Rating Report
18 June 2014

ARC RATINGS world partners

Aegide

Issuer Ratings

BBB- Medium and Long Term
(BBB-, with stable outlook)

Issues Ratings

BBB- Medium and Long Term
(BBB-, with stable outlook)

(Details on page 2)

Period of Analysis

2009 to 2013 and forecasts for 2014 to 2020

Methodology

ARC Ratings Non Financial Corporations' Rating Methodology (www.arcratings.com)

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Next Follow-up

Until 18 June 2015

Aegide, S.A. (Aegide)

Issuer Ratings

Rating	Description
BBB-	Medium and Long Term (BBB-, with stable outlook)

Aegide

Issues Ratings

Rating	Issue	Issuers	Validity
BBB-	Medium and Long Term (BBB-, with stable outlook)		
	Bond loan - 12 to 20 M€	Aegide	Between 5 and 7 years

Notes:
M€ = Million Euros

1. DESCRIPTION OF THE OPERATIONS SUBJECT TO RATING

The following operations were subject to rating by ARC Rating, S.A. (ARC Ratings):

1.1. Medium and long term financial commitments of Aegide S.A. (Aegide).

1.2. Bond loan in a nominal amount of EUR 12 million to EUR 20 million, through private placement with institutional investors, to be issued in July 2014. This issuance was decided within the Group's growth strategy plan analysed in paragraph 4.. The draft prospectus of the bond loan includes, but is not limited to, the following provisions:

- repayment at par following a period not yet fixed (aim: 5 to 7 years)
- interest, payable on an annual basis, as from issuing date; the interest rate is not yet defined (objective: 5.0%);
- unsubordinated and (subject to a negative pledge cause) without any security provided by Aegide, ranking pari passu (subject to such exceptions as are from time to time mandatory under French law) with any other present or future unsubordinated and unsecured financial commitments of Aegide;
- pari-passu; this provision will not apply in the following two cases:
  - (i) financial commitments already benefiting from guarantees, or any future guarantees to be provided in the event of any refinancing of existing guaranteed financial commitments;
  - (ii) any guarantee, which could be offered on a given asset (real estate asset or shares of a company provided to secure a financial commitment specifically issued to finance or refinance such asset) in the event of: i) acquisition of this asset or development operation or ii) co-development, or development operation or property relating to this asset;
- Aegide undertakes, subject to the prior agreement of collective creditors, to not distribute dividends in an amount above EUR 3 million per fiscal year and to not repurchase any shares (except for a repurchase within the scope of free share plan to the employees), or cancel shares or reduce Aegide’s share capital;
- Aegide undertakes to comply with the following financial ratios:
  - Gearing ratio;
  - Leverage ratio;
  - Positive consolidated equity;
  - Positive consolidated EBITDA;
- Early repayment of all or part of the bond loan in the event of a change in control; and
- cross default.

The ratings given by ARC Ratings to these financial commitments show the willingness and capacity of Aegide to meet

them timely and in full. These ratings will remain until their maturity; they will be revised on an annual basis, starting not later than 18 June 2015. These ratings will be placed under review if the effective terms and conditions of the bond loan (mentioned in paragraph 1.2.) should show significant divergences in relation to the initial information received or in case of significant changes in the businesses developed by Groupe Aegide (Aegide and its subsidiaries) and / or in case of a considerably different scenario as against the outlook presented in point 4. of this report.

2. THE ASSISTED LIVING RESIDENCES MARKET

AEGIDE GROUP POSITIONING

Aegide was set up on May 18, 1995. During its early years, Aegide developed a number of real estate activities: hotel and restaurant management, construction and real estate development. In 1998 Aegide was asked to audit an assisted living residence. Among its conclusions, Aegide noted the absence of services adjusted for seniors, the lack of adequate staff training, while discovering at the same time a promising and still uncompetitive market. This audit marked the entrance of Aegide into this market, based on a new concept aimed at being closer to the needs of targeted customers, i.e. assisted living residences for seniors. This new concept was named RSS, marking a new generation of residences. The DOMITYS concept thus arose with the opening of a first residence near La Rochelle.

A few years later, Aegide opened up its share capital to a financial group - Groupe des Caisses d'Epargne, which subsequently sold its stake to the leading French real estate developer NEXITY. The entrance of this new partner boosted Aegide's growth in the following years. In fact Aegide soon became leader in the market of assisted residences for seniors. The group is active in two different but related businesses: real estate development, and management and operation of assisted living residences following their construction. Development and operation will create synergies which the Group will maximized to the maximum and which will ensure a leading market position. So as to not burden its balance sheet, Aegide will sell the residences to investors, while maintaining their operating sites.

HOUSING IN FRANCE

France has a population of approximately 66.0 million (1 January 2014). Conversely to remaining European countries, France has no demographic growth problem. France's metropolitan population grew at an annual rate of 0.6% from 2004 to 2014 and it is expected to continue growing in the forthcoming decades: the National Statistics Institute (INSEE) projections point to a population of 73.6 million by 2060, corresponding to an annual growth rate of 0.3% and a total growth rate of 15.5%. This projected growth compares with Eurostat's growth prospects for the European Union (EU) of 3% from 2013 to 2060 (with a peak in 2040, followed by a downward trend). This generally positive trend is very important to fuel a sustained growth in the real estate market.

In France, as in many European countries, the population is ageing: life expectancy increases by one year every 4 years. Seniors (over 60 years-old) presently account for 24.2% of total population, however, INSEE projections anticipate a

significant rise in forthcoming decades, with seniors accounting for 32.1% of a population of 73.6 million in 2060 in Metropolitan France. Approximately 24 million people will thus be aged over 60 year-old by 2060 (see Table 2.1. herein below). Seniors can be broken down in various sub-groups, according to age. Accordingly, the market segment of over 75 year-old seniors (main targeted segment of Groupe Aegide) should experience the strongest growth. It is expected to double by 2060, reaching 12 million people that year.

TABLE 2.1.
CHANGES IN POPULATION PROJECTION (BY LARGE AGE GROUP)

	Population at 1 January (in million)	Below 20 years	20 to 59 years	60 to 74 years	75 years old or over
		(in %)			
2015	64,5	24,2	51,0	15,5	9,3
2020	66,0	23,9	49,6	17,0	9,4
2025	67,3	23,5	48,4	17,2	10,9
2030	68,5	23,0	47,5	17,1	12,3
2035	69,7	22,6	46,7	17,1	13,6
2040	70,7	22,4	46,6	16,3	14,7
2050	72,3	22,3	45,9	15,9	16,0
2060	73,6	22,1	45,8	15,9	16,2

Note:
Metropolitan France.

Sources:
INSEE, 2007 - 2060 population projections.

According to Eurostat's projections, the French population growth should ease the effect of ageing population, translated in a more moderate rise in the elderly's dependency rate (measured as the estimated number of 65 years old and over seniors, expressed as a percentage of the estimated number of people aged 15 to 64). In France this rate will increase from 27.5% in 2013 to 42.9% in 2060, whereas in the EU, this rate should rise from 27.5% in 2013 to 50.2% in 2060. This means that in the EU the ratio will go from four working people per one 65 years old and over senior in 2013 to two working people per one 65 year old and over senior in 2060.

In 2013, 63.9 million residents in metropolitan France have access to 33.5 million dwellings, of which 83.3% consist of main residences, 9.4% of secondary residences and 7.3% of vacant residences. The majority of the dwellings are single-family housings.

Population growth combined with the evolution of lifestyles and the inadequacy of the housing stock as against population needs have led to a shortage in residential housing supply in France (particularly in large cities). The need for new houses is estimated at 500 000 units per year, considerably more than what the building industry has been able to supply. In 2013 the number of new houses under construction stood at 331 900 units, decreasing by 3.2% as against 2012.

“RÉSIDENCES AVEC SERVICES”

Some real estate market niches show a considerable shortage of supply, as result of the demographic evolution of the

last decades, and this situation is likely to be maintained over the next few years. As the French population gets older, new housing needs arise which the market is unable to satisfy. Seniors need not merely a house, but a house adjusted to their needs, which include access to specific services.

This background gave rise to the "assisted residences" concept, which has happened in other countries as well. The formula has met real success since then it was launched a couple of decades ago in France, as:

- it relieves the "client" from numerous constraints; and
- it offers a legal and tax framework that favours private investment (tax exemption laws existing for approximately 20 years).

This concept is at the bottom of new emerging markets such as the seniors markets. It is also an alternative to a market that doesn't exactly respond to today's needs. Seniors assisted residences are an alternative to traditional retirement homes or other types of residences. Moreover, it brings innovating long term venturing solutions to other groups of people (mainly investors), as it combines the legal and tax status of a landlord with the security of investment in real estate property.

The concept was introduced in the tax law. A number of tax exemption / benefits as described below will contribute to create a "tax definition" for assisted residences.

An assisted residence:

- is intended for to be rented;
- it is equipped and furnished, the landlord benefiting in certain cases of the "status of professional landlord (known as LMP) or non professional landlord of furnished property (known as LMNP)", which is an advantageous status from the tax point of view;
- it comprises the rendering of at least 3 related services, amongst the four specified by the tax authority:
  - supply of breakfast;
  - regular cleaning;
  - provision of household linen;
  - reception service (steward for instance);
- it is entrusted to a manager / operator holding a commercial lease signed with the landlord (or investor-landlord) for a period of at least nine years.

Assisted residences target three main niche markets[1]:

- residences for students;

[1] *There are also mountain and sea tourism residences.*

– hotel or tourism residences for tourists or businessmen; and

– residences for non-disabled elderly people.

The Aegide group is mainly focused on the market of residences for non-disabled elderly people.

Additionally, the group operates a hotel resort consisting of a 4-star tourism residence as well as a 4-star hotel in Tours.

RESIDENCES FOR NON-DISABLED ELDERLY PEOPLE

An elderly person may reside in a traditional dwelling, a retirement home or an assisted services residence. The market benefits from increased life expectancy, however, as people do not age all in the same way, the market is segmented into homes for disabled elderly people and residences for non-disabled elders. This segmentation has called for specialised operators (players in one segment generally do not operate in the other segment). On one hand, the market of EHPAD (Établissement d'Hébergement pour Personnes Âgées Dépendantes) is directed to dependant individuals. This is a highly regulated market, requiring professional and administrative licences. Its development potential is currently restricted in some regions due to a lack of authorisation for additional beds (as result of fiscal problems in France). The other sector is that of the residences for non-disabled seniors, also called RPA (Résidences Personnes Âgées). The RPA must imperatively welcome able-bodied people (to prevent, in case of inspection by the relevant authority, namely the Direction des Affaires Sanitaires et Sociales, presently renamed l'Agence Régionale de Santé, to be requalified as an EHPAD, with heavy consequences in terms of costs and requirements if a large number of residents were to be recognised as dependent).

The RPA model developed by Aegide known as "new generation of assisted residences for seniors" is totally different from an EHPAD, as it does not provide healthcare, therefore it can hardly requalified as an EHPAD. This model is based on two key factors:

– total distinction between resident and landlord; and

– professionalised services management.

Summing up, in a new generation of assisted residence for seniors:

– accommodation units are occupied by residents who are tenants, who in addition to the lease, subscribe a services plan adjusted to their needs;

– the landlords of the accommodation units are investors; and

– services are managed by a specialist company.

In a seniors assisted residence, the tenant will pay the manager two amounts: the rent plus an invoiced amount for the services used during the previous month. In the latter case, two tenants occupying the same surface area but not using the same services will pay different amounts. The system allows each individual to adjust his/her expense according to his/her needs and budget.

