CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2019

TABLE OF CONTENTS

1. Condensed consolidated financial statements as of June 30, 2019

Unless otherwise stated, the condensed consolidated financial statements are presented in millions of euros, rounded to the nearest hundred thousand euros. Rounding differences may therefore occur between the different financial statements presented.

Consolidated income statement

(in millions of euros)	Notes	06/30/2019	06/30/2018
Gross rental income	4.4	**134.7**	**115.1**
Other income from operations		-	0.0
Income from operating activities		**134.7**	**115.1**
Purchases used		-	(0.1)
Outside services		(8.3)	(7.0)
Taxes, duties and similar payments		(0.3)	(0.3)
Other operating expenses		(3.4)	(1.7)
Expenses from operating activities		**(12.0)**	**(9.1)**
EBITDA		**122.7**	**106.0**
Depreciation charges net of government investment grants	4.1.1	(56.1)	(51.6)
Charges and reversals related to impairment of tangible, financial and other current assets	4.1.1	(2.2)	(0.2)
Profit/(loss) on asset disposals		(2.2)	(0.1)
OPERATING PROFIT/(LOSS)		**62.2**	**54.1**
Cost of net financial liabilities		**(15.0)**	**(14.3)**
Other finance income and expenses		(0.8)	(10.5)
FINANCE INCOME/(EXPENSE)	5.1.4	**(15.8)**	**(24.8)**
Tax expense	7.1	(1.4)	(0.4)
NET PROFIT/(LOSS)		**45.0**	**28.8**
Net profit/(loss) attributable to non-controlling interests		-	-
Net profit/(loss) attributable to the Group		**45.0**	**28.8**
Net profit/(loss) attributable to the Group per share (in €)	7.3	**€ 1.24**	**€ 0.85**

Consolidated statement of comprehensive income

(in millions of euros)	Notes	06/30/2019	06/30/2018
NET PROFIT/(LOSS) FOR THE PERIOD		**45.0**	**28.8**
Other comprehensive income:			
Other comprehensive income recyclable to the income statement: cash flow hedges	5.1.3.2	**(17.5)**	**(2.2)**
- Changes in fair value recognised directly in equity		(17.1)	(1.7)
- Transfer of non-hedging instruments to the income statement		(0.4)	(0.5)
Other comprehensive income not recyclable to the income statement:		**0.0**	**0.0**
- Actuarial gains and losses and asset ceiling adjustments		0.0	0.0
Total comprehensive income recognised in equity		**(17.5)**	**(2.2)**
Including transfer to net profit/(loss)		(0.4)	(0.5)
COMPREHENSIVE INCOME FOR THE PERIOD		**27.5**	**26.7**
- Attributable to the Group		27.5	26.7
- Attributable to non-controlling interests		-	-

Consolidated statement of financial position

(in millions of euros)	Notes	06/30/2019	12/31/2018
ASSETS			
Net investment property (a)	4.1.1	3,113.4	3,155.9
Financial assets at fair value through profit or loss	5.1.5.2	0.0	0.0
Financial assets at amortised cost	5.1.5.2	1.3	1.3
Derivative assets	5.1.3	0.1	-
NON-CURRENT ASSETS		**3,114.9**	**3,157.3**
Accounts receivable	5.1.5.1	15.7	6.8
Tax receivables		0.0	-
Miscellaneous receivables		7.7	4.1
Other financial assets at amortised cost	5.1.5.2	7.7	-
Cash	5.1.6	400.1	75.9
CURRENT ASSETS		**431.2**	**86.8**
TOTAL ASSETS		**3,546.1**	**3,244.1**

(a) Net investment property includes right-of-use assets relating to building leases
(in accordance with IFRS 16) - See note 4.1.2

(in millions of euros)	Notes	06/30/2019	12/31/2018
LIABILITIES			
Share capital	8.1.1	575.5	552.0
Share premium		986.4	992.2
Revaluation reserves	5.1.3.2	(29.7)	(12.2)
Other reserves		101.0	86.9
Net profit/(loss) attributable to the Group		45.0	64.8
Equity attributable to the Group		1,678.2	1,683.8
EQUITY		**1,678.2**	**1,683.8**
Provisions	7.2	0.1	0.1
Financial liabilities at amortised cost	5.1.1	1,702.6	1,427.4
Lease liabilities (b)	6	1.9	-
Tax liabilities		10.1	6.1
Other financial liabilities	5.1.5.2	7.2	6.3
Derivative liabilities	5.1.3	32.3	15.0
NON-CURRENT LIABILITIES		**1,754.2**	**1,454.8**
Provisions	7.2	-	0.0
Financial liabilities at amortised cost	5.1.1	53.0	52.2
Lease liabilities (b)	6	0.1	-
Tax liabilities		10.9	14.8
Accounts payable		5.4	3.1
Miscellaneous payables		43.7	34.5
Derivative liabilities	5.1.3	0.7	0.8
CURRENT LIABILITIES		**113.7**	**105.4**
TOTAL LIABILITIES AND EQUITY		**3,546.1**	**3,244.1**

(b) The lease liability is recognised as a result of the application of IFRS 16, which became effective January 1, 2019
(see note 6).

Consolidated cash flow statement

(in millions of euros)	Notes	06/30/2019	12/31/2018	06/30/2018
I) OPERATING ACTIVITIES				
Net profit/(loss)		**45.0**	**64.8**	**28.8**
Net depreciation and provision charges		61.7	114.5	53.5
Unrealised gains and losses due to changes in fair value		(0.3)	(1.3)	(0.1)
Other non-cash income and expenses		0.1	2.1	0.5
Capital gains or losses on asset disposals		2.1	(0.0)	0.0
Cash flow from operating activities after cost of net financial liabilities and tax		**108.6**	**180.1**	**82.7**
Cost of net financial liabilities		14.7	30.8	15.8
Tax expense		1.4	1.5	0.4
Cash flow from operating activities before cost of net financial liabilities and tax		**124.7**	**212.4**	**99.0**
Interest paid		(16.1)	(32.2)	(15.8)
Tax paid (a)		(1.6)	(23.9)	(1.6)
Change in working capital requirement related to operating activities		0.2	10.2	20.3
NET CASH FLOW FROM OPERATING ACTIVITIES		**107.3**	**166.4**	**101.9**
II) INVESTING ACTIVITIES				
Tangible and intangible fixed assets and investment properties				
- acquisitions		(38.0)	(133.4)	(64.6)
- disposals		17.5	2.2	1.8
Change in security deposits paid and received		(6.9)	0.4	(0.6)
Operating investments		**(27.4)**	**(130.7)**	**(63.4)**
Fully consolidated subsidiaries				
- acquisitions		-	(82.7)	(0.2)
- impact of changes in scope of consolidation		-	3.7	-
Financial investments		**-**	**(79.0)**	**(0.2)**
NET CASH FLOW FROM INVESTING ACTIVITIES		**(27.4)**	**(209.8)**	**(63.6)**
III) FINANCING ACTIVITIES				
Amounts received from shareholders on capital increases		120.0	159.9	160.0
Dividends paid during the financial year			-	
- final and interim dividends paid by Icade during the financial year		(153.1)	(132.0)	(132.0)
Change in cash from capital activities		**(33.1)**	**27.9**	**28.0**
Bond issues and new financial liabilities		301.6	228.6	-
Repayments of lease liabilities		(0.0)	-	-
Bond redemptions and repayments of financial liabilities		(24.3)	(98.8)	(22.4)
Current financial liabilities		(0.0)	(41.3)	(31.2)
Change in cash from financing activities	5.1.1	**277.2**	**88.6**	**(53.6)**
NET CASH FLOW FROM FINANCING ACTIVITIES		**244.1**	**116.6**	**(25.6)**
NET CHANGE IN CASH (I) + (II) + (III)		**324.1**	**73.2**	**12.7**
OPENING NET CASH		75.5	2.3	2.3
CLOSING NET CASH		399.6	75.5	14.9
Cash (excluding interest accrued but not due)		400.1	75.9	17.1
Bank overdrafts (excluding interest accrued but not due)		(0.5)	(0.4)	(2.1)
NET CASH		**399.6**	**75.5**	**14.9**

