €25.9 million over the year 2014, i.e., +0.7%. This growth resulted in contrasted changes ; the parks of Portes de Paris recorded growth of +€127.8 million conveying the attractiveness of the site, while the shopping centre of the Millénaire recorded negative changes because of vacancy, and drops in rental values for the shopping centre.

The overall change can be explained by the effect of business plans of the buildings of – €85.2 million, and the impact of the downward adjustment in rates of return and discount rates used by the property surveyors to reflect changes in the real-estate market, of +€111.2 million.

3.1.2.2. Alternative assets portfolio

The Healthcare property portfolio consists of clinics and healthcare establishments.

The overall value of this portfolio as Icade's shares is estimated at €1,328.4 million excluding duties as at 31 December 2014 versus €1,066.2 million at the end of 2013, i.e. an increase of €262.2 million which is explained by the acquisition of 12 healthcare establishments over the year for €213.3 million (in Icade's share) and by the increase of values.

On a like-for-like basis, after eliminating investments during the year of €17.0 million (Icade's proportional share), acquisitions, the value of the portfolio varies by +€26.8 million over the year 2014, i.e., +2.5%. This variation is explained at around +€36.4 million by the impact of the rates and at – €9.6 million by the impact of the business plans of the buildings.

3.1.2.3. Non-strategic assets portfolio

Warehouses

The market value of the warehouses was assessed at €22.5 million excluding duties at 31 December 2014 compared with €40.2 million at 31 December 2013, representing a downward change of €17.6 million (– 43.9%).

This sharp decrease is mainly the result of the sale of a warehouse in Besançon in 2014.

Housing

The assets of the Residential Property Investment Division as at 31 December 2014 are composed of buildings managed by the SNI, together with the joint ownership housing and various residual assets, which were valued on the basis of property valuations.

The value of this portfolio was €156.7 million excluding duties as at 31 December 2014 versus €182.0 million at the end of 2013, representing a change of – €25.3 million (– 13.9 %) which can be explained mainly by the effect of the disposals.

3.2. Valuation of property development and services businesses

Icade's development and service companies have been valued by an independent firm for the purposes of calculating the NAV (net asset value). The method used by the appraiser, which remains identical to that used for the previous year, is essentially based on a discounted cash flow (DCF) over the period of each company's business plan, extended over a 10 year horizon, together with a terminal value based on a normative cash flow increasing to infinity.

In the first half of 2014, Icade launched a consultation with six valuation experts from companies in the scope of renewing its valuation mission of its development and services companies. The experts were retained according to the criteria of independence, qualification, reputation, skill in real estate appraisal, ability in matters of organisation and resourcefulness and proposed price level.

The valuation mission was awarded to the office of Détroyat Associates.

On these bases, the values of the development and services companies as at 31 December 2014 are broken down in the following manner:

	31/12/2014		31/12/2013	
(in millions of euros)	Property development companies	Services companies	Property development companies	Services companies
Corporate value	290.0	37.4	483.8	36.5
Net debt	176.9	2.4	(3.9)	3.5
Other adjustments	(41.3)	(9.5)	(32.1)	(5.5)
Value of equity capital of the companies in global consolidation	425.6	30.3		
Value of equity capital of equity-accounted companies	14.7			
Equity value	440.3	30.3	447.8	34.5

[(1)] *After application on 1st January 2014 of the new IFRS 11 standard relating to "joint-venture" partnerships.*

Among the financial parameters adopted, the appraiser used a weighted average cost of capital ranging from 9.70% to 12.14% for the development companies and from 7.36% to 12.64% for the service companies.

The enterprise value of the property development companies as at 31 December 2014 amounted to €322 million (including the enterprise value of equity-accounted companies) versus €483.8 million as at 31 December 2013. This drop resulted essentially from an effect related to the business plans of the companies adjusted to account for a less robust market in the short term. A significant variation in the working capital requirement due to the sale of the Garance operation also weighs on the enterprise value of Icade Commercial Property Development; this same transaction has an opposite effect on net cash flow and, consequently, on the value of equity value, up over 2014.

3.3. Calculating EPRA net asset value

(in millions of euros)		31/12/2014	30/06/2014	31/12/2013 restated
Consolidated equity in Group share[a]	(1)	4,042.3	3,917.7	4,167.6
Impact of the dilation of shares giving access to the capital[b]	(2)	0.0	7.1	6.9
Unrealised capital gain on property assets (excl. duties)	(3)	1,615.9	1,509.4	1,492.4
Unrealised capital gains on securities of equity-accounted Property Investment companies (excluding duties)	(4)	4.5	11.2	
Unrealised capital gain on development companies	(5)	8.2	52.1	50.5
Unrealised capital gain on securities of equity-accounted property development companies	(6)	(6.4)	2.2	
Unrealised capital gain on service companies	(7)	7.4	9.8	7.7
Restatement of the revaluation of rate hedging instruments	(8)	92.3	100.6	96.5
Group share of EPRA NAV	(9)=(1)+(2)+(3)+(4)+(5)+(6)+(7)+(8)	5,764.1	5,610.0	5,821.7
Revaluation of rate hedging instruments	(10)	(92.3)	(100.6)	(96.5)
Revaluation of fixed-rate debt	(11)	(129.3)	(74.3)	(6.1)
Tax liability on unrealised capital gains of real estate assets (excluding duties)[c]	(12)	0.0	(0.3)	(0.3)
Tax liability on unrealised capital gains from securities of property development companies[d]	(13)	(13.9)	(15.1)	(14.2)
Tax liability on unrealised capital gains from securities of services companies[d]	(14)	(0.8)	(0.9)	(1.0)
Group share of EPRA triple net NAV	(15)=(9)+(10)+(11)+(12)+(13)+(14)	5,527.8	5,418.8	5,703.5
Number of fully diluted shares[e]	n	73,530,191	74,015,169	73,774,827
EPRA NAV simple net per share *(Group share – fully diluted in euros)*	(9)/n	78.4	75.8	78.9
Annual growth		*(0.6%)*		
EPRA NAV simple net per share *(Group share – fully diluted in euros)*	(15)/n	75.2	73.2	77.3
Annual growth		*(2.7%)*		