The manager must seek a solvent able population capable of bearing the residence costs. Presently, 70% of seniors households have an average annual income of over EUR 20 000. Additionally, there are seniors who may benefit from allowances. The percentage of Groupe Aegide's tenants of services residences benefiting from such aid is not significant (2% to 5%, according to the group).

The 75 year-old threshold is important. It is at approximately this age that people tend to become more dependent. And even independent people reveal some fragility at this age. Aegide targets this segment of independent people, while the other are mostly EHPAD customers. France has presently 5.8 million seniors over 75 year-old (15.3 million over 60 year-old), 85% of whom are independent and live in very large majority at home. This combined with a significant but inadequate supply of traditional homes translates in a strong growth potential in the assisted residences segment.

In 2013 there existed 435 seniors assisted residences in France, totalling 43 500 accommodation units; less than 1% of these units were occupied by over 60 year-old seniors.

There are many operators in the segment of residences for non-disabled seniors, including affiliates of the main French real estate groups. The concept may encompass different types of residences: seniors villages, city residences.

According to the group, assisted residences for seniors account over 60% of the global supply of seniors homes in France. The market is growing at accelerated pace as it is still not mature.

HOTEL OR TOURISM RESIDENCES (HOTEL RELATED FACILITIES)

Hotel or Tourism Residences cover two different types of residences: tourist accommodation residences located near the sea, in the countryside or mountain; and residences directed to a more professional customer base, normally in important business centres.

The group is present in the hotel related segment since April 2011 with a tourism residence and a tourism hotel in the centre of Tours (located in a classified landscaped garden). This bet resulted rather of an opportunity than a specific will towards diversification.

TAXATION

Tax on revenues from assisted residences has long benefited from tax advantages (“défiscalisation”) that created a "windfall effect", which boosted this market. Tax exemption laws aim at increasing the attractiveness of investment rental (on a furnished basis) taking into account its economic and social role. The latest taxation law in force in this field is the “Censier-Bouvard” law, which has often changed over time, especially in terms of the tax reduction it provides. This law is based on three major cornerstones:

– repayment to the investor of Value Added Tax (VAT) on the investment (Article 261-D-4 of the General Taxation

Code), subject to holding the property for 20 years; otherwise the Tax Administration can claim back such payment; more recently, the Tax Administration considered that any reimbursement could be provided in two conditions: if the new landlord takes over the commercial lease 'as is' and if rents charged by the investor are subject to VAT; resale is thus made easier;

– benefits under the “Censi-Bouvard” system - tax advantages offered by this system have decreased over the years; they currently consist of a tax reduction of 11% on the purchase price, excluding taxes but including notary expenses, up to the amount of EUR 300 000 per investment (i.e. maximum of tax cut of EUR 33 000 to be broken down in instalments in the same amount over 9 years); this law was recently altered by a new tax exemption ceiling of EUR 10 000 per year since 2013; note that the Censi-Bouvard law is only applicable to dwellings bought new, and that it will cease to apply as from end 2016 (unless a new law is passed until then); the introduction of a different law as from that date cannot be excluded, however;

– taxation of the rentals of the furnished accommodation, which may be professional (LMP) if the owner is registered with the "Registre du Commerce", if rent revenues thereof exceed EUR 23,000 - inclusive of all taxes - and if they account for over 50% of the investor's household income; failure to comply with these rules (threshold of EUR 23,000 inclusive of all taxes and 50%), makes the owner eligible to the non professional furnished rental taxation (LMNP) which is still attractive, albeit in a lower proportion; this taxation also applies in the event of resale.

The Group presents its products as eligible investments for professional or non professional furnished rental taxation, as it has the advantage of being long-lasting (conversely to tax exemption laws, which can be and are altered on a regular basis).

The group seeks to dissociate the sale from its tax effects: as result, in case of a "Sales Before Completion Contract (Vente en État Futur d'Achèvement) (VEFA), the respective contract specifically provides as follows “As essential and determining condition (.) (the group) will not be liable for any taxation incentive expected by the investor applying to the LMP/LMNP or Censi-Bouvard incentives. In practical terms, it is the LMNP status that is put forward by the seller. This is in fact the status that most private investors will apply for.

Rentals for housing purposes are VAT exempted. According to provisions in article 261-D-4 of the General Taxation Code, there are however four exceptions to this exemption:

a) the accommodations that are provided in classified hotels, classified holiday villages and classified tourism residences four tourists and if leased for a period of at least nine years to a manager having subscribed a tourism development engagement under the terms set forth by decree of the State Council;

b) the provision of a furnished accommodation against consideration of price and on a regular basis, comprising in addition to lodging accommodation at least three of the following services provisions, rendered in similar conditions to those offered by hotel facilities exploited on a professional basis: breakfast, regular cleaning of facilities and provision of household linen and welcoming of clients, even if not personally;

c) the lease of non furnished or furnished accommodation to an operator of lodging facilities meeting the criteria described in paragraphs a) or b) above, except for those lent to a manager of lodging facilities as provided in article L. 633-1 of the Construction and Housing Code is not entitled to any exemption; and

d) the lodging accommodation provided in residential tourism villages, for tourist accommodation purposes, leased to a manager under a contract with duration of at least nine years; these residential tourism villages are part of an operation viewing real estate renovation for leisure purposes, as provided in article L. 318-5 of the Town Planning Code.

The recovery of VAT on investment is one of the key selling points to potential investors in assisted residences. In this case, at the beginning of the operation (at the time of the purchase), the investor has a VAT credit (VAT on the purchase price), which it can claim to the Treasury and recover within a few months. Certain developers even advance this amount to the purchaser that will therefore only disburse the amount exclusive of taxes, thus benefiting the purchase; Groupe Aegide, however, does not provide this facility. It should be noted that this recovery is only find within 20 years. This means that if the investor should resell its property within a period of less than 20 years, it will have to return to the Treasury an amount pro rata to the number of years left (5% per year left), except if the new owner takes over the commercial lease "as is" and its rents are subject to added value tax.

In fact, to benefit from this VAT recovery, the investor must enter a commercial lease with the operator and the lease must be for a period of at least 9 years (minimum legally required). The operator ensures to the investor an (indexed) rent amount throughout the duration of the lease. The Group enters leases for an effective duration of 11 years.

Normally, in (an either residential or commercial) lease, maintenance costs are distributed amongst the owner (large works) and the manager (or occupant, i.e. the tenant in case of a house lease), who pays the current maintenance. In "triple net" leases, major works are deemed to be paid by the operator (article 606 of the Civil Code, which is borne by the manager). The same happens with the property tax, which should be borne by the investor, except for "triple net" leases. Finally, practically no charge is paid by the owner, and the rent thus received provides a net return. The Group does not enter "triple net" leases with private investors, only with groups of investors or institutional investors, which are normally very interested in these leases. However, to boost the sale and make it easier for private investors, the Group has started to enter "double net" leases, where the investor will pay the property tax plus the "606", in addition to co-property expenses (share of rental charges).

If at renewal dates, the owners do not want to renew the lease, they will have to pay an eviction indemnity to the operator, by way of goodwill which the manager will have created. In practice, it is very difficult to be separated from the operator at the end of the lease. This is an advantage for the operator. According to an evaluation of the Group's business assets made by an independent firm, the total value of residences at cruise speed is of EUR 7 million. The total value of business assets should be higher since there is a considerable number of residences in earlier stages.

3. GROUPE AEGIDE

SHAREHOLDER STRUCTURE AND MANAGEMENT

At the end of 2013, the share capital of Aegide amounted to EUR 6.0 million. The share capital was raised to EUR 6.0 million following an increase by EUR 0.5 million carried out in October 2013 (fully subscribed by current shareholders). This share capital increase was accompanied by an issuance premium of EUR 5.5 million, with the purpose of pursuing the Group's development. The Company's shareholders have always took part in the Group's capital increases to contribute to its financing and expansion. Since 2010 they have subscribed EUR 12.3 million of capital increases (share capital plus issuance premium).

At the end of 2013 the Group's shareholders' structure was made up as follows:

– the three founding directors jointly hold 61.85% of the share capital, of which 51.0% is held through JMF CONSEIL SAS (100% owned). The share capital held by each founder is the same since the company was set up;

– Nexity, S.A., which became a shareholder of Aegide in 2007 (with a stake of 38.15%). Note that Nexity has increased its stake in the share capital of Aegide in 2011, from 33.62% to 38.15%, following conversion of bonds into shares within the scope of a capital increase in cash reserved, which attests for the Group's interest and its intent to increase its holding in Aegide.

The three members of the Management Board came from Groupe Immobilier PIERRE 1er, when the real estate branch of this group was split in two giving rise to Aegide. The Management Board thus has a large experience in the real estate sector.

The three founding members are:

– Mr. Jean-Marie Fournet, Chairman and Chief Executive Officer, who holds 24.74% of Aegide's share capital;

– Mr. Didier Jaloux, Managing Director, responsible for Real Estate Development, who holds 18.55% of the company's share capital; and

– Mr. Frédéric Walther, Managing Director, responsible for Operation, Finance and Management, who holds 18.55% of Aegide's share capital.

The Board of Directors of Aegide is made up of these three founding members and Mr. Julien Carmona, Deputy Manager for Finance and Strategy, acting on behalf of Nexity.

In order to participate in the 2013 share capital increase, the founding directors of the Group contracted a loan with Banque Palatine to be repaid in 5 years, which requires cash dividends in the amount of EUR 1.6 million in the next 2 years, and subsequently of EUR 2.2 million.

Nexity is the largest French player in the real estate sector, holding an outstanding know-how and business lines ranging from design, to development and construction. Nexity is leader in the market of assisted residences for students, operating over 17,000 accommodation units under the "Studea" brand. In the seniors market, a couple of years ago Nexity considered to enter an agreement with Group EMERA, specialised in dependency care (Ehpad). Recently, at the beginning of 2014 Nexity announced that it was entering directly the seniors assisted residences market, launching its own residences and proposing a new concept named EDENEA (smaller sized residences with fewer services).

Nexity benefits from international presence in Europe. In 2013 Nexity consolidated turnover totalled EUR 2,737.2 million, while its current operational income and net income stood at EUR 182 million and EUR 100 million, respectively. Nexity's major shareholder is Groupe Caisse d'Epargne Participations S.A., with a 40.5% stake.

To ensure the stability of the Group's shareholders' structure a shareholders' agreement was concluded in 2006 between the three founding directors and the GCE Immobilier (subsidiary of Groupe Caisse d'Epargne, S.A), which had joined the Group in 2006. This shareholders' agreement provided a pre-emption right in favour on each shareholder in the event of free transfer of the shares; it also contained an anti-dilution clause and joint tag-along right in favour of GCE Immobilier; additionally, it provides for a collateral granted by the founding shareholders on the assets and liabilities to GCE Immobilier; and every new shareholder must to subscribe the provisions of the agreement. GCE Immobilier led to Nexity, which subscribed these provisions.

The managing board has divided its task activities into three different areas: development, operation and central services. Management of each business area is carried out by managing divisions with specifically restricted functions. To secure management continuity, an intermediate managing board was already set up. Teams were reinforced over the years in line with the Group's expansion.

