



Capital Markets Day 2019

Friday, 20th September 2019

Capital Markets Day 2019

Sophie Boissard: Ladies and gentlemen, the group that you are going to find out more about today is a group unlike any other, it is a profoundly human group. A community of endearing and deeply committed individuals, who provide care and assistance every single day. They give a lot, they receive a lot, they receive as much as they give from the people in their care. Our group is amazingly vibrant and future oriented as shown by at the launch of Oriane last Monday. It's not just the latest addition to the Korian family, it is the very first physical and digital platform for providing homecare to vulnerable seniors nationwide.

These are the many facets of the Korian Group that we wish to share with you today, this second edition of the Investors Day in our recent history, so three years after the launch of Korian 2020, our five-year plan. Since 2016, we've had the same ambition for the Korian group. I would like to turn this group into the number one provider in Europe, provider of integrated services for old age and vulnerability.

I'd like to turn this group into a trusted partner for seniors and their loved ones. It is a global group. We have a strong concept, a strong leadership, but we have a locally rooted set of operations. This is based on our core belief. We live longer, and that is probably one of the two main challenges of the century, alongside the environment.

How do we meet this challenge? Well, I'm firmly convinced that we simply cannot settle for yesterday's solutions. What we need is a true paradigm shift. In less than a generation, Europe is going to drop from one senior for every three working citizens to one senior for two citizens. These senior citizens will, on average, require much more care, much more support than previous generations. It is a huge human economic and societal challenge that lies behind these figures. We're going to need the labour, skills, locations and new services.

The shift has already begun, and we're seeing this happen hands-on in the various European countries. Look at the growing importance in the recent public conversation of caregivers. This is new and increasingly pressing issues, and also there's a lack of resources, which is causing widespread tensions.

This means that very quickly, we need to come up with new solutions on a par with this paradigm shift, and for that, we need the stakeholders to have the right size and scale. And Korian is one of these players, and that is our ambition: we'd like to build to this market, this new services-oriented industry. Today, we'd like to share with you the many amazing strengths of our group, the only group that is already truly European-based. We would like to show you how we work in every single day to build and transform our future offering as close as possible to our users at local level. And our starting point is our installed base.

And to do that, I'm very fortunate to be surrounded by my dream team, a lovely European team who's been supporting me over the past three years as part of this transformation process. So, you're going to hear from all of them today. This morning, we will start with Dr Didier Armaingaud, who is our Chief Medical Ethics and Quality Officer, and then we'll get down to brass tacks and discuss our bolt-on growth strategy.

You will hear from the six country heads and the main BU heads of the group: Charles Antoine Pinel, Executive Vice President for France Seniors; Arno Schwalie, Executive Vice President for Germany; Nicolas Mérigot, Executive Vice President, France Healthcare; Mariuccia Rossini, Executive Vice President for Italy; Dominiek Beelen, Executive Vice

President for Benelux; Olivier Lebouché, who has for the past two year been developing our new, homecare business unit, and also drives our digital business through Korian Solutions. And Bart Bots will wrap up the morning session with an update on Korian's global expansion, which he has been spearheading successfully for the past 18 months after building our business in Belgium.

This afternoon, we will hear from the heads of our three functions. They are in charge of the key assets of our group. Rémi Boyer is our Chief HR and CSR Officer; he will talk about our teams. Philippe Lonne, our Chief Information Officer will talk about data. And lastly, Frederic Durousseau will discuss real estate because that's his purview. And lastly, we will hear from our Chief Financial officer, Philippe Garin. He will be our last speaker this afternoon, and he will provide the number of figures to support our ambitions and our growth model.

Let me try and get the morning session started. We'll have a quick review of the progress we've made over the past three years ever since we launched our Korian 2020 strategic plan. In 2016, our group was emerging from an accelerated growth period, so growth through mergers and acquisitions. We had major acquisitions. And this meant that we had to scale up rather quickly, and we had to absorb that scale up.

To keep things simple, in 2014, we cleared the following mark: we cleared the 500 facilities thresholds. That is truly a paradigm shift. In 2016, the main challenge was, first of all, to absorb the scale-up and also to consolidate and onboard our platform, the very first platform in Europe size-wise. And also, we wanted to be able to tap every growth opportunity in this particularly buoyant market.

We wanted to develop services ecosystems based on what was already available, and that's what we did. We have our strategic plan Korian 2020, so we're using five major drivers to support our roadmap.

We're switching from major acquisitions and major M&A policy to putting together an organic growth engine, so we're focusing on internal growth.

Second driver, we're changing our real estate policy. The group needs to be able to in-house its real estate development. That is absolutely key. We also need a direct investment capacity into our assets, so we can generate value.

Priority number three, operating excellence, focusing on quality of service, as well as economic efficiency and performance.

Priority number four, investing into our human capital; we need to train, recruit, increase our team loyalty.

We also need to invest into medical and digital innovation, and these are the main drivers that are part of our financial roadmap as part of the strategic plan Korian 2020. So, we are a little over a halfway through.

So, what progress have we made? Whether is strategy-wise or finance-wise, we are ahead of the curve. We are ahead of our plan. From a strategic perspective, we have methodically started to complement our business portfolio. Region by region, we have strengthened our position.

See on this slide where we stood in terms of our business lines in 2016. We operated the nursing home segment in all four countries. We are operating follow-up in rehabilitation care in all of our segments, and we started providing homecare solutions as well as alternative housing solutions, such as shared housing or assisted living facilities. So, in 2019, we supplemented our business portfolio when it comes to assisted living and non-care residences. We also are providing at-home hospital care.

We're also strengthening the medical aspect of our businesses in France, Italy, of course – and we started doing that at least in part when it comes to providing psychiatric care in Germany. Meanwhile, we have continued to grow our networks; with 700 facilities in 2016, over 800 now. We have small-sized care communities as well. We're close to 1,000 physical touchpoints and points of care. Over 55,000 staff, and we have increased by 50% the number of people we provide support to between 2016 and 2018.

Now, in terms of our position, we have acquired leadership in three main areas, including France, Germany as well as Belgium. We are number two in Italy, and we have started working in two main areas; the Netherlands, which comes close to Belgium, and that happened mid-2019; and also Spain, that's an adjacent territory where there is much to be done and we moved into this area. We had the strength we needed in order to invest into a new territory. So, so much for our strategic objectives.

As you can well imagine, none of this could have happened without the fully consolidated fundamentals. From a financial perspective, when it comes to all of the aspects for which we had set targets in 2016, we are ahead of the curve. We are ahead of our business plan. When it comes to growth, the target was 5% more throughout the group. We were close to 5.7% in previous fiscal years, and we're getting closer to 8% growth, and I think that's sustainable.

We are ahead of our targets in terms of our operating margin. This year, it should exceed 14.5%. In 2019, we're reaching the level that we had planned for 2020, and we're also ahead of our target when it comes to operating free cash flow. Remember in 2016, the target was to increase by 50% our capacity to generate OFCF, and also improve our cash-based operating margin in order to fund our growth.

If all goes well, in 2019 we will reach the cash level that we were planning for 2021. That is €225 million. That is significant progress, and this was made possible because we have significantly improved both our cash position as well as our ability to turn into cash the margins that we're generating. This is also visible in our financial structure in 2016, considering the funding of recent acquisitions, and our leverage was relatively high, or close to 4.

We have eased the debt burden to just 3, so 3.2 last half year. So, we're hoping that this ratio will drop lower, to lower than 3.5, thanks to all of the efforts made by our company when it comes to cash generation.

So, much for strategic plan Korian 2020, so much for part one of our plan. As you can well see, with trust[?] on our side, we have everything we need in order to continue on our path, and that's very good because we are very lucky to be operating in markets that are structurally growth markets. These are markets that are undergoing a transformation, and they're also solvent. Longevity, longer lifespans, old age, vulnerability, these are markets,

whatever their names are, are supported by five major structural trends that are not[?] going to be turned around over the next five years.

First of all, population growth; secondly epidemiology; thirdly, a thorough change in behaviour and in the sociological aspects pertaining to seniors. Number four, technology, digital technology, which is just now starting to transform and potentiate what we can do in our business. And trend number five, sound financing, thanks to our customers, the beneficiaries of the services we provide and also, at least in Europe, public authorities.

Now, if we look at the figures, what does this all mean? Population growth, now these are the demographic trends. Aging is a global trend. What we tend to forget is the ways in which aging unfolds in our various geographic areas. In 2019/2020, as you can see, there is one country that is way ahead of the others when it comes to population aging.

I'm looking at the pink curve at the top, Japan, and this comes as no surprise to anybody. Now, the second area in the world that is starting to move into this 'aging phase,' the country that will become older than the other regions in the world is the green line, Europe, pretty much on a par with the US, with the Americas.

Now, the other regions of the world, Asia, in particular, will undergo the same trend, but it will happen later and they will start from a lower baseline. Very clearly, this demographic challenge, the fact that all population is aging, will unfold over the next 20 years, but mostly, and first and foremost in Europe.

Now, as far as Europe is concerned, if we take a look at the six countries of Europe where Korian operates, now, what's happening is really simple. Baby boomers are reaching maturity. Look at what's going to happen between 2015 and 2035; this is a massive change. This age group will become seniors. And if we look at the last trend, not only are we dealing with a growing number of 60-year olds, we will also have a booming number of really old people, aged 85+.

Now, if we look at people age 80+, between 2015 and 2035, we're looking at an increase of 80% in France, 70% in Germany and Belgium, 60% in Italy. Against a backdrop where there is going to be, proportionately speaking, fewer caregivers; so fewer people to provide support to their elders. So, much for the demographic trends.

There are other trends, including major epidemiological changes. Now, we are dealing with challenges that include a booming prevalence of chronic disease. So, this is both good news and bad news. Good news means there's a number of diseases that we used to die from very quickly back in the day, and thanks to medical advances, we no longer die from these diseases. And also changes in lifestyle have to be taken into account.

In any case, these are the figures. A number of chronic diseases are booming. The prevalence rate is skyrocketing. Look at Alzheimer's and other degenerative diseases; will grow by 100% by 2030. Look at their prevalence of neuro-degenerative diseases, like Parkinson's disease will grow by over 100%. Look at strokes, etc., and everything that this entails in terms of support care, rehabilitation support over the long-term.

Two figures I'd like you to take home. In Europe, nearly 80% of patients have chronic diseases. That's number one. Number two, 80% of people aged at 65+ have at least one chronic disease, whether it is diabetes, rheumatism. In any case, these individuals need some

type of care over the long-term, and clearly traditional hospital systems, which are large-scale organisations. And this is how the European healthcare system is organised. Clearly, these large-scale organisations are not suitable. We need other types of organisations that are more locally rooted. We need smaller-size care facilities, and that is the challenge we're faced with now.

Third, major trend, sociological trends. Our future seniors are 'young seniors,' aspired to other things. These are the results are from a survey carried out by French think-tank called Vulnerability in Society. They used a representative panel including seniors, who are also caregivers. And when we asked them about what they'd like for themselves – and this is highly representative at the European scale – here's what they say, 'I would like to be – I want independent living for as long as possible. I want to maintain my ties to society, and I want support and care at home.'

So, clearly, nursing homes that provide medical care is simply not the right format. This is simply not what they want for themselves. Look, only 9% of the respondents want that kind of care.

What does it mean? It means that the aspirations and longings of our future customers or the aspirations of their children, this is where they want for their parents. They want new innovative solutions. But when we talk to the same people and we ask them what they expect for their own parents, the people they support, when we asked them, 'What's the right solution for the people you're providing care to?' now, the situation is different. The vast majority of them say, that in certain circumstances, particularly when dependency is so high that it requires so much care that they can't provide it, then the right solution is long-term-care nursing homes that provide 24/7 care. Because there's a carer shortage, fewer resources are available, so clearly this is the best solution.

And this all means that we are seeing a polarising impact in terms of aspirations of our customers, and we need to be able to strike the right balance between these widely diverging aspirations. And digital technology makes it possible to do just that. We have solutions that weren't available a couple of years ago. Thanks to digital technology, we can provide better care. Whether at stay-at-homecare or outpatient care, we can secure the home.

Healthcare professionals can communicate with each other. They can share information on a particular patient that they provide long-term care to. We can communicate with loved ones or caregivers that don't happen to be onsite right now. We can facilitate the work of caregivers in healthcare centres, and that's very important.

One of the challenges for our sector that has already started to materialise is the lack of skilled labour. So, let's try to minimise wasted time. Let's restore the ability of caregivers to actually be there and make the most of their time onsite so they can help their patients as best they can. This is very important in terms of quality of care as well as economic and financial sustainability of our models.

The last structural trend is solvency. We need sound financing. We might be telling ourselves this is all well and good, but who's going to be able to afford this type of care and such intensive services. To tell the truth, the situation is slightly different, at least in Europe. The first thing you need to bear in mind is the high net worth of people aged 60. Clearly, it is people aged 60 who have the highest net worth in the entire population. Look at France, we

have highly detailed figures here. And when we look at things at European level, it is the same thing. Baby boomers have had successful careers, which means that they now have the highest net worth in the entire population. And if we look at the revenue, it is the baby boomers who also have sustainably growing revenues, whether in the form of pension or other types of assets. Their net worth doesn't just boil down to property, as we sometimes hear. They have other types of assets as well. Assets that they can actually actuate.

Now, so much for the private sectors ability to buy the services that they need. And in Europe, there's also a generous public-funding system. On average, European countries spend 10% of their GDP on managing healthcare and dependency cost. Now, some countries focus more on healthcare, others focus more on dependency, but the bottom line is it boils down to the same thing. Look at the statistics, already 8% of patients have chronic diseases, so chronic patients are older patients. And this is why this is a solid market.

On the basis of this market research that showed trends that are not going to change, I think we are one of those rare segments where demand is high, demand is solvent, and there's this amazing ability to develop new services and solutions in line with expectations. And this strengthens our determination to implement our current strategy. We'd like to shift and become a provider of integrated care, focusing, specifically, on vulnerable and elderly individuals.

And for this to happen, we want to be able to strike the right balance between those two priorities. On the one hand, we'd like to be able to provide the right solutions to highly dependent individuals, and we firmly believe that long-term-care nursing homes is the right solution in some cases. Yes, there is room for improvement because people want different things these days, and this is where we come in.

But based on our installed base, based on our teams of caregivers, based on our expertise and our skills, we want also to be able to provide outpatient care, bespoke solutions, area-by-area, country-by-country. So, that each individual based on their health status, based on their specific circumstances or family circumstances so that they can find the solution that is closest to what they want. Clearly, this is our vision.

We are switching models. The old model used to be highly standardised. There was a one-size-fits-all solution to every single need. And now we're building a different kind of offering, a differentiated offering based on modular services that we can combine at a local level, so we can stick to people's expectations as closely as possible. And it is important to design these modular services in a way that is as structured as possible, based on the highest quality standards and based on our values in terms of quality of care and quality of service.

So, we have a strategic vision that we're unrolling in a methodical way, and this is based on three convictions that I'd like to explain to you this morning. First of all, Korian is a European company. We want to grow at a local level, and we want to build on partnerships.

Why this focus on Europe? Not for some kind of political reason, although, there may be some justification in that, but because that's where the market is. That's where we have the market potential. If you look at Western Europe, we are present in six countries. And in those six countries, there are 50 million people over 75 who need support, assistance and services, and 20 million over 60. You can see how they are distributed over the area of Western Europe, very concentrated in certain areas.

Now, let's look at the presence, the foothold of Korian. You can see that we have homecare services. So, we have nursing homes, we have assisted living. And with all those facilities, we can already cover some 60% of this 75+ population. In other words, we're within 10 kilometres of these people, 60% of them, so we have a very dense network which overlaps completely with the market requirements.

If we look at these two maps, you can see it clearly. We really do want to focus on Europe because that's in our interest, and we already have a foothold there, so we need to expand and deepen that. We know the area, we know the stakeholders, so we know the authorities and how to get certification. And this brings me to what our profession is all about. It's global, to a large extent, in approach, but it's also very local.

Now, the quality of the teams and the local relationships we strike up really makes all the difference, so focus on Europe and focus on the local level with multiple localities. And then I mentioned a partnership. Here on this little diagram, you can see our compass of our future development. We're in the top left-hand corner, nursing homes to a large extent and also clinics and medical care services on the left-hand side at the bottom. And gradually area by area, we're moving forward to alternative housing, shared living, for instance. And then gradually moving to homecare, sometimes with medical backup and support.

Clearly, we do not intend to cover all possible services in any given catchment area. It's not realistic. It wouldn't be effective, and we probably wouldn't be able to meet that commitment. So, our objective is to work from the facilities we have, a nursing home or some other facility for instance, and then to expand outward in synergy.

There's a lot of synergies that you can draw on with the teams, with the stakeholders, with local support services. And then to gradually reach out to the right partners in a smart and selective way. They may be local hospitals. We may invest with hospitals – and we'll be hearing more about that later – to have a shared platform, for instance, and to specialise in patient management for certain types of illnesses or disorders, conditions.

We can also work closely with physiotherapists for instance, so they can work within our facilities or we can work in partnership with them. So, partnership is really important. It means that we can provide an attractive range of services, and this is vital in order to ensure that our local growth mandate is effective and of high quality.

So, we want to build on our assets, on our network. We want to concentrate in the areas where we already have a foothold at local level. And then develop this in a selective way to have really top-level quality, so that we can meet the commitments we have made with our clients, which is to find the best possible solution for them in the immediate instant and over the longer term. And this is how our 2020 strategy was designed, and this is the roadmap we will continue with over the coming years.

Now, let me explain how we are unrolling this growth model. Our growth template begins with focusing on optimising the existing foundation. A lot needs to be done – rebuilding; developing; adding new services – day-care, for instance, respite stays in nursing homes; upgrading; specialising more in our clinics; optimising our network. That's organic growth. It's new value-added and it's providing better services.

The second aspect, facet, is to reach outwards, with additional services, having increasingly assisted living back to back with nursing homes, so this is partly organic. And then to gradually supplement the portfolio of services in a given catchment area.

Then thinking further abroad to new geographies, to reach out, diversify in new lines of business with new services. This is what we're doing in France with homecare with the Petits-Fils network for instance, which has been incorporated into our existing range of services. This is what we're doing also by unrolling shared living in France and the Netherlands, and geographically also, as we're moving into the Netherlands and into Spain.

So, let's look at the roadmap, working from the group's geography, geographical footprint, with differentiation depending on how mature markets are and what the options are on a given market. So, we have three dimensions really. In France and Italy, which are mature markets, we need to reinvent the services available in nursing homes. And particularly, medical services, so we're rebuilding there. But we're also developing new types of services through acquisitions in Germany and Belgium – particularly in Germany, we're focusing much more on getting a better mix and income management. Because of financing opportunities, we can do better, we can provide more local services, which are better remunerated. Then we are also in moving further out to new countries, where we're developing critical scale platforms in the Netherlands and Spain.

We're not ruling out the option of reproducing this local development model in other markets at European level. This would be a logical continuation of our compact geographic development strategy. So, optimisation, development at local level and diversification, those are the three dimensions. All three of those mean that we can be steady and confident about our growth potential 8% per year. This is fully controlled. It's steady and robust, with balanced spread of optimisation, local development and diversification. The first two levers are mainly organic, though the third lever means that we can continue to have local acquisitions and integrate them smartly into our portfolio.

In order to shore up this growth plan, which is a transformative plan, we are launching a corporate project, which we've called IN CARING HANDS. And this is a pact built on trust; trust between Korian and its clients; Korian and its workers, who are the heart of the company; and all of our stakeholders, public authorities, local stakeholders who are an integral part of our ecosystem.

Let me explain what we mean by IN CARING HANDS. The idea is that we want to have focus on two facets. First of all, being absolutely best, now and everywhere. If you want to be a leader in any sector, you can't be mediocre. You have to be the Best in Class everywhere, wherever you are located, and in all of your services. The second facet is to have a Pioneer Spirit, to be agile and flexible. This is typical of us, and the two go hand in hand.

