PRESS RELEASE

Paris, 12 September 2018

Transformation momentum accelerates in the first half: Solid progress on growth and operational efficiency

- Acceleration of revenue growth to 6.0%, driven by:
  - ✓ The first benefits of the plan initiated in France in 2017 to boost growth momentum
  - ✓ The continuation of an active Buy and Build strategy in the four countries, which contributed to a network increase of over 1,100 beds in the first half and to the offer diversification
- Operating margin (EBITDA) up 40 basis points notably due to:
  - ✓ The strong operational performance in the four countries (Group EBITDAR margin stable at 26%)
  - ✓ The positive contribution of the "asset smart" real estate strategy implemented over the past year
- Current net profit (Group share) up 26.3%
- A favourable financial position with a stable debt ratio compared to its level at end-December 2017 (3.2x)
- Leadership strengthened in Belgium: exclusive negotiations to acquire an additional portfolio of c. 1,800 beds from Senior Assist
- Upward revision of 2018 annual objectives: revenue growth close to 6% and stable operating margin (EBITDA)

Sophie Boissard, Chief Executive Officer of the Korian Group, made the following comments: "*Thanks to the exemplary mobilisation of its teams in its four countries, Korian is beginning to reap the benefits of the fundamental actions undertaken over the past two years pursuant to the Korian 2020 plan. Korian is now in an excellent position to support the transformations of the European senior care market and to take full advantage of the dynamics of the four markets in which it operates in a leading position. The progress made in the first half of the year allows us to raise our revenue growth and margin objectives for 2018.*"

In € millions	H1 17	H1 18	Change
Revenue	**1,542**	**1,634**	**6.0%**
EBITDAR	**401**	**424**	**5.8%**
as a % of revenue	*26.0%*	*26.0%*	
EBITDA	**209**	**228**	**9.2%**
as a % of revenue	*13.5%*	*13.9%*	
Net profit, Group share	**38**	**55**	**43.3%**
Net current profit, Group share	**41**	**52**	**26.3%**

Highlights

Continued active development strategy in the four countries

In the first half, the Group continued its active development strategy by opening or acquiring over 1,100 units over the period. The network expansion was balanced between organic development and selective acquisitions. This local development strategy enables the Group to increase the density of its network and augment its specialised expertise in order to propose complete care pathways in each country of operations. In January 2018, Korian acquired a 70% interest in Ages & Vie, a young company in the Franche-Comté region, which has developed an innovative shared housing concept for seniors with decreasing independence. Korian also strengthened its presence in the hospital home care segment with the acquisition of CliniDom, which specialises in oncology. In Italy, the Group acquired a majority interest in San Giuseppe Hospital, an acute care and rehabilitation platform specialising in orthopaedics, thereby consolidating its presence in Tuscany area, where it now has over eight nursing home and post-acute care facilities that specialise in geriatric care. Furthermore, the Group accelerated its development in the home care sector in Germany in early July by finalising the acquisition of a first intensive care network focusing on highly dependent persons.

Plan to boost growth momentum in France

In France, Korian benefited from the initial impacts of the growth acceleration plan launched in early 2017. This plan includes an ambitious programme to develop and modernise the network, in order to make its offers more attractive, to relocate its facilities, particularly its healthcare facilities, closer to its main referring practitioners, and to develop additional capacity, especially in individual rooms and ambulatory care. 3 new facilities were opened in the first half pursuant to the programme. In the Healthcare division, a fourth clinic relocation project was successfully completed in Sainte Foy les Lyons, and 10 others will be carried out between 2019 and 2021. The Group also continued to develop its outpatient care activity by commissioning three new units in existing facilities. In the Senior division, 2 new facilities were delivered in the departments of Yvelines and Charente (expansion of an existing facility). The "Boost" plan, which aims to renovate all or part of over 50 facilities (rooms and common areas) by 2020, began to be deployed across the network, with a first set of 7 facilities delivered and 20 others in progress.

Ramp-up of the "asset smart" real estate strategy

The "asset smart" real estate strategy implemented since 2017 aims to actively manage the asset base, particularly during the development phase, selectively increase the rate of asset ownership and reduce the rental expenses through lease renegotiation.

