



INVESTOR DAY

15 September 2016

Sophie Boissard

I'm Sophie Boissard, CEO of Korian. I'm delighted to welcome you to this Investor Day. I'd like to welcome those of you who are listening, following us on the webcast. I hope the connection is now good.

Today is about the presentation of the Group's new strategic plan and I will be delivering the presentation with Laurent Lemaire (the CFO of the Group), whom you know, who joined us in February this year, followed by Ralf Stiller, who is the new CEO of Germany. Next, after the lunch break, Mariuccia Rossini, who is in charge of Segesta (that's Korian in Italy) will speak. Then Bart Bots, who is in charge of our Belgian subsidiary, will speak. And then, third doctor, the new Chief Medical Officer, Didier Armaingaud, who has been with Medica for many years, has just taken up his new duties and Group level... He will also be speaking.

So we announced that we would be holding the Investor Day when we presented the 2015 results. And, since then, we have been asked what we would be talking about during this Investor Day. So I know that your expectations are quite high. And, by way of introduction I would like to say that the fact that you're here in large numbers displays this.

Korian has 45,000 employees, 200,000 clients. It's a wonderful company that warrants your full support and attention. And I'm sure that you will be convinced of that by the end of today's presentation.

So what I suggest is that we start. Before we move on to the strategy plan, we present our results, our half-year results, for 2016. As you know, we released the results yesterday.

Just a few words on the overall trend of the results: the key point is that the results are in line with the company's roadmap. They are fully in line in terms of the growth momentum. Our growth was 16.3% of revenues, 4% organic growth, the rest is due to the inclusion in the scope of Casa Reha, which we integrated following the acquisition of it end-2015... and was integrated in January. 4% organic growth and the four countries contributed, Germany being the most dynamic with organic growth in excess of 9%.

Second point, looking at the operating margin: within the Group's portfolio, three of the four countries delivered excellent results in H1, well above their operating results in the last year. This was the case for France and Belgium. France came in at 27.5 Ebitda margin before rentals versus 26.9 last year. This is the case in Belgium because Ebitda in Belgium improved by 150 basis points in H1. In Italy, the business is doing well also. After dilution for one facility that we will talk about, which is in Brescia, which is a pilot project, the Ebitda margin was up significantly in Italy. And, finally, the fourth country, Germany, the Ebitda margin is down significantly on H1 2016: 30.1% in 2015, 26.9% in H1 2016. The two factors to account for this: number one, H1 2015 was particularly strong in terms of Ebitda margin, so the base is very high, and, in H1 2016 there were specific impacts, in particular new accounting treatment of paid leave. And, if you look at what accounts for the decline in Ebitda in Germany, the main point is 230... on a recurrent base is 230 basis points down, which is down less

than down on H1 2015. But, compared to the strong decline in 2015, in the second half, what this masks is the beginning of a recovery in the business and in operating results in Germany. And we're beginning to see the first signs of the action plan that the team set up in the spring in order to cut back on the increase in payroll, which was due, very largely in H1 2015, to temporary employee costs.

Moving on to Ebitda, the Ebitda margin for the Group is better than last year: 14.1 versus 13.6. Within that increase, you will find a one-off impact on property transactions completed in H1, which has a positive impact on the Ebitda margin. And also the impact of the integration of Casa Reha because part of the rental lease portfolio is considered as financial leases in Germany, and is not included in the calculation of Ebitda due to the impact of IAS 17.

So those are the comments I wished to make. Laurent will be far more specific about the figures regarding H1 figures, results. And I would like to say what the operating priorities were in H1. There are four of them.

Number one, a great deal of energy on my part devoted to stabilising the Group, stabilising the teams and ensuring that we all focus on the day-to-day business. This bore fruit, as you can see in the results, and this bore fruit in the quality of our business. The occupancy rate is up on the whole of our facilities, and this had an impact on the quality of our operations in the four countries.

Second priority: development. We wanted to avoid, after the period of turbulence that the Group had at the beginning of this year/end of last year... we wanted to hold back a little bit on development and we're fully in line with that particular goal because we have over 1,000 beds we've acquired, 14 facilities in Belgium. You don't yet see the impact of this in the results because the transaction was only completed in August of this year. But that of course kept us very busy, in particular the Belgian teams, but the Group teams in H1. And this acquisition is highly representative of how we wish to take the Group forward in the years ahead.

Third priority: securing the Group's finances. And, with Laurent's help, we have made good progress on this. We've renegotiated syndicated loans (1.3 billion which are secured up to 2021) and a banking pool (syndicate) of 16 banks, which is also an important factor, which gives the Group visibility.

And the fourth priority, on a few minor matters or a few "leaks", some hospitals that were bought, which we bought, after court case solutions were found. Another group will be taking over this particular facility. And this, of course – Vivalto is the acquirer – and this is very satisfactory because, clearly, we don't have the proper format to include this particular hospital, and it would be far more appropriate for it to be in the portfolio of Vivalto. And we also found a solution for all the employees. We are in the process of finding that solution.

What is the outlook? Well, we are in line with the roadmap. That means that we confirm guidance on revenues around €3 billion. Regarding guidance for the Ebitda margin, we announced that it would be close to 13.3; it will now be close to 14%. And you have the IAS 17 impact that was on the unexpected part [inaudible] from the German acquisition and the real-estate one-offs, which are not necessarily going to arise every year. So what you have to keep in mind is that, in our roadmap, the guidance for 2016 on a recurring basis is around, is close to 13.7, which is in fact good news.

I will hand over to Laurent so that Laurent can give you a full presentation of the H1 results. Laurent, over to you.

Laurent Lemaire

Thank you Sophie, good morning everybody.

We will kick off this presentation of H1 results with revenues. Just to give you some of the figures mentioned by Sophie, we started off with just over 1,000 beds and we have the 10,182 beds arising from Casa Reha in January. That's the capacity. Organic growth 16.3%, 4% in organic growth, which Sophie mentioned.

Looking at France, published results have organic growth of 2.3% with an interesting phenomenon, which was a step up in Q2 versus Q1, in particular in our clinics.

In Germany, the rate was 70%. And also organic growth over 9% in Germany. Different effects impacted this. First of all, the opening and the ramp-up of former facilities that opened last year, and also the use of UTOs in Germany. A phenomenon, an interesting phenomenon, which is the situation whereby Q2 was better than Q1. So strong performance in Germany.

In Italy, published results 2% and organic growth 2.6%. The 2% is a bit less than the 2.6 because Mariuccia and the Italian team seek to optimise the portfolio, so there were closures to better... TO occupancy was very strong, good pricing. So the situation in Italy was very good.

And, finally, excellent momentum in Germany, with 10% published growth, 6% organic growth. And we have the phenomenon arising from recently opened facilities, the ramp-up and also occupancy up significantly in the mature facilities.

So that's for revenues. As Sophie said, published results are fully in line with the roadmap, so we are happy with that particular situation.

Moving on to operating performance by country, well, what you should keep in mind is that we have two universes. The first universe includes France, Belgium and Italy, where the situation is very encouraging, and a specific situation in Germany, on which I will make some comments.

Looking at France, France improved its Ebitda by 60 basis points over the period, which is a good performance, mainly driven by continued synergies between Korian and Medica, with vectors being human resources, procurement. Good performance in France.

Moving on to Belgium, it's even better: 150 basis points increase over H1, Belgium enjoying the leverage from the momentum in revenues. Our Belgian teams are particularly efficient in containing structural costs. And also very good management of cost. And, as we've mentioned, the effect of ramp-ups. Very good results in Belgium.

You may be a little bit surprised by Italy, which I've included in the first category but, as Sophie has said, Italy's impacted by the Brescia pilot project. And, if you remove that, the Ebitda for Italy is very positive, which you will see when we publish the full-year results. And Brescia will have stepped up its activity at Group level.

Now going back to Germany. In Germany we had minus 350 basis points for the period. I recall that the German problems began last year, in H2, so, comparing, H1 2015 was very strong. We had a historically high Ebitda and Germany's Ebitda was 160 basis points for H1. So the base is extremely robust, very high. And, if you look at that 350 basis point decline, it's only due to, exclusively due to payroll costs, up 440 basis points. And we've broken it down into three components:

Number one, the operating dimension, that of the business itself, which accounts for 230 basis points. If you compare it on a sequential basis, if you compare it to H1 last year, it doesn't really mean much. But, compared to what we have done in H2 2015, where we had quite a few problems, the change was 320. So we're seeing the first signs of an improvement, which is the whole effort on temporary employees. We had said that temporary employees were one of our problems. We couldn't find staff, we were therefore using temporary staff. In H1 2016 we were able to have half our use of temporary employees. So it's quite logical to see that 230 is better than 380.

And then there's an accounting effect, which is aligning Germany on the Group methodology regarding annual leave. I won't go into the detail. There's a method which is highly recommended, which is using actual annual leave. And you find that, at the end of June, people haven't taken their annual leave. And then we've aligned Germany on that particular treatment for annual leave, which means that we had a 160-basis-point change with no impact on the year. It's simply a phenomenon between H1 and H2.

And we had a dilutive effect of Casa Reha because its profitability is less than that of Curanum, and its payroll costs are higher than that of Curanum.

So, in total, for the Group, it's minus 30 basis points. As an indication, to isolate the German phenomenon, if we exclude Germany from the scope, the Group's Ebitda would have been up 50 basis points.

Moving on to operating performance for the Group, you will see payroll costs up 160 basis points. Excluding Germany, the figures are flat. So it's the Germany 440 basis points that account for this and personnel for the rest of the Group is stable, completely under control.

You see a positive move regarding our charges, down 130 basis points and, as Sophie said, during... we have two one-offs in this regard. €5 million in Germany. Even if you corrected my €5 million you still have a 100 basis point improvement, even after taking out the €5 million, which accounts for 30 basis points.

And, moving on to rents, rentals (this is the second one-off factor), we've had 5 million for the other charges, 4 for the rents, and this is negotiations with our landlords in France. And then the impact of IAS 17 in excess of our initial expectation, accounting for 6 million for the half as a whole (and, for the year as a whole, 12 million).

Looking at rents, we've mentioned IAS 17, which we mentioned when we closed 2015. Well it comes back very strongly in 2016 with the integration of Casa Reha. Briefly give a financial explication for IAS 17... It's quite straightforward: it means that we recognise all... the criteria is the duration of the lease and, beyond a certain duration for the lease, it's no longer an operating rental but your landlord has in fact become a banker, your banker, as it were. And then, in fact, this is no longer a rent for operating purposes: it's in fact a loan. He owns the asset, you pay the rent every month, and then part of this becomes a reimbursement of debt, and then the rest is interest expense. And in Germany the lease is extremely long – very often 27 years – and a major part of the contracts are requalified, restated.

It's not that we... It's a mandatory standard. It doesn't apply to the building industry but it applies to many other sectors than our own, and, in particular, real estate. So what happens is that the authorities look at you rental, you create a debt, and you have a second impact in the income statement: you see that the rents are no longer rental payments, they become an amortisation. And the other part becomes interest expense. So I'm explaining this because this will come up in the financial statements quite a bit. I know it makes things complicated to interpret the figures. Very little for us but you can imagine that we... when we integrated Casa Reha, we made an estimate but our estimate was not in sufficient detail. And I know the statutory auditors are in the room with us. We had quite a lively exchange with the statutory auditors. We had 6 million less over H1. That was our figure. But then we looked at the total duration. When you have an extension option, that accounts for the fact that our... why our initial analysis was underestimating. And we had to add 6 million. Well, I've explained the mechanism because it'll come up in different parts of our financial statements. So that's for the rentals.

And, looking at Ebitda is 14.1%, 50 basis points' improvement. And, excluding the one-off 9 million... I'm not talking about the IAS 17 but we'd have the 4 million on... the 5 million of other charges and the external rents of 4 million. If you exclude that, then we would be at 13.5%. So 14.1% published minus the 9 million one-off charges, you come up with the 13.5% Ebitda, which would be the basis for the underlying, for the performance of the Group in H1 2016.

And I've restated a second time, to get back to guidance, as we're guided on 13.3% and with our own internal roadmap. And our... without the 6 million we would have 13. ... We'd be close to 13.1%. And, if you look at it differently, it should be more or less comparable to the analysis which came, emerged from the consensus, because nobody knew about the 9 million. So that's to explain. So the underlying is close to 13.1. It's just to give you a better idea. Of course, this analysis could have been done before.

Looking at the operating income statement, our Ebitda is growing faster than revenues and we have depreciation with Casa Reha coming into the scope. And also you have IAS 17 having an impact, as I explained earlier, with the rentals being rerouted onto that particular entry.

Other operating charges: no impact from IAS 17. And you see that it's a fairly high amount. It includes 12 million one-off charges. The first part of the charges, €4 million, arises from additional provisions put for the CHC facility that we have announced we will be disposing of. And the second regarding Germany, where we pursued our review of financial statements and, in the past, we have seen that there are some HR issued that were not properly booked in terms of provisions, in particular regarding the minimum wage, and we decided to make new provisions of 8 million in H1.

The commitment I'm going to make is quite a difficult one but I think we've fully appreciated now the situation in Germany in our financial statements, and I'm pretty confident that we will not have any additional entries or provisions to book. It will be embarrassing if I have to go back on that but I feel confident. We got outside help on this from experts and I think we're really quite happy, quite confident about the fact that we've looked after the situation and done everything that was required. So, so much for that part.

Looking at the financial results, interest expenses are up, a 24 million increase. The 24 million are based on 20 million to the impact of German acquisitions. So German acquisitions that means Casa Reha. And don't forget that we made acquisitions in H2. We bought [inaudible], that kind of company. So there's a 20 million impact of Casa Reha and the other acquisitions. And, if you break down the 20 million, you have 17 million for Casa Reha and 3 million for the other acquisitions.

And if you want to break down the 17 million of Casa Reha, 5 million come under the conventional banking debt of Casa Reha, which is... and we have 12 million arising from interest expense... arising from IAS 17. Because IAS 17 means you recognise the debt on the balance sheet and, when you have a debt, that means you have to book interest expenses. These are booked. Indicatively. We are talking about 265 million debt arising from that particular mechanism. And the applicable rate is quite high because the rate applied to this debt is correlated with the capitalisation rate of the rents that have been restated. And, unfortunately, the cap rates in Germany are higher than in France. That didn't even have the... We're talking about interest expenses which are in excess of 8%, and IAS 17 overall has no cash impact on the company. We're simply talking about shifts from one entry to another on the balance sheet.

Casa Reha has interest expense of 17 million, which accounts for the major part of the 20 million. For the rest of the Group's debt and interest expense, nothing particular to say. We've been relatively stable with the acquisition effects that have come into play.

Looking at the tax rate, the tax charge is stable over the fiscal year and you come out with a tax rate of 46% implicit, which is quite high. Two explanations for this high rate.

Number one, as indicated, we've booked 3 million in non-recurring items, half of which is further to a tax inspection in the past, where we felt that the charges were insufficient. And we had another instance in Germany, representing about half of that. And the rest is due to the fact that some of our German entities, when they calculate their results, show a deficit for the period. We took a... chartered a midcourse. We didn't book any taxation in H1 and we'll revise that entity per entity. And we felt it was more prudent to present that particular position. And I think that activating deferred tax, with the current level of identification of various issues, would not have been appropriate. So of course we did that in full agreement with our statutory auditors, but we may have some good news in H2 because we may decide to reactivate it. So that's it.

And now coming up to the net income for the Group, net profit, 32.3 versus 49.1 which is down 18 million. I'll try to sum up how we can account for this decrease: 15 million of the amount, for example, Curanum, our former German entity, generated 15 million of the decline. It's not altogether surprising, given that we're on a sequential basis, so we're comparing to a very strong base where we had one-offs. And, in the 15 million, there was the 10 million one-off that we didn't have last year. So bear in mind that the minus 18 is minus 15 in Germany. In actual fact, minus 10. And, when the one-offs are taken out, we'll have a situation that will be much more encouraging. And I should add that, in H2, we will have a base that is much more positive because we'll be comparing to H1 last year when the problems started, and our net income for H2 will be well above that of last year. And our net income for the year as a whole will be in excess of last year's, based on expectations.

So do keep in mind that we are in that sequential logic, where we're comparing with a situation that did not exist at the time. So much for the income statement.

Looking at the balance sheet, I won't make too many comments because they would be a repeat of what I said. In terms of goodwill, assets, provisions, debt – on which I will return – over 90% of this is due to Casa Reha and if you have any questions I'll be happy to answer them.

Otherwise, moving on to the financial position of the Group as of 30 June, no particularly... At the top of the balance sheet our credit, our syndicated credit has been renewed, so we're still using the figures from the former

syndicated loan. The first change, major change, significant change, is cash and cash equivalents, because we used cash before the integration, acquisition of Casa Reha. So the main reason for the lower cash is the acquisition payment for Casa Reha. And, second, an increase in real estate debt of 268 million, which is almost entirely due to the impact of IAS 17 on Casa Reha. I spoke about 265 million earlier. So, financial debt is up 418 million, mainly to pay... due to the payment of the acquisition. And real estate debt is up to 268. Real estate debt stands at 866 million. And this only includes 390 million which is real financial debt with a financial counterparty. The 476 remaining amount is IAS 17, of which 265 are due to Casa Reha. And the 390 million is real debt, actual debt, which is our authorised... well within our authorised ceiling. If we want to use more, we could actually do this. So the comparison is only on the financial section and, on the period, you have an increase of 687 million in debt and covenants that have been restated at 3.9, which are up.

Now a few points on the new syndicated loan that was signed. It was 1.3 billion, 650 million on the mid-term and 650 million revolver into 2021, five years out. So 350 million above what we had before. The spread conditions remain unchanged. The covenant conditions are the same for December but increase in June because they were integrated into a new syndicated loan.

The seasonality of the debt: it generally progresses, particularly in June, and then there's additional flexibility for several areas. We have debt basked mechanisms and acquisition mechanisms so, basically, the situation is better than what we had. And, as Sophie said, there are 16 European banks in the pool. The 14 ones that were there before are still there and we have two new banks. And I would like to seize this opportunity to thank all the bankers who have given us their trust. Their support for this operation secures our financing until the end of the plan that we will be presenting today.

You have a graphic representation of the impact of this renegotiation. In green was 2021. Before it was up to 2019. So you see this translation over a two-year period. It gives an average debt rate of... that you see is close to 6 years (actually 5.8).

Now let me talk about net debt. First of all, WCR is in at 24% up. So the WCR was always favourable for H1. It was 41 million last year. So, out of these 24 million, you have 20 million coming from the change in social... the social framework in France, particularly the changes in the social charges, where (the government manages this), and now it's paid on a monthly basis versus a quarterly basis. So this has significant impact on cash flow when you're very labour-intensive as we are. So we're talking about €20 million. But, without this effect, our WCR would have been stable, which is a very good performance, even if we have leverages for improvements.

We have financial charges of minus 30 million, capex that's a little bit higher than last year. Last year, we were 71 million, this year we're 92. This can be explained very simply. We were somewhat more aggressive on the real-estate front in two areas. We decided to purchase a strategic piece of land for the future and we exercised a pre-emptive right for a building that's in very good shape. And, as you can see in the comment on the right, the final position of portage or non-portage over time is not determined but it cost us 20 million for the quarter that's not part of the envelope. That's why we're slightly above average with 92 million.