This corporate project implies that we transform our company with all of the people working for the group, and we want to implement this over the long-term, and particularly over the coming five years. IN CARING HANDS, we have six building blocks, which are the driving levers in the 2020 Korian strategy.

Best in Class; we have made a commitment, and this is an undertaking with our employees. We want to be the best employer in the sector everywhere, whether it be in terms of pay and benefits, but perhaps more also corporate culture, career development, training and the like.

And with our clients, we commit to providing a quality service everywhere. By 2023, we want to be the leaders and we want to be completely certified with all of our services with the ISO 9001 standard. And also to meet the very best standards everywhere we are, operational excellence.

The Pioneer Spirit, there too, there are three building blocks. We want to really disseminate a culture of agile growth. What do we mean by that? Well, we mean that each of our facilities can reach out to find new services, will round off and give it a comprehensive service range. It's very decentralised as a model. We want all of our business unit leaders to design a strategic plan at local level, and to roll out this new development.

So, this is really a very strong corporate culture. Then, over the next five years, we wanted to have rollout of digital solutions everywhere. In Chatillon, we saw this, so we have a concept of the digital nursing home that we're going to deploy throughout the group; so, a digital fit. And then with the digital and physical platform, we wanted to provide homecare so that we can develop that fully.

And finally, the third building block for Pioneer Spirit is innovative building design. Over the long-term, in any given catchment area, we need to have ideal facilities that can be adapted to changing needs over time. And it's very important for us to have full control over our development in terms of real estate, to be able to develop new designs which will keep pace with changing needs. And this is something that we're going to be reinforcing much more.

So, that's what IN CARING HANDS is all about, and this is our internal growth compass, becoming a global service provider for the frail and the elderly. So, that's our transformative roadmap. It's extremely consistent as compared to social and environmental responsibility taken on by the company. By definition, we're a socially responsible company. It's our vocation, it's linked to our job, to our profession because we have strong responsibility when people come to us as our clients.

This is a fundamental part of what we are. We're very, very aware of our responsibilities. Over the last three years, we worked hard and long to identify those areas in which our company needs to pay very close attention to, its footprint and externalities of its activities. And we're working very carefully on this so that we can, over coming years, set clear objectives, just as we do for financial goals.

Let me explain what we mean by this. First of all, the well-being of our employees; if we're going to provide good quality services, then we have to make sure that our employees are in a state of well-being, that they don't have cares and worries. And there are three areas we're working on very closely. We're defining binding indicators that all managers in the group will commit to. Quality-at-work index, this is health and safety at work, trying to reduce absenteeism. Human capital development, so high quality training which will give people new skills, which will qualify them. Because these are jobs where you can learn, you can get new skills and be qualified. We want to have 7% of our employees in such training by 2023. And the gender equality inclusion and diversity. We're a company that really believes in inclusion diversity. We will be working on this over the coming years.

Then, given the scale of our facilities, we need to look at the environment and the climate. We want to reduce our carbon footprint. We want to reduce the amount of waste at each facility, and we're building a lot, as I said. We have more than 70 new building projects and

many others, which are completely refurbished. We want to have environmentally friendly buildings, HEQ buildings.

Then, autonomy of elderly and vulnerable people. We are firmly convinced that everything we do must help or to preserve the autonomy, in as far as possible, of the elderly, and let them make well-advised choices. Positive care deployment is a part of that. And we're also moving to ISO certification more and more to certify facilities and care on the basis of feedback from our clients and working with carers and those we care for, and coming out with a net satisfaction score that we will produce every year.

The fourth dimension is to make a positive contribution to society generally on aging well. As we see that people are living longer and longer, we need to make sure they live well. We have a Korian Foundation to help us do this, so we are supporting many start-ups that are coming up with quite interesting solutions for the very elderly. All of this is a positive contribution to society.

And then, finally, engaging in local community. As I've said, we are very much locally based, we're multicultural. And part of the DNA of Korian is to continue to develop this, and to encourage our facilities, and our teams so to develop this further. In concrete terms, this is going to lead to the setting up of the stakeholder committee that we will be setting up in France next month with representatives of the local communities. And we also want to deploy, in all of our physical facilities, local stakeholder committees. Everybody who's involved in aging well at local level.

And of course, we purchase food in particular. This helps to promote the local economy particularly, in more remote areas. So, local purchasing can have a very positive effect, and this is something that we are really going to commit to.

So, we have a strategic vision at Korian, we have an ambitious growth model and the implementation of this. What I suggest we do now is to see very concrete terms, what this means activity by activity and with each facility. And I suggest that we spend a few minutes looking up to what underpins all of this, and that is our quality policy. And I will now hand over to Didier.

Didier Armaingaud: Thank you, Sophie very much, and good morning everybody. It's great to be here three years on, in this innovative space, which I think reflects this corporate spirit of Korian today. Sophie, you talked about wanting to be a leader and what does that mean.

Well, for us, particularly in our activity sector, it's not that we're proud to be on the podium or we can say we've got so many facilities and so many employees and so many clients. No, it's much more than that. It's a responsibility. It's the responsibility of being known and recognised by all of our clients, their families.

Everybody who trusts us and place their trust in us as providing quality services and safe services and care, that we provide every day to more than 300,000 patients and residents who we assist year in, year out. And that's what really counts for us, and that's what underpins our work. And we work in a sector, sector of health and assistance, that is very closely regulated and monitored in the countries where we work. There's a regulatory framework, and we comply with that on the national and regional level.

In Italy and Germany, there's lots of regional '*réglementation*' and it's also the case in Belgium. That's all in place. Each country also has external audits that are organised by the authorities, sometimes quite frequently, sometimes less so. In Germany, there are very regular checks, sometimes several times a year. In other countries, it's every three to six years. And Nicola works with the clinics and there's the high authority for health in France, which carries out inspections every three to six years.

So, you have a regulatory framework that's in place. Those are requirements we have to be in compliance with, but we've also set up our own quality assurance system that's been in place in the group, on average, over the last 15 years. This means that we can constantly monitor the good health of our activity and our facilities.

A mention was made of the ISO standards. We are very ambitious. By 2023, we have a very ambitious target to be in compliance with that standard. Many of our facilities are; in Italy in particular, that's been a choice over the last 20 years.

Whenever new facilities are opened and when new services and activities are added, that's also the option taken by our new countries, Spain, which has decided to apply for ISO certification, and it's also the case of the Netherlands. It's not ISO certification in the case of the Netherlands, although, it's completely in compliance with ISO 9001.

So, we already have quite a mature certification system, and with this system we can see – track, monitor how compliant our facilities are. More than 96% are in compliance. And this is borne out by the perception of quality and satisfaction of our clients, because most of them say that they are satisfied or very satisfied with the services that we provide.

Our strategy is based on this standardisation, so 96% satisfaction. I have constantly tried to ensure that our – all of the countries in the group work together to define a shared standard. We have two committees at European level, at group level. One brings together the quality and risk management reference, and the other one, the medical and care offices.

Since the end of 2017, we've been working on our quality and safety and security strategy, and also our medical and care strategy, positive care. That's how we describe it, and we attach huge importance to this. It is a whole philosophy which is based on our four corporate values, and which places individuals at the heart of our job. That's what we really care about. I'm talking about the clients, but also our teams, our employees, as Sophie has said.

If you're describing quality process – originally, I have a medical background, perhaps that's why I'm putting it this way. But we've introduced a kind of preventive medicine network. In other words, we want to monitor the good health of our sites, a check-up at regular intervals, that we need to define. And we have prevention services, programmes. Through training for instance, we work with our teams, but also with everyone, we deal with within our facilities.

We've also defined objective measurements, and we measure these at regular intervals, depending on the degree of risk. We track all of this, and if we do identify an area of vulnerability, we can intervene. At collective level, we can identify what's wrong, have a diagnosis, and then we can suggest the right kind of treatment, to keep with my metaphor. And we can also draw lessons from what has happened, so that we can then learn and improve constantly, upgrade the system.

So, we need to have all of the right tools for this tracking and monitoring. We have benchmarking and protocols, good practices describing all of our process protocols and activities. That's something that we have a very structured audit system in place – we have had over the last 15 years. This is something we've developed with the 360-degree Quality Audit system with more than 300 checkpoints, so that encompasses all of the services we provide.

And this is flanked by prevention campaigns. In terms of public health for instance, since last year, we have been organising regular European-wide campaigns, which deal with the appropriate use of medication and we have organised special information days on this. So, we've been doing this in partnership with the Ministry of Health. We do this regularly in March. So, we make sure that our workforce are exposed to awareness campaigns, but we also deal with the broader stakeholders.

Very stringent follow-up of any incidents that occur, any cases of non-compliance throughout the network; that's another aspect. Also feedback; whenever an incident occurs, especially if we consider it serious, then we get feedback and we analyse it. It's very important for us to be able to learn from any unfortunate situation. This is part of the group's DNA, and this makes us very responsive, and helps us to grow and develop and improve.

And each time, we have regular reporting – weekly, monthly, half yearly, annually – at the group level. So, we can constantly monitor and track of the good health of our group. And all this is important because it enables us to measure the satisfaction and to have this constant insight.

So, we have set the challenges. Given our ambitions for growth, we've decided to go further, and, indeed, to launch the project to go towards a far more demanding standard in terms of quality, which has to meet the ambition for excellence, and to be – make our teams proud. And we are basing ourselves on the certification logic. Some of our countries have moved towards the standard. This is to bring us towards a standard, an ISO 9001 standard.

Now, this standard has to meet three key requirements. Number one, of course, we have to harmonise our standards at European level, not only in order to meet regulatory requirements, but in order to contribute added value to our clients and teams. And also to be able to offer, wherever we may be with Korian services, the same requirements for quality, where everyone – is also a very strong driver in order to bolster the commitment and motivation of the men and women who work for us.

As you have said, at present, all of our action is based on two thrusts: clients, of course, but our teams because without our teams, of course, the system won't work. The strength of Korian lies in its human resources, and, indeed, what is at the heart of the company is its human capital. Now, Remi will be speaking this afternoon and will be telling us about what's going on a group level, but this is something on which we set great importance and in which we have great faith.

We have made the decision to go towards ISO certification because we want to add a layer in terms of stringency, organisation, to have a process-driven approach. I won't go into detail on this, but you can see on the slide that we have three process levels – the management aspect; the operational level at the very core of the system with all the services that we are offering to our patients and residents and to their relatives because, of course, we ascribe

great importance to developing the relationships with the families; and all the support services that is required to support all this.

Now, the project is extremely ambitious because it has to cover all of our businesses. In terms of our offering, looking at the circle, where you can see the medical, social aspect and all the new businesses which are emerging. And we also have very strong growth drivers because this standard provides us an opportunity, whenever we open a new site, to bear[?] these standards everywhere. And this is part of the quality-driven momentum we've had for many years.

Now, we started off with the support of the Italian[?] quality teams by working on the key component, which is a nursing home. So, we're finalising the standard and we're going to rollout this project across all of our businesses. And then, by the end of the year, we will be moving towards the standards for our clinics with the partnership between France and Italy, including Germany as well, in order to have an exchange on the best possible medical standards in order to be able to set the best standards for our clinics.

And then, in 2020, we will be looking at all the other businesses. And all this starts with a pilot phase in order to be able to assess the feedback that we'll get from the families, all of the players as to the content of the standards, to be able to test them on pilot units. And we intend to roll this out by the end of the year in France, and probably, in Belgium, in order to be able to kick off this major certification project that we hope to launch by the second half of 2020, in order to roll out the plan to the end of 2023.

So, it's the quality base that we want to use to be the reference in the sector. And I'll now have the pleasure of handing over to Charles-Antoine.

Charles-Antoine Pinel: Good morning everybody and thank you, Didier. Indeed, quality, as you understood, is at the core of everything that we do, and it's on that base that rests the transformation of the France Senior strategy that I'm going to present.

Now, let's go back briefly with the few figures on demographics. Now, two important figures here, you know them, but people at age 85+ are going to double with... And another figure that came out from INSEE at the end of July is the number of dependent seniors aged over 60 that will rise to 4 million by 2050. Now, this is well in excess of our own forecasts.

Underlying these figures, which reflects a key issue for us, what we've been doing over the past three years is that we have sought to better understand the requirements of elderly persons, of their relatives, and to see how we can provide an appropriate solution for everyone, both for our longstanding clients people aged 85 and over, and also for new categories whose requirements continue to grow. And I'm thinking in particular of the slightly younger seniors who are somewhat vulnerable, from 75 years onwards, who require safety and a link to the community. And I'm thinking also of the senior citizens who are looking for temporary solutions after a spell in the hospital.

And we are also talking about carers – there are over 8 million of them in France, for whom we also have to provide solutions. And to respond to this, we have significantly changed, grown our network in order to be present at different stages of this whole process. Within the long-term care nursing homes, we have for short stays, almost 10,000 clients a year – for very short stays. Now, 10 million, this is per year. This is a very significant increase, and we

have increased diversification with the rollout of residential solutions, with shared housing solutions and the acquirement of the Petits-Fils solutions for homecare services.

And these means we have over 500 contact points in France. Going back to what Sophie was saying, this is 60% of people of 75 and over who have Korian solution within 10 kilometres of where they live, and this growth is accelerating. In terms of revenues, this represented 1% in 2017, 4% in 2018, and over 5% this year.

Now, let's talk about the different aspects of transformation. The first thrust of transformation was to work on our commitment to clients in order to provide in all of our units a consistent high quality offering, responding to the needs across all of our regions, and being close to the residents, close to our teams, close to those involved. This has led us to transform our businesses in two areas; with a shared base of services and standards, number one; and number two with medical specialisation.

All this has been conveyed through strong commitments. And I suggest that we listen to Aymeric Mathias, who is Director of Operations at France Senior, who will tell us about this approach, and I think that this is essential for Korian France.

[VIDEO]

That was the first thrust. And the second thrust I would like to talk about is the strength of our presence in the regions and our medical know-how. Let's take an example here. For example, the Var department in which we have 12 long-term nursing homes and also 12 Petits-Fils units and 2 clinics. All of these clinics have shared standards, and they also have specialisation linked to old age.

Now, if I call – if I'm in Sanary[?], for example, I will talk to professionals who will guide me depending on my requirements. If I need a short stay after a spell in hospital, I will go to Korian La Pinède for people who have cognitive disorders, Le Cap Sicie, and for psychiatric elements, Les Pins Bleus. Now, this network-based approach is based with our medical partners and regulatory authorities. It enables us to strengthen our appeal and our reputation. It enables us to stick to our course in terms of occupancy and average price, and it enables us to exploit extremely positive synergies for the resident and for our own teams.

At the national level, our ambitions are as follows: specialising, from this year on, in populated areas, and by also developing online medicine, which we will offer in all of our units by 2022. This has been welcomed by families. It enables us to incorporate them into the whole path for care, and we are ready here.

The third growth thrust is the rollout of new offerings to respond to needs, and I'd like to focus on the day-care, which we were talking about earlier. This enables us to have early contact with future residents who are currently at home and who may have different types of requirements. You have people who have medical requirements and we are able to welcome them in 34 of our clinics. And we've also those who want to get away from isolation, and to be able to share, to have contact with others. And also, with carers who can find support and be accompanied within our homes.

Now, this means that we have over 5,000 persons per year that we're going to be able to welcome in our Korian homes, and this really is a solution for these patients[?]. And these

people in these homes will be able to have proper solutions, attractive offerings, and this enables us to have, across the whole front[?], a platform and care services.

The fourth driver, which is very important, in order to develop our offering and to develop organic growth, we've also transformed our buildings. We have invested in order to be able to upgrade and offer new concepts, first of all, through Boost. Now, what's Boost? Boost is a strategic network renovation programme, the concept of which was thought through with the families, with the residents in order to offer more comfort, greater comfort and innovation. And let's take a look at this on this short film.

[VIDEO]

So, this is the best possible compliment that we could have. So, Boost has been extremely successful one year after we have 200 rooms that have been renovated in over 43 homes, which really is a challenge in terms of execution given the very high occupancy. And we have excellent feedback in terms of customer satisfaction. This is one of – the net promoter score of families is up on average by 23 points, which is excellent, and the growth revenue per room of 8-10% in those homes that are been renovated. So, of course, as you might imagine, we're going to step this up, and our ambition is to have 50% of the network renovated by 2023.

We have a second driver, which is building new Korian units. We have a pipeline of projects, which has been significantly strengthened. We have 39 projects which will be transformed, representing 15% of our capacity. And this will include 25 projects of a new generation of Korian homes, which include different solutions, accommodation services, innovative homes, designed with Saguez. And tomorrow[?] is with us right now.

In fact, some of you – we were delighted to welcome some of you who saw this in Chatillon in the Paris suburbs. And in June, we had a new unit opening in Châlons in the Champagne region, and more recently in September at Guyancourt near Versailles. And I'd like to dwell on the Korian Les Saules home near Versailles. This is a home that is just undergone extensive renovation, extension work. We've increased the capacity, we've gone up from 92 to 106 rooms, with 100% single rooms, with differentiating aspects for day-care, short stays, specialising in person suffering from cognitive illness and Parkinson's.

And this means that Saules really is a local gerontology centre. In financial terms, we have growth in revenue of 25%, reflecting increase in the number of beds; and an EBITDA that is up by 40%, and the increase in scale has helped it. But that's not the end of the story. This home has developed many partnerships, beginning with the local Korian units. And this is essential, we were talking about the strength of our network earlier.

And what you can see at Les Saules is that it has the Grand Parc clinic nearby and it has daily contact them. It can send residents for old-age check-ups, and it also has direct contact with Petits-Fils for the Oriane solutions for those who are coming back home. And the person who is best placed to talk about this is the director of this home. Here we go.

[VIDEO]

To conclude, I just like to say that I am very happy with all the work that we've done with the teams that I manage, and the fact that we're ahead of schedule in the regions. And all these strengths enable us to achieve significant growth in terms of the number of customers, and

you've seen that we have an increase in the number of contact points. We have an upstream approach, and an offering that has been redefined in all this, with an active vision of revenue management.

And I will now hand over to Arno Schwalie, who will talk about revenue management. Thank you very much indeed.

Arno Schwalie: Thank you very much. I'm sorry, I think we have to switch to English, so I want to see a bit more energy levels in the room. My French is not that good yet, but I'm working on it. So, thank you for the introduction. Sophie, thank you for the introduction, Didier and also Charles-Antoine. Indeed, I'm going to talk about revenue management today, but before that, please, let me quickly tell you that I'm really thrilled to be here today.

My first presentation to this crowd. As you might know, I only joined the company in 2017, so I would like to briefly introduce myself. I have worked in hospitality business for almost a decade and a half in international roles, as an executive. And just as a few of my colleagues, I believe we can bring a lot of insights from the hospitality business into the nursing home, and into the care sector as such, being system know-how, being customer-centricity, being a big focus on developing on people. And this will enrich and ensure also that this sector will grow in the future.

So, I only have ten minutes, and I can talk about Germany probably for the next two hours, but in these ten minutes I really want you to take away four major things. First, Germany is back and Germany is on track. Second, we have a really strong team in place, which is fully equipped to perform. Third, the revenue management drivers are in place, and I will talk about that. And the fourth point is, we are delivering our financial performance, and I am absolutely convinced we can accelerate as we go forward.

So, I think these are the four major things. If you take this away from my presentation, I am an happy guy today.

So, let's have a look into the German network. Indeed, a very dense and big organisation; 243 facilities, 59 of them have assisted living, 2,600 apartments and 31 homecare services, with about 22,000 employees.

We are not only the biggest in size in Germany, but I'm very proud that this year we have been recognised by a major German media called *Handelsblatt* as one of the best nursing home operators in Germany. So, this is really a very, very good step forward after this two and a half years I've been in this role.

Apart from that, I must say I have really focused the last two years on three things. One, developing teams; the second is establishing standard processes and qualitative processes; and the third, implementing systems. Without systems, it's going to be difficult – especially in a German environment, we are obsessed with systems. And we really need them because we believe in driving business for data. At the same time, we need – obviously there's strong attachment to people and to care.

