KORIAN

Paris, 14 March 2019

2018 results above guidance
Acceleration of Group transformation

- **Strong growth momentum**
  - Revenue growth in 2018, +6.4% vs. +5% in 2017
  - Improvement in the operating margin (EBITDA), +30 bps to 14.3%
  - Restated net profit[1], +28.1% to €123 million
- **Solid financial position**
  - Improvement in the financial debt ratio to 3.0x
  - Strong growth in restated cash flow from operations[1] to €204m, +19%
- **Deployment of the real estate strategy**
  - Increase in the real estate ownership ratio to 19%
  - A 33% rise in the value of the Group's real estate portfolio from 2017 to €1.649 billion,
  - with a debt ratio limited to 51% (LTV)
- **2019-2021 targets raised:**
  - 2019 : revenue growth ≥ 8% and EBITDA margin ≥ 14.5%
  - Plan K-2020: CAGR ≥ 8% and EBITDA margin at 15.5%

Sophie Boissard, Chief Executive Officer of the Korian Group, commented:

"Building on its leadership position in Europe, Korian continued to expand its service range, particularly in the homecare and outpatient sectors to provide increasingly respectful solutions for promoting autonomy and addressing the expectations of all. We are honoured by the confidence of the 300,000 patients and residents that we served in 2018 and I thank all staff for their unfailing engagement in fulfilling their missions.

Through ongoing investments to support the quality of our operations, staff training and the modernisation of our facilities, we are building a balanced and sustainable growth model, consistent with our mission and our values.

In 2019, after expanding into Spain, the Group will accelerate its expansion in Europe and strengthen its positioning as a global provider of integrated care solutions for seniors.
Thanks to better-than-expected results, we are confident in our ability to successfully deliver on our Korian K-2020 plan and in raising its targets."

---

[1] *Refer to restatements on page 2*

KORIAN

The consolidated financial statements for FY2018 were adopted by the Board of Directors on 14 March 2019.
These are presented excluding the application of IFRS 16, which will be effective for FY2019. Information and the main impacts on the income statement and the opening balance sheet as of January 1, 2019 are given in the Appendix.

Income statement

In € millions	31/12/2018	**31/12/2017**	2018/2017 change
Revenue and other income	3,336.5	3,135.2	6.4 %
EBITDAR	873.2	820.9	6.4%
As a % of revenue	*26.2%*	*26.2%*	-
External rental payments	-396.1	-380.7	4%
EBITDA	477.1	440.2	8.4%
As a % of revenue	*14.3%*	*14.0%*	*+0.3 pts*
Operating profit	299.3	283.3	5.6%
Net financial income /(expense)	-121.6	-120.5	0.9%
Profit/(loss) before tax	177.6	162.8	9.1%
Income tax	-52.6	3.6	n.a.
Net profit attributable to owners of the Group	123.1	163.3	-24.6%

Restatements

In € millions	31/12/2018	**31/12/2017**	2018/2017 change
Income tax	-52.6	3.6	n.a.
Taxes restated *excluding the impact of 2017 deferred tax adjustments*	-52.6	-63.9	-17.7%
Net profit attributable to owners of the Group	123.1	163.3	-24.6%
Restated net profit attributable to owners of the Group *excluding the impact of 2017 deferred tax adjustments*	**123.1**	**96.1**	**+28.1%**

Free Cash Flow from Operations (FCFO)	190.5	208.0	-8.4%
Free Cash Flow from Operations (FCFO) restated *Restated for VAT refunds recognised in 2017*	**203.5**	**171.0**	**+19.0%**

2018 annual results

Accelerating growth and improved EBITDAR margin

Consolidated revenue for the 2018 financial year amounted to €3.336 billion, up 6.4% on a reported basis (compared to +5.0% in 2017), outperforming the 6% revised guidance of September 2018.
This growth represents a balanced mix between organic growth (+3.0%, of which +3.3% in international markets and +2.7% in France) and acquisitions (+3.4%).

The EBITDAR margin remained stable at 26.2%. Operating cost efficiencies and the optimisation of cost structures in Germany, Belgium and Italy offset the margin's limited decrease in France (27.1% vs. 27.5% in the same period last year), reflecting notably the combined effect of higher social charges and lower tariffs at clinics.

By country:

- Revenue in France rose 3.9% (vs. 0.7% in 2017, including organic growth of 2.7% (vs. +0.9% in 2017). This strong growth was driven by the first contributions from the renovation and modernisation plan launched in 2017 and the strategy of selective acquisitions implemented in the period (Ages & Vie, Fontdivina, CliniDom). Reductions in the CICE wage tax credit and health institution rates accounted for the EBITDAR margin's limited decrease in the period.