Financial investments are primarily Casa Reha and a few other smaller operations that are primarily in France and Belgium (372 million worth of such operations).

And, finally, a last item, 370 million which is really mechanical. This is the entry into the scope of Casa Reha with the essential of the IAS 17 debt. It has to appear here to increase the debt since it's not in prepaid.

And, as you can see, there are impacts. There are two new buildings for this H1 – one in Belgium and one in Germany – and this is basically where we have the longer, longest, leases. That's what increases this effect and that gives us this figure, which means that we have a net variation of 687 million for the period.

Now I'd like to return to the new objectives for the financial year. Now we were at 13.3 margin, now we're talking about a margin that is close to 14%. That is mechanically calculated. We add the additional effect of IAS 17 that was not anticipated, so 12 million for the year or [inaudible – 14 or 40] basis points. Then we added the one-off effects for H1 of 30 basis points, which implicitly means that 13.3, that had been announced. Based on the operation [inaudible] for the year is maintained, we'll be at 13.3 but we can add to this the two effects to give us the new objective for the Group.

Additionally, if you reduce the 30 basis points from the 14, you get back to the 13.7 that Sophie mentioned in her introduction. That would be our recurring performance for 2016.

I have finished. And, of course, now I'm ready to respond to any questions that you might have.

Q&A

Sophie Boissard

Yes, I think we should allow for a 15-minute Q&A and then throughout the day we'll be able to return to some of these points if this is necessary. You have the floor. There are roving microphones.

Question

I'd like to return to IAS 17. I would have thought that the restating would have been more neutral because, if I understood this correctly, if you replace leases with amortisation plus a financial cost, I would have thought that the impact of the leases that was being removed... Could you maybe go into this again? Because the financial impact is what we see but what about the cash?

Answer – Sophie Boissard

No, there is no cash impact.

Question

So I would have thought that the lease or the rents that were decreased were about... Would have been added in amortisation and profits.

Answer – Laurent Lemaire

Philosophically, that's the beginning point. We say we take rents out and we end up with an equivalent amount of financial costs and amortisation. That's the rationale. But, to be completely transparent, over that semester, for very complex technical reasons, this didn't work. But the gap is not very significant. It's 4 million. So applying IAS 17 basically costs us €4 million. That's slightly distorted but not significantly. You're right: most of this takes place between when you move from rents to amortisation and costs.

Question

Good morning, I'm from Crédit Suisse. I have two questions.

Could you explain again how you get a drop in the margin with so many basis points, with the growth rate of 6% in Germany? I can't understand this. Because normally we would have an operational leverage that would be significant when you have that kind of growth.

Secondly, I'd like to understand, are you anticipating additional of one-off effects in H2 2016?

Answer – Sophie Boissard

To respond to the first half of your question, the analysis for H2 is somewhat distorted based on the comparison point, which is H1 2015. When say the difficulties in Germany started in H1 that's not absolutely accurately. What we saw in the Group's financial statements it basically was felt starting in H2. So it depends on when you start to compare. Now the main difficulty, if you look at the 350 basis points decrease... 350 basis points, in fact there is even more because of the salary cost, that was 440 basis points. So 100 of these 440 basis points... Part of it was a seasonal effect because of paid leave, and you can take that out. And then you effectively have an increase in payroll that is quicker, that outstrips earnings. What does this actually mean? What does this hide? It's because some of the facilities – and we're talking about 10 to 15% of the overall park of facilities – there's a very significant, high turnover, or rather I would say poor management of labour, meaning that a lot of temporary workers had to be used. And we have to bear in mind the fact that these temps are replacing people

who are on leave, not necessarily replacing real positions. But the cost of temporary employees is 60... Is just higher than hired staff, permanent staff. And then there's a second phenomenon that we're starting to face, that doesn't appear in the accounts for 2016 but we'll see it later in a very significant way, in a very significant growth of headquarters overhead costs. And, today, we're looking at a scope where we have two headquarters and overheads. First of all, Curanum, and that had an increase over H2, and now for Casa Reha. And, of course, our goal is that we think that Curanum plus Casa Reha could operate with one single headquarters. And this will take some time before we can actually see the effects of that, of combining their overhead. What's important is that, in Germany, the quality and the occupancy rate has not been degraded. Quite the contrary: it has improved. What we have seen is that the poor organisation and over-cost had to do with migrating, for Curanum scope, to a new IT system to manage personnel. And there was a lack of training on the ground. And, as Laurent said, this is a highly labour-intensive business. So, if you're... the management is defective and you have to hire temporary employees, you very quickly have the wage bill go up, very quickly. But the growth has given us an opportunity to correct this.

But there's something else I would like to return to: the labour market is very tight in Germany. So, when you want to recruit caregivers, keeping them is not possible if you underpay. So here we are in a very dynamic situation because you have an increase of the minimum wage starting 1 January 2017 of 4% over a 2-year period.

Question

[Inaudible]

Answer

For employees that are getting the minimum wage, in that given industry, it's 14.7% as of 1 January.

Maybe the second point, on the one-offs anticipated for H2?

Laurent Lemaire

As I said, for the German case and the German accounts, nothing special to report. But, for optimisation there may be some non-recurring costs that have to do with integration. But this should be entirely within acceptable norms for H2. On the positive side, nothing to report as of yet.

Question

Société Générale. I have a couple of questions.

First of all, net impact of IAS 17, it's an impact on the net result, right? 4 million? And that's the half-year period?

Answer

Yes.

Question

Could we have assets, real estate assets? Are you talking about IAS 17-related or not? We can see one that's in the P&L, in the balance sheet, or [inaudible] that you hold through collateral or this...

Answer

We're talking about 715 million. Sophie this afternoon will give you the new valuation of these assets. This is in accounting terms and within there you have the two categories of assets that I talked about. But there is no IAS 17 assets in operating. Because, in IAS 17 the sale and lease-back are different. So you have two types of assets: you have those assets that are coming from operating leases (I exclude those) and you have assets that come from sell and leaseback. And, in that case, I consider that, since we have the option to buy back [inaudible] back and forth, and this is what our competitors do also when they announce their results.

Question

One third point: can you tell us what's the impact aside from one-offs of...

Answer

No, there hasn't been such an impact. We told you at the end of 2015, knowing that we were going to spin off that facility, we had made provisions so for H1 and H2... our operating accounts. There's no impact of this. So there's no potential impact next year versus this year.

Question

Thank you for this answer. And one last question. For 2019 – and I may be anticipating – you're talking about a margin of 14%...

Answer

We'll talk about that this afternoon or later on this morning.

Question

But you seem to imply that there is potential for a significant improvement in Germany versus the current levels. So what do you think about... How can you go from 13.7 to 14 in three years' time?

Answer

That's a very good question and we'll be answering that question in a short while.

Question

Hello, Natixis. I understood that some leases are being renegotiated in Germany, meaning they may be extended. Does that mean that you will be having an increasing number of leases under IAS 17?

Answer

No, no, we... It's not our decision to shift over.

Question

But, if you're renegotiating them...

Answer

No, we only renegotiate the amount of the rent. It's not the duration of the lease that we renegotiate.

Question

Can you tell us what is the cost of debt?

Answer

The average cost of debt is 3%. That is both for bonds and bank debt.

Question

And then can you talk about the synergies with Medica. France has had a very good performance. You said there were synergies. We understand that this is a little bit ahead of the curve. Can you give us some figures? Can you quantify it?

Answer

We're within the plan. We will do what we had announced when the merger took place.

Question

In France, there was a drop of SSR rate, good performance for France. Can we see a sequence? What was synergy, what was loss in terms of [inaudible] was compensated by increases in prices?

Answer

SSR we lost 2.7%. In unit rates, that is. This was heavily compensated with mix items and we completed this with some efficiency effects.

Question

And one last question because I haven't understood everything: getting back the hospital [inaudible], I heard 5 million of losses in Ebitda, probably 5.7. I think that this is what the press had reported. This is with what earnings for the full year? And you said that the impact was neutralised. Can you explain the mechanism and what was done in terms of provisioning?

Answer

Let me go back to earnings. We're going to look for it because I can't... I don't have it in mind. It was neutral. We allowed for a provision at the end of 2015 – financial year 2015 – to cover the operating loss that had been projected for that year. I don't know if you remember, in that year 2015 we had made exceptional provisions for the CHC. There was an adjustment in the value of the asset. And we'd done this anticipating the spinoff and the hedging. Because we knew that we were going to do that.

Question

Hello. Can you talk about Germany? Can you tell us something about the occupancy rate and how it's changed? You have said that you have seen the very first effects on temp costs. I imagine that the occupancy rate is also impacted. So I would like to have some idea of the overhead costs on a pro-forma basis, with Casa Reha, Curanum and Phoenix.

And then there's a figure that I hadn't quite got: I'd like to know what is the increase in the debt that is IAS 17-linked. What I have understood that there is 269 that is tied to real-estate debt and for operating and financial debt. How much of the increase is linked to IAS 17?

Answer

On the questions that are relevant to Germany – and these are very relevant questions – I think maybe we can answer these questions when Ralf makes his presentation at the end of this morning's presentations, and maybe Laurent can answer the question on debt.

The debt was... Why did the real-estate increase? [Inaudible] IAS 17 only impacts real estate. So the increase in the debt is only accounted to for 269 million for real estate. [Inaudible] Yes, and then there is some variation. Some things are paid back. But that's almost the totality of the amount. And no impact on the financial debt.

Maybe two more questions?

Question

I would like to also ask a question on IAS 17. Can you give us the amount of rents prior to the IAS 17 effect?

Answer

If there had not been IAS 17, we would have had 7 million additional over H1, and 32 for the whole year. What we had anticipated was 20 for the whole year and 20 became 32. That is an additional 12. Or 6 per half-year, as we reported to you.

Question

Will you give amortisation and financial costs corresponding to IAS 17?

Answer

No, it's not standard for us to itemise everything. We're going to report the same day we did before. But of course we try to provide the answer when the questions come.

Question

Just a follow-up on Stéphane [inaudible] question on the earnings of the CHC. Last year, we were at €4.6 million and, in 2016, 2.2 million. And, when the hospital was fully operational it was 12 or 16 million. So you see your... exactly what's at stake.

Answer

Yes, at full capacity, it was 12 to 16 million. I think we can leave it at that. We'll have two other opportunities for Q&A. I would like to give the floor back to Didier. He is now going to explain what the following presentation will be.

Didier Armaingaud

Let's take five or ten minutes for a coffee break and you will be given a copy of the capital markets presentation. And let's return back in about five minutes. Coffee is served in the room next door, and there's a terrace as well.

Break

Didier Laurens

Okay, let's resume. We're not going to queue another movie at this stage.

Sophie Boissard

Okay. Let's now move to the presentation of our five-year plan. As you know, for me, when I joined and headed up Korian eight months ago, it was a priority after the very strong external growth phase.

It was really just to review developments with all staff on market changes, huge potential out there, and, at the same time, address opportunities for a Group such as Korian. With the remarkable platform it's built over a short space of time, in order to successfully design a new roadmap, share with the operational managers of the Group and, of course, share that with the Board of Directors. It's a process that took us time. It took us several months. And we're now there. And I'm pleased to be able to present this roadmap to you.

So we're going to run through it together this morning and this afternoon, by focusing first and foremost on the outlook, the potential of our markets, on the positioning that Korian is targeting, and then the key success drivers for delivering the plan, one of the key components of the effort undertaken in H1.

So, to be very specific, here's the outline. This morning, we're going to focus on market analysis, ambitious on internal growth, which is really the keystone, the capstone of this plan. And of course the performance drivers that we'll be focusing on in the coming months and years. And, this afternoon, a more detailed review of innovations that are being ramped up. And we'll be accelerating by illustrating this with a case study – Belgium, Italy – and a full review of medical innovation in the Group. And then we'll end with a section devoted to rollout and finance of this plan.

So, before looking to the future, I'd just like to place into perspective what you're familiar with, which is the Korian growth story. We've gone from revenue of just under 500 million to, today, 3 billion. With this, you can see a sharp acceleration of growth over the past three years, with a succession of key acquisitions in Germany with Curanum and Casa Reha, and the Medica-Korian merger. All this makes Korian today the leading European player in the nursing home sector for seniors.

And I'd really like to stress this: we have a geographic platform that is unique in the sector because we are heavily present in four countries, which are the four most populated countries in the EU, at least for three – just under 50% of the European population there – and which alone represent over 50% of the over-75s. That's to say our potential... extensively our potential customer base. And our characteristic – and we're the only ones to have this – we have a multi-local [inaudible]: we're a French player in France, German player in Germany, Italian player in Italy, likewise in Belgium. And we're number-one or number-two amongst the private players in these countries. So, really, our network is extremely compact and deep.

Second characteristic I'd like to stress is the portfolio of Korian activities. We are first and foremost a nursing home player (95% of our revenue), number-one in terms of beds, also a leading player in adjacent operations, which gives us huge scope for diversification and combined growth. In specialised clinics with a strong geriatric focus and the average age of patients that we receive in our network of clinics is 70 and over. Also, a player with a network of service flats in Germany that's very significant: just over 3,300 beds. And a player with home care services or home help: 39 networks, essentially in Germany and in Italy and France, for hospital-type services. Final comment here: it's the extremely fragmented nature of our markets because, being number-one or two, we represent a market share that remains very small: 5% in Belgium now, 3.4% in France. And this gives you the scope for consolidation. Proximity that is very strong. One of the growth drivers for the Group going forward.

As strengths, key, the men and women who work for Korian, what we do on a day-to-day basis is to provide care, support, attentive and competent presence to the 200,000 people who use our services, be it permanently because they are housed in our retirement homes, or temporarily on a one-off basis, clinics or home care for example. And these 45,000 people who work for Korian are highly committed professionals. There's a strong proportion of carers: 20% are nurses and doctors, which for subsequent growth is key.

Secondly is that they are all highly committed in their business, with a commitment rate that is very high (92%). They're really proud of their job. They're there because they've chosen it, they're aware of the importance of their mission. And that's what makes them devoted and committed on a daily basis. And for that we see this directly in the level of satisfaction of our customers. The latest satisfaction survey across the Korian scope (4 countries), 95% of satisfied customers.

Korian, on this market – and it's a market... Second key idea that has huge potential. Huge potential, as you will have noticed, for strictly demographic reasons. The number of elderly people over 75 or over 85 is growing massively. And set to grow massively over the next 15 years in the four countries where we're present. Let me remind of the numbers: over 2% for the over-75s, plus 3% for the over-85s.

Second trend to bear in mind is that this ageing combined with medical progress means that the proportion of people suffering from a chronic condition with which they have to live on a daily basis, and who require care and management either in the home or permanently, is leaping. If I look at the figures in France, amongst the over-60s the number of people with a chronic condition – be it respiratory, neurological or cardiovascular – is up 25% over 5 years. Today, that represents 15 million people in France who suffer from one of those widespread, chronic conditions. And it's a statement of fact, it's not a source of satisfaction. The trend with ageing is such that the people who need a form of care management obviously are going to grow going forward.

Third structural driver for this service market to seniors is of course financing a customer base that is wealthier than the average of the population and it's made solvent by public finance, be it from local authorities, municipalities or social security: 12-15% of the population of the over-60s in France and Germany benefit from long-term care allowance. And that gives you a share of customers who are solvent in order to buy the services they need.

Very dynamic market with strong structural growth potential. That's for the next 15 years. So there's real visibility and, at the same time, a market that will experience some major developments over the next few years, that are driven by three factors. Of course, growth in clients' needs and expectations. That's a generational effect. People in retirement homes with an average age that is of the order of 85% it really is the 4th age. But, at the same time, when we look at people who use our medical services, our home services, in service flats, younger, perhaps 70, 75.

And then the carers, those who support them... It really is a set of people with wide-ranging needs. And, when we poll our guests – and we conducted a survey in Q1 this year – it emerges ever-increasing aspiration of the elderly themselves and their family to greater autonomy and personalisation of service. When we ask them what's the most important thing, they say "I want to be able... Whatever my state of health, I want to be able to decide how I run my life." And that's why our services must adapt to that aspiration.

And the second major development is how can we support, how can we address the carers, because changes in living patterns make it difficult to care full-time for an elderly person, run a house and family. It represents 4.5 million people in France who are regular carers.

So these are new needs, different needs, and we must address them.

Second trend, obviously, digital technology. Clearly, our sector will also be radically transformed by digital technology, like the others, because our customers are increasingly connected. And still with the poll, we asked them what's important for you, what's important to keep when you go into a retirement home? They want to keep their tablet, their smartphone. It's a communications enabler, including for generations that are today moving into an advanced age. And it will radically change the way we build our service, interact with our customers, and the way health is organised.

Third change driver is regulations, the regulatory environment. There are financial resources. When we look at Germany, there is still additional financial leeway that can be galvanised and that's good because the demographics in Germany are pretty compelling and strong for the seniors. But today the trend of national legislation is gradually to say I'm directing the retirement homes, saving the retirement homes for those who are very dependent, and I'm focusing on the development of ambulatory in-the-home solutions for those who are less dependent because it's cheaper and it meets customers' aspirations. And currently there's a twofold trend that is very clear.

And we're trying to kind of summarise these business trends. This is what it looks like. Retirement homes will be increasingly specialised on high-dependency needs and, at the same time, we're seeing the development of strong demand for home care, ambulatory, temporary, where, today, there are many things that need to be developed and invented. And all this, be it permanent reception in a retirement home or management outside, it requires medical support that is considerable because, once again, the state of health, medical conditions, require this medical expertise.

So, to reason on market segments, silos, will no longer make sense and is no longer consistent with the state of health of our customers.

It doesn't mean – and this is a key point and I'd really like to dispel any misunderstanding here – I'm not saying that retirement homes are going to recede. Given the demographics that I've just referred to, given the steady growth in the elderly, the rising age, and also with different care management systems, the number of places in retirement homes is not enough to meet current needs. And, if I focus on our prime market (over 50%), which is France, where, as you know, there is no longer new authorisation for new retirement homes... in 2010 we had 172 beds for 1,000 people over 75 (15 years ago) and today we're at 112 beds for 1,000 people over 75. So, of course, life expectancy, helping the target is moving. But this drop in the equipment rate is not sustainable mid-term. And, of course, there will be additional needs to receive these people. So what I'm saying is that, overall, the market is growing. The retirement-home market and also the overall market of services to the elderly.

To take account of these strengths – we've often been asked about this, in fact by some of us, to say, "in your business, since you're cost-based, since you're so intensive in labour, you're so local, what's the comparative advantage of being big? You have the integration costs, the synergies... Does it make sense?" Well, my answer is very clear: yes, it makes sense. It really does make sense. Because, once again, in these changing customer expectations, to have a strong brand, an ability to track and address customers globally over time, that makes a difference. Because to have the ability to build and roll out serious policies is paramount. When it comes to caring for sick people or very vulnerable categories, that's absolutely crucial. And then, for the cost base, when you're a big player, then of course you can leverage your bargaining power to reduce your costs – property costs in particular – so as to work successfully where the local network of addresses is such that you can provide a good service efficiently. So size matters. It's important to be a big player in Europe.