So, the two main growth drivers in Germany, basing on this really strong fundament is optimising the platform, and obviously, working on growth and increasing – or meeting these increasing demand. Let me give me just a few figures. Between 2007 – or let's say in 2018, not 2017 in 2018, we've been able to grow 3.1% in revenue. And this has been difficult

because we went through a post-merger Kazzaria[?] integration in 2016 and 2017, and then we stabilised – a lot of you might know that. But in the first half of 2019, we're already at 5.2% growth in revenue, and I think this is great. And we believe we can go north of 6% until the end of the year and beyond.

But not only revenue, also in performance. EBITDAR margin went from 25% to 25.8%, half of this year, and we will go north of 26% by the end of the year. And this is a really, really strong performance that we have been able to achieve in Germany.

As you all might know, Germany is a heavily regulated market and we have in Germany so-called Federal Care regulators, and they have decided to allocate the refunding towards the needs of the patients, which I think is great. So, the insurances have decided in 2017 to implement the funding model based on care level. So, we have five care grades or care levels, starting with very early dementia and slight disease, all the way up to full dependencies.

And depending on these five grades, refunding will be guided[?] to the market. That means we have to be very, very well in place and awake to be able to manage the right care grade mix. And the right care grade mix on top also brings one caveat – it's not a caveat, it's an opportunity, is we have to make sure that we have enough people, enough trained and skilled staff on board in order to deliver.

So, let me talk about these four major levers of revenue management. So, you can see the growth dynamic, which is, I mean, strongly dependent on trained staff. We have to be able to recruit. We have to be not only able to recruit people, we have to be able to recruit skilled nurses, skilled people that also fit the company. Then we have to work on our high – or to higher our care mix through in-depth care rate management, which I'm going to explain you in a brief. Pricing negotiations is a big part of our revenue strategy, and obviously data-driven customer relationship management, which leads, obviously, to our higher occupation rates.

Let's talk about the first driver and it's people, and we are in the people's business. And I always say people first, and it's all about people, people, people, people. We are in a very, very difficult market in Germany. Why? Low unemployment rates, high pressure on wages, and scarcity of skilled staff.

And it's not only the case in nursing homes or in care, you can see it in trains and airport and transportation everywhere. We have a scarcity there. But obviously, there's a remedy to that. There's a solution and the solution is selecting the right people, reducing your fluctuation, and making sure that you have permanent staff in your workforce.

And one of the, I would call, diseases of the nursing career sector in Germany is a lot of our competitors are working intensively with intermediary stuff, or so-called interim staff. These people might be good skilled, but they're not confident – they're not loyal to their companies. They're not part of the culture. They're jumping from job to job, and they are, kind of, destroying the local culture.

So, what we decided in Germany, beginning of 2017 or 2018 already, we want to drastically reduce this number, and we want to re-shift and repurpose our HR spends towards 100% permanent staff. This not only helps to reduce the costs, because they are more expensive,

they almost double the price of a normal permanent staff member, but also, we created a better culture. We implemented better systems in the workforce planning and workforce management, and we have loyal and strong people that support our businesses.

So, it is an enhancement of the local workforce management, clearly, but on top, we also have express commitments for our own staff and our people in order to make sure that we not only invest the skills, but only make them very loyal to Korian as a brand. So, that's a big fundament. With the right people in place, we're able also to grow the business.

Care grade management, and if you remind the slide number three about the five different care grades, what is our initial goal with care grade management? So, we want to ensure the care level in line with the individual needs of our residents. At the same time, we want to make sure we can increase the funding that we are receiving.

To do so – and here I'm coming back to the systems. To do so, we have to implement, or we had to implement a so-called digital care documentation management system. This system was the fundament to do a data-driven, forward-looking care mix management. 74 homes of our Kazzaria network still worked with paper documentation, so it's a very complicated, very redundant process with a lot of mistakes. What we've done last year, we took them all away and implemented a digital system in line with all the other facilities that we have in our network.

And now on this homogeneous system called DAN – DAN is the provider – we're able to proactively manage the care mix. And the care mix is so important to us, why? Because it not only is access to additional funding, but it also help us to really monitor the needs of our customers, at the same time, the workforce planning.

As you can see here on this graph, on the left, we've been able to increase 17 base points on the care mix. Now, you will say 17, big, big deal, what is this guy talking about? Well, 17 base point is a lot because 1 base point is €1.2 million, so I'm talking here of more than €20 million. So, the impact here is very, very significant. Please take this with you.

Another big lever, which is very important for us, is price management. So, pricing has not been, I would say, an intrinsic success factor in the past, but we have put it centre stage. We have to ensure that 100% of our facility-specific charges, as they cost, board, lodging and investment costs, are 100% refinanced. And for that, we have to have a very systematic and very analytical process in place – and yeah, I'm back to the process – in order to make sure that we proactively negotiate the rates and the pricing that we are deserving.

So, in the last two years, we've been able to achieve for the facilities that we have renegotiated above market prices, which is great. And this jump has helped us, obviously, to give us a serious upside on the revenue side. Between 2018 and 2019, we've been almost able to double the achievements through additional pricing. I'm talking about €7.5 million, so it's been really, really significant. And it's something that we are going to continue and master for the future because I see a huge potential in this piece.

Last, but not least, occupancy management. My philosophy at the beginning was always make sure the fundament works well, work on quality and work on qualitative growth, which is pricing and care mix, and which is finding the right people to grow. Occupancy will follow, and occupancy has to be driven through data.

In order to drive the data, we have implemented a customer relationship management system in 2018, and we have trained all our people in the course of 2019. This is a bit of a paradigm shift in the mind-set of care people, which are very much around the patients, around the residents, making sure that their life goes well. But getting them also to work on, really, sales matters and revenue management, such as occupancy management, is something that has to be driven on a very solid, data-analytical platform.

So, our CRM is in place now. People are trained and people are ready to move the ladder up, which is very important to me. So, I believe this will be the next lever that you will see significant moving forward, and we have – obviously, we have some space to grow in Germany on the occupancy side. But I am absolutely convinced that this will come as we're moving forward.

I'm seeing the time, I'm almost done, but I want to take you back to my key opening words and the key takeaways. We are in a mature and growing market in Germany, and this is a very significant market. And Korian Germany is very, very, very well prepared to grow. And not only to grow, I think we're also able to accelerate as we're moving forward.

We have stable staffing and good resources in place. And as you have seen, we put all the revenue drivers in the right position to be able to accelerate. And not to forget, the base for everything by the end of the day is a very, very strong and robust quality. And these levers are very powerful and Germany is back. Thank you very much.

Before I leave the stage, I have the pleasure to hand over to my dear colleague Nicolas Mérigot. Thank you very much.

Nicolas Mérigot: Thank you, Arno. Now, let's talk about Optimise. I'm delighted to introduce to you Korian's activities in healthcare in France, particularly our current transformation plan. So, what do I mean by that? I'm referring to a network of 83 healthcare facilities, mostly clinics that provide a follow-up in rehabilitation care. As you saw, in France we have 66 of them, which accounts for 50% market share in for-profit healthcare centres, so it's a pretty significant market share.

Our network is also based on our teams. They're professionals and there's one feature: they are very, very highly skilled and very highly trained. 50% of our staff are managers or technicians, and these teams include many different medical and paramedical professions. That's one of our features and this enables us to provide a multi-disciplinary approach to our patients.

This multi-disciplinary approach has grown more specialised, and the medical component has grown also in recent years. 44% of our patients – of our incoming patients following – come from – actually, 44% of our incoming patients suffer from locomotor illnesses, rheumatism for example. 13% of them come to us due to neurological problems, particularly, after having suffered a stroke. We've seen the epidemiological data. This is a heavy-duty trend that is affecting our entire society. And the third reason why the patients come to us for follow-up in rehabilitation services, 12% of them come to us following cardiovascular problems, and cardiology is the main reason why people aged 70+ go to hospital.

So, who are our customers? We have 75,000 customers go in through our facilities every single year. So, these are individuals that are dependent, that are – whose physical and

cognitive dependency is higher than the average. And they will receive on average 2.3 rehabilitation procedures every year. So, this level of intensity in terms of care management is outstanding. It's impossible to provide in a non-medical environment.

In other words, what we're doing in our centres in terms of rehabilitation cannot be done by regular GPs. Our patients are old. We have old patients. The median age is 75. As we have seen, this elderly population is growing and will continue to grow, but there's more to it than that. Today, we are seeing changes in medical technologies that are available, and medical procedures, such as radiation therapy, etc., as well as surgery are performed on patients that are growing older and older.

So, the challenge is twofold. There's a growth of the elderly population, but also there's an increasing use of these populations – increasing use of procedures and medications. Now, the elderly account for over 50% of all stays, and patients aged 80+ account for 80% of our growth. So, elderly patients constitute our core business, they are our main customers, and they're also our main growth driver.

Now, the second growth factor as far as we're concerned is outpatient care, 'daycare.' Now, look at the top line, the red line that is going up very steeply, clearly, this is a major growth driver for us. Patients come every day, they come to our facilities every day or every other day for rehabilitation services or physical therapy, and they're not going to spend the night. They go home at the end of the day.

This solution has two benefits. Number one, it is much more affordable. It's much cheaper than full-time hospitalisation, and it also – as we saw before, it also meets the expectations of citizens. Citizens want to stay home as long as they possibly can. But also, it means we can wean patients out, and allow them to fend for themselves more quickly. So, on average, at country level, in our sector, outpatient care accounts for about 12% of all hospitalisations. We stand at 7%. We used to stand at 5%, but we will grow to 15%. So, outpatient care truly is our second growth driver.

I talked about our growth drivers but, by and large, in a sector, where there's a lot of pressure on facilities due to a twofold phenomenon, first of all, the rising chronic disease and also population aging, obviously, follow-up and rehabilitation care plays a key role. And this is also based on skills, on expertise.

Three figures by way of illustrations. Number one, 93% of our patients are referred to us by hospitals following surgery or any other medical procedure. This means we are a key partner for hospitals, and we're helping these patients – are usually short stays, three to five days. And this means the system is financially sustainable. The hospital system is financially sustainable, thanks to us.

Now, our expertise in terms coordinating care pathways is becoming key because we help with a seamless transition after hospital discharge. This is also an important figure. 78% of discharged patients return home, and we are in line with the population's desire to stay at home as long as possible, and stay healthy longer.

So, how do we achieve that 78% of discharged patients return home? Well, in order for this to happen, we need to review systems, arrangements to help patients go home. And this means that we provide that service to 50% of discharged patients, so we've come full circle.

We have invested into Petits-Fils, and we are a direct partner, and we provide the support to patients who want to return home after they've been treated.

And the third figure is 9%. This is the reduction in physical dependency following a stay at a Korian clinic. So, 9% reduction in physical dependency; here again, as you can see we're helping people promote independent living. This means a more efficient healthcare system, and we're also able to meet the needs of citizens.

So, one feature of healthcare is that it's a highly regulated business. Let's not forget that regulation has a lot of upsides. First of all, it ensures liquidity, liquidity of our business. But regulation also sets entry barriers and these entry barriers protect our facilities. I'm referring in particular to authorisation systems. Of course, there are downsides as well.

Pricing regulation, as we saw in recent years, we have been on the receiving end. Particularly, since 2012, there's been a steadfast drop in prices, even though it feels as though prices are back to neutral territory. So, against this backdrop, our transformation plan has made it possible to turn things around, thanks to sound management of revenue. Because it is possible to ensure revenue management in healthcare and we've done this via several initiatives. First of all, we have improved the ways in which we manage our businesses. We have developed new specialised businesses. And also, local relocations in line with our health authorities, we've been able to turn this trend around.

The result is striking and you can see it on the graph on the right-hand side – I'm left handed, sorry for that. The graph on the right-hand side of the screen, see the red curve, the downward curve, look at the price changes, look at the cumulated drop. We're down to 95. And see the blue curve, that is the average price per day and we're coming to 102. So, as you can see, the transformation plan that we have set up has made it possible to, amongst other things, maintain our internal growth capacity, even though prices weren't favourable.

And so this transformation plan that I just referred to on the issue of pricing, well, this is true for all transformation plans. It is comprised of many different initiatives, and every initiative has already been taken. I'm not going to review all of these initiatives one by one. Instead, I'd rather share with you the most iconic ones.

I already talked about the rising volumes, thanks to outpatient care. To date, we have doubled our capacity to welcome outpatients. This means we've grown outpatient care by 20%. Our goal is to provide outpatient care in 90% of our facilities, versus only 30% in 2016.

And the second iconic feature is the growth in the average price per day. Obviously, the more specialised our businesses, the more we can charge. We have already secured 19 new authorisations for specialised medicine. We will obtain an additional 16 approvals, and this means we can provide specialised care in 80% of our facilities. We have also strengthened our local and regional footprint through partnerships, public and private partnerships.

So, in six different conurbations, which account for 10% of our facilities, we have already forged partnership agreements with the local teaching hospital. This partnership agreement is always based on three priorities. Real estate; we're going to build the refurbished buildings together. The second priority, the medical project; we share healthcare channels. We pool our resources as well to save money on spa[?] care, pharmacy as well as catering. So, these

public-private partnerships are new ways of doing our job. Local authorities enjoy that, and obviously, this is strongly encouraged by the Healthcare Ministry.

In order to make all of these changes happen, you may have guessed that, clearly, we need to radically overhaul our real estate portfolio. And to that end, we have initiated many refurbishment efforts. We've also expanded a lot of facilities and in some cases, we have relocated our facilities. 50% of our facilities are currently impacted by our real estate program.

Now, by way of illustration, I'd like to show you a video. This video was shot at Estela clinic in Toulouse. It is a clinic that opened up last July.

[VIDEO]

We have seen the outcome of our transformation plan. What does this mean? [Inaudible], these are two examples. One example of optimisation, we relocated the clinic as close as possible to prescribers, the hospitals in particular, and also as close to the living environment as possible so that we could develop patient care. The other project was much more ambitious. It was an aging centre in downtown Marseille in an area that was saturated, and we decided to relocate it elsewhere to a different conurbation called Martigues. And we needed to rebuild the care channels entirely. And in both cases, we were not economically depending on the activity segment. We grew between 3% and 30%. And also, this has enabled us to generate profitable growth with a significant increase in EBITDA.

So, our financials speak for themselves, so we're basing our action on quantified data to appreciate the result of our transformation plan. But I'd like to share with you a testimonial regarding the usefulness of what we do at a local and regional level. It is very important to work in a way that is useful to the medical community.

I'd like you to listen to what people in Martigues at Korian Cap Ferriers have to say.

[VIDEO]

So, to make the care pathways more fluid is something that we really stand for, and it's one of our great strengths. So, by way of conclusion, the Korian France health network has been completely transformed, and this is continuing. We are optimising, and we've identified the driving forces in order to continue this.

This transformation also implies that we build up our know-how. I said that we want to be a multi-disciplinary, and we also have to coordinate better. And this brings me back to this idea of healthcare pathways. This is something that people in France are very attached to. They don't want to be taken from one hospital to another, to a clinic. They want something that is consistent and understandable. And health authorities are keen about this as well so that we can be more efficient here in medical care, and to make it more economical.

Often, there's a real lack of coordination, and this increases patient suffering. So, we're moving from just focusing on rehabilitation and reinsertion towards something much broader, working on an open integrated medical platform or hub. And this reorganisation is going to be the bedrock of future developments, and Mariuccia is going to be telling us about this. Thank you very much for your attention.

Mariuccia Rossini: Good morning everybody. I'm delighted to see you at last after so many years. Over the last years, we had strong growth and over coming years, I think that we can expect even more ambitious growth. We want to increase our foothold in the market by rolling out complementary services, so that we can broaden our product range and our service range and accompany patients throughout the care pathway.

Italy has a very specific context because healthcare is managed at regional level, and each region has its own budget, its own charges, its own staffing standards. And of course, profitability varies greatly from one region to another. This opens up many growth opportunities for us.

Now, let's look at this. In Europe, we are the country that has the fewest nursing home beds compared to others, just 57 compared to 107 in France or also 107 in the Netherlands. The upshot of this is that nursing homes have very high occupancy rates, 98% occupancy rate for us. We also have – and I'm just talking about Lombardy, just that one region, we have 1,000 patients on our waiting lists, particularly for the cheaper nursing homes. 60% of the patients for nursing homes are sent from hospitals and our nursing homes in Italy tend to provide a lot of medical care.

There's demographic pressure, more and more people are living longer, and they're often quite frail. This is true for Italy, just as for other areas, and we also have fully occupied nursing homes. Nicola explained that it's very good to get certification and authorisation, but it's hard to get new permits for the building of new nursing homes, funded by the public health insurance schemes. This is a problem in Italy as elsewhere in Europe.

Obviously, elderly patients in Italy, when they encounter a health problem, tend to go first and foremost to the hospital. So, if we want to help these elderly patients, we need to be able to have a clear understanding of all of the healthcare pathway – outpatient, day-care, rehabilitation – so that we can work with these patients before they're sent to a nursing home. What we want to do is to set up clusters that are recognised by patients and local establishments.

And day by day, we're working harder to establish our local leadership and to be the patients' first choice. Most patients in clinics and outpatients are over 65, and here you have an example of our foothold in Tuscany. We're in a lovely region. It is the region of Chianti. Please visit us. You can taste the Castiglion Fiorentino and our lovely wines, but you'll also see that 24% of patients who have been through rehabilitation then go to a nursing home. 20% of patients who benefit from outpatient care then go to a clinic or to a nursing home, and 42% of patients use the various health-related services that we provide.

To manage all of this, we have a software application called Equipe[?]. It's used by all of our staff, our doctors, our nurses, our caregivers and the physiotherapists, so all of the staff use this throughout the region. And this means that we can monitor very carefully the patient care pathway. We have access to all of the data; that means that we can optimise patient management and customise with the patient care.

In this way, we hope, increasingly, to be the local market leader, and thus have a stronger influence and a bigger market share. So, in Italy too, we feel that Korian should be the first choice for senior patients.

I'm not going to eat into my colleague's speaking time. I know they've got some very interesting things to tell us, and I'm going to give the floor to Belgium to Dominiek Beelen.

Dominiek Beelen: Thank you, Mariuccia. Hello everybody. I hesitated for a long time about which language I would be speaking. Should I give it in French or in English? I was tempted to give it in French, but what I'm going to be saying is extremely complex so I will speak English, but I promise that if you have any questions subsequently, I will answer them in French.

First, learn to walk before you try to run. I will take you through our journey from a Belgian context to a Benelux structure. When Bart and I started in 2005, we had no previous experience on elderly care, so we grew through M&A with existing, well-operated nursing homes. Only in 2011, when we got familiar with all the KPIs that drive the elderly care, we opened our first two Greenfields.

In 2013, government reduced licensing policy, and also reduced the care financing budgets. We reacted by developing our first mixed care concepts, combining high care with more valid independent, assisted living. With the acquisition of Foyer de Lork in 2016, we got acquainted with full service experience facilities, not only combining high care with low care, but also mixing with leisure and restoration.

When we entered into the homecare market in 2017, we were able to develop our own standalone, assisted living facilities, with enabling us to respond to the care needs of the residents via our homecare. This progressive growth that led us what we are today, 119 facilities of which almost one-fourth is operated as a mixed care concept, and where even 12 facilities are operated in a full-service experience or what we call under-one-roof concepts.

Besides our secured[?] growth of almost 2,000 living units in assisted living and nursing homes up to the end of 2023, our organic growth will also be developed to homecare activities in the surroundings of our existing assisted living units. Belgium being a mature and highly consolidated markets, we will not be able to continue our exponential growth path[?] as we did the past two years. And so we looked to the north. We looked to our neighbours in the Netherlands, and we discovered a market that was really looking for new private initiatives to cope with their senior housing growing needs.