(a) Tax paid primarily includes the CVAE

Statement of changes in consolidated equity

(in millions of euros)	Share capital	Share premium	Revaluation reserves	Other reserves and net profit/(loss) attributable to the Group	**Equity attributable to the Group**	Non-controlling interests	**Total equity**
01/01/2018	**518.5**	**941.0**	**(6.8)**	**143.8**	**1,596.4**	**-**	**1,596.4**
Net profit/(loss)	-	-	-	28.8	**28.8**	-	**28.8**
Other comprehensive income:							
- Changes in value of cash flow hedges	-	-	(1.7)	-	**(1.7)**	-	**(1.7)**
- Revaluation reserves for cash flow hedges recycled to the income statement	-	-	(0.5)	-	**(0.5)**	-	**(0.5)**
Comprehensive income for the financial year	**-**	**-**	**(2.2)**	**28.8**	**26.7**	**-**	**26.7**
Dividends paid	-	(75.2)	-	(56.8)	**(132.0)**	-	**(132.0)**
Capital increase	33.5	126.4	-	-	**160.0**	-	**160.0**
06/30/2018	**552.0**	**992.2**	**(9.0)**	**115.8**	**1,651.0**	**-**	**1,651.0**
Net profit/(loss)	-	-	-	36.0	**36.0**	-	**36.0**
Other comprehensive income:							
- Changes in value of cash flow hedges	-	-	(2.6)	-	**(2.6)**	-	**(2.6)**
- Revaluation reserves for cash flow hedges recycled to the income statement	-	-	(0.5)	-	**(0.5)**	-	**(0.5)**
Comprehensive income for the financial year	**-**	**-**	**(3.2)**	**36.0**	**32.8**	**-**	**32.8**
Dividends paid	-	-	-	-	**-**	-	**-**
Capital increase	-	(0.0)	-	-	**(0.0)**	-	**(0.0)**
Other	-	-	-	(0.0)	**(0.0)**	-	**(0.0)**
12/31/2018	**552.0**	**992.2**	**(12.2)**	**151.8**	**1,683.8**	**-**	**1,683.8**
Net profit/(loss)	-	-	-	45.0	**45.0**	-	**45.0**
Other comprehensive income:							
- Changes in value of cash flow hedges	-	-	(17.1)	-	**(17.1)**	-	**(17.1)**
- Revaluation reserves for cash flow hedges recycled to the income statement	-	-	(0.4)	-	**(0.4)**	-	**(0.4)**
Comprehensive income for the financial year	**-**	**-**	**(17.5)**	**45.0**	**27.5**	**-**	**27.5**
Dividends	-	(102.3)	-	(50.8)	**(153.1)**	-	**(153.1)**
Capital increase	23.5	96.5	-	-	**120.0**	-	**120.0**
Other	-	-	-	(0.0)	**(0.0)**	-	**(0.0)**
06/30/2019	**575.5**	**986.4**	**(29.7)**	**145.9**	**1,678.2**	**-**	**1,678.2**

2. Notes to the condensed consolidated financial statements

Note 1. Accounting methods, rules and principles

1.1. General information

Icade Santé ("the Company") is a French simplified joint-stock company (SAS). Its registered office is situated at 27 rue Camille Desmoulins, 92130 Issy-les-Moulineaux, France. As of June 30, 2019, it was 56.84% owned by the company Icade SA (56.77% as of December 31, 2018). It is fully consolidated in Icade SA's consolidated financial statements.

The condensed consolidated financial statements for the period ended June 30, 2019 reflect the financial position and profits and losses of the Company and its subsidiaries ("the Group"). They were prepared in euros, which is the Company's functional currency.

As of June 30, 2019, the Group consisted of 15 consolidated entities. It operates as a property investor, assisting healthcare operators and senior services providers with the ownership and development of healthcare properties across France.

1.2. Accounting standards

The Group's condensed consolidated financial statements for the half year ended June 30, 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union as of June 30, 2019, pursuant to European Regulation No.1606/2002 dated July 19, 2002, and include comparative information (1st half of 2018 or December 31, 2018) prepared under the accounting standards applicable at the reporting date.

The international accounting standards are issued by the IASB (International Accounting Standards Board) and have been adopted by the European Union. They include the IFRS, the IAS (International Accounting Standards) and their interpretations. These standards are available for viewing on the European Commission's website[1].

The accounting methods and measurement bases used by the Group in preparing the condensed consolidated financial statements are identical to those used for the consolidated financial statements as of December 31, 2018, 2017 and 2016, subject to the specific provisions of IAS 34 – Interim financial reporting described in note 1.3.3, and except for those mandatory standards, interpretations and amendments to be applied for periods beginning on or after January 1, 2019, which are detailed in note 1.2.1 below.

1.2.1. Mandatory standards, amendments and interpretations adopted by the European Union which became effective on January 1, 2019

There were no new standards or interpretations available for early adoption for the financial year 2019.

1.2.1.1 IFRS 16 – Leases

This new mandatory standard, which became effective on January 1, 2019, supersedes IAS 17 and related interpretations. As far as lessees are concerned, it no longer makes a distinction between finance and operating leases. Lessees are required to account for all leases (except for the exemptions provided for in IFRS 16) in a manner similar to the existing requirements under IAS 17 for finance leases, that is, by recognising a right-of-use asset and a lease liability representing an obligation to make lease payments in the consolidated statement of financial position, for the duration of the reasonably certain lease term.

For the Group, the impact of applying IFRS 16 from January 1, 2019 is described below. The accounting principles provided for in IFRS 16 and that are applied to the consolidated financial statements as of June 30, 2019 are described in notes 4.1.2 and 6.

- **Transitional measures adopted by the Group**

The Group has applied the following transitional measures:

- The Group has used the modified retrospective approach since January 1, 2019. As a result, comparative periods have not been restated;
- The Group has opted for the following practical expedients:
  - A practical expedient making it possible not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4;
  - Exemption for leases with a remaining term of 12 months or less;
  - Exemption for leases for which the value of the underlying asset when it is new is less than €5,000;
- The amount of the lease liability recognised as of January 1, 2019 is the present value of the lease payments to be made over the reasonably certain lease term (see below for further details about lease terms);
- The right-of-use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid lease payments that would otherwise have been recognised in the consolidated statement of financial position as of December 31, 2018;
- The right-of-use asset does not include initial direct costs;

[1] http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

- As of January 1, 2019, the rate used in calculating the present value of the lease payments to be made over the reasonably certain lease term is the Group's incremental borrowing rate. This is the rate at January 1, 2019 for contracts in progress at that date and it depends on the remaining lease term;
- Right-of-use assets relating to assets held under leases are shown under the heading "Investment properties" on the asset side of the consolidated statement of financial position. The associated lease liabilities are shown under the heading "Lease liabilities" on the liability side of the consolidated statement of financial position, broken down between commitments falling due within one year and commitments falling due after one year;
- In the consolidated cash flow statement, principal repayments on lease liabilities affect cash flow from financing activities, and interest paid on lease liabilities affects cash flow from operating activities;
- In order to determine the reasonably certain lease term, management carries out an assessment that takes into account the particular features of each lease (e.g. the existence of early termination clauses—also referred to as "break clauses"—with or without significant penalties, the existence of lease extension clauses, etc.).