[a] *Including a 2014 group share net profit of €151.5 million.*
[b] *Dilution related to stock-options which had the effect of increasing consolidated capital and reserves and the number of shares will be deducted from the number of exercisable shares at the end of the fiscal year..*
[c] *Relates to office assets in Germany taxed at 15.83%.*
[d] *Calculated at a rate of 34.43% for securities held for less than two years and at a rate of 4.13% for securities held for more than two years. For securities owned directly by Icade, these rates are subject to the exceptional contribution, increasing them respectively to 38.0% and 4.56%.*
[e] *Stands at 73,530,191 as at 31 December 2014, after cancelling treasury stock (539,308 shares) and the impact of diluting instruments (47,113 shares).*

The variation of the NAV over the period is detailed in the table below.

EPRA TRIPLE NAV IN GROUP SHARE AS AT 31/12/2013 *(in euros per share)*	€77.3
Dividends paid during the 1st half of the year	(3.7) €
Group share of consolidated profit for the year	€+2.1
Change in fair value of financial derivative instruments	€+0.1
Variation of the unrealised capital gains on real estate assets of equity-accounted property investment companies	€+1.7
Change in unrealised capital gains on property-development and service companies	(0.7) €
Change in the fair value of fixed-rate debt	(1.7) €
Impact of the change in the number of diluted shares on the NAV per share	€+0.3
Other	(0.2) €
EPRA TRIPLE NAV IN GROUP SHARE AS AT 31/12/2014 *(in euros per share)*	€75.2

The change in unrealised capital gains of real estate assets and from property development and services companies results in changes in values explained *above* (in 0 et 0). The changes most marked concern the real estate assets situated in dynamic locations or in recovery (immediate inner ring north, La Défense), which have recorded movement of significant value having increased the unrealised capital gains.

Conversely, the constant decline in the interest rate, all throughout the year, has aggravated the difference of fair value of the fixed rate debt, whose outstanding debt grew in 2014, notably by the issuing of a €500 million bond in April.

The fair value of rate derivatives has appreciated, which is explained by the passing of time and the maturity of derivative products historically contracted at elevated rates.

4. EPRA REPORTING AS AT 31 DECEMBER 2014

Below, Icade presents all the European Public Real Estate Association (EPRA) performance indicators drawn up in accordance with its recommendations.

4.1. EPRA net asset value (simple net and triple net)

The calculation of the EPRA NAV is detailed in part 3.3. above.

(in millions of euros)	31/12/2014	30/06/2014	31/12/2013 restated	Change 2013/2014	Change *(as a %)*
Group share of EPRA NAV	5,764.1	5,610.0	5,821.7	(57.6)	(1.0)%
EPRA NAV simple net, Group share, per share (in €)	78.4	75.8	78.9	(0.5)	(0.6)%
Group share of EPRA triple net NAV	5,527.8	5,418.8	5,703.5	(175.7)	(3.1)%
EPRA NAV triple net, Group share, per share (in €)	75.2	73.2	77.3	(2.1)	(2.7)%

4.2. EPRA Earnings from property investment

EPRA Earnings from property investment measures the operational performance of recurring operating activities for the Property Investment Division.

	EPRA Earnings from property investment *(in millions of euros)*	31/12/2014	31/12/2013 restated	Change 2013/2014
	Net profit/(loss	172.8	145.0	19.2%
	Net profit/(loss) – Other activities[1]	(39.9)	(53.2)	
(a)	Net profit/(loss) - Property Investment	132.9	91.7	44.9%
(i)	Change in value of investment properties and depreciation allowance	(270.6)	(269.6)	
(ii)	Profit/(loss) from disposal of assets	98.6	120.7	
(iii)	Profit/(loss) from disposal of shops	-	(0.1)	
(iv)	Tax on profits from disposals and impairments	(0.2)	0.4	
(v)	Negative acquisition difference/depreciation of *goodwill*	-	(3.2)	
(vi)	Change in fair value of financial instruments	(5.3)	8.4	
(vii)	Acquisition cost for shares	-	-	
(viii)	Deferred tax related to EPRA adjustments	-	-	
(ix)	Adjustments for equity-accounted companies	(6.6)	(12.5)	
(x)	Minority interests (Icade Santé)	47.0	38.1	
(b)	Total Restatements	(136.9)	(117.8)	-16.2%
(a-b)	EPRA EARNINGS FROM PROPERTY INVESTMENT	269.9	209.4	28.9%
	Average number of diluted shares in circulation used in the calculation	73,735,312	60,865,381	
	EPRA EARNINGS FROM PROPERTY INVESTMENT in €/share	€3.66	€3.44	6.4%

[1] *Other activities corresponding to property development, services and inter-group.*

EPRA Earnings from property investment represents €3.66 per share as at 31 December 2014 versus €3.44 per share as at 31 December 2013.

