PRESS RELEASE

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Solid 2017 results in line with targets

- 5.0% revenue growth driven by the strong international momentum
- Continued active development strategy with over 3,150 beds added to the portfolio
- EBITDA margin of 14.0%, up 30 basis points compared with 2016 underlying margin[1]
- Net profit (group share) up 24.4%
- Increased financial flexibility thanks to strong cash generation and a significant decrease in restated debt ratio
- Increase of over 25% in the value of the Group's wholly-owned real estate portfolio[2]
- 2018 objectives: revenue growth of at least 5.5%; Limited decrease in operating margin (EBITDA) as a result notably of the costs associated with the plan to boost growth in France
- Upward revision of the operating margin objectives of the Korian 2020 plan to take into account notably the benefits of the real estate strategy

Sophie Boissard, Chief Executive Officer of the Korian Group, made the following comments: *"The Group's performance in 2017 was solid, from both an operating and financial standpoint. Thanks to an active development policy, we now rank as the market leader in our main business activity, i.e. nursing homes, in three of our four geographies. We have accelerated our diversification into home-care services and assisted living facilities, particularly in France, in order to be able to better meet the diversity of requirements in terms of long-term care and dependency. We have also finalised the integration of our business activities in Germany. I am confident in our ability to exceed the financial targets in our Korian 2020 Plan"*.

In € million	2016	2017	Change
Revenue	**2,987**	**3,135**	**5.0%**
EBITDAR	**797**	**821**	**3.0%**
as a% of revenue	*26.7%*	*26.2%*	
EBITDA	**422**	**440**	**4.3%**
as a% of revenue	*14.1%*	*14.0%*	
Net income, Group share	**131**	**163**	**24.4%**
Operating Free Cash Flow	**140**	**208**	**47.9%**
Net debt at 31 December	**2,315**	**2,340**	
Restated debt ratio at 31 December	**3.9 x**	**3.2 x**	

[1] ie restated from the non-recurring income recorded in 2016 for a total amount of €12 m

[2] Compared to the value at end June 2016

Highlights

Continued active development strategy

The Group continued its active development strategy and expanded the number of beds operated by over 3,150 units, a higher number than the annual target of over 2,500 beds. The portfolio consisted of 743 facilities representing a total number of 75,060 beds in operation at 31 December 2017. This expansion was achieved through ten selective acquisitions in Belgium and Italy, and by opening eight new facilities ("greenfield"), primarily in Germany and France.
The Group has also significantly expanded its presence in the home care segment in Belgium and Germany, as part of a care pathway approach.
Furthermore, in early 2018, the Group 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. This concept, which is complementary to Korian's existing offering, has strong development potential, with 200 residences planned over the next 6 years and the capacity to accommodate 3,000 people.

Launch of a plan to boost growth momentum in France

Early 2017, the Group launched a plan to boost growth momentum in France, with the objective to reach 4% revenue growth in 2020. As part of this plan, Korian has embarked on an ambitious programme to develop and modernise its network, in order to make its offers more attractive, to relocate its facilities, and particularly its healthcare facilities, closer to its main referring practitioners, and to develop additional capacity, particularly in assisted living apartments, individual rooms, and ambulatory care. In the Healthcare Division, three reconfiguration projects (Guyancourt, Martigues and Talence), replacing 5 legacy facilities, and a new facility (Troyes) were successfully commissioned in 2017). In the Senior division, a new long-term nursing home combined with an assisted living facility was opened in Saverne. The company has launched a renovation plan on 4,000 rooms, which will be rolled out by 2020.
Korian signed a partnership agreement with the Icade Group in September 2017, in order to assist with the reconfiguration and expansion of its portfolio. This non-exclusive partnership covers a first group of 15 new properties to be delivered by 2020, and includes the development, design, and construction of the facilities. Korian has a purchase option on each property prior to delivery.

Implementation of a property strategy that creates value

The Group invested €142 million in developing its wholly-owned real estate portfolio in 2017, an amount that showed a significant increase compared with 2016 (€52 million). These investments, which include new projects and the purchase of existing premises, were financed on highly attractive interest-rate terms. The value of the Group's real estate portfolio has increased by over 25% over the past 18 months, and amounted to €1,240 million[3] at 31 December 2017.