The development partnership signed in September 2017 with Icade is rapidly expanding with seven projects initiated in France out of a total of 15 projects targeted. The first deliveries are scheduled as from 2019. Discussions are underway with other partners to increase the Group's capabilities in the expansion and reconfiguration of its network in its four countries, based on a pipeline of 50 real estate projects to be completed by 2020. Moreover, the rent renegotiation plan, initiated on a first portfolio of 150 leases, is advancing rapidly. 90 leases have been renegotiated, mainly in France and Germany, generating over €5 million in rent savings in 2019, two years ahead of the initial schedule set in the Korian 2020 plan.

Accelerating digital transformation

Korian sets up an internal digital agency called "Korian Solutions" to accelerate the digital transformation of its facilities, develop new services, in particular in the home care and outpatient sectors, and contribute to improving the quality of life of its customers, their families and its employees. After the launch in France in 2017 of the Korian Générations social network, developed with Famileo, new partnerships were entered into in the first half of the year, firstly with medGo to develop a platform for managing replacements for caregivers and accommodation service staff in each of its facilities, and secondly with Doctolib, which is developing a solution adapted to ambulatory care services. In addition, Korian announces the launch of 2 new development partnerships with Wellcoop and Patientys (a subsidiary of the Webhelp Group) to deploy innovative solutions along care path and contribute to support elderly at home. Finally, in November 2018, the Group will open a pilot long-term care nursing home in the Paris area, which will be the Group's first fully connected facility. The intent is to deploy these solutions across portfolio.

First-half 2018 results

Consolidated revenue for the first half of 2018 totalled €1,634 million, up 6.0% compared to the previous year. This performance reflects a clear acceleration in growth compared to the previous year (+4.9% in the first half of 2017). It is due to a more dynamic activity in France, resulting from the initial effects of the action plan started in 2017, and the pursuit of an active acquisition strategy.

In France, revenue was up 3.6%, driven primarily by organic growth of 2.5% and the selective acquisitions completed in 2017 and 2018.
Internationally, revenue growth continued at a sustained pace (8.4%), benefiting from recent acquisitions in Belgium and Italy. Organic growth stood at 3.2%.

The Group's **EBITDAR**[1] (EBITDA before rent) totalled €424 million, up 5.8% compared to the first half of 2017. The margin rate was stable at 26% thanks to optimised operational management in all countries.

In France, rigorous management of costs, in particular the costs related to the ramp-up of restructured sites, made it possible to limit the unfavourable impact of the reduction in the CICE tax credit and lower rates in the post-acute care clinic sector. As a result, the margin fell by only 20 basis points.

In Germany, the margin increased by 10 basis points due to the initial effects of the Success 2020 plan. Central cost reduction is well underway, and the actions undertaken to optimise the management of schedules, combined with the implementation of a more active recruitment policy, have begun to reduce the use of temporary workers. The benefit of these various actions should be more broadly felt in the second half.

Belgium posted a margin increase of 50 basis points, reflecting the benefits of the active development strategy pursued in 2017 (economies of scale, ramp-up of sites that are not yet mature or reconfigured sites).

The margin in Italy increased by 10 basis points due to optimised cost management on a mature portfolio.

[1] EBITDAR is the interim management indicator selected by the Korian Group to monitor the performance of its facilities. EBITDAR represents earnings from operations (EBITDA) before rental expense.

EBITDAR by country

In € millions	H1 17	H1 18	Change
France	**215**	**222**	**2.9%**
as a % of revenue	*27.5%*	*27.3%*	
International	**185**	**203**	**9.2%**
as a % of revenue	*24.5%*	*24.7%*	
Germany	106	110	3.6%
as a % of revenue	*24.4%*	*24.5%*	
Belgium	43	52	21.6%
as a % of revenue	*24.9%*	*25.4%*	
Italy	37	41	11.2%
as a % of revenue	*24.2%*	*24.3%*	
Group	**401**	**424**	**5.8%**
as a % of revenue	*26.0%*	*26.0%*	

EBITDA totalled €228 million, up 9.2% compared to the first half of 2017. The margin rate was 13.9%, up 40 basis points compared to its level in the first half of 2017. Half of the increase is due to the ramp-up of the "asset smart" real estate policy launched in 2017 while the other half corresponds to the favourable impact on real estate expenses of the recent acquisitions in Belgium and France (in accordance with the IAS 17 accounting rule).

The **current operating profit** was €143 million, or 8.8% of annual revenue (compared to 8.4% in the first half of 2017).

Other **operating income and expenses** include reorganisation costs, which were lower than in the previous year and were more than offset by reversals of provisions in Germany.