THE BUSINESS MODEL OF GROUPE AEGIDE

The business model developed by the Group over more than 12 years ago is based on the following fundamentals:

- development of a "new generation" of assisted seniors residences, which proved to specifically meet current demand, and renews and improves the former concept of "first generation" assisted residences; the Résidences DOMITYS hold a strong expertise in specific services directed to a seniors customer base;
- an in-depth knowledge of the market in terms of both supply and demand and thoroughness in the selection of locations;
- a thorough insight of the product and its component parts - real estate development / marketing and operation; the group benefits from a particularly useful experience feedback - stemming from its long lasting presence in the market, which has made it a recognised player;
- two integrated sales forces, acting upstream (investors) and downstream (tenants), with added synergies;

- thorough insight of the secondary market (reselling of units) to ensure liquidity to investors;
- solid expertise of the legal and tax framework applicable to assisted residences and investors;
- a unique "leverage effect" in the real estate market consisting of increasing the number of managed residences through active co-development with third groups (Nexity or other); the size-related weakness as compared to large national developers is thus offset by this strategy; and
- the more the concept grows the more the number of residences rises and the base of managed residences at cruise speed increases; result: the part of recurring turnover increases, which validates the strategy and limits business risk.

The main features of the DOMITYS residences are the following:

- accommodation units are occupied by residents who are tenants, subscribing a services plan adjusted to their needs;
- investors who own the units;
- services managed by Domitys SAS (Domitys) through its regional affiliates, while ownership of the operating locations stays in the hands of the Group; and
- a residents turnover deriving from two sources: subscription of a large range of services (with mandatory "minimum services"), and the rent, of which a large part is transferred to investors; these rents are indexed, therefore they are likely to increase over time, however, in a certain way, revenues are also indexed: in fact, following the departure of the first tenant (average period: 6 years), the rent will tend to increase; moreover, services consumption also tends to increase over time.

The Group follows an integrated real estate development and operation strategy of seniors assisted residences (sub-contracting the construction part of the business). This allows to create real estate assets adjusted to the needs of the "assisted living residences", while capturing business margins in the real estate development business. The purpose is naturally to maintain the "management" part of the business as a source of recurring cash flows.

The Group's development model views to provide less expensive residences while optimising construction costs. The concept aims at being able to offer clients a top quality service level at a reasonable (rent) price.

This is a long term activity which is deployed in two phases:

- development, which may extend over five years, including two years for construction (during which 50% of the units are "pre-marketing") and a marketing period of 18 months to 2 years, in average; and
- operation of the accommodation units, which spreads over a long period of time, as the Group renews the leases; the initial occupancy period may take one to three years, according to the characteristics of the residences.

As already mentioned, the Group benefits from relevant synergies with Nexity for the development business (including marketing), which allows having access to additional and larger plots of land where to build larger and more profitable

residences. The Group is best placed to lead a sustained development in a growing market. This positioning translates in a considerable number of residences built on a co-development basis with Nexity - privileged partner - based on specifications established by Aegide. This partnership is not exclusive, as the Group can work with other developers.

The Group's business model is based on a double marketing, upstream and downstream:

– upstream, by canvassing (both private and institutional) investors viewing the sale of the accommodation units; and
– downstream, once the residence is sold, it must be occupied by tenants that must also be canvassed.

The Group seems to be able to handle well these two phases, even if certain residences may be more or less difficult to sell or fill. Again, the Group's experience works at its advantage.

The Group is currently well recognised, as attested by regular marketing surveys, but it also holds a good reputation in the market.

The Group targets private investors in the first place, however it started in 2012 to aim at institutional investors, offering bulk sales. Institutional investors are an alternative to private investors, who are more likely to be affected by unfavourable economic environments and more difficult access to banking financing and also by less attractive laws (namely the Bouvard law). The Group's goal is to reach 1,200 to 1,500 accommodation units per year, where 1,000 to 1,200 units are to be sold on an individual basis and the rest in bulk.

The marketing of the Group's real estate programs is carried out through four different channels:

– internal sales force: 20 sales consultants employed by the Group;
– exclusive partnership with Groupe Financier du Palais (GFP Invest), where Aegide holds a 35% stake; this structure covers a network of nearly 500 independent financial advisers (Conseillers de Gestion en Patrimoine Indépendants - CGPI) that only sell DOMITYS residences;
– the sales forces of co-developers (namely Nexity, since the last three years); and
– local or national partnerships with other networks (bank networks, for instance).

The Group uses these 4 distribution channels to reach private investors. As far as bulk sales are concerned, the marketing strategy consists of directly approaching important institutional investors, retirement funds, property funds, OPCI.

The marketing of the DOMITYS leases is carried out by a network of 93 sales consultants (1 to 2 consultants per cruising residence, 2 to 4 consultants per new residences and 5 itinerant consultants). The Group also has its own call centre animated by a team of 6 tele consultants.

The marketing of residences can start as soon as the waiting period known as “recours des tiers” has expired. This marketing begins with a preliminary reservation contract followed by a VEFA. The specific terms of the preliminary reservation contract and the VEFA contract are governed by provisions in article L. 261-15 and following and R. 261-25

and following of the Construction and Housing Code. These provisions establish namely the following:

- Article R. 261-28: security deposit (which cannot exceed 5% of the provisional price if the period for performing the sale is below one year or 2% if this period is below two years);
- Article R. 261-31: unavailability of the security deposit funds until completion of the sale and their return without withholding or penalty to the investors if:
  - the sales contract is not concluded within the term provided in the preliminary contract due to the vendor;
  - the sale price exceeds by 5% the provisional price, revised where the case may be, in accordance with provisions in the preliminary contract;
  - the loan or loans mentioned in the preliminary contract are not obtained or transmitted or if their amount is below 10% of projections in the said contract;
  - one of the equipment items established in the preliminary contract cannot be carried out; and
  - the value of the building or part of the building covered in the contract has decreased by more than 10%;
- pursuant to article R. 261-14 of the construction and housing code, a payment schedule will be set up, which will be based on the evolution of construction;
- the commercial lease entered by the investor and Domitys must have a minimum duration of 9 years, and it is normally entered for an 11 years period (the commercial lease is one of the requirements for recovering VAT); and
- Domitys undertakes to pay to the investor landlord, a monthly rent (fixed and revised annually in line with the rental reference index which is published on a quarterly basis by INSEE);

In order to ensure a certain degree of liquidity to investors wishing to resell their asset, the Group has set up a resale service.

In case of leases entered with residents, they will be for a short term (1 year), tacitly renewable. The terms to renew these contracts take into account the quarterly reference index for rents published by INSEE; the tenant has the right to terminate the contract subject to one month's notice and must subscribe its own housing insurance. At contract signature date, the tenant will pay to the landlord a security deposit equivalent to one month's rent. In certain conditions, residents can "test" the residence before staying for a longer period, i.e. on a "short stay" basis.

THE GROUP'S STRUCTURE

Groupe Aegide has two main business arms: development and operation.

The development arm is made up of two main companies:

- Aegide Promotion S.A.R.L., consisting of all equity holdings in the 44 construction and marketing companies (SCIs) of the DOMITYS residences developed on a co-partnership basis. The number of SCIs is likely to vary since each

residence under construction has its own SCI (principle of separation of risk: one SCI per residence); and

- Aegide Promotion Investissement, S.A.R.L., which groups Aegide's direct holdings in 25 construction and marketing SCIs of the Résidences DOMITYS and a holding in G&G Immo, S.P.R.L., a Belgium company (co-development with Nexity). Here too, there is one SCI per operation.

In order to better respond to its development plan, the Group restructured the operation arm around one holding (Domitys) and 6 regional affiliates (in addition to Château Belmont SA). These affiliates are fully integrated and benefit from the supporting services of the head-office.

At the end of 2013 the Group's staff totalled 843 employees, a number which has increasing over the last few years. At the end of 2009 the Group "only" had 160 employees. Human resources are at the core of the Group's business, specifically the rendering of services to seniors.

Each residence has a staff of approximately 20 people. As of February 2014, excluding employees directly allocated to operation and marketing, the head-office's central services had a staff of 159 people (i.e. 19% of the total staff).

This staff should allow facing the Group's business development in the next few years. To ensure the quality of customer service while anticipating the Group's future needs, about 2 years ago the Group created Domitys School, to provide training to employees in each specific field.

To support business expansion, the Group set up an information master plan.

LOCATIONS, BRANDS AND COMPETITION

Groupe Aegide's business is focused on the non-disable elderly people assisted residences segment, which constitutes its core business. Additionally, the Group has a hotel residence operating under brand name Clarion (Choice Hotels). In 2012 Hotel Clarion Château Belmont was ranked Best Hotel Clarion in Western Europe.

At the end of 2013 the Group had 36 non-disable elderly people assisted residences, consisting of 4 214 accommodation units. These residences are all marketed under the DOMITYS brand.

In geographic terms, the group started its development in the west of France, specifically in Brittany and Vendée, and around Tours city, before spreading to the centre of France. Synergies with Nexity played an important role in this development.

The Résidences DOMITYS are present all over France, particularly in medium sized cities. The French territory is not yet entirely covered, and there are still many geographical opportunities, especially in the south-east half of France.

Having started by targeting medium-sized cities, the Group seized opportunities to open in larger cities, as in Lyon where it started operating in 2013. Each location must meet a certain number of requirements, including being close to the centre, with easy access to transport and commercial areas.

According to the Group, there are still many uncovered areas all over France. In its analysis of each location, the Group

takes into account demographic and social and economic criteria, existing competitors, purchasing power and pensioners' household income. Finally, each project must be approved by the City Hall, which is normally easy to obtain as cities normally welcome the arrival of seniors assisted residences.

There are numerous operators in the non-disable elderly people residences segment, including affiliates of most major French real estate groups.

Major operators in the "new generation" of seniors assisted residences are the following:

- Groupe Aegide, which is leader in a market made up of approximately 435 residences at the end of 2013, with a market share of less than 10% (36); the Group's goal is to soon surpass this figure, in line with its business plan;
- Groupe Acapace, under brand name "Jardins d'Arcadie", has 25 residences scattered throughout towns of very different sizes; these residences comprise 70 to 110 accommodation units: the group's strategy is increase the pace of residence-opening and achieve a cruise speed of 10 new residences with 80 to 90 accommodation units per year; and
- Groupe Réside Études, under brand name "La Girandière", has currently 13 residences in operation (each with 90 to 100 accommodation units); the group is marketing 8 residences and plans to open three more residences this year; in geographic terms, the group is mostly present in the northern half of France.

The number of residences operated by the Group has moved from 9 at the end of 2009 to 36 at the end of 2013, corresponding to an average annual growth rate of 41.4% (+11.1% in 2010, +50% in 2011, +66.7% in 2012, +44.0% in 2013). Currently the stock of residences totals 39. At the end of May 2014 this stock was valued at EUR 700 million.