- In Germany, revenue achieved organic growth of 3.7% driven by favourable price and mix effects and growing contributions from facilities opened in the last eighteen months. The EBITDAR margin rose 70 bps to 25.7%, reflecting the benefits of the Success 2020 performance plan launched in 2017 which significantly lowered headquarters costs and optimised purchasing procedures. In addition, in a tight labour market, the increase in staff costs was contained in the period by developing apprenticeship programs and employee retention which significantly reduced recourse to temporary personnel.

- Belgium delivered another year of strong growth (+20.3%), boosted by a dynamic external growth strategy (acquisition of Senior Assist's Belgian operations, i.e. two portfolios of 29 facilities) and sustained organic growth (+3.7%), benefiting notably from an accelerating pace of openings, extensions and renovations since the end of 2016. The EBITDAR margin reached 25.9%, up 20 bps, driven by growing contributions from sites recently opened or added to the portfolio.

- Italy, with double-digit growth in sales (+11.8%) driven by a dynamic strategy of bolt-on acquisitions since 2017, registered a 20 bps increase in its EBITDAR margin to 23.6%. This increase reflects synergies from acquisitions and optimised cost management.

EBITDA amounted to €477 million, up 8.4% compared with 2017.
As announced in February 2019, the EBITDA margin reached 14.3% in 2018, up 30 bps from 14.0% one year earlier. This good performance resulted in the from revenue growth boosted by the favourable mix, operating cost efficiencies and growing contributions from its real estate optimisation strategy. This enabled the Group to reach the margin target of its Korian K-2020 plan one year in advance.

Current operating profit (EBIT) amounted to €314 million or 9.4% of revenue (vs. 9.0% in 2017).

Non-current expenses amounted to €15 million which included the impact of reorganisation and acquisition expenses.

Restated net profit[1] reached €123 million, up 28.1%, reflecting both an improved operating performance and a reduction in the tax rate for the period to 29.6% from 39.3% one year earlier.

These good operating and financial results permitted the Group to strengthen its **business model for balanced and long-term growth** in which:

- 2/3 of free cash flow from operations before tax is reinvested in developing the Group's businesses;
- 15 hours of training provided on average to each employee per year;
- 23% of the Group's establishments contribute to applied research projects to improve patient care in partnership with research institutes and centres;
- 70% of supplies are sourced locally, with the Group's facilities playing an active role as stakeholders in the local economy.

These factors contribute to strengthening service quality, as highlighted by a global satisfaction rate of 96% according to the survey conducted in 2018 with 82,000 customers.

Financial position

Through strict controls over working capital and maintenance investment expenditures, restated free cash flow from operations[2] rose at a faster pace than the operating margin to €204 million, up 19% from €191 million in 2017. Within a context of accelerating investments for business development and acquisitions (€173 million vs. €132 million in 2017), restated free cash flow from operations[2] amounted to €31 million compared to €39 million in 2017.

In addition, taking advantage of market opportunities within a particularly favourable environment for real estate financing, Group real estate investments more than doubled to €296 million from €142 million in 2017. On that basis, the value of real estate holdings rose significantly by 33% in the period to €1.649 billion or 19% of total assets.

Total net debt at 31 December 2018, including real estate, amounted to €2.723 billion, an increase of €383 million (+16%) from one year earlier. Net financial debt, excluding real estate remained stable at €1.207 billion compared to €1.209 billion at 31 December 2017, reducing the restated financial debt ratio[3] to 3.0x EBITDA from 3.2 one year earlier. Real estate debt increased by €386 million, with the level of this debt in relation to the value of total assets remaining contained at 51%.
On that basis, the Group retains further leeway to pursue its development.

---

[1] *Restated net profit is net profit excluding the impact from the restatement of deferred taxes allocated to net profit attributed to owners of the Group in 2017*

[2] *FCFO is restated to eliminate the repayment of VAT recognised in 2017*

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

After raising €450 million through a Schuldschein private placement in December 2018, the Group marginally extended its average debt maturity, with fixed rate debt representing 90% of the total debt.

Dividend

In accordance with the distribution strategy announced in the Korian K-2020 plan, the Group will propose at the next General Meeting on 6 June 2019 a dividend of €0.60 per share, identical to the dividend for 2017, with an option to receive dividends in the form of shares.