4.3. EPRA rate of return

The table below presents the switch from the Icade net rate of return as described elsewhere and the rates of return defined by EPRA. The calculation is carried out after restatement of Icade Santé's minority interests.

	31/12/2014	31/12/2013
ICADE NET RETURN[1]	7.4%	7.4%
Effect of estimated duties and fees	(0.4)%	(0.3)%
Restatement for potential rents from vacant premises	(0.8)%	(1.0)%
EPRA TOPPED-UP NET INITIAL RETURN[2]	6.1%	6.0%
Integration of rental holidays	(0.6)%	(0.3)%
EPRA NET INITIAL RETURN[3]	5.5%	5.8%

(1) Net annualised rents for rented floor areas added to potential net rents of vacant floor areas at the market rental value, excluding special rent arrangements, related to the surveyed value excl. duties of assets in operation.
(2) Annualised rents net of leased surface areas, excluding special rent arrangements, related to the surveyed value including duties of assets in operation.
(3 Annualised rents net of leased surface areas, excluding special rent arrangements, related to the surveyed value including duties of assets in operation.

4.4. EPRA vacancy rate

The EPRA vacancy rate is defined as the ratio between the market rent for vacant surface areas and the market rent of the total surface area. Assets under development are not included in calculation of this ratio.

Below are detailed figures concerning the vacancy rate, in accordance with the definition recommended by EPRA, for the Commercial Property Investment portfolio after restatement of Icade Santé's minority interests.

	31/12/2014	31/12/2013
Strategic assets	18.3%	13.8%
Alternative assets (healthcare)	0.0%	0.0%
Non-strategic assets portfolio	19.6%	5.6%
TOTAL COMMERCIAL PROPERTY INVESTMENT	15.5%	11.7%

The negative change of the EPRA vacancy rate between 2013 and 2014 is primarily explained by the increase in financial vacancy between 2013 and 2014.

The leases signed in 2014 for the EQHO tower, which represent 71% of the floor space of the asset (56,000 m² - excluding IRE share), have not been integrated in the calculation of the EPRA vacancy rate because the effective dates of the leases entered into are expected in 2015. Reprocessing these leases, the EPRA vacancy rates on the strategic scope fall to 12.8%.

The segment of non-strategic commercial property assets has experienced a significant increase of its EPRA vacancy rate between 2013 and 2014 because of the asset disposals taking place during the year. In fact, the assets disposed (Germany, warehouse) have experienced quite low vacancy.

4.5. EPRA cost ratio (Property Investment)

The data below present the detail of the cost ratio, in accordance with the definition recommended by EPRA, for the Commercial Property Investment portfolio after restatement of Icade Santé's minority interests.

		31/12/2014	31/12/2013 restated
	Includes:		
(i)	Structural expenses and other overheads	(82.5)	(67.1)
(ii)	Rental charges net of re-invoicing	(29.3)	(24.7)
(iii)	Management fees net of actual/estimated margins		0.0
(iv)	Other re-invoicing covering overheads	33.6	38.9
(v)	Share of overheads and expenses of equity-accounted companies	(3.1)	(4.9)
(vi)	Share of overheads and charges allocated to non-controlling interests	4.5	3.7
	Excludes:		
(vii)	Depreciation of investment properties	-	-
(viii)	Land leasing costs	(2.4)	(1.5)
(ix)	Other property charges incorporated into rental revenues	(0.1)	0.0
(a)	EPRA COSTS (INCLUDING VACANCY COSTS)	(74.2)	(52.6)
(x)	Minus: Vacancy expenses	(27.7)	(15.7)
(b)	EPRA COSTS (EXCLUDING VACANCY COSTS)	(46.5)	(36.9)
(xi)	Gross rental revenues minus land leasing costs	538.5	432.8
(xii)	Other property charges incorporated into rental revenues	-	-
(xiii)	Plus: share of rental income less charges from equity accounted property investment companies	10.4	23.3
(xiv)	Share of rental income less charges from property investment allocated to non-controlling interests	(61.6)	(50.8)
(c)	RENTAL INCOME	487.2	405.3
(a/c)	EPRA PROPERTY INVESTMENT COST RATIO (INCLUDING VACANCY COSTS)	15.2%	13.0%
(b/c)	EPRA PROPERTY INVESTMENT COST RATIO (EXCLUDING VACANCY COSTS)	9.5%	9.1%

The negative change in the EPRA Property Investment cost ratio between 31 December 2013 and 2014 is explained by:

- starting the operation of the EQHO tower in July 2013. This asset supports the financial vacancy over the financial year 2014 (€2.2 million);
- non-recurring costs supported over the financial year 2014 (legal costs related to the merger of eight companies in Icade);
- write-backs of non-current provisions noted in 2013 (€2.5 million).

5. FINANCIAL RESOURCES

Strong from its inaugural bond issue in 2013, Icade successfully placed its second issue on the euro market in the amount of €500 million for seven years in the month of April 2014, accompanied by a margin of 98 basis points above the reference rate (i.e., a 2.25% coupon). This new bond was oversubscribed by European investors confirming their trust in the credit quality of Icade.

Continuing the dynamic management of its liabilities, Icade has also improved the terms of a substantial portion of its bank debt in March 2014. This was reflected in:

- the extension of the maturity of the €500 million term loan by one year;
- substitution of the forward start of €375 million by a credit refinancing of a superior average duration;
- new lowered financial conditions for all these lines.