When we look at those needs in both countries, they are quite similar, but the concepts however are different, due to market dynamics and also due to other financing possibilities. In Belgium, the care financing budget is rather limited, so size really does matter. And so we developed our mixed care concepts, creating synergies not only on facility staff, but also on care staff, enabling or involving them in extramural care in the assisted living.

We realised EBITDAR margins of 30%, being 45% higher than the traditional nursing homes. 70% of our secured[?] pipeline will be developed in this under-one-roof concept. In the Netherlands, in 2015, elderly care market changed radically. The government decided to end low care financing in favour of a higher budget for high care profiles. This led to a departure of almost 20% of the residents out of the traditional nursing homes.

They were, and still not[?] are capable to conform to this new setting, and a lot of them suffer financial problems. This new market dynamic attracted multiple private initiatives with small-sized, specialised care communities, where a resident for almost the same price as in the

traditional, larger nursing homes can get a more personalised and individual care approach. We are talking in ratios of 0.9 full-time equivalent per resident.

So, we entered, indeed, in the Dutch market. In June 2019, we take possession of Stepping Stones, a really mature and solid organisation with small scale care villas in a unique approach on dementia. If you look at the growth path of Stepping Stones, it has a lot of similarities with Senior Living group in Belgium. They started in 2006 and they grew rather slowly, but that enabled them to get to know the elderly market really well, and to put in place a solid operational organisation, leading to EBITDAR in a run rate models of more than 30%.

Since 2015, we are facing an attractive good pipeline, leading them for 14 facilities today to probably 34 in 2022, representing almost 800 residents and €46 million in revenue. I'm sure with our growth experience in Belgium that we will successfully guide them in that journey.

Let me give you an insight of the specific Stepping Stones concept.

[VIDEO]

So, Christian, he was not yet familiar with the Korian ambitions, so now we are talking about for only the Stepping Stones concept of 34 facilities, which are more or less secured, and not of 30 facilities anymore.

Coming back to Belgium, we further elaborated on the under-one-roof concept with highly integrated care communities for city centres with more than 25,000 habitants.

Charles-Antoine[?], we can say that it's like the new Korian House, but Belgian style. We tried to mix all our care activities, not only with leisure and restoration, but also with supplanted[?] commercial activities – a swimming pool, a wellness and a fitness. So, really a solid integrated community, really integrated with local social community.

In line with the changed expectations of our elderly in wellbeing, as we could learn out of the Ipsos study that we guided last year, I will not tell you that EBITDAR will be higher than the traditional mixed care concept, but I'm pretty sure that this concept is really future-proof. So, let us experience how daily living is at Senior Plaza.

[VIDEO]

Just a small anecdote, so really one of our residents is really looking forward when I'm going to the Senior Plaza facility because then he wants to discuss about what the share of Korian is doing because he brought some part of our shares. So, he's really keen on what we're doing as a group.

Is this concept, is this model replicable? Well, yes, it is certainly replicable. Next year in the second quarter of next year, we will open [inaudible]'s similar facility where we will operate 104 assisted living units, combined with those supplanted commercial activities, but also combined with the doctors and homecare cabinet. And we are working today on the plans for a new facility in Diest that probably will open end of 2023, where we will combine care units with assisted living and those commercial activities.

What about synergies now between the Netherlands and Belgium? When you know that 35% of the Belgian residents suffer from dementia, I'm convinced that we will become the number one reference operator in dementia with applying the approach – or the Dutch approach on

dementia in our larger scale facilities. And that's something that's really on our agenda going forward. If we look to the Netherlands, a recent ING study 'learned' us that Netherlands has the highest growth potential in senior housing in Europe. Even though that figures from Mariuccia showed that there are already a lot of nursing home beds available in the Netherlands, even then the growing needs seem to be the highest in Europe in the Netherlands.

Secondly, there is no adequate solution for low care profiles since the changes in the market in 2015. So, I am convinced that our under-one-roof concept will respond to those both[?] questions, and we are working today already on three facilities in order to implement that under-one-roof concept. With our knowledge that we gained in public-private 'co-operationships' in Belgium, in future, we should look at 'co-operationships' with traditional large-scale nursing homes in order to restructure them and to reorganise them.

And what about homecare? Well, give us some time to first explore the elderly care market in the Netherlands, and when there is an opportunity, certainly, we will try to propose that activity as well to the Korian board.

Before I give the floor to Charles-Antoine, I would like to thank you for your attention. And I want to end with a video showing you what for me and for us, elderly living is really all about. Thank you very much.

[VIDEO]

Charles-Antoine Pinel: [French, 2:17:37 - 2:20:27]

- benefits for the families and for the residents. We're going to be developing this in a greenfield mode because many regional developers want to work with Korian. There are two that will be opening as of next year in the suburbs of Toulouse. This is very significant for France. €13 million revenue by 2020, and of course, much more than that as we move forward.

Let me come back to Ages & Vie. Ages & Vie is a wonderful asset. I fell in love with this concept when we developed it with Sophie two years ago. We work closely with the local authorities and look for new alternatives that are beginning to emerge. We realised very quickly that there was a huge potential for this concept, and it meant that we could design new solutions for the elderly and meeting their needs.

I'd like to show you one of the founders of this concept.

[VIDEO]

[Inaudible] invited you to have a look at what's been done in Italy. Please come to the Franche-Comté to see this as well. Ages & Vie has been around for ten years now, and it really does focus on the needs of the elderly. It's a solution that is well suited to elderly people who are not necessarily very dependant, but they have had a distressing life event, for instance, the death of a spouse or fall, for instance, and they're looking for something that's a bit different from staying in their own home. Where they feel safer, they are less isolated, but they can still keep in touch with their family and friends, and their neighbourhood. The monthly cost of this per person is currently about €1,500. And it means that elderly people can feel safe because they benefit from 24/7 service, whereas if they stay at home, they just have someone come and see them a couple of hours a day at most.

The houses are usually made up of two shared housing units with seven or eight residents in each. People have their own living space often with a garden or a terrace. There is a team working with them. There are six caregivers, and four of them live in. You can see here on this slide, which just summarises what I've just said.

Ages & Vie is an unusual economic business model as well. It's a profitable activity for Korian, and there's a number of reasons why it's profitable. We have full control of the concept through from the building to service delivery and operation. We have land acquisition costs, which are limited. We can work with partners in various regions to have a bigger scale for this concept.

The financing capacity goes through a special financing vehicle that has been set up by Korian, the Banque des Territoires & the Crédit Agricole Assurances. And we have an operational model that's really unique with lots of live-in staff. This means that we can meet a need that's been expressed increasingly at local level, and we've been able quickly to unroll the concept.

If you look at some figures here, we have worked with 7,000 local authorities, when we sent out a mailing list with 7,000 of the local authorities. And it was a very quick and positive response because 1,500 answered immediately. And we already made 600 appointments with the local authorities, and we decided to validate 210 projects.

So, why is this so successful? Well, there's been very rapid aging in rural areas in France, so you heard about this earlier on today. Very often in rural areas, you can see more than 30% of the local population is 65 and older, whereas the average in France is only 20, and often they don't have local housing options for these people.

People are very attracted to this kind of housing because it's on a human scale, but for the local authorities there's another advantage, and that is, that it generates a lot of employment, both directly and indirectly. And the impact of the shared housing unit is very positive on the local authorities. The occupancy rate is very high, more than 99%. There's no ramp-up needed. There are long waiting lists, and stakeholders are very satisfied.

Ages & Vie can build closer to other amenities, and also build other amenities close by, such as crèches or various services. There is a huge amount of growth potential. It's very exciting for France and for the whole of Europe.

Another area where we can have expansion is homecare, and I suggest that I'll now hand over to Olivier Lebouché who will be explaining a bit more about this.

Olivier Lebouché: Thank you, Charles-Antoine. Good morning everybody. As Sophie said earlier, I joined Korian last November. I'm in charge of the new Homecare business unit, and I supervise Korian Solutions, which is the digital entity of the group. Previously, I was in charge of homecare for Air Liquide in Europe. I'm very happy to present this morning Korian strategy in homecare in France, and I wish to start off with Korian's strategy with Korian becoming the key player for vulnerable, elderly people.

Now, how do we sum up the strategy? As we saw earlier, home is one of the key components in the solutions that we propose to our senior citizens. It's a core component, and it's a core component for Korian's growth. It's a key entry point for dependency. It also represents a pool of clients for all of Korian's other businesses in health and hospitality solutions. And it is

finally a unique demographic opportunity with the arrival of the baby boomer generation in the years ahead, which are now coming into the intermediate dependency phase, which is personal services.

The age group 75-85, which is our target for these services, accounts for 4 million persons with growth that has resumed, in which we'll achieve a 5% growth in the years ahead. So, this is a major opportunity. Notwithstanding all these opportunities, the market is facing real difficulties; first of all, geographical development, which is being held back by the authorisation system governed by local and regional authorities. This is a problem when people come from medical and healthcare services. It's difficult for us to recruit new home carers. There is a lot of competition on the field because we have 33,000 players involved, and that doesn't include black market work.

What does this lead to? This leads to a slowdown in growth through these factors holding it back. We've gone from 12% to 14% growth to 4% to 5% growth, and this also leads to low net income for the sector to the tune of 3.3%.

Now, in dealing with these difficulties, Korian has managed to position itself somewhat differently from its competitors in the sector. First of all, Korian has taken the time to go into people's homes and to come up with a different, long-lasting business model that will deliver profits.

And the core of this strategy rests on Petits-Fils, the acquisition made in November last year; was a unique opportunity in the market, and I'm delighted to present it to you. And I would like to start off with a short film on Petits-Fils, an interview with its two founders.

[VIDEO]

As you've just seen and heard, the Petits-Fils model has a very different positioning from that of other players in the personal services market. It's a high-quality offering, which is linked to the know-how of the carers. They're all qualified and they will have at least three years' work experience.

And secondly, we deliberately target customers – urban clients, and we have a position which is consistent with this premium approach. And finally, we seek clients, which is disruptive in relation to the markets. The clients, most of them do not come out of medical and healthcare services and social services, but from local players, healthcare professionals and other sectors.

To deal with the difficulties of this market in terms of recruiting staff, Petits-Fils' choice has been to remunerate above market rate. We're paying 10% to 20% over the market rate; to offer full-time contracts as opposed to part-time contracts, which is the usual approach. And to enable each carer to choose his and her missions and clients, and therefore working hours, which are compatible with his or her own constraints and wishes.

And all this is part of a self-employed person approach, which means it enables us to recruit the best possible human resources, and to ensure their loyalty turnover at Petits-Fils is negligible. It is below 5%, whereas turnover in the market is around 30%, going up to 50%. So, this is a strategic choice *vis-à-vis* carers, which transforms the way in which we manage carers, and which also transforms the link between the carer and his or her client since the carer does not change *vis-à-vis* the client.

And finally, Petits-Fils bases its geographical development on the franchise approach, which is another important choice, which enables us to enjoy sustained growth in a strongly supervised framework. Now, as you can see from this slide, this enables us to achieve strong growth in terms of the number of patients. We don't have 4% growth like in the market. We are posting over 50% for 2019, and all this is due to very high customer satisfaction. 4.7 out of 5 is our rating. Strong growth in a number of branches, units. We have opened since November last 40 new agencies, and we were opening approximately 15 branches per year over the past three[?] years. And this contributes to profits. Petits-Fils has enabled us to exist in France on this homecare model with a profitable market that withstands the test of time.

Now, further to this initial success, we are going for a new stage with Oriane, which is a unique offering for vulnerable, elderly persons. Before going to Oriane, I would like to introduce to it to you through this short film.

[VIDEO]

Our goal with Oriane is to rethink homecare, to improve on Petits-Fils, to enhance it, and to remain ahead of the competition. And this is aimed in two directions; first of all, to have a broader offering. We have our baby boomers coming onstream who have different requirements, more sophisticated requirements compared to the previous generation. And it is also to exploit the strengths of digitalisation in order to enhance customer value-added, to be more, to have greater presence, greater know-how, to contribute to client's their home. And it's also rethinking, becoming more efficient through digital technology.

Let's go into the detail of Oriane. Well, that was close, wasn't it? Oriane is a Korian offering. It is a global offering. It is straightforward, and it is digital. We built it using the ecosystem, selecting the best partners in each category, so we didn't do this all by ourselves. It is a global offering. You can see that on this slide, home visits with the Petits-Fils visits.

100 branches, in future 200. Rearranging the home and setting up a 24-hour assistance system in order to forestall the risk of, for example, a fire or falls. Home healthcare services are done by nurses every six months, home visits; a phone call to every two weeks; preventative care in order to prevent accidents in the home. Consulting, working closely with the GPs. And also access to [inaudible] services for specific moments to strengthen the sense of belonging to the community.

And it's also a straightforward offering. Usually, offerings on the ground are not straightforward. Why? Well, we have a single contact point, which coordinates all the services, which makes things easier for families. On average, families in France are at least 200 kilometres away from their parents, so they need help on a day-to-day basis. And this is the whole point of Oriane and on the video you saw we have a customised platform, which establishes the link between the person who is having the assistance and the Oriane teams.

We have a web app to hook up families to the system, and also a secure healthcare platform for the healthcare professionals who work with and for the person who has the assistance. In terms of deployment, we launched the rollout. We launched it on Monday, and by 2019, end of 2019, Oriane will be present throughout the network of Petits-Fils. Clinics and nursing homes of Korian will be rolled out in the next few months. One out of two patients has a

home services' need and other approaches will be adopted through B2B, private healthcare companies, insurance companies, who respond with the offerings in terms of services.

Now, to conclude, I would like to present our ambition for homecare in the years ahead with four main areas. Going back to Petits-Fils, what we want to do is to successfully implement geographical expansion, going from 100 branches, which is what we have at present, to 200 in the next few years. And to become the number one French network for looking after senior citizens. And then by 2023, we want to have 25,000 to 30,000 patients enjoying the homecare, using our two brands Petits-Fils and Oriane, which are complementary brands.

The third priority is to gradually build up a proper marketplace for vulnerable senior citizens. We need to base that on becoming the key player in terms of customer volume and in terms of know-how. And, finally, to establish Oriane in the other European subsidiaries, our digital platform has to be exported, and we have to reproduce the Petits-Fils concept in the different countries.

[Inaudible] Oriane, this gives a good transition to hand you over to Bart, who will talk about the challenges for Korian in Europe. And thank you all very much.

Bart Bots: So, everyone can wake up again please, 15 minutes – no, 5 minutes. Next ten minutes, I will talk about international development team, how we support the geographical expansion of Korian in other countries. On this map, you can see the four core countries – France, Germany, Belgium and Italy. We are not working in those four countries. They all have their own development team and who knows the market better than the ones who are already active in the market.

Yeah, we can come and help them if they have big files, but in principle, they have their own team. There are two countries we recently entered in. It's the Netherlands and Spain. Dominiek has already told you about the Netherlands, so I will take Spain as a focus to demonstrate our strategy, what are we exactly doing.

Now, that Spain was a target for us, yeah, Spain did not appear out of thin air somewhere. First, we had to do some research and we found that Spain is the fourth market in Europe. 25% of the population in 10 years' time will be older than 65 years. It's under-equipped; there are not enough beds compared to the other countries and compared to the recommendations of the WHO. And the market was highly fragmented, so ideal to do something. And yeah, when we went deeper, we found out that of course, regulations and financing and even needs and wants of the customers were different in the different regions.

They are different, of course, of other countries, that would be simple to understand, but also there, at the regional level, there are big differences. Now, is this a problem for us at Korian? No, maybe when you think from a centralised France, it's not that simple. But don't forget that in Italy, in Germany with the lender[?] and in Belgium, even in a small Belgium, we have four regions with four times different rules, different laws that we have to follow. And so that was not our main problem.

We continued – after all these research and after looking for more information, we talked to stakeholders, not only on the national level, but also on regional level and even local level to learn what Spain needs and wants and how Spain works. And anyway, I fell[?] back 15

years, apart from my hair of course, with Dominiek in Belgium, and we were doing, in fact, exactly the same now, only in another country. So, we have some experience there.

And we started in January this year by acquiring a first foothold, and it's a company called Seniors with about 1,200 beds in the south of Spain in Andalusia. And the nice thing of this company was that it was so complete. Complete quality; we had already there 9001 ISO certification. Complete because there was a real good management team that all the different aspects of management were covered. And complete because apart from these 1,200 beds, there were green sprouts here and there in the company that could lead to further developments. We see that the company had three daycentres, yeah, that the company has an assisted living facility of 48 apartments, and that the company has 20 beds – UTC beds they call them in Spain. These are beds that are reserved for people with a high dependency, mainly on the psychiatric site of the spectrum, people with problems with behaviour.

And so all these things are already there. This experience is already there in the company for if we want to expand – if we would like to expand later, we would have opportunities we can take it – we can take it out.

So, in fact, this foothold that we were looking for, our first entry in Spain turned out to be a bridgehead, a much stronger thing than only a foot set on the wall. No, it's really, already something where you can start building on.

I could have stopped there. I had planted the flag. We are in Spain, however, I'm not playing Risk. It's not a matter of conquering lands with putting flags and to be present in as many countries as possible. It is our idea that if we are present that we have a meaningful presence, that we can do something there with that we can make a difference. And that's why we just continued.

And we continued in February by acquiring two smaller companies in Valencia, and in July we were very happy to welcome six new nursing homes in Mallorca. Five of them have also daycentres, and so the integration of the two homes in Valencia and the homes in Majorca was done by our team. And by the way, even the ones in Majorca had a 9001 certification. For technical reasons, we have to recertify them now because they're out of their group. And one of the two in Valencia also had the 9001 certification. So, we're rather complete and we are sure that the basic quality is certainly there.

And that means that at this moment, we have at about 2,000 beds and we're working now with reinforcing this whole structure, not because we need it now because it's running quite well, but we want to be sure that in the near future or in the far future when an opportunity passes, that we are ready to look at it, and that we can work on it. We should make the company further ready for the future, to look for bolt-ons in the regions where we're already present, investigating the entry in new regions. Almost as if you enter a new country, it's only not that bad. And to what I say ready, to be ready for larger opportunities when they cross our path.

And in short, I would say that the further development what we're trying to do is a further development from foothold or bridgehead into a Spanish stronghold. A company we can be proud of, and that can measure itself in a couple of years with the activities we have in Belgium, France, Germany and Italy.

And ladies and gentlemen, I talked to you about the deep knowledge of the market regulation – everybody can read that. Anyway, to go from this quality basis how we got from there to building a presence in a country, this is, let's say, a strategical and business view on our development strategy in Spain, where there are two more important factors to success I want to share with you. One is that we can make sure that our staff is committed and that they're motivated. And last, but not least, what is also very important – and certainly to me personally, it's one of the key reasons of working in this sector – is that we should be able to bring wellbeing, health and happiness to our customers, to our clients.

And I can tell you that also in Spain, we do this, and I will show you the video and you can judge for yourself. So, where is this video?

[VIDEO]

So, thank you for your attention. *Muchas gracias.*

Questions and Answers

Sophie Boissard: Many thanks Bart, you've done a great job of learning Spanish in the interval. I would like to extend my thanks to my team for the presentations. They have given you an overview of the richness of our model and its underlying fundamentals. And now I suggest we take a 20-30-minute period for a conversation, so 20 or 30 minutes of Q&A. We'll have more time over lunch to discuss whatever questions you may have one-on-one. So, turning to the audience now. Any questions? Hello.

Christophe-Raphaël Ganet (ODDO): Christophe Ganet, ODDO. I'd like to start with a couple of questions on figures. I heard that leverage is good in Germany. In terms of occupancy rates, could we have an update on your efforts to standardise ratios? Are we talking aggregated levels and what can we expect from this plan? What does this mean in terms of revenue and in terms of leverage?

My second question has to do with the changes in revenue and the contributions of Petits-Fils and Oriane, that both platforms do. Are there any figures you can give us? Maybe aggregated figures regarding revenue, profitability and the same metrics over time.