The leases identified by the Group consisted exclusively of building leases.

- **Reconciliation between off-balance sheet commitments as of December 31, 2018 and the lease liability representing the obligation to make lease payments as of January 1, 2019**

(in millions of euros)

Operating lease commitments as a lessee as of December 31, 2018	**6.5**
Leases not recognised in accordance with exemptions under IFRS 16	-
Undiscounted lease liabilities in accordance with IFRS 16 as of December 31, 2018	**6.5**
Effect of discounting	(4.6)
Total lease liabilities as of January 1, 2019 after applying IFRS 16	**1.9**

- **Impact on the consolidated statement of financial position as of January 1, 2019**

For the initial application of IFRS 16, the consolidated statement of financial position as of January 1, 2019 was impacted as follows:
- Right-of-use assets relating to building leases were recognised under the heading "Investment properties" for €2.0 million;
- A total amount of €1.9 million was recognised under a new line item, i.e. "Lease liabilities".

1.2.1.2 Interpretations and amendments

The following interpretation and amendments became effective on January 1, 2019.

- IFRIC interpretation 23 – Uncertainty over income tax treatments. This interpretation clarifies how IAS 12 – Income taxes should be applied to determine the items related to income tax, when there is uncertainty over the income tax treatments used by the Group under applicable tax rules. The application of these guidelines has no impact on the Group's condensed consolidated financial statements;
- Amendments to IFRS 9 – Prepayment features with negative compensation. The application of these guidelines has no impact on the Group's condensed consolidated financial statements;
- Amendments to IAS 28 – Long-term interests in associates and joint ventures (not applicable to the Group);
- Amendments to IAS 19 – Plan amendment, curtailment or settlement (not applicable to the Group);
- Annual improvements to IFRS Standards (2015–2017 Cycle). The application of these guidelines has no impact on the Group's condensed consolidated financial statements.

1.2.2. Standards, amendments and interpretations issued by the IASB (International Accounting Standards Board) but not yet adopted by the European Union

Effective from January 1, 2020:

- Amendments to IAS 1 and IAS 8 – Definition of material;
- Amendments to IFRS 3 – Definition of a business;
- Amendments to references to the conceptual framework in IFRS standards.

Effective from January 1, 2022:

- IFRS 17 – Insurance contracts (not applicable to the Group).

1.3. Basis of preparation and presentation of the financial statements

1.3.1 Measurement bases

The financial statements have been prepared according to the amortised cost method, with the exception of certain financial assets and liabilities which are recognised at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 – Fair value measurement utilises a fair value hierarchy across three levels:

- Level 1: fair value measured based on unadjusted prices quoted in active markets for identical assets or liabilities;
- Level 2: fair value measured based on models using observable data, either directly (i.e. prices), or indirectly (i.e. data derived from prices);
- Level 3: fair value measured based on market data not directly observable.

According to the principle of relevance and the ensuing materiality notion, only information deemed relevant and useful to the users' understanding of the consolidated financial statements is reported.

The Group does not employ staff. It has delegated the management of its property assets as well as advisory and assistance work to its parent company Icade SA. See note 9.2 on related parties.

1.3.2 Use of judgement and estimates

The preparation of financial statements requires the Group's management to use estimates and assumptions to determine the carrying amount of certain assets, liabilities, income and expenses, to assess any positive or negative contingencies as of the reporting date, as well as the information provided in the notes to the financial statements.

The significant estimates made by the Group in preparing its condensed consolidated financial statements are identical to those described in the consolidated financial statements for the years ended December 31, 2018, 2017 and 2016.

Due to the uncertainties inherent in any measurement process, the Group reviews its estimates on the basis of regularly updated information. The future revenues of the projects concerned may differ from estimates made at the reporting date.

In addition to using estimates, the Group's management uses its judgement to define the appropriate accounting treatment for certain operations and transactions where current IFRS and their interpretations do not specifically address the accounting issues raised. In particular, management has exercised its judgement in measuring the right-of-use assets and lease commitments that were used in applying IFRS 16 – Leases and, in particular, in determining lease terms (see notes 1.2.1.1 and 4.1.2).

1.3.3 Specific rules applying to the preparation of condensed consolidated financial statements

Condensed consolidated financial statements do not include all the financial information required for annual consolidated financial statements and should therefore be read in conjunction with the Group's consolidated financial statements as of December 31, 2018, 2017 and 2016.

In accordance with IAS 34, the tax expense for H1 2019 was calculated by applying, for each company, the average effective tax rate estimated for the full financial year to the profit/(loss) before tax for the interim period. This rate was estimated based on 2019 data approved by management.

In addition, the Group's real estate assets are valued twice a year by independent valuers in accordance with the methods described in note 4.2.

Note 2. Highlights of the half years ended June 30, 2019 and 2018

2.1 Half year ended June 30, 2019

2.1.1 Investments and disposals completed

The Group made no significant acquisitions or disposals during the period.

2.1.2 Finance

During the period, the Company made a €120.0 million capital increase on June 27, 2019, fully but unevenly subscribed in cash by its shareholders.

2.2 Half year ended June 30, 2018

2.2.1 Investments and disposals completed

The Group made no significant acquisitions or disposals during the period.

2.2.2 Finance

During the period, the Company made a €160.0 million capital increase on June 28, 2018, fully but unevenly subscribed in cash by its shareholders.

Note 3. Segment reporting

ACCOUNTING PRINCIPLES

In accordance with IFRS 8 – Operating segments, segment information must be structured according to the operating segments for which results are regularly reviewed by the chief operating decision maker in order to assess their performance and make decisions about resources to be allocated to such segments. Segment information must be consistent with internal reporting to the chief operating decision maker.

The Group's activities consist in assisting healthcare and senior services providers with the ownership and development of healthcare properties across France. These properties include short- and medium-term care facilities (private hospitals, rehabilitation centres) as well as long-term facilities (nursing homes).

During the half years ended June 30, 2019 and 2018, the Group measured the performance of its operations taken as a whole.

As a result, it only reports on one operating segment.

Note 4. Property portfolio and fair value

4.1 Property portfolio

4.1.1 Investment properties excluding right-of-use assets relating to building leases

The net carrying amount of investment properties excluding right-of-use assets relating to building leases as of June 30, 2019 amounted to €3,111.5 million. It consisted exclusively of investment properties including €530.2 million under finance leases. The difference with "Investment properties" in the consolidated statement of financial position stems from right-of-use assets relating to building leases (see note 4.1.2).

(in millions of euros)	12/31/2018	Acquisitions and construction work (a)	Disposals	Net depreciation charges	Net reversals of impairment charges	Other changes	06/30/2019
Gross value	3,761.8	33.4	(33.2)	-	-	-	3,762.0
Depreciation	(597.5)	-	6.3	(56.1)	-	-	(647.4)
Impairment	(8.3)	-	7.3	-	(2.2)	-	(3.2)
NET VALUE OF INVESTMENT PROPERTIES (b) (c)	**3,155.9**	**33.4**	**(19.6)**	**(56.1)**	**(2.2)**	**-**	**3,111.5**

(a) Including capitalised finance costs for €0.5 million.
(b) In addition to the assets making up the property portfolio, the heading "Investment properties" on the balance sheet includes right-of-use assets relating to building leases (in accordance with IFRS 16) for €1.9 million
(c) Includes investment properties under finance leases for a net carrying amount of €515.6 million as of 12/31/2018 and €530.2 million as of 06/30/2019

In H1 2019, investments totalled €33.4 million, including primarily:

- Projects in the development pipeline for €16.8 million including healthcare facility projects in Narbonne and Saint-Herblain;
- Other capex for €10.1 million.