So then we asked ourselves, "well, where do we want to go?" Because in looking at our characteristics, our core business, which is care, let's go out for care and let's be a care service provider for, say, chronic diseases. Or we could say that we're really into hospitality, a hotel activity, so let's stay in retirement homes or service flats. And we said, "well, no, what is relevant is to start from what the customers want." And the customers – those that we know, that is the seniors, the elderly, their families – what they want is a solution where, at different times and depending on their needs... find what they need, what is necessary for them, with a quality of service, uniformity in the way in which the people are trained, that does ensure them that they are in good hands. So our

choice is that we want to strengthen ourselves as being a global operator of health and care services, dedicated to the elderly.

Now, this will help us create value for customers and for shareholders in two different ways, because we will continue to develop each of our business segments. I'm not saying to you today that we want to exit or to reduce the share of retirement homes but we're going to develop each of our businesses and create value in each of them. But, at the same time, we're going to work to organise, to articulate our offers on a local basis by using the best practices, the best concepts, in our four-country network, in order to be capable of lastingly addressing our customers and supporting them in their needs over the long term. And that means that we're going to be able to better leverage our asset base, our network, which is our prime strength. For us, we want to promote a one-stop approach. And, of course, we'll be leveraging digital technology to achieve that. And, lastly, we will fully use our brand as a service promise, a key enabler, and reassuring our customers. As you see, this fundamentally is a pretty significant change of posture because it means that, for us, Korian, to go from an approach which was heavily dictated by regulation, a silo approach, whereas here it's more of a bottom-up approach. We start with the customer without of course discarding the constraints of regulation. We really want to be all-out focused on the customer.

In practical terms, what does this look like? It means that we want to grow our market share in each of our business segments, in each of our four countries that we want to develop this innovative joined-up approach between our offers, to seek out additional value, extend our service offerings, to price them. It also means that we've decided to leverage our expertise in care and support through a unique facility network focusing on performance management, to deliver best-in-class profitability.

And so you will have understood that our health activity – that some of you have been asking us about regularly – has its full place in the Korian portfolio through this integrated approach.

So our objectives... Let me say that these are the targets that don't include any M&A strategic deals. It doesn't mean there won't be any. We're just setting out here our roadmap that is geared towards internal growth. The target that we're setting ourselves for the next five years is an average growth rate of 5% between 2016 and 2021, leading to the opening of new beds, new capacities, of 2,500 to 3,000 new beds a year.

In terms of financial targets, our target is to gradually grow the Ebitda margin to 14.5, reaching 14 in 2019. I'll tell you a bit more about how this is to be read. A strong increase in free cash flow generation of 50% over the period. All this by maintaining a stable dividend policy: 60 cents per share over the period. That's how we've built our plan.

So let's now review the five success drivers that we've identified for this plan. As I said earlier this morning, we'll be focusing on what is both growth and performance, and that we'll keep innovation for this afternoon, as well as the rollout plan and financial discipline.

So the first driver for Korian is, first of all, internal growth. I'd like to emphasise this. We've been criticised many times for having spent too much time focusing on bolt-on acquisitions that are by construction... can take time to generate value, that in fact consume a lot of time and energy – and neglecting what creates more value, which is organic growth, local acquisitions. Well, all the work we've done these past few months is aimed at asking ourselves how, on the basis of the unique network that we have today, in terms of the platforms, the very rich connections that we have, how can we grow and truly leverage this asset base.

Well, in order to do that, we're obviously going to use three levers: 1. improve volumes and prices, 2. develop new capacities or restructure them to generate additional revenue and extend procedures, and to have small local acquisitions that incorporate in the network, that generate value, a bit like the one that we achieved in Belgium with the Foyer de Lork.

So, in fact, this means that there are three main avenues for growth: developing our capacities, emphasising in this particular sector, strengthening our service flats as well as home care, and developing additional capacity in retirement homes and clinics, restructuring as, for me, brownfield is key to the performance of the company. We have to work on our network. We have retirement homes in France, facilities which have 80 beds. And we have to be able to have bigger facilities, a smaller number providing a greater number of services, in order to

optimise the service to the client as well as our cost base. And this also means that there is the logistical aspect, meaning that, by articulating our offers locally, linking up our facilities, because we have a strong presence in urban areas, we can get synergies in terms of services, and our commercial efforts. So now we're going to have a short film which illustrates the different forms of the growth, and then I'll take the floor just after.

[Film]

The success of Korian is based on the fact that the Group offers a wide array of services that meet the new needs of the elderly, as is already the case at Hasselt, Belgium. This facility is a comprehensive service platform geared to the elderly. It combines a nursing home, service flats and a full range of home care services.

[Flemish speaker]

In Wiesen, a wide range of services and supportive schemes is also offered at a single facility.

[German speaker]

The strength of the approach also lies in the fact that it is located within the urban fabric, in direct contact with the world outside. This is particularly true in Ulm, Germany, where the restaurant is open to the public.

"I think the special thing of our house is that you can come here, you are very fit, you come here to have social contacts, you come here to have safety, and then, when you get older, then you have different needs."

Anita lives in a service flat and she believes the activities and services Korian offered in Ulm perfectly meet her needs.

[Speaks in German]

The approach, which consists in offering many different services in a single location, is going to be deployed in all four countries, which will help Korian meet the needs of the elderly and their relatives, and tap into the opportunities of a growing market.

That gives you some specific examples of the approach to growth. Just to finish on the example in Hasselt in Belgium, Hasselt, the service flats are full, the new facility that's being built a few hundred yards away will provide the same services as the retirement home, and the waiting list is well in excess of the number of flats. So it's a good example of synergy and the independence of both activities.

Another example is the facility in Brescia in Italy, where, in the same location – it's very upmarket – you have a rehabilitation clinic plus medicalised service flats, and you have the same technical platform and the medical team, fully financed by the clients themselves. That's our positioning that enables us to do that. So that's another way of articulating the different offerings. And, of course, this concept is very much part of the concept of our specialist clinics in France.

Our specific strategy for the healthcare business is being restructured. We're restructuring our network. We're going to have fewer facilities that will be bigger, with at least 100 beds and day care facilities, and close to main hospitals. You have the example of Toulouse, where we're going to repatriate a clinic close to Oncopole, and this will enable us to have... look forward to doubling our Ebitda margin with a service level that will have no comparison to what we had before. And there are at least seven platforms in different big French cities which are being... Where preparation is underway.

Next, how do you connect the establishments? Well, we have a film on that as well. Perhaps we can see the film? Thank you.

[Film]

In densely populated urban areas, Korian has set up clusters that include several nursing homes run by a single manager. The purpose of this approach is to better meet patients' needs while efficiently sharing resources.

Korian's cluster in Rouen has been running three Korian nursing homes in the area for several months.

[French speaker]

The sharing of resources is especially beneficial to the residents, as they are offered a broader array of activities and services.

[French speaker]

In Marseille, the Korian Les Parents and Korian Périer homes are a dynamic cluster and efficiently share resources.

[French speaker]

The nursing homes in any given cluster remain self-operating and the close cooperation between management committees makes it possible to effectively and efficiently run joint projects.

[French speaker]

Pooling resources also provides the caregivers with the opportunity to enhance their skills by share one another's experience.

[French speaker]

More services offered to residents, closer ties between the caregiving and management teams, and economic efficiency, make for genuine synergies in the clusters. Korian wishes to extend the approach to all four countries.

To be specific, this cluster approach in Rouen, for example, we've increased the occupancy rate by 1% and, on the three facilities, the average price was up 4% on one year in that area. And, in terms of service quality, and the quality of the... the recognition of the facilities, we also saw an increase. So the goal, clearly, is to roll out this approach. In France, 70 clusters have been identified and we're going to roll this out. And this approach obviously makes complete sense in the other countries.

So what you should remember is that our ambition, very clearly, is to focus on organic growth, to grow from 2,500 to 3,000 beds a year with additional services, emphasising this market in Germany, but also in France, and also devoting all of our resources to optimising and exploiting the potential of the network. This means investments, development investments, of €600 million.

Coming to the second aspect, which is operating performance, operating performance is one of the key points for the Group. The Group went through an episode in 2015 of a decline in Ebitda from 14.1 in 2014 to 13.3 in 2015. And this decrease, as you remember, there were two reasons for it.

First reason was cost, which had not been sufficiently anticipated when we implemented the merger between Medica and Korian. And, second, the poorer performance of our German subsidiary, which came out in H2 2015. And I will go back on this but this is the direct consequence of the cost of the external growth transactions, which took place very quickly, and which led to managerial difficulties.

So this means that, in France, clearly, the merger of Medica and Korian is now behind us. The teams are in marching order. The H1 results prove this. And we have digested that particular episode and we're now able to deliver strong performance. So I think we should recall that, given the scale of the merger and the shift in paradigm, to digest this in two years is pretty good going. You can always focus on what's not going well but let's recall that this merger was fully digested in the space of two years.

What lies ahead – the main country being France – is that we have to gradually adapt to the new fee scale on clinics. From March 2017, we will gradually shift to a tariffication... a daily charge with a charge for the activities, different types of activities, which will depend on the pathology and on the individual situation of the patient. And this is... And we have not yet... We do not yet have the full parameters for this new scale of fees, which means that we are relatively prudent in terms of forecasts regarding the top line in the post-acute sector. And there are increasing needs. There's room for it to improve our efficiency and we're going to organise this to be in the best possible situation to exploit the opportunities. So this is an important point in order to understand what we've taken into account in order to set our growth objectives.

Number two, Germany. Well, we have two impacts: there's an internal impact to manage. In other words, how do we do what we've done in France, digesting our various acquisitions, and that's more than a paradigm shift in Germany, since we've gone from 200 to 550; we've gone, moved from the Mittelstand to the second-largest subsidiary to a Group generating 3 billion in revenues. So we're in the middle of that. We've already... We're well on the way. I'll go back on this. And it also means that we have to restructure our process, we have to harmonise our IT systems, and gradually we have to set our performance measurements to put Germany back on the same level of results, which was before, which was Ebitda margin above 30%. And we have to do that in a German environment that will change very significantly from 2017 to 2019. For the best but with some uncertainty. To be clear, in Germany we'll have new regulations on clinic prices; 95% of our business in Germany will be impacted. Average facility... The charges will shift to average charges per person. The idea is to get people out of nursing homes (the 20 to 30% of people who are not dependent) so we have to manage that.

Tariffs, prices, will be increased. Charges, for the most dependent people will be significantly lowered but that means that you do have to have the people who correspond to that particular level of charge. That's the big job for 2017.

Number two, local regulations in Germany will apply in the different Lander of Germany, and these will change the management rules, the number of double rooms will be 10% of the facilities. So, in 60 facilities we have restructuring, adaptation work to be done, in order to align ourselves. We have three years to do this. We started off with Bavaria, then North Rhine-Westphalia, and this opens up exciting new opportunities for day care, outpatient care. And this opens up new markets. But what this means is that we have to organise ourselves in order to fully exploit that potential. That leads us to adopt a performance plan, an integration plan, that will be robust in Germany for the next three years to accompany this. It will seek to fully integrate or complete the integration of Curanum and Casa Reha, as well as reorganising our support functions in order to be as efficient as possible. And I will answer the question that was asked earlier regarding the relative weight of the support functions in the different countries. And this also leads us to – for the time being and I'm not giving any guidance for 2017 on this, and less so for 2018, that's not the point – but this means that, looking at the pluses and minuses that I've just indicated regarding the top line impact and the time needed to adapt, we're not going to promise a very strong growth in Ebitda in the immediate future and we... The timing... In the very short term there is still some uncertainty. But what is certain – and this is the goal that everybody is in agreement on and this is what we're building on – the idea is to go back above 14% Ebitda as quickly as possible. And we're going to work in a conventional manner on three drivers.

Procurement. Laurent will talk about this at the end of the day in greater detail. Reducing support functions. And the Group target is 4%, so some countries are... Have reached the target, others are above it. This is the case for Germany. So there's significant room for improvement in that particular area. The idea is how quickly we achieve that 4% target.

And of course working in optimising our network of facilities, both by looking, focusing on the worst performing facilities. This is what we're doing, both in France and Germany.

And working on the portfolio structure. We may dispose of some non-performing facilities. This means that assets that are not at the core of our business, or assets for various reasons that we're not able to bring to the expected level of performance, either because we don't have local synergy, or that it's not appropriate for us as a segment for instance (for example the CHC hospital).

So this means that, in Germany, we will be targeting, by 2019, 25 million in cost reductions through the integration of Casa Reha and the efficiency drive.

The third driver, which is directly linked to the performance driver, is the HR driver, investing in our people, our employees. Of course, we all have in mind, for our kind of business this is key. It's the cornerstone, it's what determines, sets the quality of what we're offering our clients. It is also the biggest cost item for the Group (52% of revenues). As you know, this has increased significantly. We were just above 50% two years ago. And underpinning this there are different aspects. There's the structural payroll factor. In France, in particular, but also in Germany, where, with the impact of the minimum wage in Germany, unit labour costs have grown and we can't exploit that, given the qualification of our employees. What we will look at is our capacity to recruit the

best people, to ensure their loyalty, to reduce all the turnover and friction, because the Group's turnover at present is 15% in HR terms. But that's completely normal for this sector. And we will work on effectiveness in organising our work. If we're able to do that, if you can plan, leave, annual leave, etc., you significantly reduce the overall cost of your payroll. If you have a large network – and this means that you need properly trained managers who have the right tools, who have the right resources to be able to organise the business as necessary – the goal is very clear. We want to contain the effort ratio, whatever the tensions may do, to 50% as a percentage of the Group's revenues, without any impact on the quality of our services.

So there are two thrusts here: the first thrust is on recruitment and loyalty. And one of the key aspects of this is the learning curve. And, in Germany it's apprenticeships. In Germany, we've recruited fewer apprentices in Germany. We're paying quite a high price for this. Next year, we want to have 10% of our staff recruited on the basis of apprenticeship contracts. And we're going to [inaudible] apprenticeship in France as well, because this means that we will be able to have employees who stay with us. By 2020, we want to have 3% of apprentices working as caregivers and also on the hotel service department.

Number two, training and development. Clearly, the goal is to shift to 100% of the workforce trained by 2020. At present that's 70%. And what we want to have is a training programme focusing on all our facility managers, because this is the cornerstone of the system, and that's at the very heart of the problem: the sound running of the system.

And number three, functions that require diplomas, training our caregivers through internal promotion, with the rolling out of a geriatric passport for the Group within the next two to three years. And this will start in France. This is by qualifying our staff. And, before coming to the fourth driver...

[Film]

With 35,000 employees trained in 2015, and over 485,000 hours of training, Korian considers training as a constant priority. The Korian Academy was created in 2016. In each country, it offers training programmes to all employees in all areas of work. The Korian Academy focuses on career development and it seeks to enhance the knowledge, know-how and behavioural patterns of employees, in order to enable them to meet the specificities and complexity of care to the elderly.

[French speaker]

Korian Academy in France has set up a scheme that offers accreditation and work experience as well as training programmes that deliver degrees, such as the one for hospitality managers.

[French speaker]

In order to enhance the expertise of our teams who take care of residents every day in France, the Korian academy has developed the geriatric passport, the first training programme which delivers a degree in this field. The programme enables the employees to explore all aspects of care to the elderly in great detail.

The Korian academy also seeks to develop a Group-wide culture by sharing best practices and offering the same programmes in all four countries. In 2016, the first common programme on the Group's values and employee motivation was set up. The first session took place in Italy.

[Italian speaker]

Specific programmes have also been developed for facility managers. In partnership with famous schools in France, Korian offers training courses on team management, sales techniques, performance and the quality of employee work.

[French speaker]

All these actions, designed to guarantee and develop the professionalism of its teams, are evidence of Korian's commitment and know-how in the field of training.

Well, what you should keep in mind is this strong emphasis on training employees, and sourcing and recruitment, which is absolutely crucial for the years ahead, and on which the strength of our brand is something that will help us greatly.

Now, the fourth and last driver for this sequence is property, real estate. We've referred to it on several times and what we're saying is, well, what is Korian's real-estate strategy? Could we have a strategy that would create greater value, given the fact that the cost, the low cost of financing property acquisitions is unbeatable. And what I would like to do first of all is to dwell on the challenges in real estate for a group such as Korian.

In operational terms, this is the backbone of our business. In more than one regard. Because you cannot have a quality offering unless you have the right real estate. That's the first basic consideration.

Number two, the cost structure for the facility managers is very clearly dependent on the quality of the facility. If you have a three- or four-storey building with the kitchen in the basement, etc., the operating costs are not the same. So we're trying to optimise on all our costs. And this is directly linked to the relevance, the pertinence of our real estate portfolio.

And the last consideration is real estate that governs a large part of our growth because, when you want to grow the business, inevitably there's a real-estate project underlining this, underpinning this. And this real-estate dimension is absolutely crucial for the pace of our future growth.

At present, Korian is very clearly an operator with an asset-light structure and the important figure that we should perhaps dwell on here – because perhaps you haven't seen it so far – is that, at present, we have a real-estate portfolio, the market value of which it's been re-estimated at just under €1 billion compared to the 775 million in book value. In other words, in our financial statements. And this corresponds to 14% of our portfolio generating revenue, depending on the type of activity in the portfolio. Keep in mind that, with that almost 1 billion in market value, there is a debt of €990 million, which gives you an idea of the room for manoeuvre that we have, using this portfolio.

Looking at the geographical breakdown, as you can see, most of these assets are situated in France, some in Italy. But, in Belgium and Italy, we're still in a non-ownership structure.

Let's focus on the rental portfolio (96% of the portfolio). Keep in mind that this portfolio is mainly held by institutional investors. For many institutional investors, we don't have any key partners, main partners for our real-estate business. But, at a group level, we don't have any key partners and the effort ratio and the profile of our leases is very varied. On average, we have an effort ratio versus Ebitda in excess of 50%. And the lease structure, well it ranges from 9 years in France (a traditional commercial lease) going out as far as leases well in excess of 20 years in Belgium and Germany, all the way to 27 years in effort ratios. Once again, based on this 50% average, are very different, vary greatly from one country to another. So I won't be more specific in terms of figures per country, the most significant room for manoeuvre is obviously in Germany. And this is one of the key issues for us.

So what conclusion should we draw from this? If I were to say that Korian is going to change and become a real-estate owner, that's not so. We don't have the structure for that. It's not our economic model and it would make absolutely no sense. But we can have a real-estate strategy without necessarily going for ownership. And that's precisely what we've done. So here we're basically using four points of leverage to create value.

First of all, actively managing the portfolio that's either in ownership or lease. And that's what we did during Q1. So this was when transactions occurred. We position ourselves, we use our right of pre-emption, renegotiate leases. In other words, we optimise. And the portfolios of the buildings that we run change, and we have constant opportunities presenting themselves. So this is the first aspect, which is a very dynamic approach to managing the portfolio.

And we have to internalise real-estate skills and competence. We simply can't use outside or external competence and know-how, or depend on owners who have all of the know-how. We need to have very strong real-estate teams. This is why, in a few days' time, we'll have a new director in charge of real estate for the Group. And he's coming from the tourism industry. And his goal will be to dynamise all of our real-estate policy. And in particular asset management and development.

