2016 HALF-YEAR FINANCIAL REPORT

KORIAN

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1.1. Message from the Chief Executive Officer

"Korian's revenue grew by more than 16% in the first half of 2016, to almost €1.5 billion. With the integration of Casa Reha, as of 1 January 2016, international subsidiaries now generate almost 50% of the Group's revenue, thus confirming the paradigm shift announced early in 2016. Business activity in the first half of 2016 is therefore in line with our objectives of restoring performance and pursuing the Group's growth projects.

When I became the Group's new Chief Executive Officer, I focused on accelerating the integration of the acquisitions made over the past two years and in Germany in particular, on strengthening our management teams in each country and at the corporate level, and on mobilising all of our employees to serve our customers more effectively and develop our business. These efforts, which are beginning to bear fruit, are part of our Korian 2020 strategy, which will be our Group's roadmap for the next five years.

Against a background of structurally robust and sustainable growth and ongoing progress in geriatric medicine and technology, our ambition is to consolidate our position as Europe's leader in healthcare services for the elderly. To achieve this goal, Korian will continue to develop its two core activities of long-term care nursing homes and specialised clinics, and will expand its range of accompaniment and dependency care services, while optimising its network of facilities and deploying service platforms that are tailored to meet customer needs.

The purpose of this strategy is to create value. Its main priorities are:

- **growth,** mainly organically, driven by the development and restructuring of our networks and the promotion of new service offerings in synergy with our existing facilities, and also by making local acquisitions;
- **improving performance,** in terms of both quality and cost control, by optimising support functions through the leveraging of scale and synergy effects made possible by the size of our network, by strengthening our operating organisation, and by optimising real estate assets through the dynamic management of our property portfolio, the insourcing of property development, global partnerships with investors and a policy of selective ownership of strategic assets;
- **innovation** in therapeutic care policies and in the use of digital technologies for the benefit of our customers and employees.

With 45,000 employees in a network that is unique in Europe, Korian has the resources it needs to pursue its dynamic revenue growth and has raised its EBITDA margin target to 13.7%.

Halfway through the plan, in 2019, the Group is targeting annual revenue of about €3.5 billion and an EBITDA margin of about 14%. These targets exclude strategic acquisitions.

Korian targets for 2021 (excluding strategic acquisitions) include annual revenue of about €3.8 billion and a 100 basis-point increase in the EBITDA margin relative to 2016."

Sophie Boissard
Chief Executive Officer of Korian

1.2. Business in the first half of 2016

1.2.1. MAIN INDICATORS

Korian, the European leader in Ageing Well, saw a sustained improvement in its business, with revenue (and other income) growing 16.3% in the first half of the year, to €1,470.4 million.

At 14 September 2016, the Group had the capacity to accommodate over 71,500 residents/patients in Europe (France, Germany, Italy and Belgium) and employed about 45,000 people. The Group manages over 710 facilities in its four business lines: long-term care nursing homes, post-acute and rehabilitation care clinics, assisted-living facilities and hospital home-care services and devices.

1.2.2. HIGHLIGHTS

1.2.2.1. Change in governance

Statutory governance bodies

▸ NEW CHIEF EXECUTIVE OFFICER

At its meeting of 18 November 2015, the Board of directors unanimously voted to make Mrs Sophie Boissard the Company's new Chief Executive Officer. She succeeded Mr Yann Coléou and took office on 26 January 2016.

At the Board's request, Mr Christian Chautard served as the Chairman and Chief Executive Officer during the interim, from 18 November 2015 until 26 January 2016, at which time the Company resumed its dual governance structure, *i.e.* with separation of the Chairman and Chief Executive Officer positions.

▸ NEW BOARD MEMBERS

At its meeting of 19 May 2016, the Board of directors noted that Batipart Invest and Mr Jacques Ambonville had decided not to stand for reappointment.

Shareholders at the combined general meeting of 23 June 2016 (the "**2016 Meeting**") voted to:

- renew the independent directorships of Mrs Anne Lalou and Mr Guy de Panafieu, for a term of three years to expire upon completion of the annual general meeting called to approve the accounts for the year ending 31 December 2018;
- appoint Mr Jean-Pierre Duprieu as an independent director to the Board, for a term of three years to expire upon completion of the annual general meeting called to approve the accounts for the year ending 31 December 2018;
- ratify the co-optation to the Board of Investissements PSP, to succeed MAAF Assurances for the remainder of the latter's term of office, *i.e.* upon completion of the annual general meeting called to approve the accounts for the year ending 31 December 2016.