4.1.2 Right-of-use assets relating to building leases

ACCOUNTING PRINCIPLES

Right-of-use assets relating to building leases

Effective from January 1, 2019:
- In the consolidated statement of financial position, "Investment properties" also includes right-of-use assets relating to building leases; and
- In the consolidated income statement, "Depreciation charges net of government investment grants" includes depreciation charges on these assets.

Right-of-use assets relating to building leases are measured initially at cost, which includes the following amounts:
- Lease liabilities measured as described in note 6;
- Prepaid lease payments.

These assets are depreciated on a straight-line basis over the course of the reasonably certain lease term.

Right-of-use assets relating to building leases may be remeasured over the reasonably certain lease term in any of the following circumstances:
- Lease modification;
- An increase or decrease in the assessment of the lease term;
- An increase or decrease in the assessment of lease payments linked to an index or a rate;
- Any impairment losses.

Reasonably certain lease term

For each lease falling within the scope of IFRS 16, the lease term is assessed by management in accordance with the procedures provided for under the standard.

The lease term used for each lease is the reasonably certain lease term. The latter is the non-cancellable period of a lease adjusted for the following items:
- Any option to early terminate the lease if the Group is reasonably certain not to exercise that option;
- Any option to extend the lease if the Group is reasonably certain to exercise that option.

Impairment tests on right-of-use assets relating to building leases

The collectibility of right-of-use assets relating to building leases is tested where events or changes in the market environment indicate those assets may be impaired. If the net carrying amount of an asset becomes higher than its recoverable amount, the difference between those two amounts is recognised as an impairment loss.
The recoverable amount is the higher of the fair value less costs of disposal and the value in use. The value in use is measured based on the present value of the future cash flows expected to arise from the use of the asset.

If there is an indication that an impairment loss no longer exists and the recoverable amount again becomes higher than the net carrying amount, impairment losses on right-of-use assets relating to building leases that were recognised in previous financial years are reversed, up to the impairment amount initially recognised less any additional depreciation that would have been recorded had no impairment loss been recognised.

(in millions of euros)	12/31/2018	Impact of the initial application of IFRS 16	Disposals	Depreciation charges / Finance expense for the period	Net reversals of impairment charges	06/30/2019
Gross value	-	2.0	-	-	-	2.0
Depreciation	-	-	-	(0.0)	-	(0.0)
Impairment	-	-	-	-	-	-
Right-of-use assets relating to building leases – net value	**-**	**2.0**	**-**	**(0.0)**	**-**	**1.9**

4.2 Valuation of the property portfolio: methods and assumptions

4.2.1 Valuation assignments

The Group's property assets are valued twice a year by independent property valuers for the publication of the half-year and annual financial statements, according to a framework consistent with the SIIC Code of Ethics published in July 2008 by the French Federation of Real Estate Companies (*Fédération des sociétés immobilières et foncières*).

Property valuations were entrusted to Jones Lang LaSalle Expertises and Catella Valuation FCC.

The valuers are selected through competitive bidding. The property valuers consulted are selected from among members of AFREXIM (French Association of Property Valuation Companies) and are appointed for a maximum period of three years.

In accordance with the SIIC Code of Ethics, after seven years the Group shall ensure that there is an internal turnover of the teams responsible for the valuation of its assets in the selected property valuation company. The valuer may not be appointed for more than two consecutive terms of four years except where the valuer has met the requirement with regard to the internal turnover of the teams.

For all contracts having expired on December 31, 2017, the Group invited the main property valuation firms to a selection process in order to assign one or more of them the twice-yearly valuation of part of its assets. Property valuers were selected based on criteria of independence, qualification, reputation, expertise in property valuation, organisational capacity, responsiveness and price. Following this selection process, the contracts of Catella Valuation FCC and Jones Lang LaSalle Expertises were renewed.

Property valuation fees are billed to the Group on the basis of a fixed service fee that takes into account the specificities of the properties (number of units, number of square metres, number of current leases, etc.) and that is not based on the value of the assets.

The assignments of the property valuers, whose main valuation methods and conclusions are presented hereafter, are performed according to professional standards, in particular:
- The Property Valuation Charter (*Charte de l'expertise en évaluation immobilière*), fifth edition, published in March 2017;
- The Barthès de Ruyter report from the French Securities and Exchange Commission (COB), which is part of the French Financial Markets Authority (AMF), dated February 3, 2000, on the valuation of the property assets of publicly traded companies;
- On an international level, the European Valuation Standards of TEGoVA (The European Group of Valuers' Associations), published in April 2009 in the Blue Book, as well as the Red Book standards of the Royal Institution of Chartered Surveyors (RICS).

These various texts specify the required qualifications for the property valuers, a code of conduct and ethics, and the main definitions (values, floor areas, rates and main valuation methods).

During each valuation session and when valuers submit their valuation reports, the Group makes sure that the methods used by the different property valuers to value its assets are consistent.

Valuations are calculated both inclusive and exclusive of duties, the values excluding duties being net of duties and fixed legal expenses calculated by the property valuers.

On-site visits are systematically conducted by the property valuers for all new assets added to the portfolio. Further on-site visits are then organised according to a multi-year schedule or each time that a specific event in the life of the building requires it (occurrence of significant changes in its structure or environment).

All the assets, including the land bank and projects under development, were valued as of June 30, 2019 according to the procedures currently in place within the Group, with the exception of:

- Properties subject to a preliminary sale agreement as of the end of the reporting period or those for which an offer has been received and that are valued based on the price indicated in the agreement excluding duties;
- Properties acquired less than three months before the end of the half year, which are valued based on their net carrying amount.

In 2015, the Group also established a process of internal valuations performed by its asset management teams, in order to verify the asset values obtained by the property valuers, and to gain a better understanding of the future performance of the portfolio on the basis of the business plans defined. This process is updated on a yearly basis. However, assets whose business plan changes materially are subject to a half-yearly update.

4.2.2 Methods used by the property valuers

The methods used by the property valuers are identical to those used in the previous financial year.

Private hospitals or other healthcare properties are valued by property valuers based on the mean of the values obtained using the rent capitalisation method (also known as "estimated rental value" method) and the discounted cash flow method.

The market value of a hospital is essentially dependent on its operation and its ability to generate sufficient income to provide a reasonable return on the property investment. These buildings fall under the category of single-use buildings and their value determined by the property valuer is totally related to their operation and consequently to the value of the underlying business. Also, since these premises are unsuitable for any other use without substantial conversion works, they are not subject to rent ceilings upon lease renewals or rent reviews or to the traditional rules for determining the estimated rental value.

The estimated rental value used by the property valuers thus takes into account a share of the average revenue or EBITDA that the institution has generated during the last years of operation, with or without adjustment for category, administrative environment, quality of operating structure (price positioning, hospital fee agreement with the French Social Security, income statement, etc.) and competitive position. Alternatively, the institution's premises can be valued by capitalisation of the rental income reported by the Group.

