



Paris, 11 September 2014

2014 half-year earnings: a further increase in profitability in the context of integration

- Consolidated revenues: +45.4% at €953.0 million
- Consolidated EBITDA: +55.9% at €125.1 million
- Consolidated current net income (group share): +75.0% at €34.0 million
- Confirmation of financial targets for 2014, with *pro forma* revenues of €2.5 billion and operating profitability up following the integration

Korian Medica, a European leader in the area of Healthy Ageing, is today announcing its results for the first half of 2014. Due to major changes in the scope of consolidation over the period, particularly with the effective integration of Medica from 1 April 2014, the Group is presenting its consolidated results below followed by its *pro forma* results.

CONSOLIDATED RESULTS OF KORIAN MEDICA

In millions of euro	H1 2014	H1 2013	Change
Revenues	953.0	655.3	45.4%
EBITDAR	256.1	171.3	49.5%
<i>as % of revenues</i>	26.9%	26.1%	
External rents	(131.0)	(91.1)	43.8%
EBITDA	125.1	80.2	55.9%
Operating income	72.6	48.3	50.3%
Financial income	(44.2)	(21.1)	
Net income group share	16.3	16.6	-1.8%
Current net income group share	34.0	19.4	75.0%

The Korian Medica Board of Directors approved the accounts at its meeting on 10 September 2014.

The statutory auditors conducted a limited review of the consolidated accounts. The certificate is currently being issued.

New growth phase

Korian Medica generated consolidated revenues of €953.0 million in the first half of 2014, a sharp rise of 45.4%. This growth reflects a new stage in the development of the Group, which it achieved with the effective integration of Medica on 1 April 2014, following the merger approved on 18 March 2014 by the respective general assemblies of both companies.

This operation is the culmination of nearly 10 years of profitable and uninterrupted growth. With target pro forma revenues of €2.5 billion for 2014, the average annual growth rate in revenue over the period from 2005 to 2014 stands at 20%.

With over 57,500 beds in operation and 40,000 employees, the new Korian Medica entity has become a European leader in the Healthy Ageing market, occupying the top spot in France, Germany and Belgium, and placed in second position in Italy.

PRO FORMA RESULTS OF KORIAN MEDICA

In millions of euro	H1 2014	H1 2013	Change
Revenues	1,230.5	1,186.8	3.7%
EBITDAR	331.2	315.5	5.0%
<i>as % of revenues</i>	26.9%	26.6%	
External rents	(164.7)	(160.6)	2.6%
EBITDA	166.5	154.9	7.5%
Operating income	107.5	104.3	3.0%
Financial income	(29.6)	(33.7)	-12.2%
Net income group share	48.9	46.0	6.4%
Current net income group share	52.9	44.7	18.2%

Organic growth and solid margins in all countries

The *pro forma* revenues of the Group stood at €1,230.5 million in the first half of 2014, an increase of 3.7%. All countries contributed to this increase:

- France posted *pro forma* revenues of €738.1 million, up by 4.5%;
- Germany recorded *pro forma* revenues of €233.4 million, up by 2.5%; however, growth was 3.9%, when taking into account the removal of two facilities from the scope of consolidation in 2013;
- lastly, Italy and Belgium accounted for *pro forma* revenues of €157.1 million and €101.7 million respectively, up by 2.1% and 2.7% respectively.

This steady performance was accompanied by a high *pro forma* EBITDAR rate, which rose by a further 34 basis points in the first half of 2014 to stand at 26.9%, thanks to an improvement in France and Germany, and stable levels in Italy and Belgium:

In millions of euro	Group		France		Germany		Italy		Belgium	
	H1 14	H1 13								
Revenues	1,230.5	1,186.8	738.1	706.2	233.4	227.8	157.1	153.8	101.7	99.0
EBITDAR	331.2	315.5	203.9	192.5	67.3	64.0	35.8	35.3	24.2	23.7
as % of revenues	26.9%	26.6%	27.6%	27.3%	28.9%	28.1%	22.8%	22.9%	23.7%	23.9%

A further increase in operating profitability

Thanks to the efficient management of its rented properties, the Group limited the rise in rental charges to 2.6%, representing €164.7 million. Korian Medica generated a *pro forma* EBITDA of €166.5 million in the first half of 2014, a steady rise of 7.5%. The operating margin (EBITDA as a percentage of revenues) reached 13.5% compared to 13.1% for the same period in 2013.

Korian Medica has also kept its financing costs under control with *pro forma* financial income limited to €29.6 million in the first half of 2014, down 12.2%. Over the past six months, the Group also implemented a plan to restructure its interest-rate hedges in order to significantly lower its average finance costs, meaning it should drop from 4.3% at the end of 2013 to 3.8% in 2015.