With net financial expense of €58 million and income tax expense of €33 million, net profit Group share totalled €55 million, an increase of 43.3% compared to the first half of 2017. **Net current profit (Group share)**[2] was up 26.3%.

Financial situation

At 30 June 2017, **net debt** totalled €2,486 million, up €146 million from the level at 31 December 2017. This increase, which is mainly due to real estate debt, reflects the increase in the percentage of real estate assets owned, in line with the Group's strategy, and the consolidation of recent acquisitions in Belgium and France (debt on rental commitments in accordance with IAS 17).

Net financial debt, excluding real estate debt, amounted to €1,228 million, compared with €1,209 million at 31 December 2017.

[2] Net current income: net income (Group share) – (other operating income and expenses + gain/(loss) on acquisitions and disposals of consolidated investments) × (1 – standard corporate income tax rate of 34%)

The **restated debt ratio**[3] was stable compared to its level at 31 December 2017, at 3.2x, and well below the maximum authorised of 4.75x at 30 June and 4.5x at 31 December.

At 30 June 2018, the Group had unused confirmed bank facilities of €650 million, and available cash of €459 million.

Leadership strengthened in Belgium

The Group entered into exclusive discussions with Senior Assist to acquire an additional portfolio of 21 facilities representing an additional capacity of about 1,800 beds. This acquisition allows Senior Living Group to strengthen its leadership position on the Belgian market and, in particular, to continue expanding its national coverage, the majority of the acquired facilities being located in Wallonia where the Group is less present yet. This acquisition will contribute by about €65m to the Group's revenues on a full year basis.

Conclusion and outlook

In the first half, the Group delivered a solid performance, reflecting the ramp-up of the various actions initiated over the past two years pursuant to the Korian 2020 plan.

In the second half, Korian will continue the various restructuring and development actions launched on its network and open five additional new facilities ("greenfields"). The Group will also pursue an active strategy of selective acquisitions in order to consolidate its positions in its various business segments and to take full advantage of the strong growth potential in the four countries in which it operates.

The Group is now targeting revenue growth approaching 6% for the full year 2018 and expects a stable EBITDA margin over the fiscal year based on the rigorous cost discipline achieved in the first half of the year and the expected benefits of the "asset smart" real estate policy.

The Group has substantial assets to reinforce its position as the European leader in care and support services for seniors, and will continue to deploy its Korian 2020 strategic roadmap, which focuses on:

- strengthening the Group's growth potential via the expansion of the portfolio, the modernisation and optimisation of the network and a broader service offer;
- a more dynamic management of the real estate portfolio to create long term value;
- operational excellence;
- an active staff training and development policy, which supports the quality of care; and
- accelerating innovation in digital technology.

[3] Restated debt ratio: (net debt - real estate debt)/adjusted EBITDA - (6.5% * real estate debt).

Presentation of first half results

The results for the first half of the year will be presented live at 9 a.m. (Paris time) on Thursday 13 September, in the Investors section of Korian's website at www.korian.com. The presentation document will be available before the presentation.

A deferred version will be available online during the day.

You can also follow the presentation live by telephone:
In French: +33 (0)1 70 71 01 59 – Code: 86149629#
In English: +33 (0)1 72 72 74 03 – Code: 73263279#

Next event: 24 October 2018 after the close of trading

3rd quarter revenue

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ABOUT KORIAN

Korian, the expert in providing care and support services for seniors, with nearly 780 facilities, operates Europe's largest network of long-term care nursing homes, specialised clinics, assisted-living facilities, and home care and hospital home care services. The Korian group's accommodation capacity totals over 76,000 beds in four countries (France, Germany, Belgium, and Italy) and it employs nearly 50,000 people.

For more information, please visit the website: www.korian.com

Korian has been listed on Euronext Paris Section A since November 2006 and is included in the following indices: SBF 120, CAC Health Care, CAC Mid 60, CAC Mid & Small and MSCI Global Small Cap

Euronext Ticker: KORI - ISIN: FR0010386334 – Reuters: KORI.PA – Bloomberg: KORI.FP

APPENDICES

The condensed consolidated financial statements for H1 2018 were approved by the Board of Directors on 12 September 2018 and were reviewed by the statutory auditors.

