Korian
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PRESS RELEASE

KORIAN: 2012 HALF-YEAR EARNINGS

GOOD PERFORMANCES FOR THE FIRST HALF OF THE YEAR
Revenues: €547.9 million, +12.8%
EBITDA: €62.6 million, +14.8%
Current net income (group share): €11.7 million, +26.5%

FINANCIAL STRUCTURE FURTHER STRENGTHENED
Gearing stable: 3.8x
Share-based dividend: capital increased by €15 million
€158 million of real estate sales committed to

NEW OPERATIONAL ORGANISATION

Paris, 6 September 2012. **Korian's earnings show a positive trend for the first half of 2012. Revenues are up 12.8% to €547.9 million, buoyed by strong organic growth (5%). EBITDA growth came in higher, climbing 14.8% to €62.6 million, while current net income (group share) totalled €11.7 million. Financial leverage is stable at 3.8x EBITDA, with €638 million in net debt. Korian has also consolidated its balance sheet through a €15 million capital increase carried out in July, with 74% of shareholders opting for their dividends to be paid in shares, in addition to securing financing for its development, with commitments for almost €158 million of real estate sales. Lastly, the group's organisation is evolving and strengthening in line with two goals: taking our international size into consideration and striving for operational performance.**

In millions of euros	*30 Jun 12*	*30 Jun 11*	*Change*
Revenues	**547.9**	**485.6**	**12.8%**
EBITDAR [1]	**130.3**	**115.4**	**12.9%**
Margin / revenues	*23.8%*	*23.8%*	
External rents	67.7	60.9	11.2%
EBITDA [2]	**62.6**	**54.5**	**14.8%**
Margin / revenues	*11.4%*	*11.2%*	
EBIT [3]	**39.8**	**36.5**	**9.1%**
Operating income	**37.8**	**31.2**	**21.3%**
Financial income / loss	(16.7)	(15.4)	8.6%
Net income (group share)	**10.4**	**5.8**	**80.1%**
Current net income (group share) [4]	**11.7**	**9.2**	**26.5%**
Net financial debt	637.9	618.9	3.1%
Restated leverage	*3.8x*	*3.8x*	

The accounts were approved by Korian's Directors at the Board meeting on 5 September 2012. The procedures for a limited review of the consolidated accounts have been completed. The certificate is currently being issued.

POSITIVE TREND FOR EARNINGS

Korian performed well during the first half of 2012, with improvements in its main operational aggregates.

In €M	Consolidated			France			Italy			Germany		
	H1 2012	H1 2011	Change	H1 2012	H1 2011	Change	H1 2012	H1 2011	Change	H1 2012	H1 2011	Change
Revenues	547.9	485.6	12.8%	376.2	348.8	7.9%	96.1	75.7	27.0%	75.6	61.1	23.7%
EBITDAR	130.3	115.4	12.9%	90.6	84.6	7.0%	21.4	16.7	28.1%	18.4	14.1	30.1%
Margin / revenues	*23.8%*	*23.8%*		*24.1%*	*24.3%*		*22.2%*	*22.0%*		*24.3%*	*23.1%*	

Revenues are up 12.8% to €547.9 million, with robust organic growth (5%). The group's growth has been particularly strong for its Italian and German subsidiaries, up 25.5%.

The EBITDAR margin has remained high, coming in at 23.8%, with profitability continuing to improve for the European subsidiaries.

EBITDA is up 14.9% thanks to effective rental management. The rent indexation effect is still limited (2.3%), with almost two thirds of the leases indexed against inflation.

Financial expenses rose 9.8% to €16.7 million, while the average cost of debt has continued to fall, dropping to 4.3% at 30 June 2012. With 72% of its net debt hedged against interest rate risks, Korian is benefiting to some extent from the reduction in interest rates.

All these factors are reflected in a strong rate of growth in current net income (group share), with a +26% increase.

NEW ORGANISATION

The group's management structure is changing, with the creation of an Executive Committee, bringing together five managers around Yann Coléou, Korian's Chief Executive Officer:

- Mariuccia Rossini: Chairman of the Italian subsidiary Segesta
- Ralf Stiller: Chairman of the German subsidiary Phönix
- Louis Guyot: Vice President Finance
- Philippe Denormandie: Vice President in charge of coordinating the medical policy, innovation, ethics and institutional relations
- Chantal Lallemand, who is now Head of Operations France following extensive experience within the group: nurse, nursing home manager then regional director.

This streamlined and international Executive Committee is consistent with the challenges linked to building a true European leader. In the current economic environment, it is important to have a responsive management structure and strive for economic and managerial performance in each decision helping ensure quality care for our residents and patients.