Last 30 June, Icade also strengthened its undrawn facilities by varying their maturity from three to seven years. Their terms have been improved and the total amount of its available lines has been raised to €1,260 million as at 31 December 2014.

During the summer, to increase the diversification of its sources of funding, Icade set up a commercial paper program – support for short term debts – and thus constituted an outstanding debt of €203 million at the end of 2014.

All of these transactions have allowed the group to continue implementing its financial policy of extending the average duration of debt, lowering its cost and diversification of its financing resources initiated in 2011.

Finally, Icade gathered on 8 and 9 December 2014 selling interests from certain holders of its ORNANEs in the scope of a reverse bookbuilding procedure. It then repurchased them and opened a five-day repurchased offer. At the end of the operation, 61.7% of the ORNANEs in circulation were repurchased, which constitutes an high success rate for this type of operation ; thus as at 31 December 2014, there were no more than 359,942 ORNANEs in circulation, which represented 25.6% of the initial number issued. The operation allowed Icade to limit the risk of dilution attached to these instruments as well as the volatility that they generate in financial profit/loss.

5.1. Liquidity

Icade's financial resources were strengthened during 2014 by renewing existing credit lines and by setting up new credit lines. The main financing transactions were the following:

- cancellation of €550 million in revolving credit and setting up €680 million in medium and long term revolving lines of credit;
- renewal of a €80 million medium-term revolving credit line;
- setting up a long term mortgage loan of €49 million on Icade Santé;
- issuing €500 million in bonds;
- issuing commercial paper for outstanding debt at the end of the year of €203 million,

The credit lines have an average credit margin of 126 basis points and an average maturity of 4.9 years.

Icade has drawing capacity on short and medium-term credit lines of €1,260 million, to be used entirely as it sees fit. The group of available cash as at 31 December 2014 allows covering almost two years of repayments of capital and interest on debt.

5.2. Debt structure as at 31 December 2014

5.2.1. Debt by nature

The gross financial debt of €4,376.2 million as at 31 December 2014 consisted of the following:

- €1,602.2 million in corporate loans;
- €1,310.2 million in bonds;
- €842.0 million in mortgage financing;
- €232.4 million in financial leases;
- €203.0 million in commercial paper;
- €94.1 million in private placement;
- €34.7 million in bank overdrafts;
- €49.9 million in ORNANEs; and
- €7.8 million in debts associated with equity interest.

Net financial debt totalled €3,849.1 million as of 31 December 2014, down €17.6 million compared to 31 December 2013.

The change between these two dates primarily reflects:

- new debt for €1,130 million corresponding in large part to the bond issue in April, the growth of the outstanding debt of commercial paper during the last half year, drawing of the credit refinancing in July as well as the setting up of a new mortgage loan for Icade Santé ;
- the drawing and repayment over the year of €80 million on available lines;
- the final maturity of the 2014 Icade syndicated loan for €700 million, and two corporate lines for a total amount of €140 million;
- the final maturity of a mortgage loan for Icade Santé for €31 million;

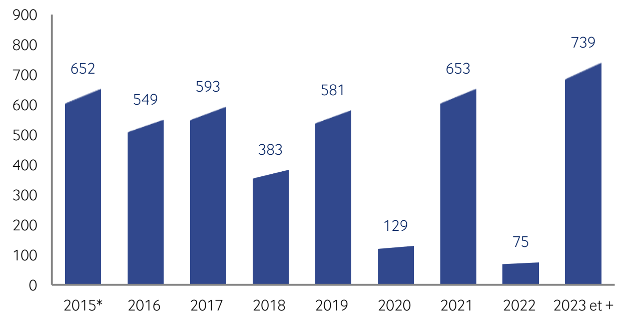
- natural debt amortisation and repayments of corporate credit lines for a total of €67 million;
- early repayments for a €140 million corporate loan;
- natural amortisation on finance leases of €23 million;
- the entry of new debt of Icade Santé in the scope of consolidation at €56 million of debt during acquisitions;
- an increase of €2.2 million of the fair value of the ORNANEs, coupled with a repayment of €79 million of outstanding debt at the time of the repurchase transaction;
- an increase of value of €5.4 million in hedging instruments;
- a drop in cash & cash-equivalent of approximately €67 million;
- a drop in bank overdrafts of €83 million,

5.2.2. Debt by maturity date

The maturity schedule of the debts drawn by Icade (excluding overdrafts) as at 31 December 2014 is given below:

SCHEDULE OF DRAWN DEBT

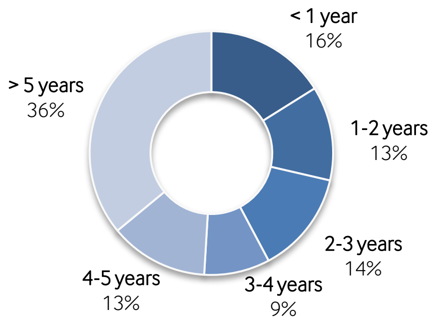
(31 December 2014, in millions of euros)



**Including €203 million in commercial paper*

BREAKDOWN OF DEBT BY MATURITY DATE

(31 December 2014)



The average term of debt works out at 4.7 years as at 31 December 2014 (excluding commercial paper). As at 31 December 2013, it was 4.6 years, indicating that the financing raised in 2014 extended the average maturity of Icade's debt.