Beyond this, we want to be sure that, when we're developing, or when we're working on the value of rent [inaudible], we have let go of a future value and we've turned it over to the developer and to the investor who bought the underlying property.

So, today, there are several operations where that is precisely what we're seeing.

The third thrust is securing and optimising our financing conditions in the long term. Here, what I want to do is to achieve strategic partnerships Group-wide, with one or two property investors to use the portfolio effects so that we can be certain that, in the long haul, the portfolio is balanced, that the sharing or the apportioning of the value is beneficial for both parties, and that we have as much manoeuvrability and leeway over time, and so we can renegotiate, review lease conditions when we are leasing.

And the fourth thrust, when we have 14% owned property, and we have the [inaudible], we have an opportunity to ramp up. So we're not ruling out actually acquiring properties, because the properties that we occupy often change hands, are sold and bought. If we're looking at a property that has value and potential, can go up in value, we may be in a position to improve the way in which it's run, the way in which it's operated, if we become owners of the property.

And, finally, for the new projects, our target is to have an effort rate relative to Ebitda of 50%. That's the goal.

I think I will leave it at that on the real-estate question. But, in terms of the performance, the possibilities are there, in real estate, in human resources, and we're going to work on all aspects. Part of our negotiating power has been handed over, [inaudible] over to the developers and the investors. And we want to retake some control on that part of our business because it's decisive and determining, both for our business but also for the value of the company in the medium and the long term.

I would now like to finish this part by focusing on something that we've already talked about a great deal this morning, and that is Germany. And Ralf will now speak about Germany. So I'd like to invite Ralf to come up to the podium.

Ralf Stiller

Thank you Sophie. I have to speak in English to you.

Korian has developed its leadership across Germany with a global care service offer. That means we run modern 25,000 nursing beds, around 2,600 service flats, and 25 entities in the home care.

We are present in all federal states but with a clear focus on the most attractive ones: Bavaria, North Rhine-Westphalia and Berlin. We have a strongly implemented know-how in operating integrated offers, which will be the key success factor for the future.

Our market in Germany is an attractive one. We are offering size, growth and solvency. We have the largest population aged over 75 in Europe, with 9 million people. Care insurance covers half of the cost per resident in nursing homes and nearly one-third of the nursing home residents are financially supported by the State.

From 2015 to 2035, we have a huge increase in the elderly population. People over 75 will grow by approximately 30%. The people over 85 even by 55%. In the same period of time, people with dementia will grow to 2.5 million.

This social challenge in Germany has to be seen in the context of the new regulation [inaudible] 2 and 3, which gives the local authority an increasing role in the market regulation, gives nursing homes the opportunity to focus more on highly dependent people, and fosters alternative solutions for less dependent people, such as home care, assisted living and day care.

There are also some changes in the Lander regulation. New standard rules will be implemented starting in 2017 with impacts on size and organisation of the homes, as well as on single versus double rooms offer. At this stage, changes may lead to a potential reduction of approximately 3% of our offer in these installed beds. The operating impact has been discounted in our 5-year plan.

Our care sector is also structured by new working conditions, minimum wages, the [inaudible] in 2020 all over Germany, and market consolidation is going on, and will be even reinforced by the impact of new regulation on small players, giving us as a big player to do some nice bolt-on acquisitions.

As you can see, we are unfortunately back on the level of 2012 regarding the Ebitda margin. It's obvious that there is a need for structure and stabilised organisations after successive mergers and the rapid growth in the past years in Germany. But we can build on highly committed teams in our facilities, creating a good quality of service, and we can build on our huge expertise in the integrated offers.

Now a new management team is already put in place, in a first step clearly focused on the mobilisation of all key managers and preparing the whole company on the coming changes in regulation. The next steps are the integration of Casa Reha and the work on the performance plan Success for Germany 2020.

We will improve our performance through an active top-line management. We will adapt our care offer to customer needs and regulatory changes. Our aim is to grow business through offering a full range of offers. We manage [inaudible] 2 and 3 loss by prices management and adapting facilities to more dependent people, and we are preparing the upcoming regulation changes at Lander level.

This will sustain a dynamic sales growth with an average objective of approximately 6% per year between 2016 and 2021. Our development will be done through a joint approach of our three business lines: nursing homes, service flats and home care. And, in addition, done by the implementation of day care and add-on services.

Thanks to our large offer and different business lines, our customers and their families will have access to a larger offer than the ones being only nursing homes, assisted living, home care or day care. We will give... We will open our facilities to our residents, but also to the home and to the day care customers, creating a sense of community.

We are going to propose to our customers, on all lines, several services to ensure they continue to live an active life for the ones still fit, and an adapted offer for the more dependent ones. We will offer services around entertainment, services around wellbeing, services around security and facilitating life at home. We will offer services around ergo-materials. We will offer services around communication towards external world. We will offer services for prevention and maintaining capabilities.

On the cost side, we already set up the project Success 2020, with a dedicated team levered by four drivers.

First driver, purchasing, to capture the Group synergies.

Second driver, support functions, to leverage the Korian and Casa Reha integration, and to build the new organisation for central and local organisations and functions.

The third driver, the portfolio of facilities, where we will review each facility and turn around the underperformers.

The fourth driver is our human... HR. We will map the 3- to 5-year needs. We will build a strong employer brand. We will double the number of our apprenticeships, as already heard by Sophie. We will reduce interim costs and friction HR costs.

We are expecting around 25 million positive Ebitdar contribution by 2019 including Casa Reha synergies. And this project will help us to come back to a 30% Ebitdar margin in 2021.

So you can see we have now activated all the teams in Germany. We are working on action plans in all topics and we are improving the services to our clients.

Sophie Boissard

Thank you Ralf. I think now that you probably have some questions for us, so you have the floor.

Q&A

Question

Yes, it is Stéphane again and I have a few questions. Can you tell us where you see synergies between service flats and a nursing home business, because, in the first case primarily you're talking about services, not necessarily care? And, in terms of personnel and human resources, can Korian really go into these businesses, or would you have to consider some acquisitions in order to acquire those skills and competence? And then, post-acute, what about psychiatric care? Because you have a leftover... Because you had sold the psychiatric business. But then, with Medica, you are back into it. So you don't mention it... Is this worth something? And, in terms of strategy, we're forgetting a little bit about the fifth country, because you're really focused on four countries. But I'll leave it at that and then I would have a question on service flats. But I did want to know what are the margins that we can expect for those businesses. When we looked at other operators, they had lesser margins than what you have in nursing homes. Thank you.

Answer – Sophie Boissard

So we have three questions. I'll try to respond to the latter two and then I'll ask my colleague to answer your question on service flats.

First of all, what's the word from our psychiatric facilities? I told you how we were positioning ourselves: care and support that's dedicated for seniors. We are looking in our portfolio to optimise it and we would sell off or spin off those assets that either cannot be recoverable or simply could not be run with the requisite level of management. I won't go beyond that.

As for the fifth country, as I said, I was presenting a trajectory that was outside of the strategy and that strategy would be opening to other countries or diversifying into a sector where we are not present. So this is why I'm not talking about the fifth or sixth or seventh country. There's no consequences or conclusions to be drawn from this.

On service flats, I have two things to say. There are different models and the market is sort of looking for the right model. You may have in mind the French market. What we have now in other countries – both in Germany and Belgium for that matter – is that these assets have a better Ebitda than the nursing homes. Maybe Bart you want to add something to this?

Bart Bots

We're seeing the contribution to earnings of the service flats is greater than some of the nursing homes. Why is that? That's because, in the small service flats... When we're talking about service flats that are intended to replace rooms or beds for residents who don't need a lot of care, basically some of the personnel that is used for these people... And actually it's not actually personnel because, in the service flats, you're not talking about personnel. There is no particular standards. So those beds can be used for residents who need a lot of care. So we have serious care requirements. So what we're seeing in our results, in our earnings, is simply an improvement with service flats.

Sophie Boissard

But it really depends on what you mean by service flats. There are several parameters that you have to take into consideration. First of all, what are the rental conditions. So one of the conditions for development and leasing this real estate. Is it a standalone facility or residence? Or does it work alongside a nursing home?

Bart Bots

Yes, it is a standalone that is next to a nursing home or is it an entirely independent... Because a standalone facility somewhere in a village without a nursing home nearby...

Sophie Boissard

We need synergies in terms of our earnings. Bart just said this. This makes it possible to have a regular flow for the beds in the existing nursing homes. It means that you can use, additionally, the personnel from the nursing homes, for instance for meals. So the costs, the caring costs, are much lower. So there's a real ecosystem that's here. So we really believe in this model that has been tried and tested in Germany and Belgium.

Now, in France, this is a market that hasn't really sorted itself out, but I think that's the general direction that we want to go in.

Thank you.

Question

I have questions primarily on real property. You've [inaudible] the value I had in mind. Another figure, 860 million at the end of 2015, so why the difference? Or what's the difference?

When you say we have 40%, we own 40% of our assets, is it 40% of all facilities or 40% of the square meterage, of area, 40% of what exactly when you talk about ownership?

And, last question, on the debt, I understand by connecting different slides that you have 2.3 billion in debt and 860 million of that is real-estate debt. Out of the 860 million, 390 are actually corresponding to assets that belong to you and the other is linked to IAS 17. And part of that was added recently... In Germany... Is that exactly how I should understand the breakdown?

Answer – Sophie Boissard

That is precisely it. The balance sheet value, 775 versus 860, that are... the figures that were reported.

Laurent Lemaire

To be absolutely transparent, I don't really know how we came to the 860 million figure. So I'm not sure this is absolutely comparable. I think here there is something to do with IAS 17. So you know just how complex, what this covers, what this doesn't cover. So I can't tell you. I can't extricate exactly what is related to it and what isn't, given the scope.

For 40%, we're talking about 40% of the assets. 40% of the number of assets. There's no strong distortion in terms of earning because we represent... It's also 40% of earnings, of revenue.

Question

I have first a very pragmatic question. With the changes in regulation in Germany, what percentage of patients is likely to leave your facilities and how can one find the right kind of patient, in other words to benefit from the change in regulation?

Second question, I understand your desire to create care platforms. What can you... In Germany, when you have many different owners, networks that are harder to reconcile, and significant investment required to harmonise the overall offer of care on one platform, in order to provide a whole range of services to the residents.

Answer – Sophie Boissard

I'd like to take the second question and I'll leave it to Ralf to respond to the first question.

You're very right to bring this up and this is why we haven't said – and I hope you did not understand it this way – that we were going to wave a magic wand and change all of the facilities in the portfolio into multiservice platforms with enormous real-estate investment. That is not what we're intending. What we're saying is that there are several different ways or approaches. There's a [inaudible] place where I develop under a same roof multi-services, or within one complex. And I'll do it at the end of the lease and I'm wondering whether we should relocate or not. And this concerns about 40 platforms that have been identified in France. Or what we're doing in Germany. Because, in light of new regulation, we have to do something. So our approach is very much differentiated based on the circumstances.

And then there's a soft approach. If you take Rouen, it costs us nothing but simply by being a little bit smart in terms of organisation we found service and better pricing. So it's by doing different things, modulating and going digital of course, with all of the ecosystem, is something that really yields local synergies.

Now, in terms of the number of patients who will no longer be covered by the dependency insurance under the new regulation, this varies a great deal in each Lander.

Ralf Stiller

... It's 1% and on the other hand, in H1 next year, and then there's an assimilation via the degrees because the higher degrees will cover the impact of the losses of the move-outs.

Sophie Boissard

So, clearly we're expecting an impact that will be neutral or, even more, it's that plus that we have difficulty in determining, because the financial cost for highly dependent persons has increased, but we just have to find a solution for 1% of people who will exit, and to have service flats next to it is interesting.

Ralf Stiller

Very, very low; so called zero. No decreed in our system.

Sophie Boissard

And then I'll move over to the other side of the room.

Question

I'd like to pick up on this German point, on regulation. If we were to... I mean I appreciate that it's a system that's similar to the, close to the French system, with gearage, and, if we take the map of today's patients in the German customer base, and if we would apply the new tariffs that will come into force in 2017, what would be the price effect that we're talking about? That's a first point.

And the second point... Do go ahead if you want to answer the first question.

Sophie Boissard

I'm just translating for him.

Question

I should maybe do it in English, yes. You have in Germany, I guess, or what I understand is, if we will use a new scale of tariffs, and if we were to apply this, or if we were to already apply this scale of tariffs on your mix of patients, so depending on their level of dependency, what would be the mix effects if it's positive that we would have on a pro-forma basis, let's say talking about the 2015 figures for example?

Ralf Stiller

The positive effect is about 5 up to 7% from the average turnover per client.

Question

And related to this will there be needs for additional opex?

Ralf Stiller

In some Lander, at this stage, yes. You have to adapt the staff.

Sophie Boissard

Our estimate is €15 million of opex to get the facilities up to standard (15 million over 3 years). That's property. That's maintenance capex we're talking.

Question

And the other question on the real estate that you detailed: could we have a brief idea of the envelope of capex that we can expect in 2016, 17, 18, 19? Not just for Germany. I mean, even if you have a bit more for Germany we'd like that.

Sophie Boissard

Real-estate capex or all capex. In fact, 90% are real-estate, property capex. Do you want to answer?

Answer

Over the period, we just think, to be capable over the plan period, [inaudible] to reduce our maintenance capex today between 2.5 (just over) to save 50 bps over the life of the plan. In light of what we're saying about Germany, maybe there'll be a ramp up of capex but nothing, nothing hugely important overall in the out years, because we're starting from €5 million per year over the next three years, maybe do a bit less. Some will replace other maintenance on the same facilities. So not amounts that are going to upend our capex structure.

Question

I'll put my question in French. Could you explain if the 25 million cost reduction... Is that going to be cumulative over the next three years; at the end of year 3 that we will have 25 million in cost savings?

Secondly, I'd like to better understand the 2% reduction of capacity in Germany. Is that because of this change in the legislation in Germany, or are there other reasons for that?

Those are my two questions.

Answer – Ralf Stiller

I can directly answer the impact, the potential impact of the Lander regulation. So it's a worst-case scenario on our portfolio at this stage. [...] **[Power outage]**

Question

[...] New legislation, do you have an idea? Maybe you already mentioned this in your idea. How many reductions, how much reduction of customers are you expecting because of legislation?

Answer

No, we have two effects. We said, number of people received today who will no longer be covered and exit: that's 1% of people received. And the second different effect that will gradually affect as of 2015, with the new legislation on the number of twin rooms in particular, we have to reconsider, restructure 600 to 800 beds over 3 years. So those two effects are different.

First effect is going to be offset, is going to be offset, as Ralf said, upwards through a good patient mix. I mean, there can be changes in a particular facility but, overall, it plays in our favour.

Second impact: we've identified today about 60 facilities where the reconfiguration work must be done. And, as Ralf said, the goal, the target is really to optimise those 600 to 800 beds and to focus on other capacities that are not mobilised today, or that can be upgraded easily.

But this explains the prudence that we're showing for the period 17 to 18.

That's why it's so important to have integrated offers on the local fields so that you can deal with the situation.

Question

Yes, just to back up to two questions. The first on your 50% gross free cash flow. 50% of what? Of Ebitda? That's the first question. On your slide, it was in your slide, you're going to generate 50% net free cash flow. You don't say 50% of what. I want to be sure. Is it on Ebitda or not?

Answer

It's after tax and interest. So it's 50% of Ebitda.

Question

[Inaudible]

Answer

No, it's the growth rate. If you like, we're going to return to that in detail this afternoon. This is growth rate. It's the operating free cash flow generated over and above.

Question

And second question, on the German market, I understand you basically you're renting everything at rates which are out of norms of what we're used to in France. But what is the rest of the market doing? I.e. what is the competition? Is it owning or is it in same, effectively, position than you, i.e. paying rent at 8%? Thank you.

Answer – Ralf Stiller

The position of the big players in Germany is the same position. They own maximum 10% of the portfolio. So the strategy is nearly the same. There are some players, family-owned companies, which will build an opco and a propco structure under one roof. But not quite often seen in our market.

Sophie Boissard

You have to understand the private German market. The private market is still ultra-fragmented. We're the leading operator with 2.6% of capacity. It's a market that's structured, that was driven by property development coupled with investment products. So we're really into kind of vehicles, Censi-Bouvard German style property vehicles, and then very small operators who own two or three facilities, maybe four investments, but that's very localised.

So we're now in the industrialisation and consolidation phase in that the existing base has been developed, has been developed first and foremost by property developers who then sort out operators to operate them. Take it as it is. Hence what you saw, which is to say, for future developments and through renegotiations, etc., we want to take hold of the upstream. Because we know our market, we know where we want to be located, we have the skill set. We know what our spec sheet, we know what our home must be, we know it better than the local developer. And that's what we want to source.

But the structure of the German market today is very directly linked to the way in which the market built up over time, very speedily, because of the demographic boom that led, really, to a skyrocketing. There's one home a day opening in Germany; one facility a day. So it's a highly speculative market driven through property development. Now, we have the size to grow this.

Yes, I think 8%, no, that's not for us.

Question

Hi, two quick ones.

Have I read you right that you have an investment envelope, 600 million over the period capex?

Answer

That's our development capex number. Greenfield, restructuring or acquisitions.

Question

Second question on property...

Answer

Yes, that's just by way of indication. It's indicative.

Question

On property, can you tell us what the capitalisation rate you... for the valuation, yes. That's the first point. Could you just be a bit more specific: what do you mean by strategic assets. I mean, what does that cover?

Answer

Strategic... And new developments: I mean, generally speaking, things you want to keep.

On the capitalisation rate, the average over the four countries is 5.7%, with a rate lower because the rate in France was 5-4.

Okay, what we mean by strategic assets: we can give ourselves some guidelines but it's really on a case-by-case basis. It's a location that cannot be replaced in our... I mean it's key, location is key in our business, with a quality asset, or increase the quality in a market where we can consider that the price asked to buy it, to develop it, allows us to create value, short-, mid-term.

The first thing we look at is location. And the substitutability. Substitutability of the new developments we're going to apply. There you have it.

Question

Hi. Two quick ones. The first, the new offering: I understand that you're customer-focused, developing in service flats, I mean do you have an idea of the new solutions over and above service flats that you might offer? I mean that these offers are dilutive service flats?

And the second point on the agency fees in Germany, I mean you have your headquarters costs in Germany. What's the total amount of those costs and how you can reduce those costs for the headquarters.

Answer

Second question: we don't disclose that figure, but, you know, we're above the Group's 4% standard, significantly, and of course we want to move closer. I mean, it's part, we said, 25 million efficiencies that we're seeking and it's split in two big chunks: procurement and overheads. And then optimising operational efficiencies. So that gives you a first indication.

Second question: I want to be clear about diversification and let there be no misunderstanding. Today, the revenue of retirement homes, 80% of the Group's revenue at the end of the five years, will be exactly in the same ballpark. It's just that the type of service that we'll be selling in retirement homes, the average income per person won't be the same. But we're not really giving everything up. I mean it seems to me to an important... We're not, are not stating we're going to be diversifying massively into dilutive business. It's an add-on strategy to physically add where in terms of service offering, additional services, most that are ISO... rated ISO networks. And we don't need massive capex to do that. And it can... Let me give you a simple example: if you have, in a retirement home, you're capable, as it's done heavily in Germany and also in Belgium, for day care, well, your day care, of course, you need a space for day care. You're going to work with the same kitchen, the same staff and the same location and, what's more, you'll be able to flexibly offer your rooms. And there are many such examples. That's our idea: it's an ecosystem of services from our networks, but without giving up our core business that makes us live. It's a plus, really.