4.2.3 Main valuation assumptions for investment properties

	Methods generally used	Rates for discounting cash flows (DCF)	Exit yields (DCF)	Market yields (income capitalisation)
Paris region	Capitalisation and DCF	5.3% - 6.5%	4.9% - 6.5%	4.5% - 6.0%
Outside the Paris region	Capitalisation and DCF	5.1% - 8.4%	4.7% - 8.5%	4.4% - 8.0%

4.3 Fair value of the property portfolio

4.3.1 Unrealised capital gains on the property portfolio

Total unrealised capital gains on investment properties held by the Group as of June 30, 2019 are presented below:

(in millions of euros)	06/30/2019	12/31/2018	Chg. June 2019 - Dec. 2018
Fair value	4,511.9	4,484.4	27.5
Net carrying amount	3,111.5	3,155.9	(44.5)
Unrealised capital gains	1,400.4	1,328.5	71.9

Unrealised capital gains amounted to €1,400.4 million as of June 30, 2019, representing an increase of €71.9 million compared to December 31, 2018.

4.3.2 Impact of impairment charges on the income statement

The impact of impairment charges on the income statement is shown under the heading "Charges and reversals related to impairment of tangible, financial and other current assets" of the consolidated income statement.

For the half year ended June 30, 2019, a €2.2 million impairment loss was recorded.

For the half year ended June 30, 2018, net impairment losses of €0.2 million resulted from an impairment loss of €0.9 million and a reversal of €0.7 million.

4.3.3 Sensitivity of the net carrying amounts of appraised assets to potential changes in fair value

The sensitivity of the net carrying amounts of appraised assets to potential changes in fair value ranging from -5.00% to +5.00% is shown in the table below:

in millions of euros	Changes in fair value of investment properties (5.0%)	(2.5%)	2.5%	5.0%
Total as of 12/31/2018	(14.6)	(8.5)	0.4	0.7
Total as of 06/30/2019	**(11.1)**	**(4.9)**	**-**	**0.1**

4.4 Gross rental income

The Group assists the major operators of healthcare and senior services facilities with the ownership and development of healthcare properties. Leases are signed on a facility-by-facility basis. Gross rental income by operator is as follows:

(in millions of euros)	06/30/2019		06/30/2018	
ELSAN	73.3	56.7%	69.1	60.0%
RAMSAY GÉNÉRALE DE SANTÉ	23.6	18.3%	22.9	19.9%
OTHER OPERATORS	32.3	25.0%	23.1	20.1%
Total	**129.2**	100.0%	**115.1**	100.0%

In H1 2019, the Group generated gross rental income of €129.2 million (€115.1 million in H1 2018), a 12.3% increase on a year-on-year basis.

In H1 2019, 75.0% of the Group's gross rental income came from the two largest operators of investment properties held by the Group. This percentage stood at 79.9% in H1 2018.

No individual tenant accounts for more than 10% of total gross rental income.

See note 5.2.5 for further information about credit risk.

Note 5. Finance and financial instruments

5.1 Financial structure and contribution to net profit/(loss)

5.1.1 Change in net financial liabilities

5.1.1.1 Breakdown of net financial liabilities at end of period

Net financial liabilities as of June 30, 2019 and December 31, 2018 broke down as follows:

(in millions of euros)		06/30/2019	12/31/2018
Medium- and long-term financial liabilities (a)		1,702.6	1,427.4
Short-term financial liabilities (a)		53.0	52.2
GROSS FINANCIAL LIABILITIES	5.1.2	**1,755.7**	**1,479.6**
Interest rate derivatives (assets and liabilities)	5.1.3	32.9	15.7
GROSS FINANCIAL LIABILITIES INCLUDING DERIVATIVES		**1,788.5**	**1,495.3**
Financial assets at fair value through profit or loss	5.1.5.2	(0.0)	(0.0)
Cash	5.1.6	(400.1)	(75.9)
NET FINANCIAL LIABILITIES		**1,388.3**	**1,419.3**

(a) including €571.1 million to Icade SA as of June 30, 2019 (€13.7 million short term and €557.4 million medium and long term) and €571.1 million to Icade SA as of December 31, 2018 (€13.7 million short term and €557.4 million medium and long term)

The change in gross debt (excluding derivatives) compared to December 31, 2018 mainly resulted from:

- Three new corporate loans taken out totalling €300.0 million and a finance lease entered into for €1.5 million;
- The normal amortisation of loans from credit institutions for €8.9 million and finance leases for €9.9 million;
- The early termination of finance leases for €5.6 million.

5.1.1.2 Statement of changes in net financial liabilities

For the half year ended June 30, 2019, changes in net financial liabilities broke down as follows:

			Changes with no impact on cash flow				
(in millions of euros)	12/31/2018	Cash flow	Changes in scope of consolidation	Fair value through profit or loss	Fair value through reserves	Other changes	06/30/2019
Financial liabilities	1,479.6	277.4	-	-	-	(1.2)	**1,755.7**
Derivative liabilities	15.7	-	-	0.2	17.1	(0.1)	**33.0**
Other financial liabilities and lease liabilities (a)	6.3	-	-	-	-	2.8	**9.1**
TOTAL LIABILITIES	*1,501.6*	*277.4*	-	*0.2*	*17.1*	*1.6*	***1,797.8***
Derivative assets	(0.0)	-	-	(0.1)	-	-	**(0.1)**
Other financial assets	(1.3)	-	-	-	-	(7.7)	**(9.1)**
TOTAL ASSETS	(1.3)	-	-	*(0.1)*	-	*(7.7)*	***(9.2)***
TOTAL FINANCIAL ASSETS AND LIABILITIES	**1,500.3**	**277.4**	**-**	**0.1**	**17.1**	**(6.2)**	**1,788.6**
Exclusion of deposits and guarantees:							
- Deposits and guarantees received	(6.3)	-	-	-	-	(0.9)	**(7.2)**
- Deposits and guarantees paid	1.3	-	-	-	-	7.7	**9.1**
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**1,495.3**	**277.4**	**-**	**0.1**	**17.1**	**0.7**	**1,790.5**
Other financial liabilities and lease liabilities (a)	-						**(1.9)**
Financial assets at fair value through profit or loss (b)	(0.0)						**(0.0)**
Cash	(75.9)						**(400.1)**
TOTAL NET FINANCIAL LIABILITIES	**1,419.3**						**1,388.4**

(a) Lease liabilities recognised at January 1, 2019 in accordance with IFRS 16 for €2.0 million amounted to €1.9 million at June 30, 2019.

(b) This item consists of unconsolidated subsidiaries.

5.1.2 Components of financial liabilities

Gross financial liabilities at amortised cost, including issue costs and premiums and the impact of spreading them by applying the effective interest method, stood at €1,755.7 million as of June 30, 2019.

They broke down as follows:

(in millions of euros)	Balance sheet value as of 06/30/2019	Current	Non-current					Fair value as of 06/30/2019
		Portion due in < 1 year	Portion due in 1 to 2 years	Portion due in 2 to 3 years	Portion due in 3 to 4 years	Portion due in 4 to 5 years	Portion due in > 5 years	
Fixed rate debt	**645.6**	**24.9**	**23.0**	**61.6**	**211.7**	**9.3**	**315.1**	**687.9**
Borrowings from credit institutions	12.9	2.9	2.9	3.1	3.2	0.8	0.0	13.9
Finance leases	99.2	8.4	10.2	8.6	8.5	8.5	55.1	103.9
Liabilities to Icade SA	533.5	13.7	9.9	50.0	200.0	-	260.0	570.1
Variable rate debt	**1,110.1**	**28.1**	**212.8**	**30.2**	**26.4**	**59.2**	**753.3**	**1,096.5**
Borrowings from credit institutions	922.7	15.5	163.4	13.8	14.1	37.4	678.6	907.9
Finance leases	94.6	9.5	9.3	13.8	9.7	19.2	33.1	93.0
Other loans and similar liabilities	54.6	2.6	2.5	2.6	2.6	2.7	41.6	56.9
Liabilities to Icade SA	37.6	0.0	37.5	-	-	-	-	38.0
Bank overdrafts	0.5	0.5	-	-	-	-	-	0.5
GROSS FINANCIAL LIABILITIES AS OF 06/30/2019	**1,755.7**	**53.0**	**235.8**	**91.8**	**238.1**	**68.5**	**1,068.4**	**1,784.4**

The average debt maturity was 5.1 years as of June 30, 2019 and 5.1 years as of December 31, 2018.