After taking into account a tax charge of €27.1 million, the *pro forma* net income group share for the first half of 2014 stood at €48.9 million. Adjusted for non-recurring items, with the *pro forma* net income group share amounting to €52.9 million, an increase of 18.2%.

A strong financial structure, undergoing constant optimisation

The net financial debt of Korian Medica stood at €1,490 million at 30 June 2014, including €476 million real-estate debt. After adjusting for this debt, the financial leverage is 3.0 times EBITDA, which is much lower than the *covenant* of 4.5 times. At present, the Group also has more than €500 million of available credit lines to support its development plans.

Korian Medica is committed to maintaining a solid financial structure while optimising conditions in terms of the cost, maturity and diversification of its sources of finance. The €45 million private bond placement announced in July 2014 and conducted under attractive terms, with a fixed coupon at 3.65% and a long maturity (7.5 years), dovetails harmoniously with this approach.

Integration in line with the anticipated timetable. Confirmed synergies

The integration of Medica and Curanum has been a key feature of 2014. Various consolidation sites and optimisation actions are rapidly being implemented and rolled out in order to become operational from the start of 2015, in line with the timetable initially determined. All management and support functions are now located at Korian's head office, and standardised management procedures are being developed.

The successful implementation of this process will allow the Group to confirm synergies of €15 million expected from the merger, thanks in particular to the alignment of procurement policies to the best practices of each of the two groups. Net synergies will be 0 in 2014, €7.5 million in 2015 and €15 million in a full year from 2016.

The Group expects to be able to identify additional potential synergies after 2016 between 20 and 25 M€.

New development opportunities

The acquisition of the entire capital of Kinetika Sardegna in Italy on 30 June 2014 and the takeover from a foundation of the Centre Hospitalier des Courses located at Maison Laffitte in France, announced last July (see press release of 16 July 2014), represent new development opportunities for Korian - Medica.

This type of opportunity will occur much more frequently over the coming years due to the necessary changes to the European healthcare systems in the context of a highly fragmented market that favours the leading players.

Yann Coléou, CEO of Korian Medica, said: *“In a context of integration and consolidation, Korian Medica performed extremely well during the first half of 2014 with steady business activities and a further increase in operating profitability. These results confirm the validity of our growth strategy and our ability to effectively manage a rapidly expanding Group. In particular, our ongoing development will depend on our international approach, which is now an element fully integrated into our group.*

Our professional expertise, combined with a truly European brand and a financial structure that underpins our ambitions, means that Korian Medica is ideally placed to seize the opportunities offered by the Healthy Ageing market, further boosted by favourable demographic and regulatory trends.

Due to the highly satisfactory results of the first half of 2014, we are confirming our targets for the full year, namely pro forma revenues of €2.5 billion and an operating margin that is slightly up. Beyond these short-term prospects, we are now more than ever confident of achieving target revenues of €3 billion in 2017.”

**Next press release: Wednesday 5 November 2014, after close of trading
2014 third-quarter revenues**

ABOUT KORIAN MEDICA

[Korian Medica, Europe’s leading Healthy Ageing specialist, founded in 2001, has the capacity to accommodate more than 57,500 residents and patients in Europe (France, Germany, Belgium and Italy) and employs around 40,000 staff. The Group manages 509 nursing homes and 87 specialist follow-up care and rehabilitation clinics, has over 2,400 beds in assisted living facilities and provides home-care services for over 9,000 customers.

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

Korian Medica has been listed on Euronext Paris Compartment B 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

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PRO FORMA INCOME STATEMENT (1)

In millions of euros	H1 2014	H1 2013	Change
Revenues	1,230.5	1,186.8	3.7%
EBITDAR (2)	331.2	315.5	5.0%
% REV., NET OF TAX	26.9%	26.6%	
Rent	-164.7	-160.6	2.6%
EBITDA	166.5	154.9	7.5%
% REV., NET OF TAX	13.5%	13.1%	
Depreciation and Provisions	-53.0	-49.1	8.0%
EBIT (OPERATING INCOME)	113.5	105.8	7.3%
% REV., NET OF TAX	9.2%	8.9%	
Non-current	-6.0	-1.5	
Operating income	107.5	104.3	3.0%
Financial expenses	-29.6	-33.7	-12.2%
Tax	-27.1	-25.2	7.5%
Tax rate	-34.8%	-35.7%	
Minority interests	-1.9	-1.7	12.8%
Equity-accounted companies		2.2	
Net income (Group share)	48.9	46.0	6.4%
Current Net Income Group Share (3)	52.9	44.7	18.2%

(1) The Korian Medica pro forma accounts were prepared using the following assumptions:

- takeover of the Curanum group by Korian on 1 January 2013
- takeover of Senior Living Group by Medica on 1 January 2013
- sale of the Korian psychiatry division before 1 January 2013
- merger of the Korian and Medica groups on 1 January 2013
- full integration (100%) of Kinetika on 1 January 2013. Kinetika was consolidated to the extent of 28% in 2013 and through the first quarter of 2014.