Okay, what I suggest... Didier, I'm at the back of the room here. Here I am. Okay, what I suggest, let's stop Q&A, stop the morning session now. There'll be a big Q&A session at the end of the afternoon, after all the presentations. Lunch is going to be served downstairs. Let's be back in about an hour.

I've a request to make for Laurent and for Sophie and for all the speakers: let them walk downstairs quietly. They'll take all your questions downstairs rather than here. It's easier for them to take your questions downstairs. Thanks.

Sophie Boissard

So let's go back to our session. We will focus on the fifth driver, which is innovation.

So, just to sum up, to achieve the strategic goals, we've set five growth drivers: organic growth, the development growth of operational performance, dynamic HR policy, optimising our real-estate portfolio, and the last driver, which is key to our strategic positioning, which is innovation.

Now, you may not have this in mind, and I was struck by this when I arrived in the Group, there's a strong interest – it's part of the DNA of the Group – for innovation in services and concepts, and this is really very clearly present in the network. And the Institute of Ageing Well has done a lot to mobilise internally on the theme of innovation.

So what we felt was necessary when we prepared the strategy plan was that innovation is something that is infinite in terms of potential. And what we want to do is to focus on three priorities. And this is what we're going to focus on right now.

The first priority, focusing innovation on concepts. And we're going to hear now about the Belgian situation, what we mean by concepts and how, from our core business, which is going through [inaudible] our core business, how are we able to come up with service concepts that are complementary and innovative?

Next, the second innovation driver – that we talked about this morning in fact – is digital. Digitalisation in client relationships, in the running of our facilities, and also in how we work with our employees, our 45,000 employees, spread throughout our 100 facilities.

And, thirdly, in a healthcare company specialising on vulnerable elderly people, innovation in the medical and health sector. And Didier Armaingaud will explain the roadmap that we have set ourselves, and what resources we are setting for this.

So I'll hand over to Bart, who's going to give us a case study, present a case study on Belgium.

Bart Bots

Thank you Sophie.

Before I talk to you about a couple of cases in Belgium, I'd like to remind you how the Belgian market is structured.

What is important is to know... We know Belgium is a small country but what is important to know that about 18% of the population is now 65 years or older. And, if you look in the future, for instance if you look at people that are older than 85, we see that there is a growth of about 50% between 2010 and 2020 in Flanders. So a fast-ageing population.

There is still some room in the market. If you look at the market, it's 142,000 beds, one-third of which is being operated by public operators. And this is in fact the social services of the different municipalities that have nursing homes. About – a little bit less than that – about 27% is the caritative non-profit organisations. And the private nursing homes amount up to 43%, of which the top 5 has only 16%. So even we, with almost 5% market share, in fact, have enough room to continue to consolidate in this market.

And, as you see, our houses are also not, let's say, evenly distributed over the whole country. They are especially located in the north. Why? Because the northern part, Flanders, is economically a little stronger, has more buying power, and this will result, as well, in higher prices. People can pay for their facilities, for their rooms.

So, in such a market, you can grow. And I think at Senior Living Group we have proven that in the past. We started by the end of 2005 with four facilities and 700 beds. At present, we have 72 facilities and 8,000 beds. That's about 10 times in 10 years.

And also, after, we... After our entry in the Korian Group, by the end of 2013, we continued our growth. And you can see that on the slides. We have continued to consolidate with acquisitions and, in the last three years, we found around 1,600 beds to be added to the Group.

We also have a proven track record of integration with larger takeovers. We did that in 2007, we did that in 2011 and we did that in 2011 and we'll do it again. And it's our aim to integrate the new participations as fast as possible.

But, during the last 10 years, we always have been looking for opportunities to expand. Opportunities to expand meaning that we want to have more beds if we can get them. We build an extra wing. We build an extra wing to increase the extra number of double rooms because, in a single room, people like them... At this moment they like them more so your occupancy rates will be higher, but also the prices they pay will be higher. And here I can maybe add to what was said this morning. Also service flat residences. And service flats can be an add-on

for an existing nursing home. Can you imagine that you have a nursing home, that you still have some space on the plot, but that you don't have licences. So what you can do, if you have enough residents that are not needing very heavy care, they could be transferred to a service flat. You build a service flat next to the nursing home. And you put them there and the room in the nursing home you can use for other things: for heavy residents or, you don't have the authorisations, and you can just have them there.

So we continued, in fact, what is named here as refurbishments. Over the last three years, we added 137 beds, and greenfields we opened five since 2014, adding another 700 beds in the... on our market share.

And we're always trying to consider new projects and new concepts, and I'll try to forward... to bring forward here to you two concepts we have done in the last couple of years.

The first one regards the senior ecosystem in Hasselt, which was already shown to you in the movie this morning: a combination of 47 nursing home beds and we realised in cooperation with a real-estate developer 55 service flats under the same roof. You have to see that not only as more revenue but also as a kind of an expansion of our market. Because who... what residents are our targets in a nursing home? These are people with a heavy care profile, which are 85 or older.

What's happening here? We can see that the people going to a service flat have, one, not a heavy care profile, so we're expanding our markets in a new segment or in an adjoining segment, and the second thing is that these people could be younger as well, younger than 85. They won't wait until 85 to enter in a service flat.

The service flats that were realised in Hasselt were sold to individual buyers and about 25 of the owners (30% of the owners) live there, and the other service flats are rented out by us to other customers. So we have no risk there of rent, because it's not our service but we only rent them out.

The presence of a nursing home on the grounds is important for the people who buy a service flat. Why? Because they want to be sure that, at all times, if – no-one hopes so but – if a day would come that they need to be admitted in a nursing home, the nursing home is there. And we see that as well as being a very important argument, in other cases, not this case, where we even have standalone, smaller standalone service flats, let's say 50 apartments. We can convince people to come there. Why? Because we can offer them the choice out of 10 facilities in the neighbourhood where they can be admitted if they would become too sick or too heavily dependent on care in the original, in their original facility.

So... that they think the presence of a nursing home is important doesn't mean that they want to be confronted with patients or residents that have a heavy dependency. So, in fact, the two facilities are run independently. But only from the residents' point of view. Behind the screens, in the back office of course, the kitchen... There is only one kitchen and one chef. There is only one facility director. There is only one administration. And all these things they are already there for the nursing home. So you can imagine that a contribution of... the financial contribution of such a service flat is a little bit higher than normally. And that's why we like them, as I said this morning. I think of other synergies such as maintenance or, for instance, laundry, the handyman and so on.

At present, in Hasselt, we also provide home care services in the flats. In fact, home care services because these people have transferred their home to our flats. Their home is with us now. So these are home care services. And we aim to expand these home care service to external starting next year. So we're focusing primarily on the districts around the facility.

This is one project. In October, we will open another project, also with flats and nursing-home beds. At that site, there is also a commercial retail space available, part of which is already rented out to a pharmacy. You can imagine, you have more than 100 apartments, people who are at the end of their – maybe not immediately, let's hope, at the end of their lives – but anyway, in Belgium, they take a lot of medicines. A pharmacy is a good thing there. We have more commercial space. We are considering at present to make the office, the administration office of the home care services in part of the commercial space. And, of course, all services that are available to people in the flats and to people in the nursing home – and I think about hairdressers, beauty parlours, physiotherapy, and so on – are also accessible to non-clients, or let's say to clients, new clients, but that live still at home, outside the facilities. And, in fact, we are planning one more of these projects. And that will be probably for 2018 if everything goes well.

The second case I want to present to you is a PPP, a private-public participation. But, before we talk about that, I have to talk a little bit about the Belgian municipalities. Public operators, as I just said, operate almost 30% of the nursing-home beds in Belgium. That are mostly the social services over the different municipalities. And these municipalities in general are in heavy financial weather. Why? Because their income has gone down, taxes have gone down, tax revenues have gone down, they have less dividend income from Electrabel, they have the problem with Dexia. And, on the other side, you have the baby-boomer civil servants of those municipalities that are retiring. And the pensions are to be paid from the budget of the municipalities. So there is quite some pressure to decrease expenses there. And, at the same time, public nursing homes in Belgium are very often not profitable. Not profitable because the statute of the civil servants working there is completely different. You need about 20% more civil servants to produce the same number of hours as in the private sector. And they have quite some administrative complications, like public tenders and things like that, which also costing money. A study – a scientific study – made by order of our Flemish minister, calculated the loss, the average loss, of such a municipality-run nursing home at €13 a day a resident, which says, if you put that together, that's close to half a million for a nursing home of 100 beds. So the bill to be footed by the municipalities – and I just told you they don't have money.

At the same time, the regional government is no longer contributing to the building costs of nursing homes for public operations. And they contributed in the past up to 60%. And therefore there are two reactions. One, the price is going up, price pressure going up, in the social... In fact, in the social-inspired public nursing homes, which is good for us, because it makes it easier for us to make, to put our prices up as well, because there is not dishonest competition. And the second thing is that, in fact, the most of the municipalities would like to part with their nursing homes. They want to make private-public cooperation projects for new nursing homes and, for the ones that are loss-making, to turn them around.

So, when, in 2009, the City of Leuven decided they needed another nursing home, because the old one is in the middle of town, in same volume, according to new rules, you can, if you only have single rooms, you can make less... You can admit less patients. They needed a new nursing home of 120 beds. They didn't want to construct it themselves. So they wrote out a beauty contest. We were interested. Anyway, to make a long story very short, because it was a very long story, contract was signed in 2013 and then it went fast. In last April, the nursing home opened and it is completely full (120 patients and 26 nursing flats next to it). and we made with them a contract (a DBFMO, so, Design, Build, Finance, Maintain and Operate) on a plot of land which is owned by the City of Leuven. And, for 33 years, we will operate that nursing home there. In fact... and, after 33 years, everything is going back to the municipality.

A second project was in fact part... A second project, PPP project, was in fact part of the acquisition of Foyer de Lork, about four weeks ago, and there is another way. In this way, we had a real concession, where the beds were transferred to us. It's also possible – of course, there are other formulas where you can put up an ASBL, an association with a municipality, that you join them in running it and so on.

So the only thing I want so say. So there is quite a large market. One-third of 140,000 beds is more than 40,000 beds. There are a lot of nursing homes that have to be built and they won't do it themselves. But you have to know it takes time, negotiation with the government, and the other thing that you have to take into consideration sometimes some political sensitivities, and of course things like elections, because, around elections, they don't like to start with new things.

So, in conclusion, 10 years ago, we started at Senior Living Group and we had a focus on acquisitions and consolidation. We started new, new brownfield projects, expansion and restructuring, to get a better pricing. We looked for licences and we got some greenfields up and running. And now we're working with PPPs, with private... with public-private participations, and with senior ecosystems.

I know that Belgium... It's a small country. And, of course, we're doing our best. But we are not weighing, of course, on the total results of Korian. However, we can also play a role, and I see ourselves as a kind of a laboratory, on the operations testing out new concepts and implementing them. And I hope that we can inspire the larger markets of France and Germany to use our experiences and take advantage of them and realise them on a larger scale in their much bigger markets. Thank you.

Sophie Boissard

Thank you very much Bart. What I suggest is that we focus on Italy. But we'll start off with a short film.

[Film]

When it comes to meeting the new expectations of the elderly, Korian anticipates and innovates in order to offer tailored services to increasingly demanding customers. Villa Vittoria in Brescia, Italy, offers unique hotel facilities, an outstanding architectural concept, and top-end services.

[Italian speaker]

Concepts of the future are developed and tested in-house, based on the opportunities of technology and digital.

[Italian speaker]

Residents can choose their meals on the tablet, and the staff can easily check that the meals served are correct. Computerisation and tailoring make it possible to accurately track the care services given to each resident.

[Italian speaker]

Mariuccia Rossini

Why did we do this? Why did we invest in technology, human resources, in order to build this kind of system? Well, in Italy, the health system is decentralised, which means that we have 20 regions and this means 20 different types of regulation. Each region has its own standards and prices, its own bureaucracy. This morning, Ralf talked about the change in regulation in Germany after 20 years. In Italy, regulation in the regions changes every year. There's always one of the regions that's changing its regulations. This means that each region has its own healthcare budget. And therefore we have to adopt a very tactical approach in choosing the most appealing regions.

Our percentage of beds is lower in Italy than in most other countries. In Belgium... Belgium has twice as many beds as Italy. Why? Because Italy has the *badante*. What are the *badante*? The *badante* are caregivers who are not professionals, who are often paid under the table as it were, they don't have an official salary. And this slows down the entry into nursing homes. We are the operators in Italy that have the highest prices, and occupancy rates of almost 100% in the consolidated facilities. Our competition is in fact the *badante*. That's why we have to be extremely efficient in our management. And that's why we have established our platform, which is a management platform.

We have a platform for putting online all the activities that the companies offers. A few years ago, when we started to implement the technical platform, at first there was a central procurement function, meaning that the facility has to go through our portal, it cannot buy things directly, and the prices are negotiated by our procurement division. We have also centralised the whole of the administrative and financial section. And also personnel, payroll. So, after the merger with Medica, after three months, we were able to put online all of the financial statements of Medica.

But we did something else: we set up a centralised CRM to manage the relationship with the client, in order for the client to have one person to talk to, and we can manage the individual questionnaires much better in that way. We set up a health file that's called *Équipe*, and it's the first legal... medical file, that holds the whole of our medical record of our customer. And this is unique. It's necessary for the facilities, and it's also necessary for home care. It enables us to maintain control over the cost of equipment, of medicine, of all the essential parameters. And it also enables us to deal with compliance issues... as you've seen... The Cloud risk. What is the Cloud risk? The Cloud risk is the system which enables the client to choose his own menu and to visualise his or her own menu. And the family can visualise this. This is a great help for the members of staff who can share the customer's data on their tablets and who can also cut back on the use of administrative time.

We also have challenges. We've conducted an experiment in Brescia. What did we do in Brescia? We were the first upmarket facility without any... Not having any contribution from the social security, with a fixed price. So the facility in Brescia includes an *EHPAD* (a nursing home), an Alzheimer unit (and Didier will talk about this later), a re-adaptation unit after release from hospital, discharge from hospital, and service flats. And we applied the single-price logic. But we created clusters of services, so that the client is able to choose the accommodation cluster that he wants, with so many windows, less windows, with a balcony, without a balcony, etc. And also customise the systems packages. This enables us to maintain an average price of €150 a day in a town, a city, where the average price is €65 a day.

We have created a one-stop shop in order to provide services to the outside world, to the city, conferences, lectures, concerts, classes, and this has worked very well. The residence was opened in March. Then we ramped up and we are now at 50% occupancy rate.

This is not happenstance. Technology helped us. We pooled several things. We have Big Data analysis and geo-intelligence has been used. And this is very interesting. We basically are able, in so doing, to define our potential clients. Who are our potential clients? Those who are age 75 and above, who are fairly wealthy, fairly well off, with a retirement or a pension of about €100,000, with some bank savings, with some investments. So and then we blended this data and we combined it with a map of the city.

So, in an almost surgical way, we are able to target our potential clients. We have our target potential index; we could even call it Korian potential index. So, if a person is 80, a person becomes interesting, and, you know, we can define who is a potential client.

This is very interesting for our marketing purposes because we can have surgical precision in doing this. To determine what are the best locations for a facility. Because, you know, our facilities are all proximity services. So we need to be in the appropriate location. And it's also very worthwhile when we want to reposition or relocate our facilities. We can take a very close look at the area. If it's possible, we can also increase the level or the standard of the facility. This is why I think digital technology is absolutely essential for development: because it's a way to increase our performance, to get more clients and to improve our targeting. And all of these can be drivers to increase profitability. And I think that this is something that can be deployed in other countries, where Korian is present. And I hope that I haven't butchered your French language.

Sophie Boissard

No, you haven't "butchered" our language at all, quite the contrary. I think this has given you a good view of what is already being done in part of our network. This is a very concrete example of why size matters and why the fact that you can quickly edify best practices and deploy them elsewhere can give us a determining advantage over our competition. And that's exactly what we're going to do with the digital tools from the basically... Or thanks to the observations that were made in Italy.

And now we'll listen to Didier, who is going to be talking about innovation in the therapeutic and care area. And in French.

Didier Armaingaud

Good afternoon. Before starting to talk about innovation in care and in the medical area, I would like to just focus quickly on our customers. All of us have interest in the question of our customers and who they are.

Just so we make sure that we're talking about the right group, this is not very surprising, as Sophie said this morning, because we're really talking about geriatrics. Our client is somebody who's a senior or an elderly person. Someone who on average is 70 years old, in specialised clinics, or 85, as Bart said, in our nursing homes.

What is very surprising is that these individuals spend 20 to 30 days in the specialised clinics. Here there's nothing surprising. But they remain about three years in a nursing home. Three years. This means that it's absolutely vital to take care of them and to provide healthcare. But we have to be just as interested in the quality

of life and the daily life of these people who are going to spend a significant period of time. We have about 200,000 patients who come through our facilities and who are supported in one way or another; 200,000 customers who are elderly. It means that we have really have developed geriatric expertise.

And I don't want to go into too much detail. Since I am given the opportunity to speak as a physician, I would like to say briefly that what is special about these geriatric patients is that can provide so-called "complex" support. Because, with age, the pathologies are multiple and become more complex.

So the typical profile of a person coming into a nursing home are people who have a chronic illness. Sophie talked about the incidence of these chronic pathologies. And the increase of pathologies with age. So, in clinics, we have for instance cardiovascular illnesses, cardiorespiratory illnesses, there are of course musculoskeletal illnesses, which means that they are going to need rehabilitative medicine. And this is very important because, as you can see, in our nursing homes, these needs are just as important. Because today, according to our estimation – and this is really a minimal estimation – 30% of the patients in the nursing home will require some form of rehabilitation. This is a very important area. And this is something I will return to later, and that is namely the functional capabilities of our patients.

Then, unfortunately these illnesses are often associated with neurodegenerative pathologies. You know some of these of course. Parkinson's is one. And, of course, what we called Alzheimer or Alzheimer-like illnesses. And this affects a significant percentage of patients because more than 60% of patients in nursing homes present these kinds of pathologies. And, as Bart said, we tend to see more and more of such patients in our facilities.

So this is a very important subject. What is the quality of care given and how is daily support given to these patients? And, of course, it's important to realise that, with the Alzheimer's and dementia, as they progress, we're seeing behavioural disorders that produce difficulties and make it difficult to keep them in a nursing home. Or make it difficult to keep these people at home. And this is why they come to nursing homes. More than 25% of these patients – and really they are patients – present such behavioural problems. And I'll be returning to this particular topic.

So we're dealing with vulnerable patients. And it's important for us not only to provide care to them but to be constantly evaluating them and maintaining the skills and competence of the staff. But first we're going to watch a film.

[Film]

In Europe, neurodegenerative diseases have become a major public healthcare challenge. Korian offers elderly sufferers of these diseases permanent or short-term stays in a safe and comfortable setting.