As of June 30, 2019, the average maturity was 5.5 years for variable rate debt and 4.7 years for the related hedges, allowing adequate hedging and anticipating coverage of future financing needs.
As of December 31, 2018, the average maturity was 5.3 years for variable rate debt and 5.3 years for the related hedges, allowing adequate hedging and anticipating coverage of future financing needs.

5.1.3 Derivative instruments

5.1.3.1 Presentation of derivatives on the balance sheet

The fair value of derivative liabilities, consisting primarily of interest rate derivatives designated as cash flow hedges, was a negative €33.0 million as of June 30, 2019 (€15.7 million as of December 31, 2018).

Detailed changes in fair value of derivative instruments compared to December 31, 2018 were as follows:

(in millions of euros)	Fair value as of 12/31/2018 (1)	Additions to the scope of consolidation (2)	Acquisitions (3)	Disposals (4)	Changes in fair value recognised in the income statement (5)	Changes in fair value recognised in equity (6)	Fair value as of 06/30/2019 (7) = (1) to (6) inclusive
Presentation of derivatives on the balance sheet:							
Non-current assets	0.0	-	-	-	0.1	-	0.1
Derivative assets	***0.0***	**-**	**-**	**-**	***0.1***	**-**	***0.1***
Non-current liabilities	(15.0)	-	-	-	(0.1)	(17.2)	(32.3)
Current liabilities	(0.8)	-	-	-	(0.1)	0.2	(0.7)
Derivative liabilities	***(15.7)***	**-**	**-**	**-**	***(0.1)***	***(17.1)***	***(33.0)***
TOTAL	**(15.7)**	**-**	**-**	**-**	**(0.1)**	**(17.1)**	**(32.9)**
Breakdown of derivative instruments by type:							
Interest rate swaps – fixed-rate payer	(15.7)	-	-	-	(0.1)	(17.1)	(32.9)
Cash flow hedges	**(15.7)**	**-**	**-**	**-**	**(0.1)**	**(17.1)**	**(32.9)**
INTEREST RATE DERIVATIVES EXCLUDING MARGIN CALLS	**(15.7)**	**-**	**-**	**-**	**(0.1)**	**(17.1)**	**(32.9)**
TOTAL DERIVATIVES	**(15.7)**	**-**	**-**	**-**	**(0.1)**	**(17.1)**	**(32.9)**

5.1.3.2 Changes in hedge reserves

Hedge reserves consisted exclusively of fair value adjustments to financial instruments used by the Group for interest rate hedging purposes (effective portion) for €29.7 million as of June 30, 2019 vs. €12.2 million as of December 31, 2018.

Hedge reserves as of June 30, 2019 and December 31, 2018 are shown in the table below:

(in millions of euros)	Revaluation reserves
12/31/2018	**(12.2)**
Recycling to the income statement (a)	(0.4)
Other comprehensive income (b)	(17.1)
06/30/2019	**(29.7)**

(a) Cash flow hedge reserves recycled to the income statement during the period

(b) Changes in value of cash flow hedges

5.1.3.3 Derivatives: analysis of notional amounts by maturity

The derivative portfolio as of June 30, 2019 and December 31, 2018 was as follows:

(in millions of euros)	Total	Average rate	Portion due in < 1 year		Portion due in > 1 year and < 5 years		Portion due in > 5 years	
			Amount	Average rate	Amount	Average rate	Amount	Average rate
Outstanding derivatives – Interest rate swaps – Fixed-rate payer	576.6	0.71%	22.2	1.29%	302.0	0.44%	252.3	0.99%
Forward start derivatives – Interest rate swaps – Fixed-rate payer	318.6	0.03%	4.0	0.37%	30.3	0.54%	284.4	(0.03%)
TOTAL INTEREST RATE DERIVATIVES AS OF 06/30/2019	**895.2**		**26.2**		**332.3**		**536.7**	

These derivatives are used as part of the Group's interest rate hedging policy (see note 5.2.3).

5.1.4 Finance income/(expense)

The Group recorded a net finance expense of €15.8 million for H1 2019 vs. €24.8 million for H1 2018. It mainly consisted of interest expenses from financial liabilities and derivatives.
As of June 30, 2018, the Group recognised €9.4 million in debt restructuring costs relating to prepayment penalties for financial liabilities which were paid to Icade SA.

(in millions of euros)	06/30/2019	06/30/2018
Interest expenses from financial liabilities	(5.5)	(4.6)
Interest expenses from derivatives	(3.0)	(2.1)
Recycling to the income statement of interest rate hedging instruments	0.4	0.5
Expenses on loans and advances from Icade	(6.8)	(8.1)
COST OF NET FINANCIAL LIABILITIES	**(15.0)**	**(14.3)**
Change in fair value of derivatives recognised in the income statement	(0.1)	(0.4)
Commitment fees	(0.3)	(0.2)
Restructuring costs for financial liabilities	-	(9.4)
Finance income/(expense) from lease liabilities (a)	(0.1)	-
Other finance income and expenses	(0.3)	(0.4)
Total other finance income and expenses	**(0.8)**	**(10.5)**
FINANCE INCOME/(EXPENSE)	**(15.8)**	**(24.8)**

(a) This item relates to the finance expense for the period recognised under IFRS 16.

5.1.5 Other financial assets and liabilities

5.1.5.1 Accounts receivable

Changes in accounts receivable, relating exclusively to receivables on gross rental income, were as follows between December 31, 2018 and June 30, 2019:

(in millions of euros)	Gross value	Impairment	Net value
12/31/2018	**6.8**	**(0.0)**	**6.8**
Change for the period	12.4	-	12.4
Impairment	-	(3.4)	(3.4)
06/30/2019	**19.2**	**(3.5)**	**15.7**

5.1.5.2 Other financial assets and liabilities

Other financial liabilities comprised deposits and guarantees received for €7.2 million as of June 30, 2019 (€6.3 million as of December 31, 2018). Deposits and guarantees paid for the year 2018 for €7.7 million related to the deposit paid in the context of the acquisition of Epion (event after the reporting period).

Changes in other financial assets and liabilities broke down as follows between December 31, 2018 and June 30, 2019:

(in millions of euros)	12/31/2018	Acquisitions net of disposals and repayments	06/30/2019
Financial assets at fair value through profit or loss (a)	0.0	-	0.0
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**0.0**	**-**	**0.0**
Deposits and guarantees paid	1.3	7.7	9.1
FINANCIAL ASSETS AT AMORTISED COST	**1.3**	**7.7**	**9.1**
Deposits and guarantees received	6.3	0.9	7.2
OTHER FINANCIAL LIABILITIES	**6.3**	**0.9**	**7.2**

(a) Financial assets at fair value through profit or loss consist of investments in unconsolidated companies

A maturity analysis of other financial assets and liabilities as of June 30, 2019 and December 31, 2018 is shown in the table below:

		Current	Non-current	
(in millions of euros)	06/30/2019	Portion due in < 1 year	Portion due in > 1 year and < 5 years	Portion due in > 5 years
Deposits and guarantees paid	9.1	7.7	-	1.3
OTHER FINANCIAL ASSETS AT AMORTISED COST	**9.1**	**7.7**	**-**	**1.3**
Deposits and guarantees received	**7.2**	**-**	**-**	**7.2**
OTHER FINANCIAL LIABILITIES	**7.2**	**-**	**-**	**7.2**

5.1.6 Cash

(in millions of euros)	06/30/2019	12/31/2018
Cash on hand and demand deposits (including bank interest receivable)	400.1	75.9
CASH	**400.1**	**75.9**

As of June 30, 2019 and December 31, 2018, cash consisted exclusively of cash on hand and demand deposits.