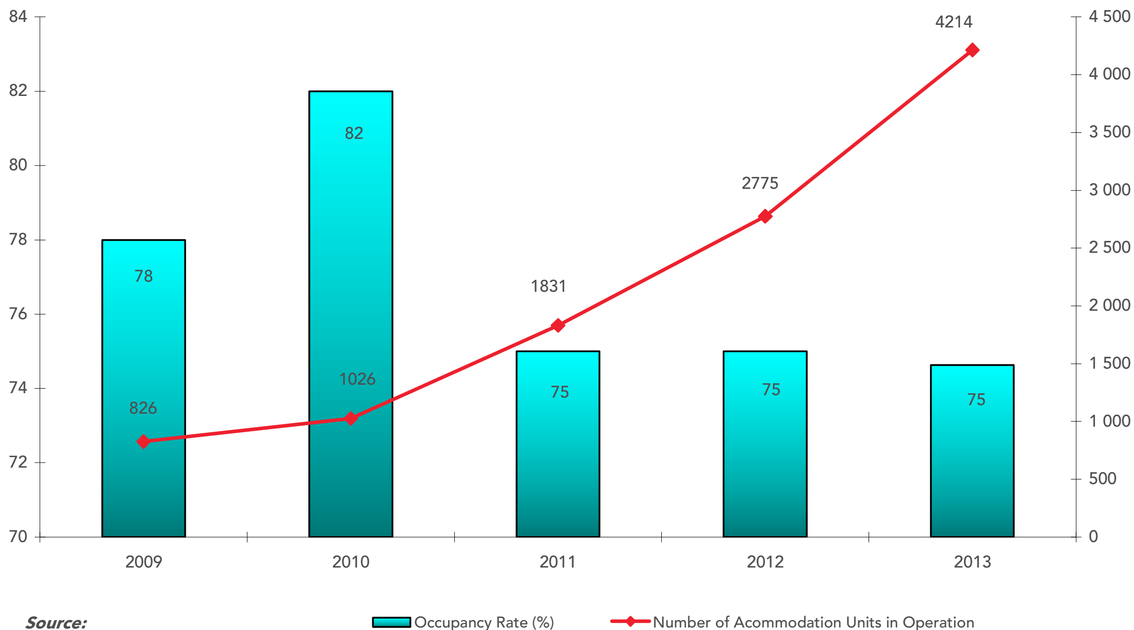
TABLE 3.1.
EVOLUTION OF THE NUMBER OF RESIDENCES IN OPERATION

	2009	2010	2011	2012	2013
Number of Residences	9	10	15	25	36
Residences at Cruising Speed	6	6	8	10	11
Residences Opened for 1 to 2 Years	2	2	2	4	15
Residences Open less then 1 Year	1	2	5	11	10

Sources:
Aegide Annual Reports.

The number of accommodation units operated by the Group has progressed more rapidly still (average annual growth rate of 50.3%). At the end of 2009 there were 826 accommodation units, rising up to 4 214 at the end of 2013. During this period there was also an increase in the average size of the new residences, which explains the difference in the average annual growth rate of accommodation units. The average size of the Groups residences is currently of 120 units. This could rise up to 140 units in large cities, however, the group does not wish to exceed this threshold as it wants to have "human sized" residences.

CHART 3.1.
EVOLUTION OF THE NUMBER OF ACOMMODATION UNITS IN OPERATION AND OCCUPANCY RATE



Source:
Aegide Annual Reports.

The increasing pace in the opening of residences in 2011 led to a 7% decrease in occupancy rate (OR) in relation to 2010. This rate stands presently at 75% and should remain at this level in spite of an important residence opening plan for the next few years. For a given residence, the Group's goal is to reach 95% (ideal rate) within 2 years. By that time, the residence status changes from "residence being filled" to "residence at cruise speed". This goal has always been achieved, and currently, "residences at cruise speed" have an occupancy rate of approximately 97% (OR in 2013) against 96% in 2009. As the marketing of new residences accelerates, the number of residences at cruise speed will tend to decrease in relative terms (while increase in absolute terms). The percentage has thus moved from 66% some years ago, to 53.3% in 2011, 40% in 2012 and 30.6% in 2013. At the end of March 2014 this rate went up to 39.5% corresponding to 15 units out of 38. The general occupancy rate stood at 74%.

The Résidences DOMITYS are mostly used as permanent residence. At the end of 2013 the number of permanent residences stood at 3 000, rising to 3 301 in March and to 3 500 today. Proximity is the key factor in choosing a residence. The average duration of a permanent stay is of 6 years.

The Group also operates in the segment of temporary stays. Temporary stays are also a way of attracting new residents.

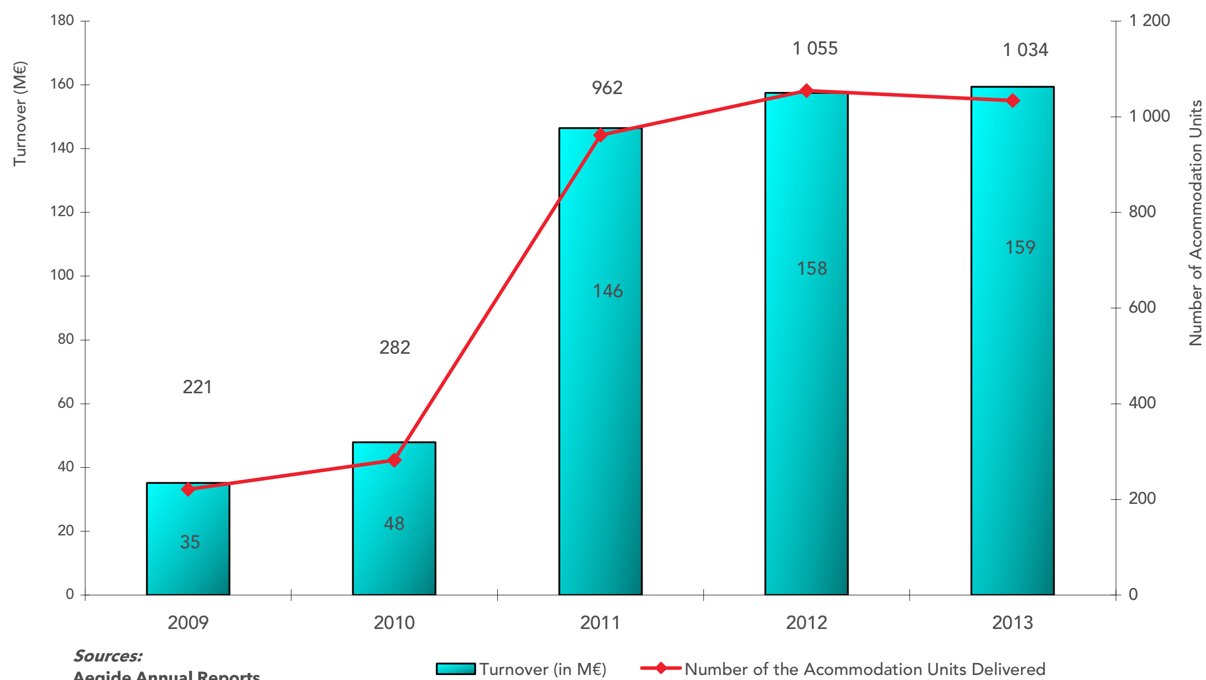
All permanent residents sign a subscription contract with Domitys providing them access to a large range of services. Note that the amount of services paid by residents accounted for 63% of the residences turnover from 2010 to 2013.

DEVELOPMENT / MARKETING

The Group's development business is recording significant increase since 2009 – the number of accommodation units

delivered rose from 221 in 2009 to 1 034 in 2013 (2011 was a transition year, with 282 units delivered in 2010 against 962 units delivered in 2011).

CHART 3.2.
EVOLUTION OF THE NUMBER OF ACOMMODATION UNITS DELIVERED AND CORRESPONDENT TURNOVER



Sources:
Aegide Annual Reports.

The 1 034 accommodation units delivered in 2013 corresponded to a turnover of EUR 159.5 million (this amount is distributed among the Group and its co-developers, especially Nexity). Approximately 60% of these EUR 159.5 million belong to partners outside the Group. During the first quarter of 2014 the Group delivered 145 accommodation units.

The real estate development business is characterised by a long cycle. The Group starts marketing its residences 2 to 3 years before planned opening date:

- 829 accommodation units were “pre-marketing” by potential investors in 2009, about 1,200 in 2010, 2011 and 2012 (in 2013 the number of reservations fell down to 827); and
- 472 accommodation units were sold in 2009, 1,245 in 2010, falling in the following years to 605 units sold in 2013.

2013 was an election and also a lacklustre year in France - two reasons which may explain the decrease in the number of reservations and sales to private investors. Taking account the falling interest of private investors, in 2012 the Group started to explore a new lead, i.e. bulk sale to institutional investors and investment funds. A first sale (of 108 accommodation units) followed by two other in 2013 (total of 220 accommodation units in 2013) were made to a dedicated fund of institutional investors. Bulk sales are performed at a price approximately 20% lower than a sale to a private investor. However, they permit savings, namely at marketing and advertising level. Finally, the margin released by these operations is about a third less that obtained from individual sales (about 6% against 9%). According to the

Group, the average margin obtained by the development business from 2011 to 2013 was of 11.1%.

TABLE 3.2.
EVOLUTION OF RESERVATIONS AND SALES ACCOMMODATION UNITS

	2009	2010	2011	2012	2013
Accommodation Units Reservations	829	1 272	1 195	1 220	827
Individual Investors	829	1 272	1 195	894	827
Internal Sales Force	-	-	-	234	277
GFP Invest	-	-	-	249	287
Others	-	-	-	116	53
Nexity	-	-	-	295	210
Bulk Reservations	0	0	0	326	0
Accommodation Units Sales	472	1 245	1 156	970	825
Individual Investors	472	1 245	1 156	862	605
Internal Sales Force	-	-	-	144	184
GFP Invest	-	-	-	232	188
Others	-	-	-	142	23
Nexity	-	-	-	344	210
Bulk Sales	0	0	0	108	220

Sources:
Aegide Annual Reports.

As mentioned, the Group has four marketing channels to reach private investors and its marketing of accommodation units is well balanced. A relevant part of the units are sold before the opening of the residences, which limits subsequent marketing risk.

But prior to marketing, there is development and construction, which are relevant and growing activities. As of 31 March 2014 the Group had 19 residences under construction, consisting of 2 224 accommodation units and corresponding to a projected turnover of EUR 394 million. These 19 residences are to be completed in the next three years, 8 in 2014, 10 in 2015 and one in 2016. 95% of the accommodation units to be delivered in 2014 and 70% of the units to be delivered in 2015 have already been marketed. Presently the Group is marketing the accommodation units to be delivered in 2016 and 2017. According to the Group, all completed units are already sold.

The number of accommodation units under construction always exceeded 2,000 as of the 31st of March of the last three years. The majority of these units stem from co-development with Nexity (69% in average over the past few years).

TABLE 3.3.
EVOLUTION OF THE NUMBER OF RESIDENCES AND ACCOMMODATION UNITS UNDER CONSTRUCTION (31 March)

	2010	2011	2012	2013	2014
Residences Under Construction	6	13	18	17	19
Own Development	-	9	7	4	7
in Co-Development with NEXITY	-	4	11	13	12
Accomodation Units in Residences Under Constructi	797	1 584	2 235	2 036	2 224
Revenue Forecasts (M€)	122	240	350	345	394

Sources:
Aegide Annual Reports.

The group provides services of deputy master builder and deputy project manager, but will never handle the construction, which is always sub-contracted. Aegide is thus a developer rather than a developer-constructor (conversely to Nexity). According to the Group, the quality and strictness of its construction specifications has given rise to solid procedures.

TABLE 3.4.
EVOLUTION OF THE NUMBER OF RESIDENCES AND ACCOMMODATION UNITS IN MARKETING (31 March)

	2011	2012	2013	2014
Residences in Marketing	27	28	8	9
Own Development	-	-	4	4
in Co-Development with NEXITY	-	-	4	5
Accomodation Units in Residences Under Marketing	-	3 483	978	1 104
Revenue Forecasts (Thousand Euros)	-	-	154 246	187 926

Sources:
Aegide Annual Reports.

In addition to the 19 residences undergoing construction, the Group is marketing 9 development projects, the construction of which had not started as of 28 February 2014.