And my third question has to do with the number of beds available in France. Could you give us some indication of the number of facilities that are globally endowed?

Sophie Boissard: At this point, with regard to question number three, I assume – I think I know why – I think I know why you're asking this question. Again, this is a private joke. Are you talking about Germany specifically or at group level?

Christophe-Raphaël Ganet: Yeah, evolution.

Arno Schwalie: The occupation rate in Germany, the evolution is about 100 bp, so we are close to 89%. Right now, we have – in the mature homes, we're obviously north of the 90%, but in general, it is still room for improvement there, and that's where we see for the future in our improvement plan that it can go upwards. But it's a healthy one, yeah.

Christophe-Raphaël Ganet: When you talk about 100 basis points, it's per year and this is what we should expect before –?

Arno Schwalie: Were your question directed in where it is now?

Christophe-Raphaël Ganet: Yeah, now and the projections for 2020.

Arno Schwalie: Well, the projection of the future is our ambition – by the end of the day, we want to go north of 90%. That's very clear. Will we reach this next year or the year after? This is something that we are now in the budgeting process, but I aspire with everything that we have in place right now that we have now the basis to grow forward. I cannot give you an exact estimation basically at this stage.

Sophie Boissard: Just to complement, the assumptions have been based on a 100 bp gross on the yearly basis during the – up to 92 roughly. But just to be very clear on that, and as Arno explained, the key issue in Germany today because of staff scarcity and because of local regulation, is to have the relevant number of staff. So, we have decided, and it was really a [inaudible] when joining, to focus not on volume because we cannot secure long-term volume if we do not have the staff, but actually to bet on the revenue management. Because the financing is there, and it's working. As Arno demonstrated, better not have full facilities but have really the relevant number of people with the relevant level of dependency and the adapted financing.

There you have the revenue and you have a very strong contribution to the margin, and then volume will come on the top. So, this is really the way we will develop there in Germany, and moreover, we have also quite a strong pipeline of greenfield that are really ramping up very efficiently, Arno, with a 10 for the time being, 10 homes, so 1,000 beds roughly in ramp-up that are progressively adding volume.

So, first driver revenue management, both on care mix plus renegotiation on pricing local. And then on the top of that, volume coming from ramp-ups – that 1,000 beds that are ramping up – and increase of occupancy rate when we have really upsides[?] in terms of staff. So, that's basically – and we will come[?] that on the staff planning this afternoon again because it's really adapting the number of people you have in to actually the staff that is available. And therefore, we need skilled staff and we are apprenticeship that is also wrapping up.

So, this will support that 100 bips growth roughly in the next three years.

Arno Schwalie: Thank you.

Sophie Boissard: Okay, that was the question regarding the occupancy rate. Petits-Fils, would you like to take this question?

Olivier Lebouché[?]: Sure. Regarding Petits-Fils, now, the number of patients at the end of the year should approximate 5,000 customers, which means €9 million in revenue. You need to compare the revenue with the business value, and because we're talking of a franchise system, so there's a significant difference between revenue and business volume.

Now, the goal for Oriane, well, you can count that on single hand, and this dates back to a couple of years ago. So, the target revenue is a €100 million in a couple of years, which means the business volume of about €600 million. Now, profitability level for both platform exceeds Korian's profitable area level. Why? Because we also include digital technology, which means we are working at scale, and this generate significant savings.

Sophie Boissard: One last question maybe. And Philippe, maybe you can supplement what we said regarding the general endowment.

Speaker: Well, that is not the model developed by Korian in France. We have a couple of facilities that have that legacy, but that's not our model for our business in France. Could you maybe explain what general endowment means?

Sophie Boissard: Well, it means having the ability to directly finance all of our healthcare teams, including our paramedical staff. We prefer to bring in outside help or to provide a closest supervision. This is part of our discussions with the regional health authorities.

Please bring the roaming microphone to Philippe.

Phillippe Lonne: Yes, the microphone is now working. Regarding profitability, we will discuss that this afternoon. Profitability for Petits-Fils and Oriane, in terms of EBITDAR, you need to look at things at the group level because the way real estate is really low, now for EBITDAR is rather low. But in terms of business volume, we're looking at the group-wide business volume and we're talking €100 million, not €600 million.

Profitability is even better for EBITDAR, but there's a relatively limited contribution to the increase in top line, but this means a better stream of customers for the entire group.

Speaker: Hello. I have questions for Mr Schwalie and I'm going to ask them in English. Why do the competitors work with temporary staff to such a high degree? I mean, I would imagine that is also causing a pay differential between temp staff being higher than permanent staff. Is that not also not impacting you in terms of retaining people? I see similar issues in the UK, for instance, where temp pays much higher than permanent pay, and this is really a problem.

And second question I have, I want to understand how you actually are negotiating the tariffs with the statutory payers. What is it that is flexing in this, given I thought this was quite a [inaudible]? Thanks.

Arno Schwalie: Okay. So, on the first point, a lot of our bigger competitors, some of them are really privately – private equity driven also. They work with big armies of temp people, probably because they have a short-term strategy. And I was – from the very beginning I was totally against it, and we regulate[?] everything in Germany. And I was asking even the Ministry of Health, 'Why don't you close these gap?' Because it is harming the whole industry and these people are being hunted in our facilities. Then they go to these agencies, and they are sold back to us at double the price, which is crazy.

And we said we don't want to play this game anymore. Why our competitor are doing it? It's easier, I would say, and it's very easy to call an agency, and say, 'I need a temp stuff' than to permanently recruit people, work on the leadership, and then maintain and retain these people. That's a lot more difficult, yeah. I would say nursery education in the past has never developed really, I would say, leaders that can retain and manage the people. So, it's a lot easier to call an agency and get an interim. I said no, we don't want to go down that road. And this was a very conscious decision, and it was not necessarily only against temp workers. It was in the favour of our own people, and it worked out.

I don't know, more and more of my competitors are ringing us and saying, 'How did you do it? We want to do the same.' I mean, by the end of the day, it's just being decided to stop it yeah, and getting your organisation through that mode to say – and now you hire these people permanently, and you don't call this agency. And it might take a few weeks or months

to get a replacement, but then it's there. So, it worked out for us and I'm a big believer of this because it was really a paradigm shift in our human resource strategy.

On the second question, in order to negotiate, which we're doing on a yearly basis, so, you're looking at the board and lodging, and you're looking at the so-called [inaudible] cost and investment costs. On a yearly basis, we renegotiate. For that, you need a very clear structure of the P&L of every single nursing home. And by fully understanding these nursing home structure, by fully understanding also the competitive set, and the needs of the future, you go and negotiate.

So, it's about a meticulous preparation of these P&L and of the negotiation base to go and to get the money from the insurances. So, it has a lot to do with very well understanding of figures, presenting a well-prepared budget, and being able to sell this, and convince that you need, in the year to come, these 3%, 4%, 5%, 6% in addition, in order to run your business.

Speaker: I presume that will be based on higher resources on your side than that you're putting in?

Arno Schwalie: It's based on higher resources. It's based on also growing salaries, and it's based on, by the end of the day, also on investments, yeah.

Sophie Boissard: And it's also based on catch-up.

Arno Schwalie: It's based on catch-up as well.

Sophie Boissard: Because on the [inaudible], actually negotiation actually have been quite neglected with the kind of low price positioning that offer quite some room for upside.

Arno Schwalie: Yeah, which was one-third of the portfolio, so there was a lot of upsides that could be leveraged. But this very stringent process I think we're looking at least 1.5-2% of price increase over the years to come. And this is our aim and that's where we have to be.

Speaker: And can you reassure us about your staff turnover? Has that declined?

Arno Schwalie: The staff turnover is a super mixed bag, and that's what I really work on with my people. We have – I would say, two-third of our facilities are amazing, they're lower than 7%, 8%, but in some facilities we go 15%, 20%, 25%, 30%. And it has to do with history and the catch-up there is another two years. I mean, you need to invest in leadership, you need to invest in infrastructure, and we need to give them the right support from the central base.

But the staff turnover such has not gone up, neither tremendously down, to be honest. But this is a major area of focus where I try to get to my weaker nursing home managers mentorship from the strong guys that are on 3% turnover. Why do they keep these people? What have they done to create this family and team spirit, which is super important in our business? And they can learn from each other. But then we also have to empower the programmes that we have now initiated on central base to make sure that the salary level that we want is there, that we educate them, we do the right onboarding, and we keep our promise.

I mean, that's key, and I mean, we are on very good way there, and it's basically my biggest of focus, people, yeah.

Sophie Boissard: And this is the core component of IN CARING HANDS plan, actually, really focusing on that promise to our people, and making sure that they want to stay with us and develop.

Speaker: Thank you. I have one last question regarding France. Could you give us the trends when it comes to short-term hospital stays? Is there a regulatory problem that needs to be addressed before you can develop this business, or is it very easy to get approval, particularly for the post-acute care and psychiatric care sector?

Sophie Boissard: Are we talking about outpatient care? Okay, when it comes to outpatient care, yes, there is an approval process. I would say that it is a bit of a marathon. It feels like boot camp. We set up a structure that is very efficient. Three years ago, we secured a great many new authorisations. It's a natural business, really, it is. We need to watch out for what's happening on a regulatory basis, when new approvals are published and also we need to help new proposals to emerge – new proposals for new authorisations.

And also, we need to investigate and we cooperate with the regional healthcare authorities. We also work with different stakeholders at local or regional level. If you want to be selected and if you want to get the approval, you need to put together a project. It's not just about ticking off boxes, it's a local or regional project. And when we work with public and private partners, clearly, this fast tracks the process, so it is possible.

All you need to do is educate the regional healthcare authorities, so they'll understand that outpatient care is good, that it doesn't mean additional expenses. On the contrary, it means fewer hospital expenses and a more seamless process, and outpatient care is all the rage. As soon as you get the ball rolling, it works, and also this is cheap growth, affordable growth we're talking about.

So, allow me to clarify. We are not restricted by the number of beds. We have the authorisation to provide outpatient care. This means that the only constraints that we deal with have to do with our own resources and also the local authorities. This is why I'm saying that the potential for growth is significant because we set our own limits. Real estate constraints maybe, Nicolas?

Nicolas Mérigot[?]: Hence, the need to rebuild and redevelop our estate, our installed base, so that we can manage flows in different ways than just providing for hospitalisation solutions.

Speaker: So, more about outpatient care, you were saying that the average is 12%. You said Korian stands at only 7% and your ambition, your target is 15%. Correct?

Sophie Boissard: Yes.

Speaker: I'd like to understand what the potential impact is, the additional EBITDA we can expect if you jump from 7% to 12% or even 7% to 15%?

Sophie Boissard: Bearing in mind that the profit margin is higher here, who wants to take this one? Talk about a hot potato. You first.

Speaker: No, you first.

Speaker: Is the microphone working? Yeah, that's a bit of a trick question, isn't it? Well, in actual, fact, there is no case study for outpatient care. On the contrary, as Nicolas shared

earlier, we have facilities that have been fully refurbished, fully reorganised. And here EBITDA increases significantly and the return on investment is remarkable. Yes, that is a trick question.

Our P&L structure isn't entirely that different. And that we work on marginal costs and on pooling our costs. We can provide you with a better answer very soon because we secured approval in France to develop outpatient care. Full outpatient care hospital, that it's not backed up by a natural hospital. Things were a bit complicated because we're working on marginal cost only.

The question is when we look at our increased specialisation and the fact that we now have new outpatient care facilities plus the single rooms, we have more than doubled the rate of organic growth for the post-acute and mental healthcare sector. And the impact on our margins, obviously, now, depends on the scale we're talking about. The impact on our margin is in excess of a 100 bips. Microphone please?

Speaker: [Question inaudible off microphone].

Sophie Boissard: Well, at this juncture, our target, our 15% target is solely based on extending the authorisation for outpatient care to existing hospitals. Again, this is just a pilot project. We managed to secure approval from the original authority for the Île-de-France region. So, we're only looking at expanding the type of care provided by existing hospitals, and this is fully embedded into our three-year plan. No additional investment is necessary to support that jump to 15%.

Speaker: Hello Sophie. I have a general question regarding dependency and how to fund it. How do you see this happening in the next few years, bearing in mind the fact that the number of dependent adults is going to grow and the ratio of the dependent seniors to working citizens is going to evolve from one to three to one to two?

Sophie Boissard: We're going to stick to the current mix. 50% public financing and 50% private contributions, through either direct contributions because people have got savings or through life insurance systems, or basically additional insurance systems. Also, what I think – and this is this is what we see in the Netherlands – by and large, the Dutch system is extremely generous in terms of allocation to the funding of dependency care.

Look at the Dutch government: one day in a long-term nursing home, they pay €400 a day for that. Why do they do that? Well, in France the equivalent figure is €40 not €400, just to give you an idea of the discrepancy between the Dutch and the French. So, why does the Netherlands do that? Because meanwhile, they have drastically reduced the number of beds available in acute care facilities, so they compare €400 versus €2,000; that's the cost of a day in hospital in a medical department, so they believe that it's a win-win solution.

They prefer to spend €400 a day on outpatient care rather than €4,000. But as a private sector operator, they don't spend €400, they spend €250 if things go well. This means there is a room for improvement in terms of providing outpatient care or suitable housing solutions for dependent seniors. So, I don't see major changes happening in reference to risk number five.

If we look at the 12% of GDP allocated to the funding of old age, disease and vulnerability, I think we don't think they can ramp that up further. I don't even think it would be a good

idea, and within the 12%, I think the earmarking will change radically. And if we look at the net worth of this elderly population, there are resources available to continue for – there is room for these people to continue to fund their own care, either directly or through their families.

Microphone please?

Speaker: How does your offering dovetail between Oriane and Petits-Fils? Will Oriane ultimately become the platform that distributes various services from the other entities? Now, what about self-employed traders[?], can they actually channel customers your way?

Olivier Lebouché[?]: Now, when it comes to Oriane, yes, Oriane is a platform that combines Petits-Fils type services and other types of solutions. Last week, we worked with Ages & Vie[?]. Thanks to them, we will be providing healthy meals, so this is how we grow.

Now you have to understand – let me try and answer your question. You have to understand that we need to work in de-compartmentalised fashion, follow-up and rehabilitation care, homecare solutions. Let's remove those silos and only worry about the customer care pathway. It's not just going to be several months that the person spends in their long-term care nursing home, but several years.

And this means we need to think and work differently. We need to open things up, and change has to be supported. Clearly, change management is important, working with our teams, and we're working with the teams, working under Charles-Antoine and Nicolas. And gradually, we are supporting people so that they will think okay, homecare after a short stay in hospital. Because 50% of the people actually need that, so we have incentivised our sales team so that they will suggest that kind of option to the patients after a short stay.

What we did with Charles-Antoine's team is to propose VIP offerings. Now, the goal with Petits-Fils is not to latch on to people and never let them go. At some point, it is dangerous for the person to stay home, it is dangerous for the homecare assistant as well. So, we have that new offer. We save spots in long-term-care nursing homes for them and then we provide 20 hours or so worth of support via the homecare assistant who will, for several weeks, support the person through their transition. That's important.

And that is taken care of, that's paid for. That's actually managed by the team in charge of Seniors. That's something that we kicked off a couple of months ago. So, yeah, we're getting started. There's a need out there and also this brings reassurance to the families. When you request a homecare assistant, you wonder what's going to come next. So, being part of an integrated care pathway, knowing that there is another solution out there, that there's a local long-term care nursing home just next door, that's very reassuring. So, the whole idea is absolutely fundamental, integrated care pathways. 25,000-30,000 customers in addition to our current portfolio, all of these people need new solutions.

Speaker: Now, more about the Oriane platform, do you have partners when it comes to digital technologies? And also a broader question, at a group level, within the long-term-care nursing homes, how do you help caregivers with helping patients? Do you have partnership agreements or do you own your own tools, tools that can be invaluable in helping your teams?

Sophie Boissard: Thank you for that question. That was the exact reason why we initiated Korian Solutions, our own digital entity. We want to develop our own digital solutions. We wanted to identify the right technology partners and the right business partners as well that could bring technological benefits. So, I don't know, Olivier, would you like to take that one, or maybe Nicolas?

Olivier Lebouché: Well, in actual fact, that's the whole point, isn't it? I'm not sure exactly what you by homecare technologies.

Speaker: Well, maybe slip-and-fall sensors.

Olivier Lebouché: Okay, that kind of thing. Okay, when it when it comes to slip-and-fall sensors, now we're using off-the-shelf solution. We work with NextSecure[?]. They are a subsidiary of the banking group, Crédit Agricole, but this sensor does not detect every single fall, particularly hard falls. So, what we're doing is testing out a number of solutions. Now, Charles-Antoine and his team are testing out new solutions in a retirement home in Lyons.

We're testing out 10 or so different solutions to try to see which one is best, using the same team of caregivers, so we can compare and contrast, all other things being equal. Now, the solutions aren't always specified for homecare. They're about helping elderly, vulnerable individuals irrespective of where they live, at home or in a nursing home or whether receiving outpatient care.

This is the rationale behind our technologies, technology at home which works using the same technical platforms in order to be able to structure data collection and coordination. And what we've also rolled out – and this is the cornerstone of Oriane – it's the shared medical record which can track, over time, the life of the assisted person and establishing the appropriate profile. And we developed this with Wellmed[?], which is this start-up company specialising in this approach, and we're also developing, on release from the clinic, an application in order to accompany customers once their condition is stable.

Well, I'll talk about this afternoon in the digital section. And with regarding the sensors, for example, looking at one of our clinics in Grenoble, which is part of the European test programme called ACTIVAGE, where we test with industrial players a combination of different solutions and different sensors in order to have the most appropriate offering. And the test is being conducted in the clinic – not because we need it, we don't actually need it for patient supervision. But it's simply to be able to say, 'Well, tomorrow when you go home, you can have this kind of equipment, which would make you more secure,' and would be reassuring for the families. And it's called ACTIVAGE, and it's financed by a European committee. And what we've told you about what we're doing in France is being rolled out in Italy as well.

We're building a new clinic – new establishment, with new nursing homes, new living facilities. And we've already set up all the fall sensors, in particular in the bathrooms. And we have an operational sensor that will be able to detect and respond to all the alarm signals, so that means we'll have data for management and data also to assist people in their lives, with fall sensors in the bathrooms because 80% of falls actually occur in the bathroom. And other sensors for life elsewhere in the apartments.

So, these solutions that we are not building in-house, but we're seeking them on the market, and we're going to gradually move towards a single concept, which we will be able to roll out

across the world over time. And in order, having made some tests, we chose an American system, which is already being commercialised in the United States, and we'll see. We're opening in December, and we have chosen a system which already exists on the market and has already been tested. And I hope it works.

Sophie Boissard: Last question please? Last question?

Speaker: On Germany and Spain, so, in Germany you spoke – in 2016, you identified €25 million of cost savings, spoke about the reductions in SG&A and so on. So, I just wanted to understand you having maybe a 26% EBITDA margin in Germany sits versus your expectations in 2016. And then I've got a question on Spain, but I'll ask that afterwards.

Sophie Boissard: Go ahead anyway.

Speaker: Okay, and then on Spain, I have the impression that Gruppo Cinque[?] especially as a lot of [inaudible]. And the people I've spoken to in the industry, a lot of people said it's not favourable to have a high number of [inaudible] for private operators. So, I was wondering if you could explain your thinking.

Sophie Boissard: Elaborate on that, yeah.

Speaker: Yeah.

Sophie Boissard: Okay, thank you for the two questions. You want to answer on...? So, on the cost saving plan that it was designed in 2016, yes, we've done this. And of course, it's always the same. You do not do exactly the part that you had in mind to do. And based on the better revenue management that we had not identified as really being able to contribute to better margin, actually, we have delivered that, so that will enable us to go, as Arno said, beyond that 26% of EBITDA margin.

Actually, when we started, we started from much higher, to be very clear, with a 30% and beyond 30%. Very clearly, what happened is staff scarcity, huge pressure on wages, so we had to increase wages, and we also had to face the new regulation regarding the number of skilled nurses that we have to have. So, we have decided that we need to invest in the people and we had to adapt wages.