5.2.3. Debt by business

After allocation of the intra-group refinancing, nearly 99% of the Group's debt relates to the Property Investment Division and 1% relates to the Property Development Division. The share assigned to the Services business line is insignificant. These proportions convey a slight decrease of indebtedness of the Property Development division compared to 2013.

5.2.4. Average cost of debt

The average cost of financing in 2014 was 1.97% before hedging and 3.07% after hedging, compared with 1.71% and 3.83% respectively in 2013.

The average cost of financing decreased sharply between 2013 and 2014, through the full year effect of hedging restructuring carried out during the second half of 2013, and proactive management of financing - renegotiations made in the 1st half of 2014 and new issues of debt (bonds and commercial paper).

5.2.5. Interest rate risk

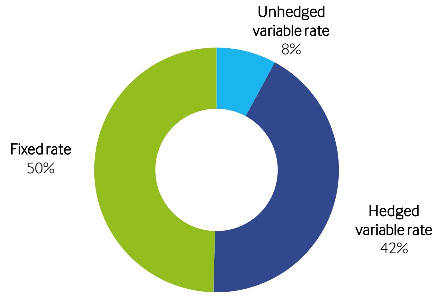
The monitoring and management of financial risks are centralised within the Financing and Cash Management Division.

This department reports on a monthly basis to Icade's risk, rates, treasury and finance committee on all matters related to finance, cash-management, interest-rate risk management and liquidity management.

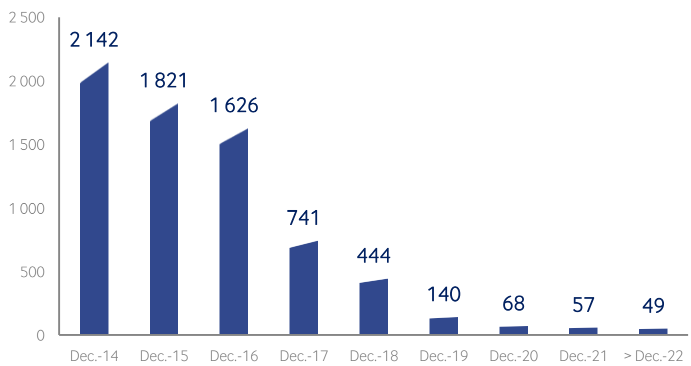
Changes in financial markets can entail a variation in interest rates, which may be reflected in an increase in the cost of refinancing. To finance its investments, Icade also uses floating-rate debt, which is then hedged, thus conserving its ability to prepay loans without penalties. This debt represents, before hedging, nearly 50.4 % of its total debt as at 31 December 2014 (excluding debts associated with equity interests and bank overdrafts).

In 2014, Icade continued its prudent debt management policy by maintaining limited exposure to interest-rate risks by setting up appropriate hedging contracts (plain vanilla swaps and caps). Rate floor contracts on a Euribor 3 month at 0% have been subscribed for a nominal €300 million during the 2nd half of the year, to cover an economic risk of a drop in the reference index of some of our financing contracts below a minimum threshold.

BREAKDOWN OF DEBT BY TYPE OF RATE (EXCLUDING REPURCHASED DEBT IN INVESTMENTS AND BANK OVERDRAFTS)
(31 December 2014)



OUTSTANDING HEDGING POSITIONS
(31 December 2014, in millions of euros)



The majority of the debt (92.1%) is protected against a rise in interest rates (fixed rate debt or variable rate debt hedged). The outstanding notional debt from hedges is summarised in the graph above.

Given the financial assets and the new hedges set up, the net position is given in the following table:

	31/12/2014									
	Financial assets (a)		Financial liabilities (b)		Net exposure before hedging (c) = (a) - (b)		Rate hedging instrument (d)		Net exposure after hedging (e) = (c) + (d)	
(in millions of euros)	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate
Less than one year	40.7	560.1	245.6	459.1	204.9	(101.0)	-	320.9	(204.9)	421.9
One to two years	0.1	0.1	29.7	517.7	29.6	517.6	-	195.6	(29.6)	(322.0)
Two to three years	-	-	84.4	510.7	84.4	510.7	-	584.9	(84.4)	74.2
Three to four years	-	-	29.8	352.4	29.8	352.4	-	296.4	(29.8)	(56.0)
Four to five years	0.1	3.7	522.1	50.2	522.0	46.5	-	304.6	(522.0)	258.1
Over five years	13.2	0.3	1,236.9	337.4	1,223.8	337.1	-	139.8	(1,223.8)	(197.3)
TOTAL	54.0	564.2	2,148.6	2,227.7	2,094.6	1,663.4	-	1,842.2	(2,094.6)	178.8

The average term of variable debt was 2.9 years and of associated hedges was also 2.9 years, providing adequate hedging.

Finally, Icade favours classifying its hedging instruments as "cash flow hedges" according to the IFRS standards, which requires that the variations in the fair value of these instruments be posted as capital and reserves (for the effective portion) rather than as profit/loss.

Considering the year's profile, and the change in interest rates, the change in fair value of hedging instruments has had a positive impact on the capital and reserves of €1 million.

5.3. Financial rating

Icade has been rated by rating agency Standard & Poor's since September 2013.

Following changes to its rating criteria, in May 2014 Standard & Poor's confirmed Icade's long-term rating as "BBB+" with a stable outlook, as well as its short term rating as A2.