STRATEGY

The Group's development strategy is mainly focused on organic growth in France, though international operations are not excluded. At foreign market level, various target countries were already identified: Italy, Belgium, Morocco and Mauritius.

In France the seniors residence market is far from being mature, as projections point to approximately 400 new residences to open from 2016 to 2020. Banking on its experience and know-how, the Group intends to maintain its leadership and win further market share.

However, to be able to increase its residence stock, it must first bolster its development business. The Group's strategy, which is largely based on a spreading of risks and the optimisation of financial contributions, will thus involve a sustained co-development policy, where Nexity will act as privileged partner. Therefore, the 2014 bond loan responds perfectly to this development goal as it will facilitate the launching of new development or co-development operations.

GENERAL CONSIDERATIONS ON THE HISTORICAL FINANCIAL STATEMENTS

The analysis of Groupe Aegide's financial statements covered the 2009-2013 period. Consolidated accounts were audited by KPMG Audit.

Main accounting principles were applied on a consistent basis over the period and are based on the going concern principle. The basic method used when stating the value of items in the financial statements is the historical cost method. However, auditors' reports on the financial statements relating to 2011 and 2013, without calling into question

their opinion, draw attention to changes in estimates and the use of certain methods to prepare and evaluate these financial statements.

In this light, the following is worth noting:

– until 2013 the group had always covered - by way of a "lease guarantee" - the risk of non coverage of investors rents by tenants rents during the residences filling period; this lease guarantee, as it called upon minority shareholders, was not fully eliminated in the consolidated accounts; however, following the legal reorganisation of the Domitys affiliates, the surge in operations and the lease-ins (leading to the spreading of any vacancy risk), while taking into account the Group's recurring operation (with advantageous visibility in terms of residence openings in the next three years), the internal guarantee agreement was terminated in December 2013; consolidated results for 2013 were thus favourably impacted by the reversal of the said provision, however this impact was partially offset by expenses related to rents paid for units still unoccupied;

– in 2013, certain accounting methods initially followed were changed, namely at Aegide Management SARL which recognises in the income statement its marketing fees as soon as it receives the notice of sale from the notary public, rather than at the date of respective deed; the impact on turnover and on operating expenses amounts to +EUR 3.3 million and EUR 1.8 million, respectively; and

– in 2011, the Group introduced changes in accounting estimates for certain preparation and valuation methods of consolidated accounts in order to better reflect the evolution of its business activity; these changes had a positive impact of EUR 2.1 million on net consolidated income.

RETURN AND CAPACITY TO GENERATE CASH FLOWS

The increase in turnover was somewhat erratic over the years. Sustained at first, it moved from EUR 48 million in 2009 to EUR 132.3 million in 2011, i.e. almost tripling (+175%). It then fell by approximately 10% in 2012 and quite stabilised in 2013.

The different business arms have contributed to this evolution, however, there are diverging evolutions as from 2012:

– the development activity is falling: after having peaked at EUR 85.2 million in 2011, it fell sharply in the two following years (to EUR 41.9 million in 2013); and

– remaining businesses evolved favourably, particularly the operation of residences which moved from EUR 9 million to EUR 52.4 million in 2009 to 2013.

In 2012 the Group's consolidated turnover was brought back to EUR 121.0 million, falling by 8.6%, as result of fewer plans delivered (EUR 85.2 million in 2011 down to EUR 55.9 million in 2012). This was surely an indirect result of the election climate. In 2013 turnover stemming from delivered plans dropped by nearly 25% to EUR 41.9 million.

The Group's business model experienced a significant development in the "management" activity. These last few years,

the residences operation business (including sale of goods) increased significantly by +42.0% in 2010, doubling in 2011, by +21.6% in 2012 and by +66.0% in 2013. Accordingly, turnover moved from EUR 9.0 million in 2009 to EUR 26.0 million in 2011, and EUR 52.4 million in 2013. In 2013 the management activity became the Group's main source of income.

In the management activity of assisted residences, the "services" part became crucial namely when residences reached cruise speed (corresponding to an occupancy rate of at least 95%). It also rose in line with the occupant age and seniority (the older he gets, the more services he requires).

TABLE 3.5.
CONSOLIDATED AEGIDE PROFIT AND LOSS ACCOUNT (THOUSAND EUROS)

	2009	2010	2011	2012	2013
TURNOVER	47 998	75 085	132 318	120 996	124 536
Variable Expenses	37 371	54 523	107 185	93 386	97 216
Cost of Goods Sold and Materials Consumed	30 263	43 440	84 279	58 624	48 148
Suppliers and External Services	7 108	11 083	22 906	34 762	49 068
GROSS CONTRIBUTION MARGIN	10 627	20 562	25 133	27 610	27 320
Sundry Operating Income	841	1 027	6 251	9 033	9 974
Operating Subsidies	24	57	17	31	53
Other Operating Income	817	970	6 234	9 002	9 921
OPERATING CONTRIBUTION MARGIN	11 468	21 589	31 384	36 643	37 294
Fixed Operating Expenses	6 577	10 847	15 073	22 234	30 044
Staff Expenses	6 323	10 361	14 364	20 907	28 158
Taxes	249	469	656	1 144	1 710
Other Operating Expenses	5	17	53	183	176
EBITDA (a)	4 891	10 742	16 311	14 409	7 250
Depreciation and Amortisation	487	751	1 339	2 406	2 750
Provisions	790	1 133	4 686	7 514	1 041
Amortisation of Goodwill on Acquisition	51	145	240	239	239
Equity Accounted Income and Expenses	189	1 043	3 265	3 487	4 076
EBIT (b)	3 752	9 756	13 311	7 737	7 296
FINANCIAL RESULT	(305)	(262)	(629)	(595)	(1 209)
Financial Income	(20)	115	34	295	25
Financial Expenses	285	377	663	890	1 234
CURRENT RESULT	3 447	9 494	12 682	7 142	6 087
NON-CURRENT RESULTS	1 062	440	(188)	648	(13)
Non-Current Income	1 309	557	383	940	133
Non-Current Expenses	247	117	571	292	146
EARNINGS BEFORE TAXES	4 509	9 934	12 494	7 790	6 074
Income Taxes for the Year	972	2 474	2 942	1 880	1 439
Minority Interests	1 273	1 972	3 915	2 465	1 053
NET PROFIT FOR THE YEAR	2 264	5 488	5 637	3 445	3 582
Distribution of Profits	0	1 003	1 401	2 003	1 800
NET RETAINED PROFITS (LOSSES)	2 264	4 485	4 236	1 442	1 782

Notes:
Figures rounded.
Accounts adjusted by ARC Ratings for analysis purposes.
(a) Earnings before interest, taxes, depreciation and amortisation.
(b) Earnings before interest and taxes.

Sources:
Aegide Consolidated Annual Reports.

Remaining operating products of the Group accounted for EUR 6.2 million in 2011 and almost nearly EUR 10.0 million in 2013. These products included since 2010, capitalised production (common areas sold by SCIs to Dominvest) in the amount of EUR 4.0 million in 2011, EUR 3.2 million in 2012 and EUR 1.3 million in 2013. Lease guarantees (marked by reversals in provisions) led to the recognition as "other operating products" of EUR 4.6 million in 2012 and EUR 7.1 million in 2013.

In relation to variable costs, cost of goods sold increase as the development business grows and they fall when this business slows down. Current operating expenses, on the rise, reached EUR 49.1 million in 2013. Rents paid to investors grew in line with the increase in the residences stock: EUR 2.4 million in 2009, EUR 6.1 million in 2011 and EUR 21.8 million in 2013.

TABLE 3.6.
CONSOLIDATED AEGIDE CASH FLOW STATEMENT (THOUSAND EUROS)

	2009	2010	2011	2012	2013
A) Earnings Before Taxes	4 509	9 934	12 493	7 790	6 074
B) Taxes and Participation	(574)	(1 229)	(3 468)	2 094	(1 923)
C) Net Profit from Activities (A + B)	3 935	8 705	9 025	9 884	4 151
D) Net Depreciation, Goodwill on Aquisition including	974	1 321	5 328	5 654	(3 113)
E) Elimination of Equity Accounted Income and Expenses and Variation Investments in Equity Affiliates	(189)	(1 043)	(3 265)	(3 487)	(4 076)
F) Elimination of Gains and Losses in Cession	50	4	199	(1)	36
G) Other Items	33	253	(653)	(1 089)	(1 299)
H) Cash Flow (C + D + E + F + G)	4 803	9 240	10 634	10 961	(4 301)
I) NWCR Variation Without Variation in Other Receivables / Operation Debts	(5 739)	(12 852)	24 871	(11 746)	(17 703)
Variation of Stock	(5 228)	(8 769)	20 934	(15 217)	(14 382)
Variation of Trade Accounts Receivable	(1 831)	(15 081)	2 177	776	3 497
Variation of Trade Payables	1 320	10 998	1 760	2 695	(6 818)
J) NWCR Total Variation	(784)	631	12 244	(21 924)	(13 237)
which Variation in Other Receivables / Operating Debts	4 955	13 483	(12 627)	(10 178)	4 466
which Variation of VAT	3 953	8 655	(6 230)	(4 897)	(2 104)
K) Operating Cash Flow (H + J)	4 019	9 871	22 878	(10 963)	(17 538)
L) Investment Activities	(1 421)	(3 068)	(9 912)	(8 877)	(8 037)
Net Acquisition of Disposals of Tangible and Intangible Assets	(1 425)	(1 156)	(9 662)	(8 889)	(11 072)
Variation in Financial Assets	2	(23)	(248)	66	84
Changes Consolidation Perimeter	2	(1 889)	(2)	(54)	2 951
M) Shareholders Dividends	0	0	(1 003)	(1 401)	(2 003)
N) Minority Dividends	(846)	(985)	(2 047)	(2 444)	(4 959)
O) Financing Needs before the Debt Service Capital (K + L + M + N)	1 752	5 818	9 916	(23 685)	(32 537)
P) Share Capital Increase	0	4 972	0	362	5 999
Q) Variation in Financial Debts	650	2 744	10 201	9 241	8 770
R) Variation of Cash Position (O + P + Q)	2 402	13 534	20 117	(14 082)	(17 768)
Summary:					
Cash Position at the Begining of the Year	(5 617)	(3 219)	10 315	30 433	16 351
Variation of Cash Position	2 398	13 534	20 118	(14 082)	(17 768)
Cash Position at the End of the Year	(3 219)	10 315	30 433	16 351	(1 417)

Notes:
Figures rounded.
Accounts adjusted by ARC Ratings for analysis purposes.

Sources:
Aegide Consolidated Annual Reports.

These rents permit a positive balance, since residents logically pay higher rents than the ones paid to investors. This margin tends to increase (15% in 2010, 19% in 2013), in spite of a context where the growing number of residences opened should result in higher absolute value of vacant accommodation units.

In an economic model where services are the core of the business, personnel expenses rise in line with the number of residences opened. In the last few years, the development in the number of residences translated in overall personnel expenses, including training, of EUR 28.2 million in 2013. The Group's EBITDA more than doubled in 2010 as against 2009, reaching EUR 10.7 million, and further increased about 52% in 2011, up to EUR 16.3 million. However, this trend reversed in the following years, to EUR 14.4 million in 2012 and EUR 7.3 million in 2013. This evolution is explained by a contraction in the development activity on par with residences opening costs in 2013.