There was no other way and better have permanent staff than temps. And work on the rest of the costs, reduce rents, reduce deployed the purchasing group procurement policy and so on so forth. So, we are quite – and reduce SG&A; that we have done. We are now a little bit above, so it's 4.5% or a little bit below 5% last year, and we will go to that 4% that is our internal target. And I think we can even do better, so that's why we see progressive and regular increase of the margin.

But I wouldn't say now, three years after, that we will be able to recover on the pure nursing home business in Germany to 30% EBITDA margin. But it will be at least at the level of the group with a strong growth, and it can be relative if we really follow the past. So, that's for Germany.

For Spain, on the concerted beds?

Speaker: On the *camas*?

Sophie Boissard: Yeah.

Bart Bots[?] Hello. So, on the *camas concertados*, the concerted beds, this was exactly what I meant that when you're looking at Spain, but also in Germany, I think and certainly in Belgium and Italy, that it's very difficult to make general statements which are valid for the whole country. So, what I said is that we should look at *comunidad* level, at regional level.

And every region is different. There are other rules. There are other rules how they're financed. Okay, the *camas concertados*, but how long will they be financed, at what level are they financed, it can really differ quite a bit. So, I would say, in general – now I'm speaking in general, but I shouldn't. I should go region by region. There are regions where you would not be interested in having nursing homes with concerted beds because you would like to have private payers because there are enough private payers to fill your house.

In other *comunidades*, there might be more room for more concerted beds. Concerted beds maybe supplemented by UTC beds, which have also higher value, or – it just depends. I cannot make general statements. It's too simple. I know that some private equity part is just not to call them, are looking at it from a simple sight. It is not simple, I'm very sorry. You cannot make a general rule.

Sophie Boissard: But in Andalusia, given the average level of incomes from the people, having concerted beds is rather an opportunity than a downside.

Bart Bots: Exactly.

Sophie Boissard: We wouldn't say the same for Madrid, but we are not there yet or Barcelona, where, of course, private payers can afford to pay much more for higher standards.

Bart Bots: Or in [inaudible] where you have a completely other dynamic because of the – yeah, these guys have their own tax system. They're not under the general government for the tax. They have much more money to spend. Anyway, there are a lot of things playing in this thing. So, I would say, we would not engage and invest in Spain if we would think it would be not a good thing for Korian in general.

Sophie Boissard: That's for sure.

Speaker: Okay.

Sophie Boissard: This being said, thanks for all the questions. As we said, there will be another question and answer session later. So, what we suggest now is that we carry on with the immersion[?], but next door we have some stands with displays. You can listen to interviews with our patients. You can discover all the different businesses of Korian for those who can't go to Franche-Comté just yet. We have a virtual visit on Ages & Vie, which Charles-Antoine talked about. And I suggest that you discover the offerings in the middle of the room with our teams, who can describe our non-medicine-based approaches. So enjoy all that, have a good lunch, and we meet again – we'll resume that 14.00.

[BREAK]

Sophie Boissard: We're going to resume today's presentations. I hope that you had a good break and that you enjoyed all of the very sensory experiences available to you. There were some comments. I was told that it was quite hard to sit through three hours of presentations. Now, I'm going to make a promise to you. We will stop at 16.00 and this afternoon it'll be at

least as interesting as this morning. Don't need to have set objective on that but it will be. And we're going to take advantage of the afternoon to look into more details about how we work.

We presented this morning our agile and local growth model at Korian. And this afternoon we will look at the fundamentals of the bedrock that enables us to move forward strongly and agilely. And we'll be looking at this around the drivers of our growth, which are also the three assets of the company.

First of all, our people; our company is based on people, it's a people business. That's really at the heart of the company. And then IT systems and data, which, of course, essential in all of our occupations and the facets of our work, and will be increasingly so for development. And, of course, real estate policy, which means that we can provide a place for the services that we make available to our clients.

So, we'll will be looking at those three dimensions in some detail this afternoon. And then Philippe Garin will be back to talk about the drivers of the financial performance of our company over the coming years with a timeline of five years.

Before I give the floor to Rémi, who will be talking about human resources, may I suggest that we all look together at some images of a documentary that's going to be coming out in the cinemas soon? [Inaudible], who's well-known in this field, spent several months in one of our facilities in France, a nursing home. And his documentary is based on that and it's called *The Strength in Frailty in Old Age*[?].

We don't have any shareholdings in the film but we think it's a great film, so we'd like to share it with you.

[VIDEO]

Rémi Boyer: Good afternoon. That's a wonderful film. Literally translated, the strong souls of the fragile age. And I think that's self-explanatory. And that's one of the reasons that I joined Korian after – about three years ago after having worked in the steel and the automobile sectors. It was an unusual choice to move into a people business, but it was because I met teams and because I accompanied my parents at the end of their lives, and I began talking to the staff and see how they carried out their work. And that brought me into contact with Korian and led to my joining the group.

You probably saw this morning that Korian, the human is at the heart of what we do. It's capital. It's not really a pun. It's true. It's really at the heart of everything we do. And above all, Korian is 54,000 men and women who spend their days looking after vulnerable and elderly people. 54,000 people who are committed and proud of the values that they embody and excited by their work. And they do not stint on their time and energy.

We carry out a satisfaction survey called Community every two years with Ipsos. And this shows 75% of our staff feel really committed to their work. And this is pretty good for a people-to-people business. 54,000 men and women who are mainly caregivers – 76% of them are caregivers. In the broad sense, nurses or auxiliary nurses, doctors, specialists, occupational therapists, physiotherapists, many others; 100 different occupations, in fact. And then, of course, we have the hospitality staff, people who work in the kitchens, cleaners,

technical staff and, of course, the site managers. All of them every day, night and day, the weekends included, embody the ambition and the projects of Korian.

In four years, our staff has increased by 15%. It's gone up from 47,000 to 54,000 today. This is particularly true in Belgium, where the group has had very strong growth. We're the leaders in this sector, as you were told this morning. And we also want to be leaders when it comes to human resource management. We want to be the benchmark for managing staff in this sector. This is something we want to do over the next five years. And I want to share our vision with you.

We work on the basis of corporate values: benevolence, responsibility, initiative and transparency. Each of those words has been chosen very carefully. They were defined after the merger between Korian and Medica in France. And I think that all of our teams identify with those values. As we saw in our engagement satisfaction survey, 75% feel truly committed to those values. They are proud of the work they do. More than 75% are proud of being part of Korian and of the work they do, even more so.

And I'd like to begin there because I think that this is something that is worth highlighting because there's a lot of pressure on our staff because of changing medical conditions and illnesses, because of pressure from stakeholders, in particular relatives. And it's hard to find staff everywhere in Europe. That's the context.

And we have taken very clear commitments. We have a pact based on trust and Sophie presented that this morning. You can see it up here. There are eight specific commitments that we have undertaken. We – you care for people, we care for you. So, there's a kind of symmetry there. And that's our slogan and it's really meaningful. As I say, we've got eight commitments that we make to our staff. And that is the compass of our pact or agreement based on trust and confidence.

Now, we're trying to reduce turnover. We've got a plan called Korian Start and we spend a lot of time and a lot of energy – and money – ensuring that our staff are fully integrated into this team when they first join the company. Because we know that when people leave a company, it's often during the first six months. So, we want to really integrate them. They need a lot of support and recognition and we should listen to their opinions.

So, we need a clear roadmap with clearly defined job profiles that they can understand. They need to have a secure work environment as well. We have 100 different occupations. We have defined these clearly and we've defined career pathways. So, this is true for – and we have communities based on the occupation, whether it be for kitchen staff or the care staff or any of the staff, the technical staff. We're going to be reinforcing this so as to create a stable and clear environment for people to work in.

Then, recognition of staff diversity. We have more than 100 different nationalities represented, people from very different backgrounds in terms of social background and also from many different countries. And that too is at the heart of what we stand for, the 57,000 men and women who work for us. Training, of course, I'll come back to that. That's very important.

That's an ecosystem. We got eight commitments we've made. They are grounded in our values, and we have local high-quality management that we try and strengthen constantly.

What are the challenges for the coming four years? They're not specific to Korian, as a general, but we really want to focus on these so as to be able to implement our ambitious strategy and to boost the strong growth of our group, both in geographical terms and in the services provided.

Four major challenges. We need to secure our workforce needs and make sure that we can recruit and keep the people we need. We need to improve quality at our work. We have to become a benchmark. Thirdly, we want to build a new management approach. We call this the Korian Management Way because we think that we're managing our teams differently from elsewhere. And fourthly, we want to have a diverse and inclusive company in the 400 living areas where we're represented in Europe.

The first challenge is, over the coming four to five years, to find the 50,000 employees we will be needing if we are to fulfil our ambitious targets. We've done a strategic workforce planning operation throughout the Group that's just completed. We have seen that if absenteeism and turnover remain constant, we're going to have to source 60,000 employees over the next five years. It's huge.

We're really a machine that recruits and recruits, and we need to make sure we do this professionally and that we have the right tools. So, we need to put in place a robust, secure pipeline so that we can do forward planning of our needs at a regional level, at site level and at European level. We need to do this in a very professional way through better human resource functions, focusing on quality.

This is a major challenge because it means that we need to identify the recruitment channels. We need to have [inaudible] quality partnership with schools and training centres and various establishments that provide us with staff. An example up here, this is an apprenticeship training centre we work with. We have joined with other partners so that we can help in the training of cooks and chefs, and thus have a good recruitment channel.

This is going to be launched in January 2020. Just one example amongst many. So, we're going to have to find 60,000 employees. How to attract them to Korian? We're going to have to be persuasive, really reiterate our values and the promises we make to our employees. And to fulfil them and show them that it makes sense, it's meaningful to work for Korian. We're a group that recruits, trains and develops. Our occupations are accessible. They are stable. They are meaningful and fulfilling.

These are jobs of the future in a world that increasingly is going to become virtual and digital. Over the coming four years, Korian can offer good job opportunities and really meaningful jobs to everybody who wants to help and to provide care for vulnerable, elderly people. We need to reduce turnover and absenteeism, so that we don't have to recruit quite as much, and also to lower the indirect and direct costs of absenteeism.

To do this, we are trying to make our organisational structures more stable, to introduce open-ended contracts whenever we can, and to have fewer short-term contracts. And also to pre-recruit by having a more secure recruitment pipeline. Particularly by working with apprenticeships, we want to double the number of apprentices by 2023, going up to 40,000 apprenticeships in that year.

I suggest we listen now to Nadège Plou who's in the room. She is the Human Resource Director in France. And she's going to present the range of measures that have been put in place in France to have a more secure recruitment pipeline in France.

[VIDEO]

Another example comes from Germany where there's a new apprenticeship structure that will be starting up next year. The video with Arno, which is based on the idea of *Generalistik*[], which will replace the standard apprenticeship systems in Germany.

[VIDEO]

Two figures. In France, we want to reduce recruitment needs by 32%. In Germany, apprenticeships that already represent 10% of our staff. And we're planning to have 2,500 apprenticeships at the end of this timeframe.

The second challenge and the second focus: improve the quality of work. We will only get staff loyalty if we can motivate and retain staff. We're in a highly competitive market, resources are scarce and this will be even more the case in the future. So, the quality of the workplace will make all the difference.

The group has made quite a number of achievements already. For instance, it signed an agreement on quality of the workplace in France at the end of 2017. We're going to continue and step up these efforts. We want to put in place an ambitious policy of safety and health at work.

Strange enough, although we are working with caregivers, people who care for others, they don't always care for themselves. We want to introduce a culture of workplace health and safety. We are going to be setting up new structures for this, with new detailed tools, which will enable us to monitor very clearly. We're going to set clear objectives and we're going to monitor and track our progress against those objectives throughout the group.

This will be fully transparent. We will publish the results every year. We're going to work with leading partners and with the digital agency, Korian Solutions, to improve workplace conditions. The actual work, the way it's carried out, we're going to innovate. We're going to introduce more robots and we're going to do everything we can to improve working conditions.

We hope to become a real benchmark and a leader in this in the sector. And then we want to promote training and in-house promotion. 15 years ago, Korian was a precursor, a forerunner with introducing Korian Academy in France. We are now going to set up a Korian Academy in each country and we are going to rely on the very interesting results of our survey amongst staff about how committed they feel to the group.

It's not just a matter of enhancing skills with Korian Academy but it's also a kind of breeding ground of culture, based on quality and operational excellence within the group. And we hope that it will transmit those values, and also help to push people forward in their careers and give them in-house promotion.

We have 750,000 hours of training this year. That's 40% more than 2016, so almost double as much. And then our pay and benefit package. Again, this is a highly competitive market and basically workers, employees can pick and choose. So, we have to be competitive in pay

and benefits. In France, we've just completed the obligatory annual negotiations with the workforce and we've reviewed our salary scales, particularly for catering staff, for instance, so that we are doing better than the average in the sector.

In Germany, you asked a question about this. We are overhauling the whole of the social contract package with a view to collective bargain agreement in Germany, which would make us stand out from the competition as being better.

In terms of the quality of the workplace in Korian, I suggest we listen to Nadège again, who is talking about programmes that are being launched in France to improve that.

[VIDEO]

And again, an example from Germany, with the offering that we give to German employees to improve the quality of the work.

[VIDEO]

It's a programme that's just starting up in Germany. It's aimed at integrating employees into the company. And again, this idea of symmetry, we want to provide good conditions for the people we care for but also the carers.

Then, the management approach. This is probably the biggest challenge of all. Site managers, like local entrepreneurs, they have huge responsibilities. On the left here, you can see typical type of responsibilities for a site manager. You can read that. And their task is crucial in ensuring quality services and a quality offering for our residents. And their job is increasingly difficult. It's exposed to a whole range of tensions, contradictions. They have to work with lots of stakeholders.

We want to improve management quality. This is at the heart of our human resource management for the coming years. Site managers are exemplary. They embody our values and they also guarantee the quality of services and results. They also are the ones who keep to the employment promise we make to our staff. We had a special training program called Campus[?] which has been underway for three years. And then we're going to now be extending this throughout the Korian Group and adapting it to what we call the TOP 1000 community.

These are the people who are site managers and all of the top experts who work with them. And this is going to be the bedrock of our new management training scheme, which is the Korian Management Way. We're going to be paying very close attention to this and we will accompany our site managers through a long programme – no longer something theoretical and based on modules but we will be accompanying them throughout their working lifecycle.

Three years ago, we introduced an integrated talent management system. It's called Talent K. And we have a digital platform for this that's very innovative. And this helps site managers have visibility of their career path and also to encourage in-house promotions. 30% of site managers have been promoted from within our ranks and we hope to be able to increase this to 50%. It's not unusual to have site managers who used to be nurses or – for instance, chefs or cooks who've become accommodation officers, etc. What we're trying to do here is to reinforce and boost the in-house promotion mechanisms within Korian.

By way of conclusion, as you can see, human capital at Korian is capital. There's three big challenges: secure our recruitment needs; improve the quality of work; improve quality management – the quality of management. All of this is fully part of our ESR ambition. And this is reflected in our values such as diversity, social inclusion, integrating disabled people, recognising all forms of diversity – inclusive training, internal promotion and well-being in the workplace.

None of this would be possible without deeply rooted social dialogue. This is not something new in Korian. We have many years of experience, so working very closely at local level with our staff and close ties between the employer and trade union organisations.

Throughout the social dialogue, we have signed a number of agreements in France recently, but it's true of the whole group. You can see that there is a quality dialogue, and this is really part of our social model. Next January we will be setting up the first European Works Council for the sector. And this means that we will then have a cross-cutting European layer of dialogue.

I hope that I've convinced you that we are ready, armed to really fulfil our growth plan for the company, recruiting high-quality teams and rising to the forward challenges. And I trust that we'll be an attractive and inclusive company over the coming years. Before giving the floor to the next speakers, I would say that high-quality IT systems are vital for the work and the quality of work of our teams.

So, Philippe Lonné will now take over from me.

Philippe Lonné: Thank you. Good afternoon one and all. My name is Philippe Lonné, and I've been the CIO for nearly a year. And before joining Korian, I worked for Avis and Loxam. These are two international rental companies with dense international network. And with these companies I've had an opportunity to work on two different projects. One was about streamlining information systems and the second was about digitisation. When I joined the Korian Group, I used the same methods that I practiced both times, and the results were amazing, as you are about to see.

This method is based on six different pillars. It's a good thing I'm speaking after Rémi. IT is a job that requires specific skills most of the time. And these skills are – these skills may not be difficult to find but they're difficult to cultivate. So, our first priority is to have our own IT team with dedicated skills. And the second aspect has to do with projects. This means that it's a guarantee for the people who employ us that we actually work on the projects that they trust us with. When we do support them, well, we have to do what they ask.

Then software. Software is the visible tip of the iceberg, because you use these software packages every day. So, we need to find the right software and make sure they run properly. The software produces data. As you well know, data is a major challenge these days. Particularly for the Korian Group, data is highly sensitive. We're talking medical data, personal data, so, data protection is absolutely key. The data can be used via business intelligence platforms and no company worthy of the name can manage its business without effective business intelligence or BI.

Pillar number five, hardware. We're talking machines, equipment and networks. This is the backbone that helps you operate everything else. And when your equipment or when your

hardware is underequipped, you may have the best software, the best IT people in the world, if you have the wrong hardware, you're in trouble.

And security is also fundamental. You may operate whatever data you want, using the best platforms; if IT security is compromised, your entire company is in trouble.

So, what does this mean for Korian the use of all six pillars? Well, this is what it means. We have amazing results. But this has meant additional complexity that we've needed to manage. So, over the past five years, Korian has made a number of acquisitions. So, it's a collection of different companies. And each company that was acquired had its own IT system.

So, Korian is a fast-moving group. We don't always have an opportunity to aggregate absolutely everything and to end up with immediately packaged solutions. So, we needed to take that into consideration; that was a major aspect of our restructuring effort.

So, we call it One IT. And the goal of this project is to streamline everything. And so, we decided to streamline people. Everybody, all of the people who'd been working with us for many years, we decided to in-source them. They've proved that they were good. They proved they loved the company. We decided to hire them permanently. And we also trained them. We wanted to be sure that we didn't depend on a particular technician and that we would have to true redundancies in place.

Second aspect, projects. Up until now, we didn't really have a project-driven culture. We didn't really have a project-driven method. And now, our senior management team manages a portfolio. We have deliverables. There is benchmarking. And this is how we ensure proper sourcing. Now, in terms of IT, we have to recognise that whenever there's a need, you get the resources you need.

Software. As you will see, unfortunately this is not a differentiating marker. It is the only indicator that stands right in the middle because I still have my work cut out for me. Like I said, we've made a number of acquisitions and there's one consequence. In terms of software, we didn't really know what we were paying for and why, so we looked at all of the software packages available and we did a blueprint.

So, a general diagram, we ended up with 250 different software packages, which is huge. So, we decommissioned all of the software that we didn't use anymore and we have one that we are still using. So, what we're doing, we're only using best-of-breed. If we're using – if it's useful for the business line, if it's good in the eyes of the IT team, then we hold onto it. So, we have truly stabilised and streamlined the information system. We use only very good software that's very well used.

So, data or business intelligence. Streamlining the number of software has meant that we can now have a centralised data warehouse, where we aggregate all of the data. It sounds very virtuous. Without a data warehouse, everybody has their own dashboards, everybody has their own truth. But when you have a single data warehouse, the truth is the same for everybody. And my data warehouse is very good. So, there you go, I hold the truth.

We've also been able to automate data flows. We have a lot of software packages. So, the goal is to make sure they're integrated in the exact same way, using the exact same method.

Also for purposes of streamlining, we have a single BI solution. We use a product called Power BI. It's a Microsoft product.