CONSOLIDATED REVENUE[4]

In € millions	1st half 2017	1st half 2018	Reported change	Organic change[5]
France	**784**	**813**	**3.6%**	**2.5%**
as a % of revenue	***50.9%***	***49.7%***		
International	**758**	**821**	**8.4%**	**3.2%**
as a % of revenue	***49.1%***	***50.3%***		
Germany	435	450	3.4%	3.7%
Belgium	171	204	19.3%	4.0%
Italy	152	167	10.6%	0.8%
Group Total	**1,542**	**1,634**	**6.0%**	**2.9%**

[4] Revenue and other income

[5] Organic revenue growth includes: a) year-on-year change in revenue (year "N" vs. year "N-1") of existing facilities; b) revenue generated in year "N" by facilities created in year "N" or year "N-1"; c) the change in revenue (year "N" vs. year "N-1") of facilities that were restructured or expanded in year "N" or year "N-1"; and d) the change in revenue, in year "N" compared to the equivalent period in year "N-1", of facilities recently acquired.

CONSOLIDATED INCOME STATEMENT

In € millions	H1 17	H1 18	Change
Revenue	**1,542**	**1,634**	**6.0%**
Personnel expenses	-850	-901	6.0%
Other purchases, external costs and taxes	-291	-308	6.0%
EBITDAR	**401**	**424**	**5.8%**
As a % of revenue	*26.0%*	*26.0%*	-
External rents	-192	-196	2.2%
EBITDA	**209**	**228**	**9.2%**
As a % of revenue	*13.5%*	*13.9%*	*40 bp*
Depreciation/amortisation & impairment	-79	-84	7.3%
Income from current operations	**130**	**143**	**10.3%**
As a % of revenue	*8.4%*	*8.8%*	*40 bp*
Other operating income & expenses	-4	4	-192.8%
Operating income	**126**	**148**	**17.6%**
Net financial income	-56	-58	3.9%
Income tax	-30	-33	13.1%
Minority interests	-2	-1	-40.8%
Net profit, Group share	**38**	**55**	**43.3%**
Current net profit, Group share[6]	**41**	**52**	**26.3%**

[6] Net current income: net income (Group share) – (other operating income and expenses + gain/(loss) on acquisitions and disposals of consolidated investments) × (1 – standard corporate income tax rate of 34%)

CONSOLIDATED BALANCE SHEET

In € million	31.12.2017	30.06.2018
Non-current assets	**6,185**	**6,350**
Intangible assets	3,978	4,069
of which Goodwill	*2,219*	*2,306*
of which Other intangible assets	*1,760*	*1,763*
Property, plant and equipment	1,944	2,038
Financial assets	54	34
Deferred tax assets	209	208
Current assets	**929**	**929**
Inventories	10	14
Trade receivables and related accounts	191	218
Other receivables & current assets	212	235
Financial instruments – assets	5	4
Cash and cash equivalents	511	459
Assets held for sale	**0**	**0**
Total assets	**7,115**	**7,278**
Shareholders' equity (Group share)	**2,462**	**2,469**
Share capital	405	405
Premiums	860	860
Reserves and consolidated results	1,197	1,204
Minority interests	**12**	**11**
Total shareholder's equity	**2,475**	**2,480**
Non-current liabilities	**3,355**	**3,413**
Provisions for retirement benefits	70	73
Deferred taxes	633	630
Other provisions	154	136
Borrowings and financial liabilities	2,498	2,551
Other non-current liabilities	1	23
Current liabilities	**1,285**	**1,386**
Provisions for less than one year	12	11
Trade payables and related accounts	267	262
Other payables and accruals	640	704
Borrowings less than one year & overdrafts	353	394
Financial instruments – liabilities	18	14
Liabilities held for sale	**0**	**0**
Total liabilities	**7,115**	**7,278**
Net financial debt	*2,340*	*2,486*

CHANGE IN NET DEBT

In € million	H1 2017	H1 2018
Cash flow before cost of financial debt	**162**	**171**
Change in working capital	-30	-36
Change in income tax	12	-12
Maintenance capital expenditure	-42	-40
Financial expense	-39	-43
Operating free cash flow	**63**	**40**
Development capital expenditure	-5	-21
Bolt-on acquisitions (net of disposals)	-57	-57
Free cash flow	**2**	**-38**
Dividends paid	-	-5
Real estate investments	-35	-24
Capital increase	60	-
Impact of changes in the consolidation scope and other changes on net debt	-29	-79
Change in net debt	**-2**	**-146**

Opening net debt	**2,315**	**2,340**
Closing net debt	**2,317**	**2,486**