Finalisation of the integration plan in Germany

In Germany, the Group strengthened its management team, and finalised the plan to integrate its business activities, specifically including unifying the facility networks, harmonising the information systems, and signing an agreement with the Casa Reha Works Council, which enables the implementation of the overhead cost-cutting plan.

[3] Valuation performed by Cushman & Wakefield

An active training and human resources policy

2017 was characterised by the development of the geriatric passport in France, the first geriatric medicine training course for care givers leading to certification. This innovative pathway, which emphasises care givers' specific skills in caring for the elderly, aims to improve the quality of the care and support provided to patients and residents. It was entirely designed by the Korian Academy, the Group's in-house training institute, which offered 19,000 training courses to 75% of the Group's French employees in 2017.

Furthermore, several majority agreements were signed in France, demonstrating Korian's commitment to social inclusion and well-being at work (13th month bonus agreement, the 1st agreement on well-being at work, renewal of the agreement promoting the employment of disabled people, and the signing of two charters in support of the LGBT community).

2017 annual results

Consolidated revenue for the 2017 financial year amounted to €3,135 million, an increase of 5.0% on a reported basis.

Revenue in France increased by 0.7%, and by 0.9% organically.

International revenue rose by 9.7%, and now accounts for 49.5% of consolidated revenue. The sharp increase primarily results from the bolt-on acquisitions made in Belgium and Italy. International organic growth also remained strong, and amounted to 4.0%.

The Group's **EBITDAR**[4] (EBITDA before rental costs) amounted to €821 million. The EBITDAR margin was 26.2% compared with 26.7% in 2016. Restated from the non-recurring income recorded in 2016 which amounted to a total of around €7 million, the EBITDAR margin was down 30 basis points.

The EBITDAR margin in France was 27.5%, an increase of 30 basis points. This performance was primarily due to effective operating management, and purchasing savings.

In Germany, the EBITDAR margin stood at 25.0%, a decrease of 140 basis points compared with the 2016 underlying margin (i.e. restated for the positive impact of the non-recurring income). This decrease is partially explained by the impact of the ramp-up of the facilities opened over the past 18 months, and partially by the increase in personnel expense in a context of tight labour market conditions and increase of staff keys in nursing homes pursuant to the new pricing regulation ("PSG 2").

In Italy, the EBITDAR margin rose by 40 basis points to 23.4%, driven by the rationalisation of the network performed in 2016 with the disposal of the operation of 4 facilities, and by a sound operating performance.

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

The EBITDAR margin in Belgium amounted to 25.7%. The 110 basis point decrease is primarily due to the temporary dilution created by recent acquisitions, which mostly include facilities that are not yet mature, or are being reconfigured.

EBITDAR by country

In € million	2016	2017	Change
France	**428**	**436**	**1.8%**
as a% of revenue	*27.2%*	*27.5%*	
International	**369**	**385**	**4.4%**
as a% of revenue	*26.1%*	*24.8%*	
Germany	230	221	-4.2%
as a% of revenue	*27.0%*	*25.0%*	
Italy	69	72	3.3%
as a% of revenue	*23.0%*	*23.4%*	
Belgium	70	93	33.9%
as a% of revenue	*26.8%*	*25.7%*	
Group	**797**	**821**	**3.0%**
as a% of revenue	*26.7%*	*26.2%*	

EBITDA amounted to €440 million, up 4.3% compared with 2016.
EBITDA for 2016 included non-recurring income amounting to around €12 million in total, €7 million of which was recorded as other expenses (see above), and around €5 million of which was recorded as rents. EBITDA growth amounted to 7.3% when restated for this impact.

The EBITDA margin was 14.0% in 2017 compared with 14.1% in 2016. It increased by 30 basis points compared with the underlying margin for the 2016 financial year (i.e. restated for the favourable impact of the non-recurring income). This positive change results from the implementation of the "asset smart" real estate strategy and a favourable mix effect on rental charges, as the result of the acquisitions made, primarily in Belgium.

Current operating profit (EBIT) amounted to €283 million, i.e. 9% of revenue (compared with 8.9% in 2016).

Other operating income and expenses include in 2017 expenses relating to reorganisation measures, and various risk provisions, which were entirely offset by tax repayments in France.