[Flemish speaker]

In addition to the drugs it applies for symptomatic treatment, Korian develops non-drug therapeutic protocols. In France, our Alois units strive to sustain the cognitive capabilities of the disorientated elderly through recreational and domestic activities.

[French speaker]

In keeping with this innovative approach, several homes have been testing the flash activity card.

[French speaker]

One of the activities is the empathy doll. It improves interactions with the residents suffering from disorders, as has been demonstrated in Milan, Italy.

[Italian speaker]

More surprising is the therapy where a train compartment takes residents on a trip into the past, which triggers personal and family memories.

In Ulm, Germany, caregivers ask residents to respond to a robot in a recreational workshop.

[German speaker]

It is a comprehensive non-drug therapy programme that has been launched by Korian and that will be deployed in the four countries with the engagement of the caregiving teams.

[Italian speaker]

I would like to return to several words that you just heard in this video clip: domestic activities, daily life and, in particular, as regards the medical project, I would like to talk about the support given to these persons: 70% of persons who have some form of dementia, whether it's Alzheimer's or an Alzheimer-like form of dementia, what we have observed is that we of course have to provide the care, but we have to be aware of the quality of life on a daily basis. I don't know if you noticed anything important in the images you just saw. I think it's the atmosphere that can be observed in these facilities. And, given your given profession, you probably don't go on a daily basis to nursing homes but you've probably had an opportunity to go to a nursing home to see somebody or to visit somebody, and I'm not sure that this is the kind of atmosphere that you'll find in all of these facilities. And I think this is our strong point. We are really emphasising the atmosphere, where care has to enhance quality of life.

Let me talk about non-pharmacological or non-medication-based therapies. Here, what we're trying to do is to work on all of these therapies. They are recognised in geriatric science and there is no need, anymore, to advocate their importance. But what Korian has as a strong point is not to just use on indiscriminately, but they really use it in an individualised, tailor-made programme. And so we developed a positive clinical approach. And I'll return to this term of "positive".

So this approach is based on some fundamentals, which are: When somebody comes in, we have to evaluate not just their health requirements or their level of independence or dependency, which most healthcare professional know how to do, but it's also to be sensitive to their desires and the desires of the people close to that patient, particularly for people who are disoriented.

And there's something else that we have been focusing on for the past two years, and that is to make a systematic evaluation of all the capabilities and abilities of that person because, regardless of the stage, the progression of the disease, each individual has certain abilities and skills. And the project basically brings out the abilities of each individual regardless of the evolution, progression of the disease. Because it's on that basis that we're going to come up with a programme to rehabilitate and we're going to develop an individualised, tailor-made programme. We'll also be able to evaluate the sensorial abilities of that person.

So here we look at three major categories.

First of all, we look at the functional characteristics. Being functional is very important, especially for people who are coming for rehabilitation. But, when you're 85 and plus, it's very important if you want to be able to maintain a certain amount of autonomy, if you want to be able to get up from your chair to go and get a glass of water, you have to be able to walk. You have to have reasonable balance to avoid falling down. This may seem perfectly obvious to us but we're fortunate because we can get up whenever we want to. But, when we're 85 years old or 90 years old, it might be more difficult. So our teams endeavour to maintain, as long as possible – and sometimes even reawaken – these abilities in the functional area. In one of the clips, you saw the SilverFit programme. A person was working in front of a screen. It's almost like the Wii, where you do an activity, it makes you move by playing a game. And without really realising it, you work on your balance or you work on the mobility of your joints. So we've put together several programmes and activities, and they can last several weeks or several months to maintain their activity without actually calling it rehabilitation.

And then the second category is cognitive abilities. And here we're talking about memory. We're talking about working on memory for those people who come in with degenerative disease at a more or less advanced stage. We have developed programmes with our teams of neuropsychologists, psychologists, psychomotricians, and also movement therapies. It's just like a school programme. You have workshops that last for several weeks and the persons are... The patients are evaluated based on their abilities. And here we're very careful not to make them feel that they're going to fail. So we have a panel that determines which individual will benefit from this and

which persons will need to be put in a more family or playful environment, where you can work for instance on domestic chores.

We talked about the digital tools before. It's very important here because it makes these activities available to a greater number of people. They have pads or tactile screens to... And the advantage of these types of technology is that we can develop programmes that are individually tailored, whereas the conventional memory classes are exercises, making it much more difficult to adapt it to each individual.

And, finally, there is the issue of behaviour. And I have to say that, personally, it's something I feel deeply committed to. Oftentimes, professionals dealing with these behavioural problems feel powerless. And, for caregivers it's very, very difficult to feel powerless, to feel that you're not able to resolve the problem, or that you're not able to help the patient. The programme that we have been working on for two years is in two phases.

First, there is risk prevention. And the solution is very simple. We talk taking into account the rhythm of that person. Sophie said... Talked about his: [inaudible] and this revealed that people are very attuned to the whole issue of, you know, daily rhythm. And I'm always struck in these facilities where there are many Alzheimer patients, I was always struck by the fact that there was a kind of void, a kind of vacuum. And our goal is to bring life back, to have objects, to have games, to have, say, sauces and pots and pans. And you saw, in the little clip on Rouen, when we're talking about the Aloïs facility. And this is significant for all professionals because they understand, of course, that this is for patients who are suffering from this disease.

So, to prevent behavioural problems, the main principle is to provide an activity. When you're involved in an activity, you're less likely to obsess or to [inaudible] with problems or your inabilities. So we've put together sort of a daily rhythm, a daily kind of schedule. Because, for instance, if you talk about a cooking workshop, it's every day that you do this, not every two weeks. If you iron, you do something, you iron every day. Or you... So, in this community each person has a role to play. And it helps the day to take place in a more normal way. So we develop these domestic chores and social activities. And then of course there's the actual leisure and activities programme. But I'll be returning to that later on.

And this is something I want to emphasise. These activities are offered in a structured way and each patient can be offered a tailor-made programme that are... Based on the components that are important for everybody. Because any person who is in a nursing home is going to have medical support, is going to have leisure activities offered. But our strength is that we developed this two major pillars.

First of all, the non-pharmacologically-based therapies. And offering for a given individual, a programme that is really well suited for therapies that are non-medication based. And then to have the sort of domestic and social activities that are organised into a daily structure.

Now let me talk about one more thing: being playful, playing games. This is not just for kids. I think you all have games on your smartphones and, if I saw you in the metro you'd probably be playing a game. And thanks to the Institute for Ageing Well that Sophie talked about, in 2015, we showed how important... playing games is important for Alzheimer patients. So we came to realise that playing games has two benefits. First of all, it structures life, it gives a rhythm. And it improves quality of life for not just the patients but also the caregivers. And it makes it possible for the individuals... can follow these activities without realising that this is what they're doing, that they're participating in a programme, because they just think they're playing a game.

Before dealing with my last point, I would like to show you a second clip.

[Film]

Korian has extensive medical expertise, highly qualified health professionals, high-performance technical equipment, and innovative reception and accommodation facilities. Upon reception to the Grands Chênes clinic in Bordeaux, patients are greeted by the full caregiving staff.

[French speaker]

At the Trois Tours clinic in Marseille, which specialises in respiratory and ENT care, this multidisciplinary approach makes it possible to perform comprehensive patient examinations.

[French speaker]

These multiple skills also benefit from the partnerships that Korian clinics and nursing homes have set up with neighbouring hospitals.

[French speaker]

Korian's medical excellence is bolstered by high-performance technical equipment and facilities.

[French speaker]

When it comes to innovation, telemedicine improves the care of patients, as can be seen in this oral and dental telemedicine experience in Bordeaux.

On the strength of its dedicated staff, its fruitful partnerships and its innovative tools, Korian facilities offer medical and care excellence on a daily basis, for the wellbeing of patients and residents.

I forgot to say something very important. With this project – as you could see it is something that's highly structured – we want to really give a label to all of our facilities with this programme. So, by 2021, basically all of our facilities use this individually tailor-made approach.

We saw a lot of images from our different facilities, both clinics and nursing homes, and this is a perfect way for me to introduce the whole notion of how the place of digital technologies are.

And here I'd like to pick up on three points.

First of all, the technological changes that we've been talking about have opened up many opportunities for us. It means that, today, care can be provided 24/7 everywhere, on all of our facilities. Because a physician is available online 24/7 for all of our facilities, all of our sites. This is very important because it of course improves the security of the people in our facilities. And also to reassure the night shifts. And also to improve the comfort of patients. Because we can avoid some hospital stays that may occur, either to reassure the patients, sometimes to reassure the team, the caregiving team, or sometimes because you have to go get the expertise that you don't have it in-situ. And these hospital stays that may be, you know, a trip to the hospital in the middle of the night, are of course very uncomfortable for fragile populations. They are definitely something to be avoided to the extent possible.

Then, it means that all patients, regardless of the area where they are or the facility, can benefit from all the necessary medical expertise, even if it's specialised. As you know, today it's very hard to get an appointment with a specialist at the right time. And thanks to digital technologies... It's what we call remote medicine or remote medical examinations, or consultations... Basically, we can benefit from the whole network of experts. And we're talking about 570 physicians, and they're general practitioners but also specialists. Well, we can use them to basically develop the system of e-doctors' visits, electronic doctors' visits. Today, many things have been experimenting. There are about 25 experiments being conducted. And France is just slightly ahead on this. But we're seeing that this is starting to take place everywhere in the four countries where we have facilities. And that's why it's very important to be connected to these remote medical projects that are being promoted at regional level. Because then this is something that can be used as a pilot to take something nationally. And I think this is what we're going to be seeing.

And, lastly, in closing, we can't mention telemedicine, tele-assistance and, as Mariuccia said with the *Équipe* project earlier, for that in order to achieve this, we need tools that communicate, that share information and also communicate with the outside world. That's why, in the four countries, we launched four initiatives to develop medical platforms, electronic patients' medical files that are a source of shared information with a secure model. But what's innovative about the projects, not so much because a shared medical file is something that's been around for quite some time... The novelty today with this new technology is to open the file outside. And it's very important for us to be able to interact with the whole medical and paramedical community that is working for the health of the patient or the resident. The upstream [inaudible] hospitals, clinics, because they're the ones that refer patients to us for nursing homes to prepare. I'll mention we need to have the right data. And it's the same facilities that receive the same residents and patients during a transfer for an emergency or just for hospitalisation or consultation. It's important to be able to forward the medical file and all the other... The pharmacists that have

a key part in our nursing-home network but also radiology, labs, etc. And then there two key players. The doctor because let me remind you that most of the residents in our retirement homes are followed by their GP. It really depends on the country. That's the rule at least in France across our facilities. It's important for the GP to access the data of his patient, to provide additional information and to develop this medical... And then there's the patient. It's a new... It's a novelty. When you're a patient obviously you're entitled to have access to your medical files, to your post-op reports. And that's a crucial part of the project: it's how to find a way of allowing the patient to access the data that the patient needs. And, for us, we can continue patient support after his return home, notably therapy education programmes.

I would say that the review of the projects and the lessons learned is really to work, to continue to improve the performance of our activity, to improve efficiency across our business, and always to improve quality of care and quality of life of these two important entities: the patient, the customers, and also the teams that work within our facilities. Thanks.

Sophie Boissard

Thank you. Well, as you will have seen, the name of the game is really to innovate; innovate in the concepts, the services and the digital enablers, and also to innovate in therapeutic treatment.

We're now going to have 15 minutes' Q&A and then we'll move into the final session of today's investor session. I'm going to ask Didier and Mariuccia to come and join me in order to answer your questions.

Over to you for questions.

Q&A

Question

Yes, hi. On the ecosystem model for nursing homes, I means service flats, I means how many facilities in your portfolio would be eligible to this type of ecosystem. Because we talk about one side. Is this replicable on a large scale?

Answer

Well, it's not a group answer but I'll give you a country by country response. Bart, do you want to kick off?

Bart Bots

I would say it depends on service flats you want to develop, of course. This system... We will have, next year, we will have two sites, maybe a third one in it, and in 2018 a fourth one. But then we're not developing these things the whole time. You need enough space, you need place for retail, for commercial space, just have to take the opportunity when it's passing. So I think... Let's say we have never done that. We have never said in advance, "We're going to acquire so many beds so we're going to do so many greenfields." We do what can do the best we can.

Answer

Today, we plan to open 4,000 additional service flats. If you take an average benchmark, 50 flats, that gives you an idea. We're talking 80 sites to exploit. And, will we be at 80 or 100 or at 70? And how exactly is it going to be spread throughout the network? Just bear in mind... Maybe Ralf... that half at least will be projects [inaudible].

So it will be a very clear, it is a very pragmatic approach, as we conduct our portfolio reviews. We do the market analysis that Mariuccia discussed, we look at what exactly is the local state of play of the offer, very local, the available building land, and then we design the evolving offer.

Next question? Yes, go ahead.

Question

Yes, I have two quick ones.

The first on the medical file... Slight queries regarding regulations in France because I understand it's kind of a very hot topic, and complex, hot and complex. I'd like to know whether French regulations allows it to have a shared medical file and how deep that could be, notably when it's open to the outside world. I mean I think that's a real issue.

Another question not necessarily addressed this afternoon, maybe this morning, on the home care services that you briefly touched on. Didn't quite understand how it works. That's to say, is it limited to places where Korian has a facility and uses the Korian "platform" to offer services? What type of services are you going to offer?

And, next, the competition opposite you, that you're going to have to knock up against as it were, be it community-based care or people such as Sodexo, the catering people? I mean I don't quite understand the scope, the extent and the purpose of this activity. Thanks.

Answer

Yes, I'll take the one on the medical file.

Yes, so, it's true in France but the same goes across countries. I mean, when we talk shared medical file, releasable file, of course it's in a very strict regulatory setting. It was sharing of data across health professionals who work around the health of an individual. So there's a community. I mean, the community concern all the health professionals who are working in order to maintain the patient's health and the patient himself. And it's just questions of data security and information transfer. So, today, the solutions that we're developing incorporate the regulatory framework and data security.

Question

Well, it seems to me there's a standard, very specific... You need to have a licence or an approval.

Answer

Yes, approval to the standards that all the operators... you go through a provider, yes.

Absolutely, we've taken products that are market-based products, that are tailored to our needs, but we haven't internalised the design of those systems.

And the second question, home care, that's a very relevant question. I think you need to bear in mind that there are two types of home care. There's the home care service, that's what Bart indicated, which is the counterpart of the service flat. It's the service part of the flat that... I mean, this is something that I bring to your home. Your home is an adjusted home. That, I move, I'm at home and I know that, close by, in the residence, I can benefit from medical or non-medical services. But, for the time being, and primarily for France and for Belgium, or in Italy, we're heavily geared to that because we control end-to-end the scope in which it takes places and the base from which we provide the services.

The example at Hasselt illustrates this, where particular meals on wheels... I mean we just do this from the next-door retirement home. So that's a model. And then there are different, more extensive, models, where from a base, located or not in a facility that does residential, you serve an urban area for home help, where you say, essentially on the French market or on the Italian market, it's just informal or community-based. The structure is very different to ours. Or you do nursing, home-based nursing. And, in Italy and in France, we have a small number of networks, of hospitalised... Where it's hospital, in the home, at the patient's bedside, to sometimes support pretty serious conditions or end-of-life patients. So the spectrum's very broad.

What's important for you to note for our project... Primarily we see the development of home care in close conjunction with the development of service flats, returning to this dimension of an ecosystem, services where we forge synergies from the equipment and staff available.

And then the specific case of the German market, where the bulk of the expansion is going to happen, where the management modes are organised, in fact, by the healthcare funds and it's a somewhat different market. Ralf, you'd like to speak to that?

Ralf Stiller

It's like a little bit different. When I spoke in the morning about integrated offers, that's especially the case regarding the home care. The home care is implemented in the nursing home next to assisted living, but also provides services in the neighbourhood in the surroundings of the facility, which leads to an ecosystem, which leads to a pipe of... to a customer pipe, pipeline, with clear services at home, until... With a wide range until, to the nursing home. So we have the whole chain.

But we also plan to widen our ambulant home care, not only in our existing network but there where we have interesting, where we have interesting conditions and... the huge cities for example.

Sophie Boissard

And there we have authorisation and public financing for such activities.

Ralf Stiller

Yes, we have free market entry, just to fulfil some regulations. You need for nurses, for example, and you can start. Free market entry.

Question

Hi again. Could you give us a brief update on the 711 facilities that you currently hold, on progress on the various programmes that were announced? For example, what percentage (I mean ballpark) of the Italian CRM has been deployed, what's the percentage of facilities where you expect to have to put in place the target potential index, the TPI, to see if you need to extend the offer? If you can maybe just give us a brief update.

Answer

Okay, well, to be very clear on those two points, which are the CRM system and the digital analysis of the potential customer base, I mean these are projects which are today exclusively active in Italy. Mariuccia, if you'd like to say a word about that?

Mariuccia Rossini

Yes, CRM is already up and running with all the facilities in Italy. It's centralised. We've had it for two years now. The medical files were trialled in four facilities and, by the end of 2017, will be rolled out across all facilities in Italy.

And geo-marketing? Well, the geo-marketing, I mean, we've already covered all the towns where we're present and we use this to choose other locations in order to assess service flats in our development plans.

Sophie Boissard

So it's fully operational across the segment in Italy. Italy has really served as a lab for this, because it's a market that Segesta knows well, a very compact market. And so now what we're going to do is, from this case that operates, to roll out. We're beginning... We're starting with France, and then Germany on CRM and so we'll... That'll happen over the next three-four years because we need IT infrastructure that can deliver.

You can follow up but that's exceptional.

Question

So, could you tell us a little bit about what we should expect on the rollout of CRM in France and Germany, since you trialled it in Italy?

Answer

I assume in terms of impact you mean?

Question

Yes, I assume. That is to say maybe a few operational slowdowns, you have to brief the employees... What were the obstacle that you came across in rolling out the system in Italy?

Answer

Well, in Italy we had a big result, especially with the customers, because it allows us to constantly provide more and more services, and additional services, to customers. Especially when they're looking for a place. They may be asking to enter a nursing home where we don't have any rooms available and we offer them another nursing home. So, with this service, well, we can't keep them in the home, when we don't have a room in a nursing home, we offer them the home care package, and I must say this was very well received.

CRM allows us to resolve all the interaction with the customer. And also the context, to see what is the best suited solution to achieve customer satisfaction and to manage that from end to end. But I would say that it's really a commercial means for the customers.

Question

So, in other words, what you're saying is that, on CRM at least, I mean, there hasn't been any kind of negative downside?

Answer

I mean it's a plus. You just have to have the training modules and that's what we're doing upstream. Sourcing customers in France with a CRM system called Unique, that operates the same way to manage the prospects in a centralised way, the follow up, alternative proposals, so it's really to facilitate the life of the teams and to boost occupancy rates. I mean there's no risk: only pluses, only upside. What's more, all the admin part is managed by a central office so, when the customer goes in, I mean, he already has the administrative paperwork and is ready.

Question

Question on the luxury facility in Italy that you just opened. I mean, is it the only luxury facility in your portfolio? Are we to understand that it's a development focus to have a premium solution in the portfolio?

Answer

Well, for the time being, at that level, it's the first luxury facility that we're offering and the results are encouraging. And I believe we must consider having a few premium-level facilities if the economic conditions in the town are there of course.