5.4. Financial structure

5.4.1. Financial structure ratios

5.4.1.1. LTV (loan-to-value)

The ratio of LTV (net financial debt divided by the value of assets excluding duties increased by the value of the property development and services companies) comes out to 36.9% as at 31 December 2014 (compared with 37.5% as at 31 December 2013).

This ratio remains well below the ceiling levels to be met under the financial covenants stipulated in the banking documents (50% and 52% in the majority of cases where this ratio is mentioned as a covenant). These covenants do not include the values of property development and services companies in the calculation of the ratio, positioning it at 38.2% (compared with 39.1% as at 31 December 2013).

If the value of the portfolio used for its calculation was assessed including duties and if the fair value of interest rate derivatives was not included in net debt, the adjusted LTV ratio would be 34.3 % at 31 December 2014.

5.4.1.2. ICR (interest coverage ratio)

The Interest Coverage ratio (ICR) (corrected for depreciation) was 4.74x in financial year 2014. This ratio increased in comparison with previous years (4.02x in 2013), considering the Silic inclusion in the consolidation scope, the disposals carried out during the year and the improved cost of net debt. Compared with EBITDA, this ratio works out as 3.99x.

	31/12/2014	31/12/2013 restated [2]
Ratio of net financial debt/revalued portfolio (LTV)[1]	36.9%	37.5%
Interest Coverage ratio (ICR)	4.74x	4.02x

[1] *Integrates the value in the balance sheet of property development and services companies as well as the financial receivables of public-private partnerships.*
[2] *The values at 31/12/2013 have been restated with respect to those published to account for the IFRS 11 standard.*

5.4.2. Table of covenants

Nature of the limit	Direction	Threshold	31/12/2014
LTV[(1)]	Maximum	45%, 50% or 52%	38.2%
ICR	Minimum	2.00x	4.74x
Control of the Caisse des Dépôts (CDC)[(2)]	Minimum	34%, 50% or 51%	52.0%
Value of the Property Investment portfolio[(3)]	Minimum	3, 4, 5 or 7 billion euros	€10.1 billion
Debt ratio of property development subsidiaries/Consolidated gross debt	Maximum	20%	0.9%
Surety on assets	Maximum	20% of the property investment portfolio	10.7%[(4)]

[(1)] Around 83% of the debt relating to an LTV covenant has a limit of 52%, 15% of the debt has a limit of 50%, while the remaining 2% has a limit of 45%.
[(2)] Around 96% of the debt relating to the covenant for the CDC change of control clause has a limit of 34%, with a limit of 50-51% for the remaining 4%.
[(3)] Around 19% of the debt relating to the value of Investment property assets covenant has a limit of €3 billion, 3% of the debt has a limit of €4 billion, 16% of the debt has a limit of €5 billion, with a limit of €7 billion on the remaining 62%.
[(4)] Maximum calculation with regard to the loan clauses.

The covenants were observed as at 31 December 2014.

6. *PRO FORMA* 2013

The financial statements as at 31 December 2013 have been restated in order to reflect the new consolidation methods from the IFRS 10 and 11 standards. These restatements have no effect on the net profit/(loss) - Group share. The amounts restated were accounted for in the "shares in companies accounted for by the equity method" on the balance sheet and in the share in the profit/loss of equity-accounted companies in the income statement. The latter aggregate is included in the operating profit/(loss), same as the share of profit/loss of companies historically consolidated by the equity method of accounting, in the past positioned below the financial profit/(loss).

6.1. Property investment income statement

(in millions of euros)	Published 31/12/2013	Restatements	31/12/2013 restated	including EPRA Earnings from Property Investment	including Others[1]
RENTAL INCOME	474.1	(23.2)	450.9	450.9	-
Net rent	434.3	(16.1)	418.1	418.1	-
Margin (net rents / rental income)	*91.6%*	*69.5%*	*92.7%*	*92.7%*	*0.0%*
Net functioning costs	(30.1)	0.4	(29.8)	(29.8)	-
Profit/(loss) from other activities	-	-	-	-	-
EBITDA	404.1	(15.8)	388.3	388.3	-
Amortization and impairment of operating assets	(12.9)	3.2	(9.6)	(9.6)	-
CURRENT OPERATING PROFIT/(LOSS)	391.2	(12.6)	378.7	378.7	-
Amortization and impairment of investment properties	(282.1)	11.3	(271.0)	-	(271.0)
Profit/loss from disposals	120.8	-	120.7	-	120.7
Impairment on acquisition differences	(3.2)	-	(3.2)	-	(3.2)
Share in profit/loss of equity-accounted companies	-	2.1	2.1	13.3	(11.3)
OPERATING PROFIT/(LOSS)	226.5	0.8	227.3	392.0	(164.7)
Cost of gross debt	(145.9)	-	(145.9)	(145.9)	-
Net income from cash and cash equivalents, related loans and receivables	1.6	10.7	12.2	12.2	-
Cost of net debt	(144.4)	10.7	(133.7)	(133.7)	-
Adjustment to value of derivatives and other discounting	8.4	-	8.5	-	8.4
Other financial income and charges	11.6	(11.4)	0.1	0.1	-
FINANCIAL PROFIT/(LOSS)	(124.4)	(0.8)	(125.1)	(133.6)	8.5
Corporate income tax	(10.4)	-	(10.4)	(10.9)	0.4
Net profit/(loss) – Property Development, services, inter-group	53.2	-	53.2	-	53.2
NET PROFIT/(LOSS)	144.9	-	144.9	247.5	(102.5)
Net profit/(loss): Share of non-controlling interests	18.0	-	18.0	38.1	(20.1)
NET PROFIT/(LOSS) – GROUP SHARE	**126.9**	**-**	**126.9**	**209.4**	**(82.4)**