Outlook

Korian will pursue its "buy and build" strategy in 2019, by taking advantage of the density of its network and increasing its portfolio diversification into homecare, assisted living facilities and outpatient care. In January, the Group already announced its expansion into a fifth country and Europe's fourth-largest market in this sector, with the acquisition of the Malaga-based Seniors group. The Group also completed two bolt-on acquisitions of multi-service regional players in France (Oméga Group, 1,000 beds in the Aquitaine region) and Germany (Schauinsland, 450 beds in Baden-Wurtemberg). From these acquisitions, the Group has targeted opening a total of at least 3,500 additional beds.

At the same time, the Group which just announced the creation in France, in partnership with top-tier service industry leaders, of the first joint Apprenticeship Training Centre for food services and catering professions, will continue to invest in recruitment and training, by recruiting at least 1,000 new apprentices in France and Germany.

In addition, as part of the process of reorienting its portfolio in progress, Korian is rethinking its real estate concepts. The Group has for example thus developed the "*Korian Home*" placing under one roof long-term care units for persons with reduced autonomy, apartment units as well as service centres and outpatient care facilities. 30 projects based on this model are currently being developed in city centres throughout Europe. At the same time, the Group is continuing to develop Ages & Vie network in France that will make it possible to offer solutions specifically adapted to frail persons within a family-like and intergenerational setting. More than 20 such new High Environmental Quality certified (HQE) units will be launched in 2019.

The Group will also accelerate the adoption of digital solutions as a driver of innovations both to enhance the working environment and the customer experience.

In light of these better-than-expected 2018 results and strong growth momentum, Korian has raised its guidance for 2019 and is now targeting revenue growth above or equal to 8%, i.e. 160 bps more than in 2018, with an operating margin greater than or equal to 14.5% or 20 bps more than in 2018

The Group also raised targets for the K-2020 strategic plan and is now targeting for 2021 revenue of at least €4.2 billion or CAGR above or equal to 8% for the 2019-2021 period and an EBITDA margin of 15.5%, a 120 bps increase over 2018.

Finally, the Group is planning to organise a Capital Market Day (in Paris) on 20 September 2019 to present in greater detail its key growth drivers: its new concepts, its geographic markets, its real estate strategy and its digital initiatives.

Presentation of 2018 results – Analyst meeting

The presentation of 2018 results will be held on Friday,15 March 2019 at10:00 a.m. at Pavillon Kleber, 7 rue Cimarosa, 75016 Paris (admission starting at 9:30 a.m.).

This presentation will be broadcast live at the www.korian.com website (investors section) or via the following link: https://channel.royalcast.com/webcast/korianfr/20190315_1/

A deferred version will be available online during the day

The presentation document will be available before the presentation.

Next event: 18 April 2019 after the close of trading

Q1 2019 revenue

ABOUT KORIAN

Korian, an expert in care and support services for the elderly, manages Europe's leading network of long-term care nursing homes, specialised clinics, assisted living facilities, and homecare and hospital-at-home services, with a total of 803 facilities. The Group currently operates in five countries (France, Germany, Belgium, Italy and Spain), provides services to 300,000 patients and residents, and employs over 50,000 persons.

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

Korian has been listed on Euronext Paris (Compartment 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

INVESTOR RELATIONS

Carole Alexandre
Deputy Head of Investor Relations
carole.alexandre@korian.com
Tel: +33 (0)7 64 65 22 44

PRESS CONTACT

Marjorie Castoriadis
Head of Media Relations
marjorie.castoriadis@korian.fr
Tel: +33 (0)7 63 59 88 81

APPENDICES

CONSOLIDATED BALANCE SHEET

In thousands of euros	31/12/2018	31/12/2017
Goodwill	2,311,822	2,218,729
Intangible fixed assets	1,822,819	1,759,714
Property, plant and equipment	2,292,431	1,943,851
Non-current financial assets	57,296	54,170
Deferred tax assets	140,132	209,019
Non-current assets	**6,624,501**	**6,185,484**
Inventory	17,113	10,402
Trade receivables and related accounts	235,611	191,219
Other receivables and current assets	192,666	212,230
Financial instruments – assets	3,213	4,891
Cash and cash equivalents	550,361	510,589
Current assets	**998,964**	**929,330**
Assets held for sale		108
Total assets	**7,623,465**	**7,114,922**