SOUND FINANCIAL STRUCTURE AND DELEVERAGING UNDERWAY

Korian has further strengthened its balance sheet through:

- A €15 million capital increase, resulting from the successful operation for share-based dividend payments, with this option taken up by 74% of shareholders. This operation once again confirms the confidence of our shareholders in Korian's model.
- Commitments for €158 million of real estate sales, securing the financing required for the group's development. Indeed, Korian has just sealed a new partnership with Viveris Reim, under which €117 million of real estate will be sold over 2012 and 2013. This commitment follows the €22 million of divestments underway based on unit or leaseback (LMNP) sales and the €18 million agreed on with our tenants for financing extensions. The average capitalisation rate for these commitments comes to 6.08%, reflecting the widely acknowledged quality of Korian's credit rating.

At the end of June 2012, net debt represented €638 million, while financial leverage, restated for real estate debt, is stable at 3.8x EBITDA.

Thanks to a strong level of recurrent cash flow generation and the various real estate sales in place, the group is looking to bring net debt down below €610 million by the end of 2012.

PROSPECTS INTACT THANKS TO ROBUST ORGANIC GROWTH

Korian is continuing to move forward with a clear growth policy, while remaining highly selective. Since the beginning of the year, Korian has acquired six nursing homes, including three in France and three in Germany, and opened a further two facilities, one with 85 beds in Nice, France, and another 134-bed unit in Sassenburg, in Germany's Lower Saxony region.

Alongside this, the group is continuing to develop a pipeline for 6,166 beds, including more than 3,500 beds to be redeveloped in Europe. In concrete terms, this is reflected in:

- In France, building four nursing homes and three clinics, which will be delivered by the end of 2013
- In Italy, the transformation of five hospitals into two short-stay clinics and one follow-up care and rehabilitation clinic in Sardinia. Drawing on its recognised expertise, Segesta is constantly adapting in line with market requirements, offering innovative solutions

In this way, the group has a strong level of visibility over its future business, with sustained organic growth of around 5% expected for the next three years.

As Yann Coléou, Korian's Chief Executive Officer, explains: "*These good results reflect the quality of the work accomplished by all our teams each day. Based on these sound foundations, we are going to continue to grow: further developing our network in France, Germany and Italy, in addition to optimising the performance of each one of our facilities. In this way, we are looking to position Korian as a major European leader, while meeting the significant challenges relating to the ageing of Europe's population with all the professionals in charge of long-term care*".

Next release: 7 November 2012 (after close of trading)
2012 third-quarter revenues

Investor Contacts:

Louis Guyot	Alexis Jungels
T: + 33 1 55 37 52 11	T: + 33 1 55 37 52 25
l.guyot@groupe-korian.com	a.jungels@groupe-korian.com

Press Contact:

Francis Weill	Maggie Schelfhaut
T: + 33 1 55 37 52 15	T: + 33 1 55 37 52 21
f.weill@groupe-korian.com	m.schelfhaut@groupe-korian.com

For more information, please visit our website: www.groupe-korian.com

About KORIAN

The Korian Group, founded in 2001, is one the European market leaders for temporary and permanent comprehensive care. A private group employing over 15,000 people, Korian has three platforms established in France, Italy and Germany.
At 30 June 2012, Korian's 249 facilities represented a combined total of 24,438 beds in operation.

- *In France: 129 nursing homes, 37 follow-up care and rehabilitation clinics, and 7 psychiatric clinics for a total of 14,846 beds.*
- *In Europe: 31 facilities in Italy with a total of 4,349 beds and 45 facilities in Germany for a total of 5,243 beds in operation.*

The company has been listed on Euronext Paris Eurolist Compartment B since November 2006.

CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2012

In €M	*30 June 2012*	*30 June 2011*	*%*
REVENUES	**547.9**	**485.6**	**12.8%**
Other income			
Operating income	**547.9**	**485.6**	**12.8%**
Other external purchases and expenses	131.6	118.9	10.7%
Personnel expenses	265.0	232.1	14.2%
Tax	21.0	19.2	9.5%
EBITDAR [1]	**130.3**	**115.4**	**12.9%**
% of revenues (net of tax)	*23.8%*	*23.8%*	*100.5%*
External rents	67.7	60.9	11.2%
EBITDA [2]	**62.6**	**54.5**	**14.8%**
% of revenues (net of tax)	*11.4%*	*11.2%*	*1.7%*
Depreciation and amortisation	(22.8)	(18.1)	26.3%
EBIT [3]	**39.8**	**36.5**	**9.1%**
% of revenues (net of tax)	*7.3%*	*7.5%*	-3.3%
Income from acquisition and sale of consolidated interests	(0.2)	(3.2)	-93.7%
Other operating income and expenses	(1.8)	(2.1)	-17.8%
Operating income	**37.8**	**31.2**	**21.3%**
% of revenues (net of tax)	*6.9%*	*6.4%*	*7.5%*
Cost of net financial debt	(16.1)	(15.2)	5.5%
Other financial income and expenses	(0.7)	(0.2)	328.9%
Financial income / loss	**(16.7)**	**(15.4)**	**8.6%**
Pre-tax income	**21.1**	**15.8**	**33.8%**
Income tax	(9.5)	(8.3)	14.7%
% of pre-tax income	45%	53%	-14.3%
Net income from continuing operations	**11.5**	**7.4**	**55.0%**
Tax-exempt income from suspended and sold activities		(0.0)	-100.0%
Share in earnings of equity affiliates.	(0.0)	(0.2)	-93.5%
Net income	**11.5**	**7.3**	**58.3%**
Minority interests	(1.1)	(1.5)	-24.8%
Group share	**10.4**	**5.8**	**80.1%**
Current net income (group share) [4]	**11.7**	**9.2**	**26.5%**

[1] EBITDAR is the Korian Group's preferred interim balance for monitoring the operational performance of its establishments. It is based on gross operating income from operating segments before rental expenses.

[2] EBITDA is equivalent to EBITDAR as defined above, less rental expenses

[3] EBIT is equivalent to EBITDA as defined above, less depreciation, amortisation and provisions

[4] Current net income (group share) is defined as net income (group share) – (other income and expenses for operating segments + income / acquisition and sale of consolidated equity interests) * (1 – standard rate corporate income tax at 35%), i.e. net income (group share) restated for non-current items

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2012

In €M	*30 June 2012*	*30 June 2011*
NON-CURRENT ASSETS		
INTANGIBLE FIXED ASSETS	1,401.0	1,371.6
Of which, goodwill	699.4	687.6
Of which, other intangible fixed assets	701.6	684.0
PROPERTY, PLANT AND EQUIPMENT	420.1	404.8
LONG-TERM FINANCIAL ASSETS	15.6	17.6
Equity-consolidated securities	0.0	1.5
Deferred tax assets	40.6	35.3
Total non-current assets	**1,877.3**	**1,830.8**
CURRENT ASSETS		
Inventories	3.2	3.0
Trade receivables and related	92.1	91.5
Other receivables and current assets	126.2	118.8
Financial asset instruments	0.1	0.1
Cash and cash equivalents	26.7	41.2
Total current assets	**248.4**	**254.7**
Assets held for sale	0.0	3.5
TOTAL ASSETS	**2,125.8**	**2,089.0**

	30 June 2012	*30 June 2011*
SHAREHOLDERS' EQUITY (group share)		
Share capital	163.6	163.6
Premiums	277.1	277.1
Reserves	238.5	240.4
Consolidated earnings	10.4	21.7
Total shareholders' equity (group share)	**689.6**	**702.8**
Minority interests	19.7	20.0
Total shareholders' equity	**709.3**	**722.8**
NON-CURRENT LIABILITIES		
Provisions for retirement	20.6	19.5
Deferred tax	252.0	245.9
Other provisions	10.1	7.3
Borrowings and financial debt	634.0	622.6
Total non-current liabilities	**916.7**	**895.4**
CURRENT LIABILTIES		
Provisions for less than one year	2.6	2.1
Trade payables and related	116.3	114.5
Other liabilities and adjustment accounts	300.3	269.2
Borrowings – of one year and bank overdrafts	30.6	37.4
Financial liability instruments	50.0	44.8
Total current liabilities	**499.8**	**467.9**
	0.0	2.9
TOTAL LIABILTIES	**2,125.8**	**2,089.0**

CASH FLOW STATEMENT AT 30 JUNE 2012

In €M	*30 June 2012*	*30 June 2011*
Cash flow from operations after cost of net financial debt	35.6	27.4
Cash flow from operations before cost of net financial debt	**51.9**	**45.0**
Change in working capital requirement	(8.1)	(10.1)
Net cash from operating activities	**43.9**	**34.9**
Net cash from investment activities	(51.7)	(73.7)
Net cash flow	**(7.8)**	**(38.8)**
Net cash from financing activities	(4.8)	19.1
Change in cash	(12.5)	(19.7)
Cash	**22.9**	**23.3**