Now, on the hardware side of things. Exact same method as for software. We made a lot of acquisitions, which means we are dealing with very different types of hardware in terms of aging, in terms of how old the equipment was, in terms of how powerful it was. So, we applied a programme to homogenise the hardware. Now, a hardware that is over five years old is replaced systematically. The upside is that users who use hardware that doesn't function well, they call IT all the time and IT is pissed. So, now that doesn't happen anymore.

Networks, that's another challenge. I may give you the state-of-the-art latest network or the best equipment. If the network is slow, that's not going to work out, so we need high-capacity, unified networks. Now, we're using fibre optics and we'll reach 100% completion at the end of the year.

Last priority is security. The two companies that I used to work for thought that security was absolutely key, but it's particularly true for Korian. As I said before, we handle very sensitive data and we cannot afford for this data to get out. And so, we have a team of seven experts, which is a lot. Seven security experts and all they do is security. They make sure that our environment is completely protected and that our safety and security rules are enforced.

We also have a team of data protection officers or DPOs. You've probably heard about this. It's part of GDPR. It's not something you can negotiate particularly in [inaudible]. So, we have a protocol. If the IT security team finds there is a breach, the DPO team has an entire alert process that they can actuate.

Last point, very important, a protocol is [inaudible] well and good, but we need benchmarking. So, we carry out phishing exercises. We carry out all this systematically. We work with top players in the market for hosting and token SFR. We don't do that for inspections.

Now, they want me to be paranoid? I will be. And this means our IT security system is ironclad. So, our backbone is very robust. Our users are very happy as you are about to see.

Let's ask Mr. Mérigot what his business line thinks about this.

Nicolas Mérigot: Thank you, Philippe, for this opportunity to let you know what my business line thinks about information systems. By way of illustration, I'd like to talk to you about a programme called DEKLIC. And naturally, it was a highly ambitious programme. The goal was to replace 16 apps with a single ERP that would cover every single process throughout our clinic. So, very ambitious programme.

DEKLIC was also a programme that mobilised a lot of people. We're talking 36 months of research and rollout; 66 different clinics, 300 different contributors over the past 36 months. And then we have 4,000 daily users that use this new IT environment. So, this transformation and homogenisation effort of our information systems has also made it possible to harmonise our processes and the way we do things at work.

It's also been an opportunity to set up 360 management solutions. And now we work on the ergonomics in the relevance of our tools. As you can see, this IT project is helping us achieve two important targets, quality on the one hand and productivity on the other.

So, the DEKLIC, our project, was also instrumental as part of our transformation plan. It served as a facilitator for ramping up outpatient volumes. When the number of patients skyrockets, when you – the number of sessions increases, the number professionals that are involved in this administrative pathway, everything becomes more complex. So, planning functions become more and more important. And without this harmonised tool we would not have been able to support the addition of such high volumes.

Now, this new information system was also a driver for revenue management. We saw that in terms of the price we charge per day. It was also an important tool in terms of improving our sales performance. I'm talking about the sales of individual rooms, personal rooms.

Now, this information system is also the bedrock for developing new businesses, in particular the businesses outside of our roles, for example, managing care pathways. Am I on the right slide? Yes, I am. So, last January, we initiated our very first pathway. And I'm referring to monitoring of COPD patients – that is chronic pulmonary obstructive disease. So, this COPD pathway is based on three main components.

First of all, the digital platform. That is a digital space. I like to call it the patient's Facebook page. It is a space that the patient can actually open up and make accessible to caregivers, loved ones, patient groups, their own families, etc. So, that's a digital Facebook.

In addition to that, you have content. So, what do you share? Information, medical information, the electronic patient file; all of the information that we are pushing toward our patients. For example, tutorials, nutritional information, advising them to continue to work out so they can stay in good health physically. An entire documentation system with auto checks.

And the goal of these auto checks is to make sure, on the one hand, that people actually comply with the treatment. And often times when you have chronic disease, there are acute flare-ups simply because the patient interrupted the treatment. Now, auto checks means we get an alert when the patient no longer complies with the treatment. The other goal is to detect low intensity signals to anticipate the flare-ups, phases during which – periods during which the doctor's input will again be necessary.

And the third aspect is the human factor. The coordinating nurse continues to liaise with the patient because it cannot be virtually digital. I was very surprised to see that in India during a field trip, everything's been digitised. They have call centres pretty much everywhere, but there's still a human factor because there's a nurse that makes house calls. So, the lady analyses data, and she will detect the right signal and send it to the right person so that person can intervene and do the right thing at that particular time in the process.

So, the level of acceptance and usage is very high, which means that patients are happy with this new system. And we're about to initiate six new offerings in terms of care pathways. It is the same method as we're using for the Oriane platform that was already introduced.

So, information systems helps support growth and development of the quality of service and also, it helps us develop new innovations, new services that benefit our patients. Thank you.

Philippe Lonné: You're not rid of me yet. I still have to share with you my conclusion. As you may have understood, in terms of IT architecture, we're pretty much done. Our IT bedrock is state-of-the-art. We can now build on it. There's one thing we haven't worked on

yet. We need to expand it to the entire scope of consolidation. We started doing that. The solution that Rémi was talking about for HR. We have a group-wide solution and we've built on that already. We're using it for onboarding, for trading, etc.

We've done that. We've done the rollout. But there are still many areas where we've got the ball rolling and we are just starting to reap fruit. So, one for all. That is the bedrock. That is the platform. That means standardised practices for everybody. Same constraints, same standards. We're already working on the quality side of things. We want to adopt a system that is Europe-wide, group-wide. We also need a financial system, a debt management system. Right now we have eight different programmes that we have launched or will initiate on the basis of this common platform.

Now, this platform will also rely on a repository, a standardised single repository of data. By the end of 2021, we're going to set up a system for master data management to aggregate data, bring it together in a single place, so that we can then push what we call big data models, where we don't have that capacity yet. Along the same lines, as we introduced this morning, where Dr Armaingaud talked about ISO this morning, in 2021, we will work hard to achieve ISO 27001 to make sure that Korian's IT system is in line with known and approved protocols.

So, I hope I have been able to show you that we are digital-ready. I'm now going to hand over to my dear colleague, Frederic.

Frederic Dourousseau: Good afternoon one and all. Real estate is a major driver – is a major growth driver for the group, in so far as many different activities are taking place within our nursing homes or follow-up – our post-acute and follow-up care, all of our establishments, all of our organisations.

In 2016, after Sophie arrived and after my position was created, we decided to review Korian's real estate strategy. Now, why did we decide to do that? Well, this decision was based on two different findings. Number one, Korian was a group with two different claims. We claim to be an asset-light company, while on the other hand, we had lost a part of our real estate development capacity.

And this meant two different things. Number one, we believe that issues pertaining to real estate development, everything that happens upstream before actual construction work, these issues are too strategically important to be outsourced. A second conclusion, an asset-light structure means you deny yourself the privilege of owning your own buildings. And we realised there are many benefits, there are many upsides when you own your own assets. For example, it's easier when you're home to make adjustments to the building because you own it. And we realised that our business changes all the time; our personnel, our residence, the caregivers, our customers, the healthcare ecosystem, all of them need constant adjustments. So, that's reason number one.

Reason number two. An asset-light structure often seeks to make sure that resourcing events[?] that invested into real estate are not used for other things. But that really doesn't make any sense. Korian could have borrowed to buy a property, could have – and that debt would have been specifically dedicated to financing the assets that we owned. And reason number two, in actual fact, real estate is a source of value creation. So, not wanting to own

your assets means you renounce part of that value creation. And that part can be a significant one.

Lastly, if you compare the pros and cons of ownership versus renting, from a very pragmatic point of view, as an operator, Korian has a long-term plan, has a long-term vision. And over the long-term, the cost of renting is often higher to the cost of ownership. Well, simply because the cost of ownership depends mostly on interest rates. Rental cost, you've got to understand that interest rates are much higher than whatever you can borrow and rent increases year-on-year due to indexation, which is bad over the long-term for the operator.

So, based on these two conclusions, we made a decision. We decided to re-insource our real estate teams. We decided to staff our property team for all of our important business lines. And we also decided to change our asset-light strategy. Now, we want an asset-smart strategy.

Now, look at this triangle. Say Korian occupies all three tips of the triangle as an operator, as a developer and as an investor. So, we have shifted from the situation in 2016 when we were just the operator at the tip of the triangle, and we forgot about the other two dimensions. We forgot about being a developer and being an investor. And now we try to combine all three.

It has been three years, indeed. So, our asset-smart strategy has meant a number of things for the Korian Group. We have revived our real estate development pipeline. And as far as the next few years is concerned, we now have the bedrock for future organic growth. That's very important. Of 5.8% growth in absolute terms. That's the share of our organic growth as part of total growth and that share of organic growth is important.

Second aspect – and that's something that we touched upon already – we have created value. So, value creation can be appreciated rather easily. If we look at all of our assets, those are inspected and appraised by international property experts. These experts look at the situation every single year – 2016, 2017, 2018 and 2019. And between the first half of 2019 and September 2016 over the past three years, the worth of our assets has gone up from €980 million to €1.8 billion.

So, we have bought up new buildings in particular. And when we add up all of the investments that we made and we compare it with a change in our portfolio, we have created over €100 million in value over the three-year period.

Lastly, when you're part of a property department for an operator, that means you serve the interests of that operator. It means that constantly you need to reinvest into the network. It's very important. In terms of maintenance, you need to be steadfast. You need regular CAPEX. You need regular CAPEX plans. It's so [inaudible] very important to benefit from all of the available techniques for improving and enhancing our buildings.

Now, we sow the seeds already. Now we're reaping the fruit in terms of our energy savings. And lastly, we're also renegotiating with our owners. We're starting up a dialogue again and we're trying to talk to them and see what is the best arrangement for each location, each location that we lease. So, there are so many avenues for optimisation that we can talk to our owners, sometimes we decide to stick to a particular location and we decide to fairly share that reward. We decide to share the benefits or the fact that we are staying, and this means we can save money on rent and we share out the workload better with the owner of

the property. So, by and large, our rental savings account for €6.5 million over the past three years throughout the Korian scope of consolidation.

Now, if we look at the structure, the results of this real estate strategy that we have implemented, in particular, if we look at our EBITDA, we find that the 70 bips improvement in EBITDA – well, two-thirds of that is the result of those changes or the implementation of the asset-smart strategy.

If we take a closer look now, a closer look at our real estate portfolio, the ownership rate in 2016 was 14%. We had announced that by the end of 2020, we'd try to achieve 20%. This is the end of 2019. We stand at 20%, which means that we have exceeded our target one year ahead of time. But mostly, we have changed the way our portfolio looks. Now, three years ago, France owned – or rather accounted for nearly 80% of fully owned assets. Now, it's 55%, while maintaining investments in France. But we've tried to restore the balance and we're tried to invest into all of our geographic areas. This means we have a really pan-European portfolio.

So, how did we go about building this portfolio? With support from our partners, our financial partners; our bank partners are supporting us. And this is what we want. We have set up ways of financing. These are property assets, so we have used a fixed interest rates and amortisation.

We also share the cost to capital for real estate on specific projects. Charles-Antoine talked about Ages & Vie, for example. So, we rolled out this concept successfully at a regional level, which means we can now roll it out at a national level and even beyond the borders of France, working together with all financial partners, including Crédit Agricole Assurances and the CDC, the Caisse des Dépôts. They're all examples of achievements. In different countries, you've seen these examples.

Our strategic planning efforts apply to every location, every geographic area where the group operates. And this means there are trade-offs. When it comes to securing approvals, per region we may have a specific quota of approvals. So, if we leave one location, we need to be able to shift the approval for that location to another location. Say, we want to expand a particular location, we did that in Les Saules, for example; Charles-Antoine talked about that this morning.

Well, this is what we do sometimes. We pool approvals for several locations and we pool them in a single spot for a new build. And some of you may have had an opportunity to visit Chatillon. Well, that's a perfect example. But meanwhile we do much more than that. We're not securing approvals for nursing homes and merging them, no. When you have more than two single-use buildings, we can turn that into a single building with multiple uses.

– into apartments and we have the traditional nursing home and then we have a protected unit providing day-care. This means that we can accompany our clients, patients, throughout their life cycle covering different aspects of their health problems. And we are launching new projects and we have help from – we list the support of partners, for example, the new project with Saguez, other areas and other institutions and partners.

Now, looking ahead to 2021 and beyond, what is the strategy. Now, in terms of development, it's very clear. We have a highly ambitious roadmap. We have 142 projects for

the group as a whole in Europe, half of which involve renovation and the other half new projects. We have projects at national level with other models. And we are conducting this development on the basis of sustainable development. We are seeking to go beyond existing environmental standards with all our new authorisations, and all of them are certified HQE.

And finally, we reinvest every day, as Philippe Lonné recalled, in digital tools in our existing network in order to improve and increase the lifecycle of our units.

Now, in terms of investment, this asset-smart strategy – well, the question here is as follows. 21% is pretty good. Do we stop there or do we try to go further? Now, we see no reason, as was the case in 2016, why we should stop that. We're continuing in so far as financing conditions at present are exceptionally good. Market conditions are particularly favourable. And in relation to the growth pipeline that we have and to future opportunities, we already know that in two years' time, we can achieve 25%. And in four years' time, by 2023, we will be around 30%.

This means that we will continue to invest, on average, €200-300 million a year. Now, there maybe years where it may be a little bit less, others when it may be a little bit more, which also depends on market opportunities, which may arise. We are going to strengthen our pan-European portfolio. And finally, with all this development in funding, it will be implemented consistent with financial criteria. We have a loan to value ratio, which will be approximately 50%.

And I'll leave it at that as far as financial criteria are concerned. And I will hand over to Philippe Garin, who will be far more able to talk about this than myself.

Philippe Garin: Well, into the figures. We are going to look at what we've done so far. You'll see it's quite impressive. I like this chart because – the first chart, it shows that we're very consistent. We've really moved on. There are no sudden variations. And we have had recent acceleration taking us to 8%. Due to the second driver that we were lacking, some competitors have good, consistent growth. We have been able – we were particularly agile in the bolt-on acquisitions.

So, where are we heading for? Well, we're going to continue. There's no reason that we should depart from 8%. You've been hearing about this all day long. We can carry on with that level of growth of 8%. And our guidance is therefore at 8+% with two distinguishing features. It'll be very balanced – it'll be evenly balanced among the different geographies. That's the first part of the guidance.

Looking at margins, you will recall that we have two levels of margin. There's EBITDA and EBITDAR. EBITDA is stable and we're about to see why. The stability of EBITDA is very strong result because we are investing in people and that's a key element we're going to continue. And we have the pressure on EBITDAR. How do we make up for that? Well, as Arno was saying, we're working at management level. We have an awful lot of work in terms of dossiers per clinic per unit and it's as difficult as having to call a client who hasn't paid.

And in terms of cost, we have some – there's room for manoeuvre in terms of procurement. In terms of costs, we have economies of scale that we can achieve. So, that's for the stability of EBITDA.

And as for EBITDAR, Frédéric spoke about this. We're talking about reaping the benefits of our real estate policies. And this is going to account for at least two-thirds of the improvement. And then we have the business mix.

Now, the business mix is tricky because it can have different effects. When you invest in clinics, for example, this weighs on the EBITDAR but it's quite good for EBITDA when you – you also have a difficult... Looking at residential services, this is very good for EBITDAR and EBITDA, D-A, suffers a little bit. So, we have this equilibrium to manage and to improve and we'll see this in the years ahead.

What's this going to produce? Well, we feel confident in saying that we can confirm the margin in excess of 15.5%, based on management mix, based on an awful lot of hard work on revenue and cost management. And number three, pursuing our real estate policy.

A few additional points on the income statement because it goes beyond EBITDAR, of course, number one. It's non-recurring costs. These are not going to overrun. I like having visibility, as you know full well, and I see no reason whatsoever why we should overshoot. I think it's going to be about €15 million. It's a mixture of restructuring and of other associated costs.

Next, looking at our debt load, interest rates are low. We've been prudent. We hedge, but less than others, so, we have a little bit of room for manoeuvre. And the growth ahead of us will be funded through cheap debts.

Number three, the tax rate. We have significantly improved this and this now enables us to fully enjoy the impact of the cut in the tax rate, and we should be on an average rate of 30%.

Now, all this, if you have significant improvement in EBITDA and other items that are improving more slowly, then mechanically this leads to a very favourable impact on net income.

Let's go to my favourite area, which is cash. We've done a lot of hard work and a lot of good work. So, we were able to do this. We were able to establish the tools in order to improve the cash situation. Cash has become king – or at the very least, cash has become important. Of course, there's the customer and supplier consideration but it's not just that. Everything that's non-operating with us, and that includes stakeholders such as the states and social actors.

But when you go, for example, for a VAT refund, that can bring in large, large amounts. And this is how we've gone from 23% to 43% in terms of our EBITDA conversion rates. So, not only do we to improve EBITDA but on top of that, we are able to ensure that the cash conversion is better – is higher than the improvement in EBITDA. So, what are we going to do? Well, we're going to carry on. No reason for this to stop.

And we're so convinced of this that we've put a forecast on 2021 and we're saying that we'd be able to generate €300 million in cash. Now, of course, we're not going to – this is after maintenance. This is a money that's left over, cash that's leftover that once we paid for everything.

Now what would we do with that €300 million? What do we do with cash flow? Well, we invest. That's absolutely key with us. We have three or two components for investment. Number one, organic developments in France, given the success of our programme, will

improve significantly. This is one of the best investments that we've made, so we're going to continue in organic growth and we're going to continue with bolt-on acquisitions. We've worked in Italy on this, on acquiring companies. And soon we'll be seeing a very impressive payback on this.

Next, investment. We invest in IT. We invest in digital technology. We're going to continue doing so in the same way.

To give you some idea of this, with €300 million, we will be able, with the same balance sheet structure, to invest €500 million. So, that just gives you some idea of how we can step up growth by being – by carefully managing our cash position. Now, of course, we're not going to go take any unnecessary risk but we won't be beneath 3.5 in the years ahead. And we're going to continue – as Frédéric was saying, we're going to maintain an LTV ratio of approximately 50%.

And last, I know this is important for you. We will maintain remuneration for shareholders to the tune of €0.6 per share. Now, where do these investments come from? The first thing is the pipeline. Now, the pipeline takes a long time to build up. It takes several years. It gives us visibility in terms of organic growth. And it's very significant and it has improved significantly in recent years. So, we have 10,000 beds that will be coming onstream – over 10,000 in terms of organic development, and we're going to need to find another 5,000 beds through bolt-on.

So, what are we looking for here? We're looking for quality because we're not going to buy something that's not a quality asset. We're trying to improve, to reinforce our clusters. So, buying a network where we have no [inaudible] is not worth it, because if it's good quality, then maybe, but there will have to be a very good reason for that. So, quality, clusters, diversity, broadening our offering. And also either we remain prudent or we go into new geographies and we do this on the basis of very strict financial criteria. As you're about to see, we have these discussions every year, all together. We call this the kick at Korian.

We go through all the files[?]. We spend an awful lot of time on this. It always lasts three times longer than expected. And it always involves lengthy exchanges on our investments because the worst possible thing would be – we could do would be to misuse the money that we make. And then we look at how we can improve the performance of our teams, how we can improve the return on our assets.

So, I'm quite happy to see what has been done. I wasn't there for the whole time but what we've done over the past two years, we have conducted 20 – implemented 24 transactions. They cost anything from €500,000 to €45 million, so very significant diversity in the types of targets and assets totalling €400 million. And this is excluding real estate, by the way.

The multiple is 8.4 and this is key because that means every time, we invest €100 million, it brings in €12 million of EBITDA and €40 million of debt. The fact that we are requiring something with a rapid return enables a record rollout. So, it means that the asset has to be high quality and at a reasonable cost, so that we don't weigh on growth.

Next is ROCE. We track this very closely. We're above the WACC at present but in 2017, we were at 7.7%. And we're slightly below in 2018; we're at 7.4%.