5.2 Management of financial risks

5.2.1 Liquidity risk

The Group's undrawn amounts of short- and medium-term credit lines total €200.0 million, which are fully available.

The Group has continued to access liquidity on favourable terms and is still fully able to raise more funds if necessary.

The residual contractual maturities of financial liabilities as of June 30, 2019 can be analysed as follows:

	06/30/2019								
	Portion due in < 1 year		Portion due in > 1 year and < 3 years		Portion due in > 3 years and < 5 years		Portion due in > 5 years		Total
(in millions of euros)	Repayments	Interest	Repayments	Interest	Repayments	Interest	Repayments	Interest	
Borrowings from credit institutions	19.0	6.8	184.8	10.6	56.9	13.4	680.1	17.5	989.0
Finance leases	17.1	4.0	40.7	6.6	45.2	5.3	88.0	5.5	212.3
Other loans and similar liabilities	2.4	1.1	4.9	2.1	5.1	1.9	41.0	6.5	65.0
Liabilities to Icade SA	10.0	14.5	97.4	27.0	200.0	17.3	260.0	11.0	637.2
Bank overdrafts	0.5	-	-	-	-	-	-	-	0.5
Accounts payable and tax liabilities	16.3	-	10.1	-	-	-	-	-	26.4
Financial derivatives	-	7.7	-	13.9	-	8.0	-	2.7	32.3
TOTAL	**65.3**	**34.1**	**337.9**	**60.2**	**307.2**	**45.9**	**1,069.1**	**49.4**	**1,962.8**

Future interest payments on loans and derivative instruments are determined based on anticipated market interest rates.

5.2.2 Covenants and financial ratios

The Group monitors the following elements:

5.2.2.1 Financial covenants

The Group is required to comply with the following financial covenants:

Type of limit	< or >	Limit	06/30/2019	12/31/2018
LTV bank covenant	<	0.5	30.77%	31.65%
ICR	>	2.0	8.2x	7.5x
Value of the property portfolio	>	€2bn	4,511.9	4,484.4
Security interests in assets	<	30% of portfolio value	8.42%	8.95%

Loans taken out by the Group may be subject to covenants based on financial ratios (loan-to-value and interest coverage ratios). All covenants were met as of June 30, 2019 and December 31, 2018.

5.2.2.2 LTV bank covenant

The LTV (loan-to-value) bank covenant, which is the ratio of net financial liabilities and the latest valuation of the property portfolio excluding duties, stood at 30.77% as of June 30, 2019 compared with 31.65% as of December 31, 2018.

5.2.2.3 Interest coverage ratio

The interest coverage ratio based on EBITDA was 8.2x for the half year ended June 30, 2019. The ratio remains at a high level, demonstrating the Company's ability to comfortably comply with its bank covenants.

5.2.3 Interest rate risk

Interest rate risk includes, in the event of increased interest rates, the risk of increased finance expenses related to variable rate financial liabilities and, in the event of reduced interest rates, the risk of reduced finance income related to variable rate financial assets.

To finance its investments, the Group uses variable rate debt, thus remaining able to prepay loans without penalty.

	Net exposure before hedging (A)		Interest rate hedging instruments (B)		Net exposure after hedging (C) = (B) - (A)	
(in millions of euros)	Fixed rate	Variable rate	Fixed rate	Variable rate (a)	Fixed rate	Variable rate
06/30/2019	645.7	1,110.0	-	576.6	(645.7)	(533.4)

(a) Interest rate hedges only include outstanding derivatives as of 06/30/2019 and 06/30/2018

As of June 30, 2019, the Group's total debt, consisting of 37.0% fixed rate debt and 63.0% variable rate debt, was 69.0% hedged against interest rate risk.
As of December 31, 2018, the Group's total debt, consisting of 44.0% fixed rate debt and 56.0% variable rate debt, was 84.0% hedged against interest rate risk.

The Group favours classifying its hedging instruments as "cash flow hedges" according to IFRS standards; therefore, any changes in fair value of such instruments are recognised in equity (for the effective portion) rather than in the income statement.

Due to the Group's hedging structure and the trend in interest rates in the last few financial years, changes in fair value of hedging instruments had a negative impact of €17.1 million in H1 2019.

The accounting impacts of a -1% or +1% change in interest rates on the value of derivatives are described below:

	June 30, 2019	
	Impact on equity before tax (€m)	Impact on the income statement before tax (€m)
Impact of a +1% change in interest rates	46.3	0.2
Impact of a -1% change in interest rates	-50.2	-0.2

5.2.4 Currency risk

Since the Group does not enter into any foreign currency transactions, it is not exposed to currency risk.

5.2.5 Credit risk

In the course of its business, the Group is exposed to two major types of counterparties: financial institutions and its tenants.

Regarding financial institutions, credit and/or counterparty risk relates to cash, and more specifically to the banks where this cash is deposited. The investments chosen have maturities of less than one year with a very low risk profile and are monitored daily. A regular review of authorised investments complements the control process. Additionally, in order to limit its counterparty risk, the Group only deals in interest rate derivatives with banking institutions which help fund its expansion. Furthermore, the Group only enters into financial transactions with major banking institutions and applies a principle of risk dispersion, avoiding concentration of exposure to any single counterparty.

Regarding its tenants, the Group believes that it is not exposed to significant credit risk thanks to its diversified tenant portfolio in terms of location and individual size of lease commitments received. In addition, the Group has introduced procedures to verify the credit quality of the tenants prior to signing leases. Lastly, the tenants' parent companies guarantee payment of any amount owed by the tenants.

The Group's exposure to credit risk corresponds primarily to the carrying amount of receivables less deposits received from tenants. As of June 30, 2019, the Group's exposure was €7.7 million and nil as of December 31, 2018.

5.3 Fair value of financial assets and liabilities

5.3.1 Reconciliation of the carrying amount and fair value of financial assets and liabilities

Below is the reconciliation of the carrying amount and fair value of financial assets and liabilities as of June 30, 2019 and December 31, 2018:

(in millions of euros)	Carrying amount as of 06/30/2019	Amortised cost	Fair value through equity	Fair value through profit or loss	Fair value as of 06/30/2019
ASSETS					
Financial assets at fair value through profit or loss	0.0	-	-	0.0	0.0
Financial assets at amortised cost	9.1	9.1	-	-	9.1
Derivatives	0.1	-	0.1	-	0.1
Current and non-current financial assets and derivatives	**9.2**	**9.1**	**0.1**	**0.0**	**9.2**
Accounts receivable	15.7	15.7	-	-	15.7
Other operating receivables [(a)]	3.2	3.2	-	-	3.2
TOTAL FINANCIAL ASSETS	**28.1**	**27.9**	**0.1**	**0.0**	**28.1**
LIABILITIES	-	-	-	-	-
Current and non-current financial liabilities	1,755.7	1,755.7	-	-	1,784.4
Lease liabilities	1.9	1.9	-	-	1.9
Other current and non-current financial liabilities	7.2	7.2	-	-	7.2
Derivatives	33.0	-	33.0	-	33.0
Accounts payable	5.4	5.4	-	-	5.4
Other operating payables [(a)]	26.7	26.7	-	-	26.7
TOTAL FINANCIAL LIABILITIES	**1,829.8**	**1,796.9**	**33.0**	-	**1,858.5**

(a) Excluding prepaid expenses/income and social security and tax receivables/payables.