[1] The "Other" column groups the activities of Property Development and Services, the depreciation allowance of the investment properties, the profit/(loss) of the disposals, the conversion to fair value of financial instruments and ORNANEs, and other non-recurring items

6.2. Key figures for Property Investment division

(in millions of euros)	31/12/2013 published	Restatements	31/12/2013 restated
Revenue – Property Investment	476.4	(12.6)	463.7
EBITDA *Margin (EBITDA/Revenues)*	404.1 *84.8%*	(15.8)	388.3 *83.7%*
OPERATING PROFIT/(LOSS)	226.5	0.8	227.3
Financial profit/loss	(124.4)	(0.8)	(125.2)
Profit tax	(10.4)	-	(10.4)
Net profit/(loss) - Property Investment	91.7	-	91.7
NET INCOME GROUP SHARE PROPERTY INVESTMENT	75.0	-	75.0

6.3. Rental income Property Investment division

(in millions of euros)	31/12/2013 published	Restatements	31/12/2013 restated
France Offices	143.5	(5.6)	138.0
Business parks	150.1	(2.2)	147.9
STRATEGIC ASSETS	293.6	(7.8)	285.9
Shops and shopping centres	25.5	(25.5)	-
Healthcare	123.9	-	123.9
ALTERNATIVE ASSETS	149.4	(25.5)	123.9
NON-STRATEGIC ASSETS	36.6	10.1	46.7
Intra-group businesses - Property Investment	(5.6)	-	(5.6)
RENTAL INCOME	474.1	(23.2)	450.9
Other Revenues	2.3	10.5	12.8
REVENUE – PROPERTY INVESTMENT	476.4	(12.7)	463.7

6.4. Net rents Property Investment division

(in millions of euros)	31/12/2013 published	Restatements	31/12/2013 restated	
France Offices	132.2	(5.3)	126.9	92.0%
Business parks	137.9	(4.4)	133.5	90.3%
STRATEGIC ASSETS	270.2	(9.7)	260.4	91.1%
Shops and shopping centres	21.9	(21.9)	-	0.0%
Healthcare	122.4	-	122.4	98.8%
ALTERNATIVE ASSETS	144.3	(21.9)	122.4	98.8%
NON-STRATEGIC ASSETS	20.4	11.9	32.3	69.0%
Intra-group businesses - Property Investment	(0.6)	3.7	3.1	0.0%
PROPERTY INVESTMENT DIVISION	434.3	(16.1)	418.1	92.7%

6.5. EPRA Earnings from property investment

(in €M)	31/12/2013 published	Restatements	31/12/2013 restated
EBITDA	469.4	(31.5)	437.9
EBITDA - Other activities	(65.3)	15.7	(49.6)
EBITDA – Property Investment	404.1	(15.8)	388.3
Depreciations and impairments not related to investment properties	(12.9)	3.3	(9.6)
Share in profit/loss of equity-accounted companies	-	13.3	13.3
CURRENT OPERATING PROFIT/(LOSS)	391.2	0.8	392.0
Consolidated financial profit/(loss)	(122.1)	(1.0)	(123.1)
Financial profit/(loss) from other activities	(2.2)	0.2	(2.0)
Non-discounting charge of exit tax	-	0.1	0.1
Change in fair value of financial instruments	(3.6)	(5.0)	(8.6)
CURRENT FINANCIAL PROFIT/(LOSS)	(127.9)	(5.6)	(133.6)
Consolidated corporate tax	(39.2)	0.3	(38.9)
Corporate tax from other activities	28.7	(0.3)	28.4
Tax on capital gains from sales	(0.4)	-	(0.5)
CURRENT CORPORATE TAX	(10.8)	-	(10.9)
PROFIT/(LOSS) SHARE OF MINORITY INTERESTS	(38.1)	-	(38.1)
EPRA EARNINGS FROM PROPERTY INVESTMENT	214.3	(4.8)	209.4
EPRA EARNINGS FROM PROPERTY INVESTMENT *(in €/share)*	€3.52		€3.44

In its recommendations published in 2014, the EPRA reminded that spreading charges for expected unblocking of derivative products must not be restated in the calculation of EPRA Earnings. In 2013, the impact of the consolidated financial statements of Property Investment represented a charge of €4.8 million which had been restated in the calculation.

6.6. Key figures other activities

(in millions of euros)	31/12/2013 published	Restatements		31/12/2013 restated
		Property development	Inter-group	
Revenues	1,116.4	(121.1)	(2.3)	993.0
EBITDA	65.3	(17.7)	1.9	49.6
Margin (EBITDA/Revenues)	*5.8%*			*5.0%*
OPERATING PROFIT/(LOSS)	77.6	2.1	-	79.7
Financial profit/loss	2.2	(0.2)	-	2.0
Profit tax	(28.7)	0.3	-	(28.4)
Net profit/(loss)	53.2	-	-	53.2
NET INCOME GROUP SHARE	51.9	-	-	51.9

6.7. Key figures Housing Property Development division

(in millions of euros)	31/12/2013 published	Restatements	31/12/2013 restated
Revenues	729.3	(26.8)	702.5
EBITDA	40.1	(2.5)	37.6
Margin (EBITDA/Revenues)	*5.5%*		*5.4%*
OPERATING PROFIT/(LOSS)	50.2	2.1	52.3