The 2017 **income tax** line includes net income of €68 million linked to the positive impact on deferred tax of the expected decrease in tax rates in France, Italy, and Belgium. The Group had also recognised income of €72 million in 2016, which corresponds to the favourable impact on deferred tax of the decrease in tax rates in France to 28.92% as from 2020.

Financial expense remained stable.

Net profit Group share amounted to €163 million, an increase of 24.4% compared with 2016 (€131 million). When restated for the exceptional tax income, net profit, Group share amounted to €96 million in 2017 compared with €59 million in 2016.

Financial situation

Cash generation was strong in 2017.
Operating Free Cash Flow[5] increased sharply, and amounted to €208 million compared with €140 million in 2016.
Growth investments amounted to €132 million, and broke down between €25 million in development capital expenditure (not including premises) and €107 million for "bolt-on" acquisitions.

Net debt amounted to €2,340 million at 31 December 2017, up €25 million compared with 31 December 2016.

Financial debt excluding real estate debt amounted to €1,209 million, compared with €1,478 million at 31 December 2016. This decrease includes the favourable impact of the hybrid bonds issued in June 2017 and amounting to €300 million in total[6]. These issues have enabled Korian to diversify its sources of financing, and to increase its financial flexibility in order to accelerate its development strategy through selective acquisitions (bolt-ons).
The increase in the real estate debt to €1,131 million (compared with €838 million at 31 December 2016) results from an increase in the real estate assets ownership ratio, in accordance with the Group's strategy, as well as from the inclusion in the consolidation scope of the acquisitions in Belgium in 2017.

The restated financial debt ratio[7] amounted to 3.2 x EBITDA at 31 December 2017 compared with 3.9 x EBITDA at 31 December 2016 (for an authorised maximum of 4.5 x).
The Group had unused confirmed bank facilities amounting to €650 million, and available cash of €511 million.

Dividend

Korian will propose a stable dividend of €0.60 per share, including a share-based payment option, at the next General Meeting on 14 June 2018.

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[5] Operating free Cash Flow: Cash flow from operations - change in working capital - maintenance capital expenditure
[6] This breaks down into €240 million of bonds with an option for repayment in cash and/or new shares and/or existing shares ("ODIRNANE"), and €60 million in unlisted bonds, which do not grant access to equity.
[7] Restated debt ratio: (net debt - real estate debt)/adjusted EBITDA - (6.5% * real estate debt).

Outlook

In 2018, Korian is targeting revenue growth of at least 5.5%. The growth will be driven, in particular, by stronger momentum in France due to the effect of the various measures taken in 2017, the impact of the bolt-on acquisitions made in 2017, and by the opening of 10 new facilities in Germany, France, and Belgium.
The Group expects its portfolio to increase by over 2,500 beds in total.

Margins are expected to increase in the International sector, particularly in Germany, thanks to the first benefits of the Success 2020 performance plan.

In France, the costs associated with re-launching growth and restructured facility ramp-up, as well as the decrease in the CICE tax credit and the price decreases in the healthcare business, will result in a temporary decline in margins.
In total, Korian expects a limited decline in EBITDA margin compared with 2017.

The Group revises its objectives for operating margin (EBITDA) upwards to 14.3% in 2019 and close to 15% in 2021 to take into account the increasing benefit of its new real estate strategy. It confirms all other financial objectives of the Korian 2020 strategic plan.

The Board of Directors is confident in the achievement of the Korian 2020 plan, which is primarily based on

- an acceleration in 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
- improving operational performance,
- an active staff training and development policy, which supports the quality of care, and
- innovation in medical care and the use of digital tools.

In addition to the Korian 2020 plan, the Group will continue to look at growth opportunities, which are consistent with its strategy and contribute to value creation, in order to strengthen its European leadership.

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ABOUT KORIAN

Korian, the expert in providing care and support services for seniors, with over 740 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 amounts to over 75,000 beds in four countries (France, Germany, Belgium, and Italy) and it employs around 49,000 people.

For further information, please go to the website at: presse-korian.com/en

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 consolidated financial statements for 2017 (review in progress by the Statutory Auditors) were approved by the Board of Directors on 14 March 2018.