An analysis of EBITDAR, which measures EBITDA before taking into account the rents paid to investors, shows however an improvement in 2012 and 2013, in terms of turnover. This indicator moved from 16.9% in 2011 to 23.3% in 2013.

Income of equity affiliates has grown significantly over the years. It went from EUR 1.0 million in 2010 to EUR 3.3 million in 2011 and EUR 4.1 million in 2013.

The change in the accounting policy relating to the lease guarantee had a relevant impact on the Group's operating income in 2013: EUR 7.3 million (as against EUR 13.3 million in 2011).

It is worth noting that Château Belmont posted positive operating results in 2013.

Depreciation increased over the period under review, despite the change in the depreciation period in 2013. Depreciation figures reached EUR 2.8 million in the said year. However, they only accounted for 2.2% of consolidated turnover in 2013.

The Group capitalises financial expenses with its development business, which means that the profit and loss account only records financial expenses attributable to the operation activity. These financial expenses rose by 44.3% in average per year from 2009 (EUR 0.3 million) to 2013 (EUR 1.2 million). Financial income were higher in 2012 (EUR 0.3 million). Net financial expenses rose from EUR 0.3 million in 2009 to EUR 1.2 million in 2013. Coverage of net finance borrowing costs by EBITDA is considerable. In 2013 this ratio stood at 6 times.

The group is consolidated for tax purposes. This tax integration has permitted tax savings (of EUR 0.9 million in 2013). The effective tax rate has remained relatively stable (23.7% in 2013).

The Group's net profit rose until 2011, reaching EUR 5.6 million. A decrease in operating results has led to a drop in net profit to EUR 3.6 million in 2013 (though improving by 4.0% in relation to 2012). In a phase of significant growth and increase in equity, return on equity (ROE) falls to 11.7% in 2013 (as against 35.2% in 2009).

FINANCIAL POLICY

At the end of 2013 the Group posted assets of EUR 138.3 million, most of which consist of real estate production

totalling EUR 77.0 million, (i.e. 55.7% of total). Non-current assets account for EUR 46.8 million (33.9% of total) and gross positive cash position for EUR 14.5 million (i.e. 10.5% of total). The Group's assets volume grew by 173.7% during the period under review, with one peak in 2010 (+89.5%) and another in 2012 (+16.8%).

TABLE 3.7.
CONSOLIDATED AEGIDE BALANCE SHEET (THOUSAND EUROS)

	2009	2010	2011	2012	2013
Intangible Assets (Net)	657	2 394	2 448	2 158	1 741
Tangible Assets (Net)	5 865	7 523	17 931	27 650	36 711
Equity Holdings and Other Investments	275	1 092	4 643	6 178	8 385
Deferred Tax Assets	227	220	1 931	0	0
NON CURRENT ASSETS	7 024	11 229	26 953	35 986	46 837
Raw Materials and Goods	51	76	184	222	309
Finished and Semi-Finished Products	29 267	36 769	11 745	23 970	38 453
Trade Accounts Receivable	4 923	19 906	17 732	17 072	12 768
Advances by Suppliers	10	155	581	68	139
Social Contributions and Tax Receivable	2 715	6 077	7 733	8 103	9 093
Accruals and Other Operating Accounts	1 166	441	1 931	6 938	6 275
Receivables from Real Estate Development	1 030	5 191	9 539	10 376	9 952
CURRENT ASSETS	39 162	68 615	49 445	66 749	76 989
Deposits and Cash	4 352	15 909	32 043	23 968	14 510
GROSS POSITIVE CASH POSITION	4 352	15 909	32 043	23 968	14 510
TOTAL ASSETS	50 537	95 753	108 441	126 703	138 336
Share Capital	3 408	8 380	8 380	9 741	15 740
Other Reserves	759	3 024	7 509	11 745	13 187
Retained Earnings	2 264	4 485	4 236	1 442	1 782
EQUITY	6 431	15 889	20 125	22 928	30 709
MINORITY INTERESTS	1 771	2 761	4 634	4 655	2 480
Provisions and Employee Benefits	833	1 061	4 219	6 674	68
Deferred Tax Liabilities	831	1 137	5 766	4 754	4 221
Medium and Long Term Financial Debt	5 665	8 110	14 432	22 852	28 224
STABLE LIABILITIES	7 329	10 308	24 417	34 280	32 513
LONG TERM CAPITAL	15 531	28 958	49 176	61 863	65 702
Trade Payables	3 269	9 517	11 923	13 709	9 400
Advances Trade Accounts	1 168	6 563	3 758	2 755	1 761
Social Contributions and Taxes Payable	8 625	21 595	13 864	12 304	10 972
Accruals and Other Operating Accounts	2 683	5 729	7 139	9 986	10 640
CYCLICAL LIABILITIES	15 745	43 404	36 684	38 754	32 773
Debt from Real Estate Development	10 179	8 629	4 271	5 193	14 418
Others Short Term Financial Debts	1 659	1 584	5 380	6 452	12 544
Dividends Distribution	0	1 003	1 401	2 003	1 800
Investment Suppliers	7 423	12 175	11 529	12 438	11 099
NEGATIVE CASH POSITION	19 261	23 391	22 581	26 086	39 861
TOTAL LIABILITIES	42 335	77 103	83 682	99 120	105 147
TOTAL EQUITY + LIABILITIES	50 537	95 753	108 441	126 703	138 336

Notes:
Figures rounded.
Accounts adjusted by ARC Ratings for analysis purposes.

Sources:
Aegide Consolidated Annual Reports.

The breakdown of assets experienced significant changes during this period.

The proportion of non-current assets rose by 13.9% in 2009, to 24.9% in 2011 and 33.9% in 2013. This rise was due to an increase in net tangible assets, which totalled EUR 36.7 million at the end of 2013, and additional investments in equity holdings (of which Nexity co-developments). Note that Dominvest investments in operating sites went from EUR 13.2 million in 2011 to EUR 26.0 million at the end of 2013, for a total of 33 000 square metres of real estate property, thanks to which the Group retains fully control over the operation of residences.

Assets relating to the Group's operating activities (namely inventories and works in progress) have seen their relative share fall gradually in relation to total assets (77.5% in 2009, 45.6% in 2011, picking up in the following years). These real estate inventories have evolved rather erratically: EUR 36.6 million at the end of 2010, EUR 11.7 million (-68.8%) in 2011 and EUR 24.0 million in 2012 and EUR 38.3 million at the end of 2013 (+60.3%). Trade accounts receivable grew in 2010 then fell in 2013, with funds outstanding at EUR 12.8 million. Receivables from real estate development correspond to the Group's downpayments in co-development operations to be accounted for using the equity method; they rose in 2010 (EUR 5.2 million) and in 2011 (+83.8%) stabilizing in 2013 (at EUR 10.0 million).

The Group's equity also grew fast, from EUR 6.4 million at the end of 2009 to EUR 30.7 million at the end of 2013. This rise was possible thanks to the allocation of part of previous years income to reserves; except for 2009, the Group has always distributed part of its income for the year: 2010: 18.3%; 2011: 24.9%; 2012: 58.1% and probably around 50% for 2013. The undistributed balance was allocated to equity, to which added EUR 12.3 million from capital increases, of which EUR 5.0 million in 2010, EUR 1.4 million in 2012 (EUR 1.2 million of the EUR 1.4 million stemming from the conversion of convertible bonds) and EUR 6.0 million in 2013. These capital increases were carried out to sustain the Group's expansion.

The Group's "equity + minority interests / assets" ratio stood at 24.0% at the end of 2013. Given the importance of deposits and cash in the Group's balance sheet, note the "equity + minority interests / corrected assets" ratio, which stood at 26.8% in 2013 as against 17.8% in 2009 and 32.4% in 2011.

During the period under review, the Group's stable liabilities moved from EUR 7.3 million (14.5% of total in 2009) to EUR 32.5 million (23.5% of total in 2013).

At the end of 2013 the Group's stable liabilities were made up as follows:

- EUR 28.2 million of medium and long term financial debt (EUR 22.9 million in 2012 and EUR 5.7 million in 2009); and
- EUR 4.2 million of deferred tax net deferred tax liabilities – assets -, mainly following restatement of the margin and recognition of deferred taxes relating to marketing fees; this amount stood at EUR 4.8 million in 2012 (EUR 0.6 million in 2009).

It should be noted that at the end of 2013 the medium and long term debt of Groupe Aegide stemmed from Groupe BPCE, specifically 55.9%, 21.5% from Société Générale and 12.7% from Groupe Crédit Agricole. Groupe BPCE holds a stake in Nexity.

In 2013, long term resources (long term capital) cover 47.5% of assets (30.7% in 2009). During the period under review

the increase in long term resources was sufficient to cover the financing of non-current assets growth and expand the net working capital by EUR 10.4 million. At the end of 2013 net working capital stood at EUR 18.9 million.

From 2009 to 2013 net working capital permitted to fund part of its net working capital requirements (NWCR). Net cash position (assets minus liabilities) is negative, except in 2011. At the end of 2013 this balance stood at EUR 25.4 million, the highest of the period under review.

TABLE 3.8.
CONSOLIDATED AEGIDE FLOWS AND BALANCE SHEET INDICATORS

	2009	2010	2011	2012	2013
Flow Structure					
EBITDAR as a % of Turnover	15,1%	19,1%	16,9%	22,2%	23,3%
Payout Ratio	0,0%	18,3%	24,9%	58,1%	50,3%
Coverage of Net Fin. Borrowing Costs / EBITDA	16,0	41,0	25,9	24,2	6,0
Coverage of Net Fin. Borrowing Costs / EBIT	12,3	37,2	21,2	13,0	6,0
Financ. Debts / (Net Retained Profits + Depreciation)	6,4	3,5	4,3	9,0	12,2
Financing Debts / Turnover	0,4	0,2	0,2	0,3	0,4
Structure of The Balance Sheet					
Equity / Assets	12,7%	16,6%	18,6%	18,1%	22,2%
Minority Interests / Assets	3,5%	2,9%	4,3%	3,7%	1,8%
Total Liabilities / Total Assets	83,8%	80,5%	77,2%	78,2%	76,0%
Financial Debt / Total Assets	34,6%	19,1%	22,2%	27,2%	39,9%
Medium and Long Term Financial Debt / Non-Current Assets	80,7%	72,2%	53,5%	63,5%	60,3%
Functional Balance Sheet (Thousand Euros)					
Long Term Capital	15 531	28 958	49 176	61 863	65 702
Non Current Assets	7 024	11 229	26 953	35 986	46 837
NET WORKING CAPITAL (NWC)	8 508	17 729	22 223	25 877	18 865
Cyclical Requirements	39 162	68 615	49 445	66 749	76 989
Cyclical Resources	15 745	43 404	36 684	38 754	32 773
NET WORKING CAP. REQUIREMENTS (NWCR)	23 416	25 211	12 761	27 995	44 216
Gross Positive Cash Position	4 352	15 909	32 043	23 968	14 510
Negative Cash Position	19 261	23 391	22 581	26 086	39 861
NET CASH POSITION (NCP)	(14 909)	(7 482)	9 462	(2 118)	(25 351)
As a % of Turnover	(31,1%)	(10,0%)	7,2%	(1,8%)	(20,4%)
NWC Variation	5 666	9 222	4 494	3 654	(7 012)
NWCR Variation	8 579	1 794	(12 450)	15 234	16 222
NCP Variation	(2 914)	7 427	16 944	(11 580)	(23 234)
As a % of Turnover	(0)	9,9%	12,8%	(9,6%)	(18,7%)

Notes:
Figures rounded.
Accounts adjusted by ARC Ratings for analysis purposes.