6.8. Key figures Commercial Property Development division

(in millions of euros)	31/12/2013 published	Restatements	31/12/2013 restated
Revenues	362.2	(94.3)	267.9
EBITDA	21.8	(15.2)	6.6
Margin (EBITDA/Revenues)	*6.0%*		*2.5%*
OPERATING PROFIT/(LOSS)	21.2	-	21.2
Public and Healthcare	92.5	(12.1)	80.4
Commercial	241.3	(84.0)	157.3
Project Management Assistance	28.4	1.8	30.2
REVENUE	362.2	(94.3)	267.9

6.9. Group net current cash flow

(in millions of euros)	31/12/2013 published	Restatements	31/12/2013 restated
EBITDA	469.4	(31.5)	437.9
Depreciation not related to investment properties	-	-	-
Share in profit/loss of equity-accounted companies	-	29.1	29.1
CURRENT OPERATING PROFIT/(LOSS)	469.4	(2.4)	467.1
Consolidated financial profit/(loss)	(122.1)	(1.0)	(123.1)
Non-discounting charge of exit tax	0.1	-	0.1
Variation of fair value of hedge instruments and ORNANEs	-	(8.5)	(8.5)
CURRENT FINANCIAL PROFIT/(LOSS)	(122.0)	(9.5)	(131.5)
CURRENT CORPORATE TAX	(33.0)	(2.4)	(35.4)
Proft/(loss) minority interests share	(35.0)	(4.4)	(39.4)
GROUP NET CURRENT CASH FLOW	279.4	(18.7)	260.7
GROUP NET CURRENT CASH FLOW (in €/share)	€4.59		€4.28

6.10. EPRA NAV

(in millions of euros)		31/12/2013 published	Restatements	31/12/2013 restated
Consolidated equity in Group share	(1)	4,167.6	-	4,167.6
Impact of the dilution of shares giving access to the capital	(2)	6.9	-	6.9
Unrealised capital gain on property assets (excl. duties)	(3)	1,492.4	-	1,492.4
Unrealised capital gain on development companies	(4)	50.5	-	50.5
Unrealised capital gain on service companies	(5)	7.7	-	7.7
Restatement of the revaluation of rate hedging instruments	(6)	102.2	(5.7)	96.5
EPRA NAV SIMPLE NET GROUP SHARE	(7)=(1)+(2)+(3)+(4)+(5)+(6)	5,827.3	(5.7)	5,821.6
Revaluation of rate hedging instruments	(8)	(102.2)	5.7	(96.5)
Revaluation of fixed-rate debt	(9)	(6.1)	-	(6.1)
Tax liability on unrealised capital gains of real estate assets (excluding duties)	(10)	(0.3)	-	(0.3)
Tax liability on unrealised capital gains from securities of property development companies	(11)	(14.2)	-	(14.2)
Tax liability on unrealised capital gains from securities of services companies	(12)	(1.0)	-	(1.0)
EPRA TRIPLE NET ASSET VALUE - GROUP SHARE	(13)=(7)+(8)+(9)+(10)+(11)+(12)	5,703.5	-	5,703.5
Number of fully diluted shares	n	73,774,827	-	73,774,827
EPRA NAV SIMPLE NET PER SHARE (in Group share – fully diluted in euros)	(7)/n	79.0		79.0
EPRA TRIPLE NET ASSET VALUE PER SHARE (in Group share – fully diluted in euros)	(13)/n	77.3		77.3

6.11. EPRA cost ratio (Property Investment)

		Published 31/12/2013	Restatements	31/12/2013 restated
	Includes:			
(i)	Structural expenses and other overheads	(27.7)	(39.4)	(67.1)
(ii)	Rental charges net of re invoicing	(25.3)	0.6	(24.7)
(iii)	Management fees net of actual/estimated margins	-	-	-
(iv)	Other re invoicing covering overheads	2.1	36.8	38.9
(v)	Share of overheads and expenses of equity-accounted companies	-	(4.9)	(4.9)
(vi)	Share of overheads and charges allocated to non-controlling interests	-	3.7	3.7
	Excludes:			
(vii)	Depreciation of investment properties	-	-	-
(viii)	Land leasing costs	(1.5)	-	(1.5)
(ix)	Other property charges incorporated into rental revenues	-	-	-
(a)	EPRA COSTS (INCLUDING VACANCY COSTS)	(49.4)	(3.2)	(52.6)
(x)	Minus: Vacancy expenses	(14.7)	(1.0)	(15.7)
(b)	EPRA COSTS (EXCLUDING VACANCY COSTS)	(34.7)	(2.2)	(36.9)
(xi)	Gross rental revenues minus land leasing costs	405.3	27.5	432.8
(xii)	Other property charges incorporated into rental revenues	-	-	-
(xiii)	Plus: share of rental income less charges from equity accounted property investment companies	-	23.3	23.3
(xiv)	Share of rental income less charges from property investment allocated to non-controlling interests	-	(50.8)	(50.8)
(c)	RENTAL INCOME	405.3	-	405.3
(a/c)	EPRA COST RATIO (INCLUDING COSTS OF VACANCY)	12.2%		13.0%
(b/c)	EPRA COST RATIO PROPERTY INVESTMENT (EXCLUDING COSTS OF VACANCY)	8.6%		9.1%