In thousands of euros	31.12.2018	31.12.2017
Share capital	409,882	404,912
Premiums	881,765	860,039
Reserves and consolidated results	1,264,538	1,197,454
Shareholders' equity (attributable to the Group)	**2,556,185**	**2,462,405**
Non-controlling interests	11,814	12,272
Total shareholders' equity	**2,567,999**	**2,474,677**
Provisions for pensions	70,769	70,373
Deferred tax liabilities	583,287	632,591
Other provisions	115,982	153,878
Borrowings and financial debt	2,861,096	2,497,818
Other non-current financial liabilities *	32,132	770
Non-current liabilities	**3,663,266**	**3,355,430**
Provisions for less than one year	12,482	11,660
Trade payables and related accounts	315,111	267,333
Other liabilities and accruals *	635,523	640,176
Borrowings due within 1 year and bank overdrafts	412,948	352,940
Derivative financial instruments	16,136	12,706
Current liabilities	**1,392,200**	**1,284,815**
Total liabilities	**7,623,465**	**7,114,922**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	31/12/2018	31/12/2017
Net profit	**125,032**	**166,330**
of which income tax expense	*52,606*	*-3,564*
Net depreciation/amortisation and provisions	142,340	176,101
Deferred tax	-8,210	-72,905
Gain/(loss) at fair value and non-cash items	-11,219	-12,628
Gain on disposal of assets	5,153	9,145
Cash flow after cost of net debt	**253,096**	**266,043**
Elimination of acquisition costs of securities	6,959	2,959
Elimination of net interest paid	100,063	98,448
Cash flow before cost of net debt	**360,119**	**367,251**
Change in inventories	-4,775	-401
Change in trade receivables	-13,000	-11,449
Change in trade payables	27,965	3,232
Change in corporate income tax	-14,562	30,412
Change in other items	21,525	-4,024
Change in working capital requirements	**17,153**	**17,729**
Net cash generated from operations	**377,272**	**385,179**
Impact of changes in scope (acquisitions)	-95,435	-98,391
Impact of changes in scope (disposals)	-60	-
Payment for property, plant and equipment and intangible assets	-264,596	-188,678
Payment for other financial investments	-6,500	-47,651
Proceeds from disposals of non-current assets (excluding securities)	3,249	3,748
Net cash from/(used in) investing activities	**-363,341**	**-330,971**
Net cash flow	**13,931**	**54,209**
Capital increase of non-controlling interests	91	
Treasury shares charged to equity	473	12
Increase in financial liabilities	697,825	282,546
Repayment of financial liabilities	-538,317	-296,280
Other Cash Flows from/(used in) financing activities	-8,220	296,120
Net interest paid	-102,019	-96,366
Dividends paid to shareholders of the parent	-24,865	-30,599
Dividends paid to non-controlling interests in consolidated companies	-98	-102
Net cash from/(used in) financing activities	**24,870**	**155,331**
Change in cash position	**38,801**	**209,540**
Cash and cash equivalents at the start of the period	503,802	294,261
Cash and cash equivalents at the end of the period	542,604	503,802
Marketable securities	92,951	292,842
Cash	457,410	217,747
Bank overdrafts and advances	-7,757	-6,787
Cash	**542,604**	**503,802**

APPLICATION OF IFRS 16

As from 1 January 2019, Korian applies the new standard, IFRS 16 (Leases). The main impact of this standard for the Group, as a lessee involves the recognition in the balance sheet of all leases without distinction between finance leases and operating leases. In accordance with IFRS16, all leases meeting the definition of a lease agreement entail the recognition by the lessee of a right-of-use asset and a lease liability.

Korian has applied this standard according to the "modified retrospective method" which allows for a simplified calculations of certain impacts of first-time adoption;

- recognition of the lease liability measured at the present value of future payments, calculated according to the lessee's incremental borrowing rate on the date of first-time application,

- the right-of-use asset is recognised, according to the case either for an amount equal to the lease liability (adjusted by lease amounts paid in advance and provisions for leases generating losses recognised in the balance sheet at 31 December 2018) or by determining the carrying value as if the standard was applied as of the effective date of the lease (but by applying the incremental borrowing rate on the date of first-time application),

- leases previously accounted for as finance leases continue to be recognised at their asset and liability values at 31 December 2018, according to the modified retrospective method, and restated comparative financial statements will not be produced. The Group does however plan to produce restated data for 2018 for financial communications purposes.

The Group has also elected to apply the two recognition exemptions permitted by the standard for:
- leases with an initial term of less than 12 months
- and leases for assets with values of less than US$5,000 when new.

In consequence, the estimated impact of the application of IFRS 16, excluding IAS 17 finance leases, would result in the recognition of:
- an opening balance sheet on 1 January 2019 with a lease debt of less than €3.0 billion,
- in the income statement, an increase in estimated EBITDA of €350 million for 2019.

In addition, Korian will retain the performance indicators defined in its plan for its defined term. There will furthermore be no impact on the calculation of its covenants.