Mariuccia Rossini [?]

There you are, you got the message for that. We need geo-marketing analysis, very detailed analysis of the territory. You have to have a concept, and that's why the Brescia was a real test in that respect. And from there we can build.

Sophie Boissard

Clearly, if you're saying to us, "Is Korian going to become a player positioned in a niche, a high-end niche?", no, that's not where the market lies. Is there place in our portfolio, in certain areas for, this type of concept? Answer: yes, but it won't necessarily be the same across countries.

Well, it can concern Italy (that's been shown), in France too there's place for that, in Germany for the time being we're not absolutely sure that it's the most appropriate concept given the financing, and also the type of expectations from our customers. But then of course the market can be educated and I may not give you the same answer in two years' time.

Question

Hi. I'm from [inaudible]. Just two quick ones for medical focus.

The first is that you are mentioning 200,000 patients a year. You have 71,000 beds. Does that mean you have 130,000 people in specialised clinics per year? I mean, what's the ratio between the two?

And then part two of my question, you mentioned targeting 100% of targeted facilities by 2020 for everything that's cutting-edge technology. Where are you now?

Answer

I'll take the first one, on the 200,000 patients. For the 200k on the retirement beds, on average, we have one-third of the capacity that is renewed. And we see that we have people who come for short stays, temporary stays, or end-of-life. So, I mean, so there's turnover. And then all the other patients, well, it's the turnover of patients in clinics because here we're talking average stays of 20-30 days and what doesn't appear in bed numbers but ambulatory outpatient activities that are just for a half-day or a day in our clinics.

On the rollout, I mean, what Didier said is the rollout of the label, on the non-drug or non-medical therapies. We plan to roll out these non-drug or non-medication therapies targeting Alzheimer, 100% of the French network in France over the next two years. Of course it requires training and, by the plan to have equipped, rolled out, through information and appropriate equipment, the whole network across our four countries today of the retirement homes. And you saw that: it's already a project that's been rolled out from a French model, but also integrating approaches that were already present in Italian, German and Belgian facilities. We're not starting from scratch here.

OK, let's stop this Q&A and, anyway, there'll be a big Q&A session at the end of the presentation. And let's move to the next session on rollout.

Sophie Boissard

Okay, moving on now to the final session, before our final Q&A, I hope you won't leave the room before clarifying your, getting your misunderstandings and queries clarified. As I said, over and above these five drivers that we're going to be focusing on to achieve our targets, there are two key success drivers. And, clearly, Korian is going to deliver.

On the one hand, the conditions under which we get organised, we gear up, in order to deliver what we want to deliver, both in terms of growth and performance. And what financial discipline we're setting, in order to both finance our expansion and to generate the expected shareholder return.

So, in practical terms, as regards implementation, I mean, this is something that we've really focused on from the outset. To my mind, it's clear that the strategic plan only makes sense if we're capable of saying what we're doing and doing what we say, really fully walking the talk from end to end. And this requires an action plan, end-to-end action plan, that we build as we built the strategic vision, with the top management of the company and the operational management in the countries. And now we're going to begin to roll out across the network.

Okay, so there are four major initiatives, really, with how we gear up and get organised in order to deliver.

To stay the course, what are the reporting resources to remain on track with a company that's grown very fast and maybe experienced some ups and downs over the past couple of years? And how, for well-chosen Group policies, we have all the performance tools. It's true for procurement, IT... **[Power outage]**

So let's go back to where we were. The first precondition for success is to have the right organisation. And, at the beginning of the day, I made some adjustments in order to have the right organisation for what is a very local activity, micro-local as it were, and which needs to have the proper elements for managing the activity properly.

Now this requires very simple management principles, premised on common sense: business units which are organised geographically, per country, and I'll go back on this, which have full control over their growth and performance. And I'd like to stress this. You will have understood that organic growth, which is what we want to emphasise, arises first and foremost from proper knowledge of the territory on which we operate. And this really is for the country teams under Mariuccia, Ralf, Bart and under my guidance for France. And it's the country

heads who have to steer the day-to-day business as well as the growth and strategy with all the performance drivers. And this proximity is one of the key strengths of Korian, which we want to preserve.

And this requires having a corporate structure, which enables the strategic management of the Group, management of risk, control, improvement of performance, business development and strategy.

So that's the breakdown of the different roles, and this leads to a very simple organisational structure: five business units. So our choice is that France has two business units. It shares HR, Finance and Development, because these are shared areas. But the strategic issues are not the same and the size of the business justifies that we have two dedicated business units: one for healthcare and the other one for the senior segment.

And, for the rest, it's country organisations. And the development of the offering is rolled out from the country, based on a concept and management which is shared at Group level. And the Group functions. Well, nothing special here. As you can see, we have a Finance division. Everything regarding performance control, human resources... We have a new HR manager, who joined us a few days ago. Medical and Quality. The Real Estate division focusing on optimisation of real estate and development. And Communication, Marketing and Digital, which manages the whole of the marketing and digital communities in the different countries.

Second driver is of course compensation, incentives, to ensure everyone's moving in the same direction and has the same incentives. And here there's nothing particularly unusual in this. We have variable remuneration policy for all managers, including facility managers, which for the quantitative criterion... It's at 100% for the medical facility managers and 50% for the top managers. And this quantitative share is based on Ebitda and cash flow, operating cash flow objectives, which are of course based on the budget, with a target, and all this represents variable remuneration that ranges from 10% to 120% of fixed annual salaries.

The second component, with the establishment of the plan that was set up under our LTI (Long Term Incentive), which concerns the top executives, all of them, country heads and the main corporate function heads, based on 3-year rolling targets which are updated every year. Three packets: one based on revenue, one based on Ebitda (this is the profitability target) and the last one is on the share price versus the SBF 120 index. The LTI amount ranges from 50% to 133% of fixed annual salary of the participants. And this aligns management on the annual targets, and on the strategy plan target.

Last aspect of this organisational structure: we manage transformation through projects. So the work that we've conducted was to identify 15 key transformation projects concerning each of the dimension where the Executive Committee... We have one person in charge. We have a project team that enables the Group to move in lockstep. And you have the countries, business line per business line, a full deployment, a full rollout project for rolling out the offer, integrating new offers based on previous discussions, rolling out the brand, a performance plan, a full performance plan for Germany, for France, and all the projects which enable us to develop the employer brand and to improve the recruitment and the loyalty of our employees.

And then we have on real estate, renegotiating the real-estate portfolio or the real-estate development, the strategic partnerships I referred to.

And, for innovation, you have the CRM rollout based on what we've done in Italy, what's underway in France. Online services. And all the innovative therapeutic approaches that we've discussed. So there are no major changes.

The idea is not, in fact, to have major changes. It's basically to have the Group in working order with a shared direction, shared goals, and the pace of development, and this is what we're going to do; what we've already begun to do.

I'll now hand over to Laurent so that Laurent can present the other three components of the action plan and the deployment plan. Laurent?

Laurent Lemaire

I'm going to talk about an important dimension, which is control. I only have one slide so I'll be very brief. I wanted to illustrate what we have set up for the past six months in the Group, bearing in mind – as Sophie has

mentioned, we reiterate it – the choice of a decentralised model, and which is essential for success in this industry. And that means that you have to have a robust control structure, with a dual dimension.

Number one, which is to have efficient control, to exercise control over autonomy. And on the... As well as leaving sufficient autonomy. And that's more complex, because you're giving autonomy to people while retaining control.

So I'd just like to recap what we've done for the past six months. We will have other initiatives but this an overview of what we've done.

We've worked on harmonisation of KPIs. In order for everybody to be talking about the same thing. It may seem self-evident but it's part of the building blocks. Monthly reporting on the extension of the subjects we cover. We've integrated the cash review into the reporting. We've beefed up the forecast process with annual forecasts, forecasts for the whole of the P&L, all the components. So all this work enables us to have a better view of what's going on in the company, on the closing of financial statements. We've improved a great deal in Germany, we've automated a great number of interfaces which did not exist before, we've secured the financial statement production. So that's the first vector in this area.

Second tool is based on management and processes. In order to have proximity with the countries and not to only manage through reporting, but to go out into the field, we've had some discussions with Bart on this. We've had perhaps more proximity with Germany for the time being. You saw... It's true that Ralf often gets visits from us in Germany – I would say on a weekly basis in actual fact! But this really is part of the will behind the model. This logic of proximity. It's not just a business aspect but it's also to understand. The closer you are to people the better you understand, the easier it becomes to interpret what's going on. Also, we want to set up a financial community with the financial divisions, financial directors, to harmonise, to be on the same wavelength, to have the same practices. And it's not just a one-way street by the way. We have contributions, exchanges between the countries. The recent appointment of internal audit and control, who's come from outside, is going to help us what structure what happens next in terms of internal control.

And an interesting module... Mariuccia mentioned this, only Italy has this... Is procure to pay, which helps the IT structuring of approval for spending, commitments, for procurement. We don't have this in Germany, we don't have this in France, and it's very... We don't have this and it's really a core component. It's very difficult to have procurement without strong IT deployment. And this is what we intend to do in France and Germany.

The last component on validation, authorisation. We've started to establish a new framework for this.

Number-one issues were to distinguish those areas where countries need approval from head office, and where they have autonomy. Can you hire somebody at any level, for example? Can you negotiate severance for €200,000 at local level, for example? We've done this interactively. I can see Bart smiling broadly as he listens to this! And it works both ways. It enables us to understand, to know what is going on. And it's very important for the country. Because, when you say that you're on a decentralised basis and you don't specify the rules, I can tell you, you really hold people. Because the poor guy is either on target or not. There's no way he can know and it becomes very difficult. But now it's beginning to work and we're going to continue to improve things.

And the second part of these rules, not just between us and the countries, but it's the practices that we require from countries, double signatures, double sign-offs on banking transactions for example. And we seek to establish this throughout the Group, and this is gradually being established. It's very important. We're going to continue to add to this for all of our businesses.

The other aspect is the extension of the Investment Committee. We have a Group Investment Committee, which only covers investment. And, at Sophie's request, we've extended this to suppliers. When somebody signs off on a laundry contract for five years or IT contracts for eight years, sometimes it's better to have a view on that rather than on capex on €500,000. And the same applies to real estate. When you sign a lease in Germany for 27 years, well, you'd better have thought about it very carefully before. And it has more reaching consequences than a capex for €300,000. So we're trying to establish our *modus operandi*. There will always be exceptions, special situations.

And the last point is that we've strengthened the analysis of our investments, methodology, definitions, ratios. We want to define all this in a much more reliable way, make sure that financial statements are IFRS rather than local accounting standards, etc.

This is what we've done in the last six months. There'll be other phases but I wanted to talk to you about this and, today, I think, personally, as the finance director for the Group, I think I have good visibility on the financial statements of... the figures for our subsidiaries and I think that we have good transparency. This is very good and it's a very important point.

Sophie Boissard

Moving on to another dimension of implementation, I wanted to give you a bit of information about procurement. First of all, I would like to talk about the key levers for purchasing. Nothing revolutionary but I wanted to give you some idea as to how we do this.

The basic one, number one, is using our bargaining power. In other words, saying, "listen, I'm getting a bigger and bigger customer so let's sit around the table, so, you know, we're going to give you all of our business in Italy or France." But, of course, we haven't yet reached this dimension in all our businesses. And the next aspect is Europe. This is the next phase. We say to people, "we're not only going to give you our French business but we'll give you Germany and Belgium as well — not immediately but over time." This forms the basis and often is the most effective pillar of our strategy.

Here are some figures. When you approach a category that was not optimised and you start to centralise the processing, you can see 20%. I've seen this internally. That's my personal experience. And there are categories on which you have prices going down, where it's well worth sitting down every two to three years because you can say, again, for example, on PCs, you can still save another 20%. This doesn't apply to all categories but this is the central pillar.

And the next aspect on purchasing is, we'll sit down, "I'm going to give you the whole of our business, but I'm going to skip the wholesalers." And there are manufacturers who are very interested in this. For example, on hygiene products, for example detergents — we clean an awful lot — a manufacturer can be very interested in this. And you take out the wholesaler from the chain, you take his margin, you share the margin with the manufacturer, you try to keep the biggest part of the margin of course, and you go down that road. You work directly with the manufacturer, sometimes he delivers directly, sometimes he agrees with the wholesaler, who simply provides the delivery.

I have two examples where we've managed to centralise, we've managed to save 30% on a contract that we're rolling out across several countries. We also have a project using this approach, which is beds. We haven't been very efficient so far. We had Italian beds, Belgian beds, French beds. Then we go through wholesalers because we're not big enough in each of the countries. But I think, if we can agree on a European bed, and we're going to do that, then we can buy a European bed and we go directly to the manufacturer, without any intermediaries, and of course it's quite easy to imagine the kind of discussion that we might have. So these are examples but we have plenty of potential there.

And the third lever is internal. And the idea is that we say, "Well, we should deploy our approach." In my professional experience, you have procurement contracts which are signed and when you go, when you look at the percentage of your purchases which are done on the basis of the contract then you're often quite disappointed in terms of the implementation. And this is even truer in a decentralised structure. If you have 700 facilities, people say, "Right, you know, we go to this florist because he's available, we go to this plumber because he's around the corner, etc."

It's very important. I have an example: we just reopened a facility in France and we've required all the facilities to go above 10% implementation of the contract, or to improve it by 10%. And it's not always easy to track the action plan on a quarterly basis in terms of the implementation of each facility. This sometimes gets taken up at regional level. So it's a very important point. You may do well in principle but you don't, at the end of the day, save a great deal of money.

Point four concerns everything related to control and engagement process. I think we can save a little bit more, or we could, if we had a slightly more stringent process. It doesn't mean that you have to exercise excessive supervision but it enables you be more efficient when you look at it at a regional level. You're going to have to sometimes, very often, your supply has no choice because you go through the electronic portal. So this will be based on a procured paid model that I was talking about previously, whereby you have portals, workflows for validation, and it becomes almost painless after a period of time. And it means people can't go elsewhere for their purchases. And it means that any supplier that does not go through the portal will simply not be paid.

And, point five, this exists in all companies. We're talking about the role of procurement promoting innovative approaches. There are many types of innovation. The procurement department gets calls all day long from people with various examples of potential innovation. Our procurement department proposes measures to detect atypical consumptions of water and energy. So we're seek... That's the kind of... The facilities will simply not have come up with this kind of idea. So it can be innovation in how we establish our contracts, the contractual relationships with partners. We have a food contract in France, which is called Open Book. We've agreed with our supplier, we've said, "Right, you have x percent of margin and, if you go above that then you have to be able to prove it." This is open book. We are able to implement audits in order to check whether he's fulfilling this.

It can be innovative approaches where, for example, we don't have a strong impact. I'm thinking of drugs.

You can have original approaches where people are far bigger players than us. And we can benefit from their savings.

So, at present, procurement is increasingly... So performance based on these five vectors... A great deal comes from one and two but, if you don't implement three it's going to be very difficult, four you're going to improve, five you're going to improve even more with new ideas, and this involves everything that you have to do externally and internally.

Very briefly, one example. On the left hand side, you have the categories on which we have multi-country contracts. This has been rolled out since the beginning of the year. These are categories on which we've already signed European countries, which are beginning to be rolled out. On the right hand side, you have all the categories where we do not yet have European contracts. That doesn't mean they are not optimised. You have categories on the right... For example, on food we've optimised quite well. And we can't achieve 20% savings on food. But sometimes we can get 1 or 2%. Or there are local approaches. And this is just to give you an idea of what will remain on the right. And there are some things that there is no reason why we shouldn't do them, for example on lifts or IT equipment. And I think one of these days we'll have the same type of PC in all the countries. Oxygen, medical supplies, European suppliers. So this is just to give you some examples.

And, to conclude on procurement, a few figures.

In the left hand side, you have what is considered to be addressable, in terms of yearly spending. So we're starting off with €500 million. You have 375 million of opex and 125 million of capex. So the basis is 500 million and, by 2021, with a mix of categories... In some categories we'll have 1-2% but we feel that we should be able to save approximately 5%: 10 million on capex, 15 million on opex. So this is simply to give a clearer idea of what we base this on. So what we buy now at 125 we'd buy at 115. And we are focusing on Germany for this because France has been optimised to a fairly significant extent. We've done quite a lot in France. We continue to accelerate. So Germany will account for a fairly share of the amount. And, of course, this will contribute to the German plan. These figures will not be in addition to the plan, even though it would be very good if they did.

So that's for procurement.

Now, moving on to IT, looking at the left of the slide, the strategy that we want to implement. And the principle that we have applied for IT is that we have a single system and a single set of processes in each country. It may seem self-evident but we're in a business where we're constantly making acquisitions so it's not as clear as all that. And Ralf knows all about this in Germany, I'm afraid, and our philosophy is to say that we accept that each country has its own IT system. But what we require is that this platform should be the convergence for the country. And we shouldn't be looking, for the next 10 years, at the applications of the country, of different companies. So we align the systems. That's an important point, which I've defined below.

And, if we look at what we have, we have an IT system that enables us to run our business. It's a quality system. We have a new SAP, which created some problems, which is now stable. And we are... Our costs are quite reasonable, below 1.5% of opex and capex. And so that's really in the lower bracket for Group IT. And then we are lacking some modules. For example, we didn't put procure to pay, or we've slightly improved CRM. But what we have is pretty good.

The second aspect concerns... I remember going through IT in the past and then the idea was always that a group would have a single system. I got help from a well-known consultant and the idea of saying that I'm going to develop a single set of applications, the same EP, the same CRM, well that means that you get absolutely no payback. And the risk is that you may end up... I don't know who was asking about the danger of the implementation of the CRM. And you're really in the danger zone. You move from 1/10 to 9/10. So there's no point for us in doing this, there's no financial payback. But there's a major operational risk. We will defocus. So we've adopted a different approach. And there's been quite a challenge on this. It makes no sense, in terms of where we stand in the Group's life. So we've moved on to another strategy, whereby each country has its IT. We're going to optimise it. We're going to complete it where we can. Of course, we're going to try to be smart. But there are some places where we're going to use the same tool for procure to pay. In France and Germany, we're not going to have two separate tools. But we work on a local basis in order for the tools to improve, we'll finish what we're not completely finished.

The merger of Korian and Medica in France... We haven't quite completed. We have our German challenge, where we have to finish the acquisitions of last year. We have Casa Reha to finish. With the second half of the year, putting all the finance under SAP. So the idea is to have a local approach and, as indicated on the right, a cross-cutting logic on some aspects. We've decided that we would allocate €25 million in the next 3 years from opex and capex to IT, which will contribute to all these areas, which will contribute to improving digital procure to pay, CRM and also the patient's wellbeing. We've launched measures in France on this aspect in our clinics, where we have decided to launch a major project on this.

To the right, three points. We can function while having an effective data gathering, data collection system. We have a centralised module which gathers all the information from the countries, which are harmonised. We have KPIs, we have all the information upstream. And you might ask how do you get the information if you don't have the system. Well, we have a system which pushes the information in the same mode. And we come from different systems but it all seems to work well. We have everything we need to manage the Group.