Sources:
Aegide Consolidated Annual Reports.

The evolution of net working capital reflects the double impact of the development and management businesses, requiring higher long term resources in the second case. Conversely, the development business requires higher short term financial debt. During the 2009-2013 period, financial debt rose by EUR 37.7 million (total of EUR 55.2 million) and the share of "medium long term" moved from 32.4% in 2009 to 51.1% in 2013, in line with the Group's trade mix. The Group's debt repayment schedule at the end of 2013 was as follows: EUR 27.0 million (48.9% of the total) repayable or

likely to be repayable in 2014 (including EUR 14.4 million for real estate development); EUR 15.2 million repayable in 2015 until 2019; and EUR 13.0 million repayable in 2020 and beyond.

The Group's gross positive cash position rose until 2011 (reaching EUR 32.0 million) falling to EUR 8.1 million in 2012 and EUR 9.5 million in 2013. These changes follow the increase in works in progress and the number of residences opened. Financial requirements associated with real estate development result from the relative importance of this activity within the Group but also from the progress of ongoing real estate plans (see section "business model"). It should be noted that the Group's aim is to attract investors (mostly private investors) at the very start of construction phase.

The funding of real estate development is made through bank overdraft, generally during a period of two years. The banks with which the Group's real estate companies use to work require, as prior condition to finance the real estate programmes, a level of "pre-marketing" of at least 50% and a level of equity to bring into the projected real estate venture of 8%-12% of the cost price according to the plans. Within the scope of the funding, the real estate development companies allocate as pledge or surety all amounts to be received from the operation. Likewise, banks benefit from mortgages on such property.

The success of the Group's strategy also relies on its reputation with its banking partners. A large pool of banks participates in the financing of the development activity.

Note that debt from real estate development, including bank overdrafts, current accounts payable to minority interests and investment in associates totalled EUR 5.5 million at the end of 2013, of which EUR 3.6 million corresponded to advances paid on real estate plans.

Debt at fixed rate or similar (convertible into fixed rate) accounted for 53% of total debt at the end of 2013.

Groupe Aegide holds the following insurance policies for its real estate development activity: ten year public liability insurance, damage insurance to structures. In addition to these two mandatory insurance policies, the Group has a non mandatory contractor's liability insurance covering risk at construction site during works. Finally, it also holds a developer's liability insurance policy.

As far as its sub-leasing and services activities are concerned, Groupe Aegide has a professional multirisk insurance covering operating losses, i.e. the effective amount of the loss of gross margin and additional operating expenses during 24 months following any of the following covered accidents: fire and related risks, storm, hail and snow on roofs; attacks and related risks; water damages; vandalism; partial or total collapse of buildings; natural disasters. Additionally, each residence has its own multirisk insurance coverage.

4. OUTLOOK

GENERAL ENVIRONMENT

The International Monetary Fund (IMF) (April 2014's World Economic Outlook) foresees for 2014 the continuation of a (very mild) economic recovery in France, with GDP expected to grow by 1.0%, following an increase by 0.3% in 2013 and stabilisation in 2012. This growth pace should accelerate in forthcoming years, at rates of +1.5% in 2015 and +1.9% in 2019. In the Euro Zone, the IMF foresees a growth rate by 1.2% in 2014, 1.5% in 2015 and by 1.5% in 2019.

In 2013 the French government deficit was of 4.2% of GDP, improving by 0.6% in relation to 2012 (government revenues rose by 1.1 percentage points and expenditure by 0.5 percentage points). This contraction in the French deficit has continued over the last four years. Nonetheless, it still fails to comply with the thresholds imposed by the Maastricht Treaty. In 2013, the rate of taxes and social security contributions stood at 44.7% of GDP, increasing by 1.0 percentage points in relation to 2012. Public debt increases by 3.1 percentage points in relation to GDP, reaching 91.8%.

The seven largest retail banks in France are: BNP Paribas, Groupe Crédit Agricole, Société Générale, Groupe Crédit Mutuel, Groupe BPCE, HSBC France, and La Banque Postale. Except for foreign banks established in France (such as HSBC France) or those government-related (Caisse des Dépôts et Consignations, La Banque Postale), ratings given to the largest French banks, according to public information of Credit Rating Agencies, range from A+, with a stable outlook, to A, with a stable outlook.

GROUPE AEGIDE

In its business plan for the 2014-2022 period, Groupe Aegide follows an organic growth strategy. Internationalisation will be done gradually, aiming at 10% to 15% of total residences located abroad.

ARC Ratings has analysed quantitative estimates for the January 2014 to June 2020 period, which corresponds to the period of the loan. The business plan analysed by ARC Ratings foresees a significant number of seniors residences delivered. 11 deliveries are planned for 2014, 10 for 2015, 13 in 2016, 16 in 2017, 18 in 2018 and 2019 and 20 in 2020. Most of these residences are already identified. The co-development principle will be maintained even though the Group wants to increase the share of developments carried out alone or as major operator.

The stock of residences in operation should go from 36 units at the end of 2013 to 136 at the end of 2020 (i.e. an annual average growth of about 21.0%). The Group is banking on an increasing number of residences at cruise speed, by 30.6% in 2013, 36.6% in 2014, close to 60% in 2015 and 2016, by 52.5% in 2017 and 2018 and by 60% in 2020. During this period, the share of services as of total turnover should continue around 58%. The amount of lease rents (tenants) should continue to correspond to that paid to investors, applying a multiplier of 1.20 times in average.

The Group foresees a significant rise in consolidated turnover, which should reach EUR 236.5 million in 2015, EUR 477.6 million in 2018 and EUR 550.3 million in 2020 (four times more than 2013's). Taking into account the evolution of development activity in the forthcoming years, the contribution of this business to consolidated turnover should grow until 2016, and then fall. Operating activity is expected to grow, reaching 52.2% in 2019 and 57.8% in 2020.

The Group banks on a 9% margin in its real estate development business. This margin is lower to that obtained from 2011 to 2013. Given their lower contribution, the Group estimates that bulk sales will only account for 1 residence in 2014, 2 in 2015, reaching a pace of 3 per year from 2018 onwards.

The "operation" business arm should see its EBITDA / turnover ratio improve from 2% in 2013 to 9% in 2015 and 12% in 2016 (from this date onwards, it should fall to 11% and stabilise at 12% in 2020).

The Group estimates that on the back of i) an improvement in return, ii) increasing number of residences at cruise speed, and iii) economies of scale, consolidated EBITDA will go from EUR 7.3 million in 2013 to EUR 25.8 million in 2015, then to EUR 54.9 million in 2019 and EUR 62.5 million in 2020. In what concerns the "operation" business alone, EBITDA should reach EUR 1.4 million in 2014, EUR 9.9 million in 2015, EUR 16.3 million in 2016, EUR 18.8 million in 2017, EUR 23.3 million in 2018, EUR 28.2 million in 2019 and EUR 37,5 million in 2020.

The equity accounted income and expenses should hover between EUR 3.8 million (in 2018) and EUR 5.8 million (in 2020).

In terms of consolidated debt, the business plan includes the issuing of a bond loan in the amount of EUR 20.0 million in July 2014 with bullet repayment (in fine) in July 2020. This new source of funding will allow facing share capital requirements of the new plans programmes for assisted senior residences. The business plan does not foresee any capital increase and the distribution of 40% of the Group's net profit. Application of this percentage should allow the Group to pay approximately EUR 40 million of dividends to shareholders (EUR 22.7 million more than the maximum amount authorised under the terms of the bond loan).

Considering the base scenario for the January 2014 to June 2020 period, earnings before taxes should go from EUR 8.9 million in 2014 to EUR 49.0 million in 2020, i.e. EUR 207.5 million in cumulative terms for the period of the business plan. This amount will stem from the development activity by up to 57.6% and from the operation activity by up to 34.3%.

A detailed analysis of the base scenario shows financing needs before the debt service capital in the amount of EUR -2.9 million in 2014, EUR -10.3 million in 2015 and EUR -8.9 million in 2017. From 2016 onwards, this situation will be reversed with the emergence of surpluses of EUR 5.3 million in 2016, EUR 14.9 million in 2018, EUR 14.8 million in 2019 and EUR 4.1 million in 2020. Following the increase in financial debt, net of repayments (by EUR 67.1 million), cash position will rise, reaching EUR 96.7 million at the end of June 2020 (presupposing a linear distribution of the changes in cash position throughout the year, other than the repayment of the bond loan). If these assumptions are met, cash position should be sufficient to provide a margin of safety for the repayment of the bond loan.

In what concerns the capital structure, the base scenario estimates a sharp rise in equity, while keeping 60% of future net profits in reserve. This would lead to a gradual and moderate rise in the equity-assets ratio, including minority interests, that would grow from 22.6% at the end of 2014 to 35.4% at the end of 2020. Note that the restrictions to dividend pay-out will lead to an increase in equity.

The increase in cash flow should permit at the same time an improvement in the debt service coverage ratio.

SENSITIVITY ANALYSIS CARRIED OUT BY ARC RATINGS CONCERNING GROUPE AEGIDE'S CAPACITY TO GENERATE CASH FLOWS

The Group's cash flow is influenced by various factors with impact on its activity level and return, among which the following:

- sustained customer demand for Domitys' “RSS” product, in spite of fierce competition, even though the Group stands out for its high quality services at reasonable prices;
- consumption of a wide range of available services by residents;
- capacity to attract new investors and retaining them; and
- possible changes in the legal or taxation framework against a background of economic and fiscal restraints in France, especially following 2016.

Note that almost 70% of current customers in Group residences are women. This percentage is likely to be maintained in the future. In the last decades, an increasing number of women entered the labour market, which means that an increasing number of women is becoming entitled to more relevant pensions. The living standard of this category of clients is therefore likely to grow over time, which will benefit the Group while offsetting a possible decline in the level of pensions in general.

In periods of crises, operators such as Aegide could face a double problem:

- slower marketing pace with investors, partly due to more difficult access to bank loans; and
- longer filling period, due to deterioration in the economic situation.

Note that the full cycle of the “seniors assisted residences” product is particularly long. In a fast changing world, this means that if at any moment and for any reason, expansion had to be reigned in, this will take more time to be achieved.

In order to assess the impact on the Group of a smaller cash flow position, ARC Ratings has drawn up a stress scenario.

Starting from a base scenario, we have considered the simultaneous emergence of the following - all other things remaining equal:

- decrease by 25.0% in margins in the development business combined with a 9 month delay in construction and

marketing of the accommodation units; and

- decrease by 50.0% in EBITDA from operational activity over the whole period under review.

The impact of this decrease and the impacts deriving from the changes in the development business on annual earnings before taxes should be of EUR -0.7 million in 2014, EUR -8.4 million in 2015, EUR -13.2 million in 2016, EUR -19.3 million in 2017, EUR –29,8 million in 2018, EUR -17.1 million in 2019 and EUR -22.5 million in 2020.

Even in a stress scenario, the Group would continue to generate cash flows (64% of that shown in the base scenario). Maintaining the same rate of profit distribution considered in the base scenario, this scenario would result in a deterioration of the Group's cash position (EUR -52.4 million throughout the 2014-June 2020 period, including annual declines ranging from EUR -4.2 million to EUR -29.6 million). Even in these circumstances, cash flow position would reach EUR 44.3 million before the repayment of the bond loan in June 2020. The application of the dividend payment restriction as provided in the terms of the bond loan would permit raising additional cash of EUR 3.8 million at that date, which is still compatible with the debt repayment.