(2) EBITDAR is the interim management balance sheet measurement preferred by the Korian Medica Group to monitor the performance of its facilities. It consists of gross operating surplus of the operating sectors before leasing expenses.

(3) Current net income group share represents net income group share - (other operating income and expenses + other financial income and charges + gains and losses on acquisitions and disposals of subsidiaries) * (1 - standard corporate income tax of 33.3%), or restated net income group share for non-recurring items. For the *pro forma* accounts, the capital gains from the sale on 30 June 2013 of Montfavet reported in the equity affiliates was restated.

CONSOLIDATED INCOME STATEMENT (4)

In millions of euro	H1 2014	H1 2013	Change
Revenues	953.0	655.3	45.4%
Other external purchases and expenses	-201.6	-144.3	39.7%
Personnel expenses	-463.1	-317.2	46.0%
Taxes	-32.2	-22.5	42.8%
EBITDAR	256.1	171.3	49.5%
<i>% REV., NET OF TAX</i>	26.9%	26.1%	
External rents	-131.0	-91.1	43.8%
EBITDA	125.1	80.2	55.9%
<i>% REV., NET OF TAX</i>	13.1%	12.2%	
Gains and losses on acquisitions and disposals of consolidated entities	-0.7	-0.9	-21.6%
Other operating income & expenses	-10.0	-3.3	201.4%
Amortisation and depreciation	-41.7	-27.7	50.8%
Operating income	72.6	48.3	50.3%
<i>% REV., NET OF TAX</i>	7.6%	7.4%	
Financial income	-44.2	-21.1	n/a
Income before taxes	28.4	27.2	4.3%
Income tax	-10.8	-9.5	13.4%
Net income	17.6	17.7	-0.6%
Share of minority interests	-1.9	-1.5	24.9%
Share of profit or loss of SMEs	0.6	0.4	45.3%
Net income (Group share)	16.3	16.6	-1.8%
Recurring Net Income Group Share	34.0	19.4	75.0%

(4) Full integration of Medica with effect from 1 April 2014. Following a change to the IFRS accounting standards and the removal of proportional integration, the inclusion of 28% of Kinetika Sardegna's revenues was cancelled for the first half of 2013 (- €7.7 million) and for the first quarter of 2014 (- €3.7 million).

CONSOLIDATED BALANCE SHEET

In millions of euro	30.06.2014	31.12.2013		30.06.2014	31.12.2013
NON-CURRENT ASSETS			SHAREHOLDERS' EQUITY (Group share)		
INTANGIBLE FIXED ASSETS	2 988	1 401	Share capital	392	174
Including goodwill	2 263	743	Premiums	899	293
Including other intangible fixed assets	726	658	Reserves	561	250
			Consolidated results	16	29
PROPERTY, PLANT AND EQUIPMENT	1 038	555	Total shareholders' equity (Group share)	1 868	746
			Minority interests	13	23
LONG-TERM FINANCIAL ASSETS	32	14	Total shareholders' equity	1 881	768
Investments in companies accounted for under the equity method	0	12			
Deferred asset taxes	68	58	NON-CURRENT LIABILITIES		
Total non-current assets	4 126	2 040	Provisions for pensions	33	23
			Deferred taxes	304	242
CURRENT ASSETS			Other provisions	35	14
Inventories	8	4	Borrowings and financial debt	1 481	712
Trade receivables and related accounts	176	86	Total non-current liabilities	1 853	991
Other receivables and current assets	224	135	CURRENT LIABILITIES		
Financial asset instruments	0	0	Provisions for less than one year	14	6
Cash and cash equivalents	93	51	Trade payables and related accounts	188	133
Total current assets	500	276	Other payables and accruals	570	320
Assets held for sale	22	1	Borrowings – of one year and bank overdrafts	109	59
TOTAL ASSETS	4 648	2 317	Financial liability instruments	19	38
			Total current liabilities	900	557
			Liabilities held for sale	14	0
			TOTAL LIABILITIES	4 648	2 317

TABLE OF CONSOLIDATED CASH FLOWS

In millions of euro	30.06.2014	30.06.2013
Cash flow from operations after cost of net financial debt	67.7	49.1
Cash flow from operations before cost of net financial debt	111.7	72.6
Change in working capital requirement	-68.8	-37.1
Net cash flow generated by the activity	42.9	35.4
Net cash flow connected to investment activities	-13.5	-69.5
Net cash flow	29.4	-34.1
Net cash flow connected to financing activities	-25.1	-79.0
Change in cash	4.4	-113.0
Cash	49.4	43.0