5.3.2 Fair value hierarchy of financial instruments

The three levels in the fair value hierarchy of financial instruments which are used by the Group in accordance with IFRS 13 are presented in note 1.3.1 on measurement bases.

The financial instruments whose fair value is determined using a valuation technique based on non-observable data are investments in unconsolidated, unlisted companies.

As of June 30, 2019 and December 31, 2018, the Group's financial instruments consisted of:

- Derivative assets and liabilities measured based on observable data (level 2 of the fair value hierarchy);
- Financial assets at fair value through profit or loss, measured based on market data not directly observable (level 3 of the fair value hierarchy).

These values appear directly in the consolidated statement of financial position as of June 30, 2019 and December 31, 2018.

As of June 30, 2019 and December 31, 2018, the Group did not hold any financial instruments measured based on unadjusted prices quoted in active markets for identical assets or liabilities (level 1 of the fair value hierarchy).

Note 6. Lease liabilities

ACCOUNTING PRINCIPLES

Effective from January 1, 2019:

- In the consolidated statement of financial position, “Lease liabilities” (current and non-current liabilities) refers to lease commitments under building leases;
- In the consolidated income statement, “Other finance income and expenses” includes interest expenses arising from lease liabilities;
- Within the “Financing activities” section of the consolidated cash flow statement, “Repayments of lease liabilities” comprises principal repayments on lease liabilities. Within the “Operating activities” section of the consolidated cash flow statement, “Interest paid” includes interest payments on lease liabilities.

The lease liability is initially measured at the present value of future lease payments. These future lease payments include:

- Fixed lease payments less any lease incentives provided by the lessor;
- Variable lease payments that depend on an index or a rate;
- Residual value guarantees;
- The price of any purchase options where management is reasonably certain that they will be exercised;
- Early termination penalties where management is reasonably certain that an early termination option entailing significant penalties will be exercised.

The present value of future lease payments is obtained using the Group’s incremental borrowing rate, which varies depending on the remaining lease term.

Lease liabilities are subsequently measured at amortised cost using the effective interest method. In practice, lease liabilities are determined at their net carrying amount plus any interest and less any lease payments made.

Lease liabilities may be remeasured in the course of the reasonably certain lease term in any of the following circumstances:

- Lease modification;
- An increase or decrease in the assessment of the lease term;
- An increase or decrease in the assessment of lease payments linked to an index or a rate.

Note 7. Other items of the consolidated income statement and consolidated statement of financial position

7.1 Income tax

The tax expense recognised in the consolidated income statement consists primarily of the company value-added contribution (CVAE).

The tax expense for the periods ended June 30, 2019 and 2018 is detailed in the table below:

(in millions of euros)	06/30/2019	06/30/2018
Tax expense at the standard rate	-	(0.8)
“Exit tax” (SIIC status)	-	0.3
Company value-added contribution (CVAE)	(1.4)	(1.1)
TAX EXPENSE RECOGNISED IN THE INCOME STATEMENT	**(1.4)**	**(0.4)**

The profit generated as of June 30, 2019 came exclusively from the Group’s tax-exempt segment under the SIIC tax regime. As a result, no corporate tax was recognised. The tax expense of €1.4 million reported for H1 2019 related to CVAE.

7.2 Provisions and contingent liabilities

As of June 30, 2019, the amount of provisions for liabilities and charges recognised by the Group was not material. Nor was the Group aware of any contingent liabilities likely to have had a material effect on the Group’s profits, financial position, assets or business.

Note 8. Equity and earnings per share

8.1 Share capital and shareholding structure

8.1.1 Share capital

Changes in the number of shares and share capital between December 31, 2018 and June 30, 2019 were as follows:

	Number	Capital in €m
Share capital as of 01/01/2018	**33,998,310**	**518.5**
Capital increase	2,199,914	33.5
Share capital as of 12/31/2018	**36,198,224**	**552.0**
Capital increase	1,542,612	23.5
Share capital as of 06/30/2019	**37,740,836**	**575.5**

As of June 30, 2019, share capital consisted of 37,740,836 ordinary shares with a par value of €15.25 per share. All the shares issued are fully paid up.

8.1.2 Shareholding structure

The Company's shareholding structure (number of shares and percentage of share capital) as of June 30, 2019 and December 31, 2018 was as follows:

	06/30/2019		12/31/2018	
(in millions of euros)	**Number of shares**	**% stake**	**Number of shares**	**% stake**
Icade SA	21,450,167	56.84%	20,550,856	56.77%
Messidor	6,230,545	16.51%	5,969,326	16.49%
C Santé	3,364,305	8.91%	3,223,255	8.90%
Holdipierre	1,953,401	5.18%	1,871,504	5.17%
MF Santé	946,744	2.51%	946,744	2.62%
Sogecapimmo	3,795,674	10.06%	3,636,539	10.05%
Total	**37,740,836**	**100.00%**	**36,198,224**	**100.00%**

8.2 Dividends

Dividends distributed by the Company to its shareholders in H1 2019 in respect of profit for the financial year 2018 totalled €153.1 million, i.e. €4.34 per share. Dividends distributed in 2018 in respect of profit for the financial year 2017 amounted to €132.0 million, i.e. €3.88 per share.

8.3 Earnings per share

Basic earnings per share are presented in the table below for the half years ended June 30, 2019 and 2018. As the Group issued no equity instruments with a dilutive impact in either of the periods presented, there is no difference between basic and diluted earnings per share. This indicator stood at €1.24 per share for H1 2019 vs. €0.85 in H1 2018.

(in millions of euros)		**06/30/2019**	**06/30/2018**
Net profit/(loss) attributable to the Group	**(A)**	**45.0**	**28.8**
Opening number of shares		36,198,224	33,998,310
Increase in the average number of shares as a result of the capital increase		25,568	97,233.8
Average number of shares	**(B)**	**36,223,792**	**34,095,544**
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP PER SHARE (in €)	**(A/B)**	**€ 1.24**	**€ 0.85**

Note 9. Other information

9.1 Off-balance sheet commitments

Commitments made by the Group consisted primarily of commitments relating to financing activities (mortgages, promises to mortgage property and assignments of claims). Commitments received mainly included commitments relating to operating activities and, in particular, security deposits received for rent payments.

The initial application of IFRS 16, which became effective on January 1, 2019, resulted in the recognition of right-of-use assets in the Group's statement of financial position as well as the corresponding lease commitments for leases previously classified as operating leases and in which the Group was the lessee under IAS 17, with the exception of leases that qualify for the exemptions provided for in IFRS 16 (see note 1.2.1.1).

As a result, the Group's off-balance sheet commitments relating to leases as of June 30, 2019 only included future lease payments to be received under operating leases in which the Group is the lessor.

No other events occurred during H1 2019 had a significant impact on off-balance sheet commitments.

9.2 Events after the reporting period

The main event that occurred after the reporting period was the acquisition, finalised on July 31, 2019, of seven nursing homes and five healthcare facilities for a total of €191 million, sold by an OPPCI managed by Swiss Life Asset Managers France.