We're going to have cross-cutting projects, which doesn't necessarily mean that we're going to do exactly the same thing everywhere, but at least we'll have a common approach on best practices... So as to determine everything to establish what is the importance of a CRM, elsewhere, we have a dynamic Microsoft in France... So the issue is not IT. The issue is how we create a community of people who add value to the business.

And the challenge on digitalisation. And the last point, if I say that we're in a group where everybody does more or less what he wants locally, that wouldn't be quite accurate – it's not what I'm seeking to achieve – but there's a degree of autonomy. There's an IT framework with some things that are defined regarding security, definition of KPIs, compatibility of infrastructure. We're at the beginning of that phase. We're moving ahead on that. That's the IT vision we have of the Group.

And we'll move on to financial discipline, which is the last part of the seminar. So it's the last blue-shaded area. Let's look at capital allocation.

I wanted to give you some guidance. We talked about operating free cash flow. Then we'll talk about financial expense, interest expense.

The priority for allocations: there are three priorities.

We have development capex, which is a major priority of the Group's growth and value creation. The opening of a greenfield or reconfiguring or brownfield are the most value-creating aspects at present. This is very important. And, of course, it contributes to our top-line momentum and return on capital, in a very effective way.

Then acquisitions with priority given to what we call bolt-ons, which are the tactical transactions, the opposite of strategic M&A. And this is essential for us to be able to pre-empt this consolidation of the market. So you have

major players who want to revisit their fleet, their portfolio. And you sell facilities. This happens. Of you have independent companies, or small groups, who, through deregulation or family reasons, which create extra costs – for example in Germany we're convinced, with Ralf, that the new regulation in Germany will lead to a consolidation of the market and loss of beds... Plenty of people won't be able to go down that route. So this bolt-on component is key in the consolidation logic. And of course it's the most effective consolidation since it's low-cost, low-risk. When we buy a few facilities it's really very much part of the know-how.

And the last, dividends. As Sophie said, we decided to maintain the policy of 60 cents a share on dividends payout. And all this is done on the basis of a strict financial discipline. And I will elaborate on that.

The first aspect, if you look on a normative basis, the blue block at the bottom, we generate approximately 150 million and, if you look at 2016, this is the figure that you would come up with.

The second point is dividend at 60 cents per share, which is 50 million cash out, on a cash payment. That means that the cash available is approximately €100 million. And this amount will grow, of course, with revenues. And, as Sophie was saying, the 600 million we mentioned are the 600 million for bolt-on and development capex. It's not capex for right now. It's the addition of the two blocks: capex and bolt-ons for organic growth. So, if you go over 100, then it's fairly coherent in relation to the available cash that we will have over five years.

Furthermore, trying to optimise the blue block of 150 in different ways, first of all working capital requirements. So we have a certain ability to optimise the balance sheet part of this. This is why identify as the main leverage that we would have.

So maintenance capex: here we'll continue to work on how we allocate envelopes, and also industrialisation. When we purchase beds, for example, we open a facility or something where we think we can make some gains on all of those items.

Financial expenses are sort of the result of everything else. There are a few potential leverage points. There is a little bit of cash that was not used so we could optimise our financial expenses on the €300 million by spending somewhat less and we'll use that. But there's not much that can be done beyond that.

On taxes, after having tried here, I think we've optimised in Belgium, in Germany and in France, but we still have some... I'm sorry: Germany is where we have some room for manoeuvring. And I think there are still possibilities. There are 180 legal entities. As a result of all the events that we described. So I think that there are things that can be done in Germany. There are some possibilities there. The idea is to optimise these items, to optimise operating free cash flow for the following years.

Now an answer to a question that was raised this morning. Today we have a basis, a baseline, of 150 million. And, by 2021, we would like to be around 225 of operating free cash flow. So this will be a progression of 50%. And, as a percentage of revenue we were at 5%, so our ambition is to gain more than 100 basis points over the period, in terms of operating free cash flow generation. That is our target for 2021.

Now [inaudible] about discipline criteria and decision-making processes. You see here the decision-making processes. There are two levels in addition to the local level, the local decision-making structures.

Sophie's right: we're not talking about capex for a give facility but of... Development capex goes through the investment, the Group Investment Committee, that is directed by Sophie and myself. And this is for all amounts. We're talking about greenfield operations, we're talking about bolt-on, share operations... All of this has to be validated with an appropriate file. So this works well.

Then there's a second aspect and this is the Board of Directors' Investment Committee plus the Board of Directors because the company is just supposed to advise the Board of Directors. This is for all projects requiring investment above €15 million.

So we have fairly strict policies for all of the Group investments. On the right we have our quantitative criteria. There are two types. The first one is relative to the IR, which is between 1.5 and 2 time the WAAC. So the range has to do with the risk profile. It's not the same thing buying three facilities in France as a bolt-on versus, you know, going into home care in the UK or in Sweden. Clearly, the risk level, or the risk profile is not the same. So the range is intended to cover those risks.

And that ratio is accompanied by RoCE of Year 3. And it's just like when you have a net actual value. You have projects that may have a good return but the first 5 or 10 it's quite difficult and there's not a great return. So, across the two, and, in the end, what you're seeing is that, as of Year 3, you create value because RoCE is higher than mark. So the first one is the absolute profitability of the project, the second one is the speed. And, when you basically cross the two, you get the good value. And all, all the projects that are mentioned basically are screened according to these two criteria that will [inaudible] room out. But we will continue to apply them. And we would apply them to operations... potentially large reviews... These criteria when we did the Foyer de Lork project with the team in Belgium.

So much for governance and criteria. Now two final messages.

The Group's financial resources make it possible to finance the plan that was laid out for you. This includes the envelope that we were talking about of €600 million of capex investment. That is capex investment and bolt-on projects. So our financial structure basically supports the plan.

Second message: the plan was developed to get back to a ratio of 3.5 by 2021. As a reminder, we published this morning 3.9. Our maximum was at 4.5 in December. And, in June of 4.75. So, today, we have profiled the plan to be able to return to the 3.5 level. And we would start going down to that level around 2018. And, towards the middle of that period, it would be fairly comfortable.

As you've seen, this requires a fair amount of investment. Basically, we'll be looking at stability. You know, a sort of stable curve at the beginning. And then we'll gradually start to go down to hit the 3.5 level.

Thank you. I have finished. Sophie, you have the floor for the Q&A

Q&A

Sophie Boissard

So you have the floor. Any questions? Stéphane.

Question

I do have a question but it's a bit lazy. The criterion that you gave, or the criteria that you gave for nursing homes in France, what does this mean as a multiple for acquisitions? I should be able to calculate it...

Answer

You mean if you do a bolt-on?

Question

Yes, let's say tomorrow you acquire five facilities in sort of the standards for the sector, around 25% of Ebitda, without any real estate, with an effort rate of 50%, that's 12.5... Ebitda.

Answer

Let me answer in a different way because I don't really want to go through all the computation. Based on market rates, it works. I've checked, we did some real cases. There are people who come to see us with facilities at a given price and it fits. Some of them don't fit, don't meet the criteria, but some of them do. We mentioned Foyer de Lork and it met the criteria. Some are ruled out.

Question

But this is with or without real estate?

Answer

That's entirely relevant... Country. This is without, or excluding, real estate. So we decided these criteria would be applied to all projects excluding real estate. We do a simulation. So, if there were real estate included, even if we think we're not going to keep it, we start with the real estate and our methodology consists in simulating a

[inaudible] to apply these criteria. And we basically treat the real estate separately, according to other criteria, and this is hence the whole question of the flagship and so on. So, to answer your question, yes, it is sort of discriminatory if you like, but it means that you can conduct acquisitions according to market standards that are entirely proper. And it does rule out some operations. And it doesn't put a brake or it doesn't hamper development.

Question

I have a question on incentives, that's in light blue in slide 74. You said that the percentages would be 50, 133% of fixed salary for the CEO. If you were to achieve the objectives for 2019, 4 or 5% growth from now to 2019 Ebitda margin, somewhere between 13.7 and 14, does this trigger the whole thing?

Answer

No, a minority. It's 5% of growth and higher, and above.

Question

Now I have a question that goes back to what you said this morning. You talked a lot about restating. There's an indicator in your P&L. In H1, it went from 53 to 41, so there were [inaudible] million euros that had something to do with IAS 17. Am I seeing this properly? There's a 7 or 8 million of drop in current earnings? And this has to do with Germany?

Answer

Yes. I can say it's primarily Germany that explains this.

Question

And, additionally, you said that S2 would be better. H2 would be better, sorry. You're using the reported results of the... Last year it was 59 million and 10 million for H2. So would you say the same is true for current income?

Answer

You're talking for the whole year. Is that correct?

Maybe in the meanwhile, unless you have another question... Maybe we can go to another question?

Question

I have a question on service flats. I understood that, in Belgium, the service flats are actually purchased by individuals for themselves or to rent them out. So my question: is the development in France envisaged according to the same system? And does this mean there are commitments in terms of rents on your part? And how would you index these rents?

Answer

Given the way these flats operate, it's too early what is the model we would be using in France. We described and also we already have in Germany and in Belgium and in Italy. In France, this is one of the points that we're reviewing very carefully. In France, today, we have some facilities, some group facilities in rural areas. We don't have sort of urban service flats. In the rest of the Group, we have both models. We have an area where we have a macro-rent. And, as Bart said, this something that we know how to manage. It's managed with a nursing home that has a good occupancy rate. So this is something that we know how to run and how to manage. Same thing in Germany, whether we are renting or whether we own the facility. And we manage the occupancy. So it's the same type of lease. And then, in our portfolio we have different situations. We have management contracts where occupation or occupancy is managed by the real estate investor. And we are in charge of services. Of course, in terms of revenue, it's the same thing. But the profile risk is not the same either. It doesn't carry the same risk. That's slightly above.

Question

You talked about an increase of pricing in Germany of 5 to 7% as a result of evolving regulations. I assume that you will be facing the same changes in other markets with patients who will have a greater need for care. Will the pricing and reimbursement systems change as well, for instance in Italy, in France?

Answer

I think that the pricing changes in Germany, they will happen starting in 2017... It's going to basically catch up with the situation in France, Belgium and Italy, where, basically it's more closely correlated with the actual state of the patient. And it's not simply based on average for facilities. Maybe some of other members of the team want to answer?

Mariuccia Rossini

Because there is an important fact in Italy. It's not national regulation: it's regulated at the regional level. So there are about 10 different solutions for the whole country. And what we see today is that the pricing system that's being put in place in Germany, and that is linked to certain quality criteria – number of caregivers, etc. – is actually a fairly comfortable financing arrangement.

Bart Bots

I might add that, in Belgium, we have protection because the same pricing goes for public schemes and other schemes. So there's a certain margin. If we're too strict on pricing, then it's the public facilities and the ones that are run in the voluntary sector, that will simply be out of business the soonest. So there is a protection.

Mariuccia Rossini

In Italy, we also have different pricing, depending on what region you're in. But there is a rule: it's that the public and private prices are the same or aligned.

Sophie Boissard

Does this answer your question?

Answer

[Inaudible]

Question

[Inaudible]

Answer

On medical-social, no, because these are services that have to do with the condition of the person and what is given to the facility is something that's indexed based on the average state of all of the people who are given care.

Question

I wanted to check that 150 million of free cash flow that it's purely operational? There is no intangible assets being spinned off?

Then you have [inaudible] of operating cash flow and capex is 92? Could you... Did you say what was maintenance.

Answer

I didn't give that figure. In maintenance, we're within what's standard capex of about 35 million for maintenance. And I said, the higher level has to do with the two real-estate transactions.

Question

I want to ask a question on the 600 million for capex that you announced. Part is external growth and the other part is dedicated greenfield projects. I imagine greenfield involves some real-estate projects. What do you do then? Do you hold it or do you just sell it off?

Answer

When we do greenfields in general? No, our philosophy is to maintain our ownership of a percentage or rate is stable. So we'll stay at 14%, the figure that we gave you this morning. That's basically the principle.

Question

[Inaudible]

I have a question on the tax rate in Germany. Do you have guidance?

Answer

No.

Question

You mean when? Now or later? Have you tries to optimise it?

Answer

Are you asking me if we have an idea of the average rate by 2021?

Question

Can you tell us what you pay? I imagine that you know what improvement can be made?

Answer

No, we didn't just speak about the German rate. But there'll be a rate that will be sort of the normative rate of 30%. But, when you talk about normative rates in our countries, it's very much impacted by tax policies in the countries. For instance, if you take the case of France, you start with 34 if you take the average rate and then you integrate the various tax credits, and the various tax deductions you can get. In France, we've done optimisation. We're at 38 with... In Germany, there is non-deductibility and still the sort of average rate is about 38. But for H1 we're somewhat above that for all of the reasons that I mentioned. We're somewhere around 38, 39.

Question

Once again because I'm lazy, maybe the tax rate overall for this year?

Answer

We can't reveal everything. We have to... We can't disclose everything. We need to keep something for March!

Question

I have another question on the incentives: no stock options?

Answer

This year, there are no stock options. We have a system of phantom shares. It's based on the actual value of the share. There's a conversion rate that's been set today and then it will be paid out in the form of shares. If we use this type of programme, or in cash. But it will be basically a conversion rate based on the rate of the share price. That's what we'll present during the shareholder meetings next year.

Question

I do have a few additional questions.

For opex, can you tell what would be a sort of standard evolution of the wage bill, of payroll? What are you projecting for...

Answer

This is for the duration of the plan.

In other words, what exceptions for inflation, for payroll? What inflation assumptions we use for payroll, for the duration of the plan?

Well, this morning, we gave you some indication. I'm sorry.

Question

I didn't write it down. I wouldn't ask the question...

Answer

What we mentioned, that is in Germany... We're talking about 2%. For other countries a little bit less. In France that's so. Yes, actually, significantly lower in France. And Italy is similar to France. So Germany is definitely higher. This is because, again, the medical labour market is very tight, and also because there is regulation regarding minimum wage. And, as Sophie said, there has been a 4.5% increase over two years of the minimum wage. This is a recent decision. And, of course, part of our employee population is at minimum wage.

Question

And then the assumptions in the plan... What are the price assumptions that you have used for nursing homes and CCRs?

Answer

We don't want to go into all of the assumptions that we have used but we can say about CCRs because this is public data. Like other players in the industry, we think there'll be a drop in unit tariffs in 2017, during the campaign, and it's something that we used in our forecasting. And, for nursing homes, long-term nursing homes, we know what the indexation is for the present residents and the room... The leeway that we have... The free space. For an indication, we use the market trends such as they are.

Question

And now I have one last question: for the sequencing of capex, are there reasons for which there's a bigger level of capex sort of in the... It's sort of front-loaded in the early part of the plan?

Answer

Yes. It's based on our analysis.

Question

But how do you apportion it? Until when do you provide, you know, [inaudible] intensive capex? And at which point can you consider that the return is optimised?

Answer

It [inaudible] as a Group. We're slightly higher than what is standard for us. By about 10 to 15%.

It's completely logical and consistent with everything that we've said. We had these two very specific years of 2017, 2018. And then we'll get back to a sort of standard level. And we're talking about a complete sea-change in terms of capex. We're not talking about a doubling.

And here there are two different things. There is all the maintenance capex and, as we said, we have to bring up to code and to standard the German facilities. And then the IT capex for ongoing programmes. And then the development capex. And there the goal is not to slow down; rather the opposite: to accelerate development. So these two particular sort of streams are operating according to different rationales.

Question

I wanted to go back to incentives and to maybe rephrase the question. What would you have to achieve in 2019 to trigger the maximum incentives, as laid out?

Answer

Well, this is something we don't disclose.

Question

Maybe we can help you! A great deal more than what you see here!

Second question on real estate. I heard what your capitalisation rates on the 980 million figure that you disclosed. What I don't understand is the 775 million figure. Does this mean that there will be capitalisation rates that would be very high, that would be greater than 7?

Answer

These are historical values of book entries. The 980 is something that comes out of the estimations with the capitalisation rates that were done by the expert. We're not talking about books. We're not looking at the values in the books. To calculate 980 we're working on the [inaudible] on the one side. And then we went out to look at the values, and then how you correlate the two. There are some assets that have appreciated.

Question

There is a question coming to us via Internet. Other major players on the European market are looking with a great deal of interest on other markets where you're present. Does Korian's strategy involve going into another country?

Answer

I think this question was already raised this morning. As I said, our plan... It does not involve any mergers and acquisitions that are strategic. So what is the strategic versus tactical, to use the terminology used by Laurent, it is either geographical or sectorial diversification. So we're not here to talk about geographical diversification, that would be a strategic M&A. As I said, this plan does not figure or take into account strategic M&A. And if that is to be considered, we'll talk about it when the time comes.

We're talking about strategic M&A. You could make an exception in terms of your investment criteria and ask, for instance, the question whether Casa Reha for instance fits in with the investment criteria that have been given. And Casa Reha is a strategic M&A operation. Basically we pre-empted in Germany the building of the first private platform for nursing homes. So this was 100% strategic. And it was a Board decision. Could we conduct similar operations tomorrow, both in terms and size of philosophy? Well, what will guide us on this in the future will be value creation. Is there value creation as a result of these operations? And I think we've told directly and indirectly: the criteria that we use are true for development investments, including strategic operations.

At any rate, I think that everybody is in line here, and I think that's how things will be assessed.

Question

One last question: in terms of leverage, 3.9 reported this morning. Why when you talk about financial discipline you don't have as an objective to bring it down faster? Because we have a feeling that it's only towards the end of the plan that it's going to go down. Or let's say in the second half of the plan.

Answer

That is because, today, we deem that we're able to maintain this type of level, and it's rather interesting, given the interest rates, and then we're far from our covenants. And basically we can... It's sort of the driver for the plan. Otherwise, we would... It wouldn't be useful to try and drive it down too early. It just didn't seem that it was opportune to put ourselves in that kind of position.

We're on two feet and we're... We want to grow. And, at the same time, we do have a strict financial discipline by controlling our debt level. But have a financial structure that is solid, we have visibility, and that's what determines our growth strategy.

Unless there are any other questions, if there's any burning or a very important question... If not, then what is left for us to do is to conclude today's day. And, of course, to thank you and to say that we have a roadmap that is very clear, that is built on growth, on platforms, on innovation of services, on care for our clients, that is built on optimising our platform, that we have been building over the last few years. And I think you've heard this very clearly today. We've had four goals. First of all, this is the first Investors' Day for Korian. This is in fact our first for the Group since its existence. And we want to be as transparent as possible in terms of who we are, what we are, the people that make it up, the network that we have, the opportunities that we have, that are very significant in our four countries, based on our assets. And the challenge that we are facing. We endeavour to give you a very complete picture and a very open one as to what the Group is today. And, secondly, and you will have understood this. We are ambitious. We are determined to be ambitious. We believe that the potential is there on the market. We want to be ambitious but realistic. Ambitious in terms of growth, in terms of performance. Yet we don't want to promise beyond our means. And we have a very specific course... a very specific course that we will stick to on a daily basis in our work. What is important for us is that we want to present something that is realistic, that can be achieved, and that will be achieved. And it is because of that credibility, and it is with that trusting confidence with our shareholders, our clients, the market, our employees, that we will build a durable, sustainable future that will be a brilliant one.

I'd like to thank you for your attention and we hope to see you soon again.