The Group could also and finally dispose of part of its assets, among which i) a set of buildings entirely refurbished in the town centre of Tours, valued at EUR 7.9 million based on EUR 3 000 / square meter, ii) 33 000 square meters of property corresponding to the operating sites of several DOMITYS residences, which on the basis of an income of 6% to 7% would be valued at EUR 6 million to EUR 10 million - following the restatement of debt. The Group could also open the share capital of Dominvest to investors; the fully owned 4-star hotel Clarion (Choice Hotels), with an average value of EUR 6.8 million equivalent to EUR 5.2 million following debt repayment at the end of 2013. Furthermore, an amount of EUR 6.6 million in real estate development margins are presently guaranteed (as they correspond to plans where marketing is sufficiently advanced to cover the cost of the operation and to recognise part of the development margin).

5. CONCLUSION

Aegide was created in 1995 and developed in France a concept consisting of seniors assisted living residences, in line with customers expectations. This new generation concept is called DOMITYS and has taken shape following the opening of the first residence near La Rochelle. Aegide, which operates this brand, has become leader in this market segment.

Following approximately 10 years, in 2006 the founders of Aegide decided to open up the company's capital to a reference shareholder - Groupe GCE Immobilier, to accelerate development. This stake is held since 2007 by Nexity, which became the privileged shareholder. At the end of 2013, the three founding managers jointly hold 61.85% of the share capital, while Nexity holds 38.15%. Note the stability of the share ownership, which was strengthened by a shareholders' agreement, containing a pre-emption right and anti-dilution clause.

The Board of Directors of Aegide is made up of its three founding members and a representative of Nexity (Deputy Manager for Finance and Strategy). Nexity is the first player in the real estate sector in France holding a know-how and

business lines ranging from design to development and construction. Nexity is also present and leader in the assisted residences market for students. Nexity's major shareholder is Groupe Caisse d'Epargne Participations S.A., with a 40.5% stake (Group BPCE has an A rating, with a stable outlook given by Fitch Ratings; A, with a negative outlook by Standards & Poors; and A2 with a negative outlook by Moody’s Investors Services).

Groupe Aegide's expertise in the real estate development segment and the operation of assisted residences segment is largely recognised. Development and operation create the synergies which the Group seeks to develop to their full potential. The Group has set ambitious goals for itself and it is giving itself the means to achieve them, namely thanks to its co-development operations with Nexity.

The concept of seniors assisted residences brings a response to an ageing French population. This concept is therefore based on solid demand.

The seniors market, where he Group presently operates, has strong development potential, which naturally attracts new players, among whom some with an important financial base.

The business model of Groupe Aegide draws on the ability to transform a capital intensive activity into a lesser capital intensive business, as result of the co-development operations and the sales of residences to investors - most of whom are private investors who will entrust to the Group the management of their assets for at least 11 years. The value of these real estate assets under management totals EUR 700 million. This development was made easier by the tax exemption measures existing in France, even in difficult fiscal times. To develop this business model, the Group draws on its proven expertise and management.

In most cases, Aegide's tenants sign one year leases. The operation of the residences must also take into account the risk of non-renewal at the end of this period, even if these contracts are renewable by tacit agreement and the stays are for 6 years in average.

The number of seniors residences managed by Groupe Aegide rose from 10 residences in 2010 to 15 in 2011, 25 in 2012 and 36 in 2013. The Group presently manages 39 residences. The increasing pace in the opening of residences in 2011 led to a 7% decrease in the occupancy rate (OR) in relation to 2010. This rate stands presently at 75% and should remain at this level in spite of an important residence opening plan for the next few years.

At the end of 2013 the Group posted assets of EUR 138.3 million, most of which associated with real estate production, which totals EUR 77.0 million. Additionally, the Group owns the operating locations of the residences (EUR 26.0 million in 2013). The Group's ”equity + minority interests / assets” ratio stood at 24.0% at the end of 2013. In a phase of significant growth and increase in equity, return on equity (excluding minority interests) stands at 11.7% in 2013.

Groupe Aegide's business plan for the 2014-2020 period (base scenario) foresees an average annual growth of around 21.0% in the number of managed residences. At the end of 2020, the Group's total assets will reach EUR 366.5 million and its ”equity + minority interests / assets” ratio will stand at 35.4%. This strategy involves carrying out a real estate development activity which is not entirely risk free. The materialisation of these risks can have an impact on its ability to

honour its medium and long term financial commitments hereby subject to rating. The quality of the Group's management and its ability to absorb any losses resulting from the materialisation of these risks will therefore be crucial.

Taking into account the scenarios drawn for the 2014-June 2020 period, the medium term bond loan in the amount of EUR 20 million will respond to the long term financing requirements arising from a development strategy in a promising market. ARC Ratings submitted the Group's business plan to stress tests, and even then, the Group would still be able to fully repay the EUR 20 million bond loan.

ARC Ratings estimates that Aegide can timely honour its medium and long-term financial obligations, including a bond loan in a maximum amount of EUR 20 million. ARC Ratings has rated these financial commitments as BBB- with a stable outlook.

To the extent where they are likely to influence, either directly or indirectly, the Group's cash flows and consequently, Aegide's ability to timely and fully comply with its medium and long term financial commitments, the following factors will be closely followed up ARC Ratings:

- economic factors likely to have a significant impact on the turnover from assisted residences but which are exogenous to the Group's will and ability: fiscal situation the majority of European countries, including France, likely to influence i) the average income of seniors and the granting of housing allowances to this age group (impact on demand for residences and for related services in particular), ii) income of private investors and the level of taxation on property (impact on return on investment rates);
- regulatory factors likely to increase the maintenance, improvement and operation costs of residences (new rules, for instance);
- change in Nexity's policy and / or strategy;
- ability and availability of bank partners to finance the Group's development and changes, if unfavourable, in interest rates;
- fiercer competition with the potential arrival of new players into the market and from existing players seeking to win more market share; and
- factors associated to the Group, including i) its ability to attract investors and retaining them (renewal of contracts with the same investors), ii) its ability to well manage operating risks of seniors residences in the current phase of strong business expansion, iii) its control of the development of a non risk free real estate development activity, and, iv) its ability to absorb losses resulting from the potential materialisation of these risks.

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MEDIUM AND LONG-TERM ISSUERS

Low Risk Range

AAA	An obligor rated "AAA" has the highest possible Issuer's Credit Rating assigned by ARC Ratings. It has not only the able to show an extremely strong capacity to meet its financial commitments but is also benefited by a full set of circumstances that actually turn the possibility of credit default into a strictly remote event.
AA	An obligor rated "AA" also has very strong capacity to meet its financial commitments. It differs from the highest rated obligors only in a very small degree.
A	An obligor rated "A" has a quite strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions when compared to obligors in highest-rated categories.

Moderate Risk Range

BBB	An obligor rated "BBB" exhibits an adequate capacity to meet its financial commitments. However, adverse economic conditions or suddenly changing circumstances are more likely to lead to a weakened capacity to the obligor to meet its financial commitments.
BB	An obligor rated "BB" exhibits a fair capacity to meet its financial obligations. However, it faces major on-going uncertainties or exposure to adverse business, financial or economic conditions, which could lead to an unforeseen deterioration of the obligor's capacity to meet its financial commitments.

High Risk Range

B	An obligor rated "B" is more vulnerable than the obligors rated "BB", in the sense that its capacity to meet its financial commitments may, under adverse business, financial or economic conditions very likely impair such capacity or even the willingness to service its debts.
CCC	An obligor rated "CCC" is currently very vulnerable, and is thus strictly dependent upon favourable business, financial and economic conditions to meet its financial commitments.

Imminent or Actual Default

CC	An obligor rated "CC" is highly vulnerable to not being able to meet future obligations, although not showing payment delays at present.
C	Default would appear to be imminent. A debt restructuring procedure may be under way either by creditors' own initiative or through a judicial ordinance.
D	A "D" rating is assigned when the obligor is currently in default.

The ratings from "AA" to "CCC" may be modified by the addition of "+" or "-" to show their relative standing within own rating categories.
The rating outlook (positive, stable, negative or developing) highlights the potential direction of a rating during the following year. An outlook is not necessarily a precursor of a rating change or future follow-up ahead of schedule.

* ARC Ratings has updated its Rating Definitions on June 18, 2013, maintaining the equivalence between the notations before and after the update.

ARC RATINGS world partners

MEDIUM AND LONG-TERM ISSUES

Low Risk Range

AAA	An obligation rated "AAA" has the highest possible rating assigned by ARC Ratings. The obligor's future cash flow capacity to meet its financial commitments on the obligation is gauged as extremely strong. A timely and full payment of principal and interest thereof is not but remotely subject to adverse influence of an outside force or future event.
AA	An obligation rated "AA" differs from the highest rated obligations only in a very small degree. The obligor's capacity to meet its financial commitments on the obligation remains very strong.
A	An obligation rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions when compared to obligations in highest categories. However, the obligor's capacity to meet its financial commitments on the obligation remains quite strong.

Moderate Risk Range

BBB	An obligation rated "BBB" always exhibits an adequate set of protection parameters. However, adverse economic conditions or suddenly changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments on the obligation.
BB	An obligation rated "BB" exhibits a fair set of financial protection parameters. However, the obligor may face a future deterioration of its payment capacity due to adverse business, financial or economic conditions, which could lead to an unforeseen deterioration of the chances of a timely and full debt servicing.

High Risk Range

B	An obligation rated "B" is more vulnerable than obligations rated "BB", in the sense that its obligor, while currently showing a limited capacity to meet its financial commitments on the obligation, may under adversely changing business, financial or economic conditions very likely impair such capacity or even the willingness to service its debt.
CCC	An obligation rated "CCC" is currently very vulnerable, and is thus strictly dependent upon favourable business, financial, and economic conditions facing the obligor to meet its financial commitment. Upon the event of adverse business, financial or economic conditions, the obligor will most likely not have the capacity to meet its financial commitments on the obligation.

Imminent or Actual Default

CC	An obligation rated "CC" is highly vulnerable to payment delays and/or partial default although not showing payment delays at present, due to its own endogenous limitations, notwithstanding the outside conditions facing the obligor.
C	An obligation rated "C" faces an imminent default. The "C" rating may be used to cover a situation where a bankruptcy petition has been filed or similar action taken, but payments on this obligation have not yet been discontinued.
D	An obligation rated "D" is currently under payments default.

The ratings from "AA" to "CCC" may be modified by the addition of "+" or "-" to show their relative standing within own rating categories.
The rating outlook (positive, stable, negative or developing) highlights the potential direction of a rating during the following year. An outlook is not necessarily a precursor of a rating change or future follow-up ahead of schedule.

* ARC Ratings has updated its Rating Definitions on June 18, 2013, maintaining the equivalence between the notations before and after the update.

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Prior to the assignment or revision of a rating ARC Ratings provides to the entity whose financial commitments are subject to rating the documents that substantiate the rating to be attributed (the preliminary rating report). This entity is thus given the opportunity to clarify or correct factual details, thus allowing the rating assigned to be as accurate as possible. The comments made by the entity whose financial commitments are subject to rating are taken into account by ARC Ratings in the assignment of the rating.

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Throughout the entire period during which ratings are valid, ARC Ratings monitors the issuer's performance on a constant basis, and may even bring forward the date of the follow-up. Hence, prior to an investor using a rating, ARC Ratings recommends that it be confirmed, namely by consulting the listing of public ratings available at the web site www.arcratings.com.

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