Going back to the guidance, five components. We have two which were established which we're confirming because we're going from two to much more. We're going to have 8% growth every year. And this should take us to revenues of over €4.2 billion in 2021. We're going to generate a margin in excess of 15.5% in 2021. And we're also going to generate €300 million in cash. And this will be done with – and this is an unchanged equivalent balance sheet structure with approximately a 50% LTV ratio.

And last, this is based on a 25% objective and 2021 – well, we feel confident enough to say that in all likelihood, we will be at an ownership rate of approximately 25%. And in 2023, I see no reason for us to reduce growth. So, we think that the €5 billion represents an excellent goal for 2023 and we'll give you a little more information on how this should be done. It'll involve more overseas growth. France will be more diluted. That suits us fine. And this will involve an increase in new activities.

Now, it may seem not very much to go from 22%[?] to 30%, but what you have to imagine is what – keep in mind is that what we're acquiring and developing in percentage terms to go from 22% to 28%, you really need very strong growth in new activities, new businesses and new geographical areas.

So, I will now hand back to Sophie.

Sophie Boissard: Philippe, don't go away. We're well on time. I think we'll give ourselves 20 minutes for questions and answers. Start off with Hans.

Questions and Answers

Hans Bostrom (Credit Suisse): Hello. Credit Suisse. I had several questions for Philippe. So, looking at your account in 2020, can you give us your EBITDA margin? Because we're going to transfer this to IFRS 16, so it's – we just want to track your margins and goals, because some companies have based themselves on an EBIT margin – approach margin because of the change in the way rental costs are stated.

And number two, when you talk about the cash conversion rate, you said that there is a broad improvement, but could you clarify the components? Is it working WCR, working capital requirements? And to clarify, there won't be any growth in dividends? Am I right in – is my understanding correct?

Philippe Garin: Now we had a 2020 plan, so we – the IFRS and EBITDA margin, you just add €350 million. But when we want to move back to cash, we have to restate the cash in order to determine how much cash is available. So, we gave the figure on the 30th June. I can't remember, Philippe[?], what the exact figure is, but it's very high. We must be at around 20%. So, it's an additional €300 million EBITDA because we remove – we take out 90% of rental cost. So, I'm very happy that the market is responding in this way because it enabled us to continue communicating under the old method.

I mean, I don't have a problem with IFRS. I'm perfectly happy to give all the information. But in terms of tracking performance, it's best to be able to understand how we're going to do this. We'll continue to work on EBITDA. Indeed, I've already given you the new figures and we will probably have to find new key performance indicators.

And then you said in terms of improving the conversion, it purely involves working capital. In other words, it's the work – it's the outreach on cash. It's become part of the corporate culture in order to lodge resources on the balance sheet.

And there was a third question.

Hans Bostrom: On dividends.

Philippe Garin: Well, we've maintained our dividend. We felt that there was enough good news to maintain and you haven't been vocal enough in asking for a high dividend. So, we'll stay where we are for the time being and we'll take a look at that later on.

Patrick Jousseau (Société Générale): SG. Three questions. Number one, going back to the increase in free cash flow. Now, given the higher investments for maintenance by 2020, we're looking at an improvement of approximately €120 million for the other components in order to achieve the €100 million improvement of free cash flow over 2018. And I suppose that it's not enough just to have an improvement in WCR[?]. So, I would echo the question of my colleague in order to have slightly more clarity on the components of the improvements in free cash flow.

Second question, 2023, you gave us an early indication on revenues. By when do you expect to present a more detailed plan, and in particular, on your goals, your objectives for the EBITDA margin?

And number three on real estate. The value of your property portfolio is based on an index of 5.3%, which is the same figures we have with you – as with your competitors. It seems very far removed from what we see on the market during transactions. Is there – what is the reason for the discrepancy between the 5.8% and the level that we can see on transactions where it's well below 5%?

Philippe Garin: Well, free cash flow, again, we're starting off from EBITDA, EBITDA growth. We're already halfway there because the €225 million that we hope to – which were presented as achievable by the end of the plan, we've already gone to €230 million. So, there's a real estate in effect. In other words, the fact that we're paying less rental cost is an element, is a component here. We can spend a bit of time on this together if you want.

But the work really involves working on cash. Well, price can be more specific on how our WCR breaks down. We have aspects – well, we – in our working capital, it's the 80-20 rule. 20% is the circle working – operational WCR between – with clients and supplies, so we continue to do that. And then 80% of working capital is *vis-à-vis* the state social bodies institutions. And there's a huge amount of work and I was giving the example earlier, for example, of the VAT refunds. In France, we hadn't asked for any VAT refunds because we knew that those credits would be used up, so we were building a kind of pot with all this, a sort of treasure chest. Now, we have a few million to go back and claim.

So, it's a change in the mind-set in the way we operate; invoicing, for example, more quickly in order to get money in more quickly; asking for down-payments from clients; getting a print from the credit card. All this will involve improving our conversion rate. But there's no reason why we should stay at 40%. It doesn't make sense.

I think we can – not only can we go to 40%, we should go well beyond that. And looking at 2023, which is the third question, changes in the margin, take into account – and I really do

want to share this with you. We have two significant components and we commit to this very strong to say that we will have – there are a number transactions that we have to do to achieve the 25% target.

But I mean, yeah, I respect Frédéric's goals but there's a lot of work here. And over the next three years – and this will have significant impact on EBITDA. All this is complicated. And similarly for the mix, everything depends on what we can find. If we have wonderful targets tomorrow where EBITDA is low or companies which are asset-light, then you're in a very different situation. So, this means that giving you precise guidance beyond three years – well, there was strong encouragement to do this in 2016, but I'm not in favour of this.

There's no bad news in what I'm saying here. What I'm saying is that 15.5% seems very good but if – and we continue to reinforce our position, then the 15.5% will go up unless we conduct acquisitions, which will offset that slightly.

Sophie Boissard[?]: I think there are two underlying questions, two implicit questions in what you're saying, Patrick. Number one, do we feel insecure in terms of our cost model within our existing scope. Is that really what you're driving on? Then the new answer is no; in the business that we have at present, we know our cost structure. We are very precise in how we manage. We're investing in our staff. That doesn't mean that we're just allowing payroll to grow exponentially.

It simply means that we have to position our salaries at the appropriate level in relation to what's being done in France. This is done in – this is being done in France. We're on a trajectory. We know exactly how we're going to steer our payroll in terms of FTEs and in terms of part-time staff. And this applies to France, elsewhere, and I think we can live with this approach.

We have the same approach in Germany. We have seen significant increases in payroll, 3-4% growth in Germany over the past two years, which accounts for the pressure on our margins in Germany. And we know that with the revenue management that is being established and with – we know now that we can ensure that the top line moves in step with the increase in payroll. So, there's no significant change in the model here. And it would be unreasonable for us to say that, looking five years ahead and we're a growth company in markets which are in the process of structuring themselves.

I said this morning that we have six geographical areas where we have a lot of work to do and where we're going to grow, mainly in terms of organic growth and with smaller bolt-on acquisitions. It may well be that we'll have other opportunities in other geographies, other geographical areas. And we're just giving the trend and very clearly, we're going to continue to improve the situation. And it would not be reasonable for us to commit to an operating margin on a five-year horizon, but we're very clear on that.

And internally, our business plan rests on the next five years and we know exactly how things are going to move.

Philippe Garin[?]: And I think there was a question on – we're talking about cap rates in several countries.

Frédéric Dourousseau[?]: No, let's not forget if we have the same cap rate as our competitor, that means that we don't – our portfolio is very similar. That's the first comment.

The second comment is that we have a cap rate that varies from one geographical area to another. As Philippe explained, we usually have a cap rate, which is lower in France and higher in Italy. And Belgium and Germany are somewhere halfway between France and Italy. And then you have a cap rate that varies depending on the type of product. And RSS[?] will have a lower cap rate than a long-term nursing home, for example.

And, of course, depending on location, whether you're in the heart of – in the centre of a big city or if you're outside of a big city, etc., that comes into play as well. So, these are the drivers for the cap: geography, position, positioning of the product. And I'd be very surprised if we had comments down the road that our portfolio is very different in terms of quality from that of our competitors.

And I think we need to be a little bit prudent in how we value our portfolio rather than going other way. I think that is part of a prudent management as well.

Speaker: Yes, to endorse what you've just said, an auditor who does an expertise at the value of real estate is [inaudible], isn't it? I thought it was done every three years. One-third of the assets are valued every year. The 5.8 is just the average over the last three years. Is that correct?

Frédéric Duroisseau[?]: No, all real estate experts proceed in the same way. What they do is that they evaluate all of the assets every year. The only difference here is that they may have desk expertise as they called it. In other words, they work on the basis of documentation, photos, certificates and the like, without actually going to inspect the real estate property itself. So, they take into account all of the information that's required to evaluate.

And then, they actually go out and inspect one-third of the assets physically every year. And that's why one keeps the same expert for three years, because it means that the firm has seen all of the assets at least once over the three-year period. But the evaluation is done every year but it's only the actual physical inspection that's spread out.

Speaker: So, you actually review the value of your real estate portfolio every year?

Frédéric Duroisseau: Yes, we do.

Speaker: And I thought I understood that when evaluating the assets, you work on the basis of capacity to pay rent and you apply to that a reduction discount for prudential reasons.

Frédéric Duroisseau: Well, no, the same method is used systematically everywhere, the contributive capacity of a given site. So, they look at the level of EBITDA, the reasonable amount of effort that can be applied to that margin and then they will look at the length of the rental – 12 years in the case of France, because that's the maximum that can be applied in France. And they'll proceed in the same way for each of the assets individually, taking into account the specific data and each geographical site.

Speaker: And then when it comes to investors who want to buy your real estate, would they have the same reasoning, and would they work on the basis of the same data?

Sophie Boissard: Sorry, yes, please continue.

Speaker: Because on the market, one has the impression that the rates are much lower than you've indicated. In France, it could be less than 4%, in Paris less than 3%. Can you confirm those figures?

Frédéric Drousseau: Yes, we can. The average of 5.8% means that you've got some cap rates at 3% and some at 8% or 9%. That's the range, if you will. It's quite a big range and then you end up with the average of 5.8%.

Speaker: Yes. And I'd like to come back to your real estate strategy. What is it that you want to buy? Do you want to buy town centre? Are you planning to buy the outskirts of towns?

Frédéric Drousseau: Well, we only buy real estate at the service of the operator. We don't have the same approach as somebody who deals primarily in real estate. If we are to get ownership, then we may take into account a strategic location, of course, that could be of interest. But any new purchase or new project generated by a given business unit will lead to consideration of whether it's advisable to rent or what are the conditions in terms of a loan to be taken out and the rates to be paid on that.

We have an investment committee, a Korean investment committee. And we weigh up the conditions; are we going to sign a lease, are we going to make a purchase? So, it's an asset-smart strategy in the true sense. And we look at this asset by asset.

Sophie Boissard: Well, what is it that we want to own? As Frédéric has said, we are thinking more in terms of new real estate, new property, where we're thinking of longer-term profitability. We are also thinking in terms of what we can finance better than rental conditions, rent lease at fixed rates at less than 1.5% and even if cap rates tend to be lower than 4%, maybe 5% at arbitration.

Now, all of those parameters are taking into account: the quality of the property, the sustainability of our operations, whether it's a strategic location or not, which is, to some extent unique. And very pragmatic approach, we weigh up: is it better to finance ourselves; what are the conditions that would apply; or is it better to reach an agreement, a sensible agreement with the landlord?

And then we have to think over the longer-term as well. We're reasoning of a 20-year period. Market conditions are changing, and I think IFRS 16 has led to shifts in the market. And given all of that, it's only sensible to consider various ways of having holding or interest in a building. And then owning – it doesn't necessarily mean 100%, so we've gone up from 14% to 21% or so. We will continue to evolve with that trend but not to 100%, not necessarily have sole ownership, particularly when it's new concepts.

That's why we set up different funding vehicles to have alternatives. And we are obviously going to be very careful when we take the decision, look at all the trade-offs. We have to keep in mind that we have a bit more margin of manoeuvre on real estate debt than on the corporate financial debt, and that's why we have structured the financing of our growth as we have.

And perhaps I could come back to Germany. You don't have to pay fees, so if your activity is good on a location in Germany, it's of interest to have ownership. And then having this diversified policy gives you a certain amount of leverage when you're negotiating with

potential landlords or developers. This means that we are much better able to negotiate good terms as well. So, all of this has to be taken into account in our ownership strategy. It's not really a real estate ownership strategy but in a broader operational context.

Speaker: So, the LTV rate of 5%, is that really anchored? You said that interest rates are relatively low at the moment. There are opportunities to renegotiate rents, which may make it advisable to buy up these assets. But do you think that this rate is fairly anchored at the moment?

Philippe Garin: Yes, we do. We think that that's probably the case. Some people might think that we haven't put a true value on the real estate we own but that's not our sense. We've seen, in recent years, when rates change that some of our competitors were exposed and we don't necessarily want to go down that road.

Sophie Boissard: Well, we just wanted to give you a general framework. We do have objectives in terms of ownership and that will have an impact on our margins by 2021. And we've presented the financial structure that we're keeping in mind when we're taking decisions. It's around –

Speaker: Hello. [Inaudible]. I'd like to continue to talk about real estate assets. I saw a figure of LTV on one of the slides, 55 – no, it's 50. Is there a covenant regarding real estate to secure debt ratios?

Philippe Garin: No, we only have one covenant actually, which is leverage. And obviously, we take into account debt on real estate within EBITDA for calculating that. But it's not a specific ratio.

Speaker: And last question, you have an objective regarding leverage that you showed us. There's going to be a change in regulations, probably in the calculation of hybrids, isn't there? And that 0.5 in leverage, are you planning to proceed with the recalculation, different calculation?

Philippe Garin: No, we can't at the moment. The current regulations requires us to have a much higher rate of, say, 45 to be able to do that.

Speaker: Are you thinking about it?

Philippe Garin: Well, of course, we're thinking about all kinds of things, including the balance sheet structure. But we see that stock rating is increasing. We're pleased about that.

Speaker: I have a few questions. The portfolio review that you did when you came in 2016, have you identified high-performing assets in the portfolio, or some that were not doing as well? And have you been able to correct any shortcomings?

And then the pipeline, you're talking about some 14,000 additional beds. Are we talking about nursing homes and clinics only, or are you also including in that assisted living and alternative housing options?

And then when it comes to debt, could you tell us about the fixed debt share and what the rate would be on average at the moment?

Sophie Boissard: Could you answer on the pipeline and debt?

Philippe Garin: I'll begin with the last two at the moment. Debt non-IFRS 17, and it's totally hedged. This is – we're going to be earning money on new debt. As we renew it, we're going to be earning. And renewals were done the end of last year and the beginning of this year. We'll begin to pay off at the beginning of next year in comparative terms.

Speaker: Yes, it's included in the pipeline. The horizon of the pipeline is 2022. I don't know exactly what the number of beds is, but I think we should be completely transparent on this. And we will be giving precise details regarding the new concept share of beds in that total.

Sophie Boissard: Portfolio review and underperforming facilities. There are some facilities that have been improved. We've really come in and improved the performance but some were sold off. But when I say some, it's fewer than 10 over the last three years, because in most cases, we realise that we were able to improve the situation and to renegotiate rentals, charges. For instance, in Germany, we had some rents that were too high compared to the market. But when we're taking decisions, particularly in terms of living areas and clusters, if you look at our portfolio, you can see that there are some outliers a little bit and it's hard to integrate some of the facilities into the cluster.

So, either we develop and then we can bring them into the cluster, or else we remove them. This is something that we need to look at very carefully, step-by-step, in France over the coming two years.

We haven't given any figures, but this again would be about 10 facilities, so only a very small percentage compared to the total. But, of course, we're constantly vigilant, looking at the portfolio and performances. But I would stress that once we have a facility up and running with the workforce and authorisations and certificates, you've got a lot of value there potentially. And if you sell off something, there's a cost in that as well. So, we look at this very, very closely and see how we can exploit the potential of any facility that's actually up and running.

If there are no more questions and I'm staggered that there aren't, we've probably worn you out or else we're crystal clear.

Speaker: On the tax rate, are you predicting a lower tax rate in France? Because it's all a bit murky at the moment, we don't really know what's going to happen. And the investment in real estate, is that – the €300 million, is that net?

Philippe Garin: Yes. Our rationale is that if we were to have selloffs, that would be acquisitions minus. So, it is net. The €300 million includes partnerships and co-acquisitions, joint acquisitions. As for the tax rate, our outstanding tax experts are proceeding in a very prudent manner and consider that probably there's going to be at least a year's lag in the implementation of the lowering of the tax rate. Well, maybe we'll be pleasantly surprised, you never know.

Sophie Boissard: Laurent?

Laurent Gélébart (Exane): Just to come back to cash and cash flow, are there extra ways to lower the tax rate? Is there any tension between various branches concerning the flow of cash? Could this be made more flexible? Is there more of a margin to improve cash outside the working capital?

Philippe Garin: It's always a bit awkward here. We haven't forged ahead with – we had tensions in Germany and we worked very closely with Arno's team over the last two years to remove them. And that's been done. Everyone knows that one area where improvements can be made is related to certain share structures. But what we present – so it's possible, but what we presented is without optimisation.

Obviously, we keep this in mind, but [question off mic.] If we were to bring in an investor for one-third in the real estate, then one-third of the value would no longer be taxable for us. So, that could have an impact. But we haven't proceeded with that approach in depth at the moment.

Sophie Boissard: Thank you very much. If you have no further questions, I think the time has come for conclusions. Thank you very much, Philippe. By way of conclusion, what I'd like to say is that three years ago, I presented the Korian 2020 roadmap with strategic targets so that we could become a global integrated service provider for the vulnerable elderly, with the financial plan backing it.

You can see that we have implemented the roadmap to a large extent, in strategic terms, well ahead in terms of financial targets set. And we will continue. We have built up a certain momentum and capacity to deliver and we will continue to do this steadily, surely, step-by-step, so that we can achieve the level of excellence, which is the ambition we all embody for the company, for the sector and for our clients.

Three years ago, I told you that the capacity to develop an internal growth engine for this company, which had come out of a period of accelerated external growth, was absolutely capital, it was vital. I said it would take a while to do that because there was the real estate component. You can see how precise this is and also, the fact that we are present in a number of geographical areas. And we wanted to attain mainly organic growth.

If we look at the Horizon 2021 and 2023, you can see that we are on track. We are very confident and sure of where we're heading. We know what's in the pipeline. We know what we're going to be providing year-by-year with the various countries that are developing locally, organically. And this is really the bedrock of everything we're doing.

The only country that's lagging a little bit behind, but this is because of the structure of the sector, is Italy. But we are working on day-care and combining nursing homes with assisted living. Italy will catch up very quickly. Organic growth there is closer to 1% than 2%, but it will catch up and perhaps even outstrip performances of the other countries, given everything that's now being implemented.

So, roadmap Korian 2020, which is now being called IN CARING HANDS, very well structured, very robust, rooted in our strengths of trust and expertise. We have a full understanding of what it is we do, and shared ambition to completely overhaul this sector, which needs this so desperately.

And I have lost the PowerPoint. Now, that's better because I'd like to conclude with this. So, clearly our ambition is to deliver on figures, obviously, but over and beyond that, we want to completely transform this sector. We want to be a leader in terms of excellency, with high-quality services. We want to be innovative. We have a pioneer spirit. We want to

restructure what is a whole new service sector and we need this desperately with longer-life expectancy.

Our commitments are five-year commitments now and this is what drives our transformation plan, IN CARING HANDS. In five years' time, we will be the leaders in terms of quality. We'll have deployed the Korean standard and certification ISO 9001 in all of our facilities, and we will be the only ones to have such a strong bedrock. We will be leaders in terms of being a preferred employer with very strong commitments we make to our staff. And this is a real promise to our staff and to our clients, and we will also be leaders technologically.

We will be the first digital senior care company in five years. Those of the commitments I make here today. Thank you for your attention.

[END OF TRANSCRIPT]