2017 CONSOLIDATED REVENUE[8]

In € million	2016	2017	reported change	Organic change[9]
France	**1,573**	**1,583**	**0.7%**	**0.9%**
as a% of revenue	***52.6%***	***50.5%***		
International	**1,414**	**1,552**	**9.7%**	**4.0%**
as a% of revenue	***47.4%***	***49.5%***		
Germany	852	882	3.5%	4.0%
Italy	303	307	1.5%	0.9%
Belgium	259	363	39.8%	7.7%
Group Total	**2,987**	**3,135**	**5.0%**	**2.4%**

[8] Revenue and other income

[9] The organic revenue growth includes: a) the change in revenue (current year (Y)) compared with the previous year (Y-1)) for the existing facilities, b) the revenue generated in Y by facilities created in Y or Y-1, c) the change in revenues (Y compared with Y-1) for restructured facilities, or facilities where the capacity has increased in Y or Y-1, and d) the change in revenues for recently acquired facilities recorded in Y compared with the equivalent period in Y -1.

CONSOLIDATED INCOME STATEMENT

In € million	2016	2017	Change
Revenue	**2,987**	**3,135**	**5.0%**
Personnel expenses	-1,608	-1,728	7.5%
Other purchases, external costs and taxes	-582	-586	0.8%
EBITDAR	**797**	**821**	**3.0%**
As a % of revenue	*26.7%*	*26.2%*	*-0.5%*
External rental payments	-375	-381	1.5%
EBITDA	**422**	**440**	**4.3%**
As a % of revenue	*14.1%*	*14.0%*	*-0.1%*
Depreciation, amortisation & impairment charges	-156	-157	0.7%
Income from current operations	**266**	**283**	**6.4%**
As a % of revenue	*8.9%*	*9.0%*	*0.1%*
Other operating income & expenses	-25	0	-100.4%
Operating income	**241**	**283**	**17.6%**
Net financial income	-123	-121	-2.3%
Income tax	16	4	-77.1%
Minority interests	-2	-3	61.2%
Net profit, Group share	**131**	**163**	**24.4%**

KORIAN

CONSOLIDATED BALANCE SHEET

In € million	31.12.2016	31.12.2017
Non-current assets	**5,778**	**6,185**
Intangible fixed assets	3,893	3,978
incl. Goodwill	*2,175*	*2,219*
Of which Other Intangible Assets	*1,718*	*1,760*
Property, plant and equipment	1,670	1,944
Financial assets	33	54
Deferred tax assets	183	209
Current assets	**714**	**929**
Inventory	10	10
Trade receivables and related accounts	168	191
Other receivables & Currents assets	225	212
Financial instruments - assets	2	5
Cash and cash equivalents	310	511
Assets held for sale	**2**	**0**
Total assets	**6,494**	**7,115**
Shareholders' equity (Group share)	**2,023**	**2,462**
Share capital	401	405
Premiums	842	860
Reserves and consolidated results	781	1,197
Minority interests	**14**	**12**
Total shareholder's equity	**2,037**	**2,475**
Non-current liabilities	**3,314**	**3,355**
Provisions for pensions	59	70
Deferred tax	673	633
Other provisions	140	154
Borrowings and financial debt	2,442	2,498
Current liabilities	**1,143**	**1,286**
Provisions for less than one year	14	12
Trade payables and related accounts	250	267
Other liabilities and accruals	678	641
Borrowings less than one year & overdrafts	183	353
Derivative financial instruments	18	13
Liabilities held for sale	**0**	**0**
Total liabilities	**6,494**	**7,115**
Net debt	*2,315*	*2,340*

CHANGE IN NET DEBT

In € million	31.12.2016	31.12.2017
Cash flow before cost of financial debt	**303**	**367**
Change in working capital	4	18
Maintenance capital expenditure	-70	-81
Financial expense	-97	-96
Operating free cash flow	**140**	**208**
Development capital expenditure	-29	-25
Bolt-on acquisitions (net of disposals)	-59	-107
Free cash flow	**53**	**76**
Dividends paid	-29	-31
Real estate investments	-52	-142
Strategic acquisitions	-367	0
Capital increase	0	296
Impact of changes in the consolidation scope and other changes on net debt	-276	-224
Change in net debt	**-670**	**-25**

Opening net debt	**1,645**	**2,315**
Closing net debt	**2,315**	**2,340**