At its meeting of 14 September 2016, the Board also noted that Mr Jérôme Bichut was named by Investissements PSP to be its permanent representative, effective 2 August 2016. He succeeded Mr Niall Boland.

The Board of directors is therefore composed of 10 members: Mr Christian Chautard (Chairman), Mr Jérôme Grivet, Predica (represented by Mrs Françoise Debrus), Investissements PSP (represented by Mr Jérôme Bichut), Malakoff Médéric Assurances (represented by Mr Hugues du Jeu), Mr Jean-Pierre Duprieu, Mr Martin Hoyos, Mrs Anne Lalou, Mr Guy de Panafieu and Mrs Catherine Soubie.

Pursuant to article 11.4 of the articles of association, on 25 January 2016 Mrs Hafida Cola was appointed by the Company's most representative trade union as the employee representative to the Board. She succeeded Mrs Amélie Nun.

Jean-Claude Georges-François is the Observer to the Board.

Internal governance

On 26 February 2016, Mr Laurent Lemaire became the Group's new Chief Financial Officer, succeeding Mr Jean-Brieuc Le Tinier, who resigned on 31 December 2015 (1).

On 21 March 2016, Mr Ralf Stiller was named Executive Director Germany and was appointed to the Group Executive Committee.

The Group Executive Committee, whose members report to Mrs Sophie Boissard, the Chief Executive Officer, is composed of Mr Laurent Lemaire (Group Chief Financial Officer), Mr Philippe Denormandie (Group Deputy Chief Executive Officer), Mrs Cécile Jolly (Group Marketing and Digital Director), Mr Rémi Boyer (Group Human Resources Director), Mr Didier Armaingaud (Group Medical and Quality Director), Mr Ralf Stiller (Executive Director Germany), Mrs Mariuccia Rossini (Executive Director Italy) and Mr Bart Bots (Executive Director Belgium).

1.2.2.2. Pursuit of the development strategy

France

In January 2016, Korian acquired two long-term care nursing homes in the French departments of Essonne and Aude, with a total capacity of 241 beds.

These acquisitions confirm the Group's determination to seize all opportunities that will further its project to develop business in France.

(1) *Mr Didier Laurens, Director of Investor Relations and Financing, served as the interim Chief Financial Officer.*

Germany

In January 2016, Korian acquired the Casa Reha group, the third largest operator of long-term care nursing homes in Germany, with 70 facilities representing a total capacity of over 10,000 beds and employing the equivalent of over 4,500 full-time employees. Casa Reha, which also has a portfolio of 782 beds in the pipeline, generated revenue of approximately €270 million. The Group consolidated Casa Reha in its accounts on 1 January 2016.

This acquisition, which balances out Korian's offering of services in Europe, will enable the Group to optimise its coverage of the German market and strengthen its leadership position in Europe's largest and most dynamic market for services for the elderly, with potential annual sales of €800 million.

In March 2016, Korian also opened a new facility in Sarre, with a capacity of 99 long-term care nursing home beds and 50 assisted-living beds, and in June 2016 a long-term care nursing home in Saxe, with a capacity of 157 beds.

Thus the Group has confirmed its determination to strengthen its presence in the German market, through a combination of organic growth and selective acquisitions.

Italy

In January 2016, following the transfer of the activity of a 99-bed post-acute and rehabilitation clinic in Sardinia, Korian opened a post-acute and rehabilitation clinic also in Sardinia, with a capacity of 83 beds.

In February 2016, Korian opened a new facility in Lombardy, with a capacity of 116 long-term care nursing home beds and 33 assisted-living beds.

Belgium

In April 2016, Korian opened a new facility in Flanders, with a capacity of 120 long-term care nursing home beds and 26 assisted-living beds.

1.2.2.3. New commercial paper issuance programme

In order to diversify its financial resources and fund its cash requirements, in the first half of 2016, Korian set up a programme to issue short-term negotiable securities *(titres négociables à court terme,* formerly *billets de trésorerie)*. Issuance will total €300 million, with maturity of one year or less.

1.2.2.4. Share capital increase

In accordance with the provisions of Article L. 225-178 (3) of the French Commercial Code, subsequent to the exercise of 3,000 share subscription options in 2015, at its 21 January 2016 meeting the Board of Directors recorded a €15,000 increase in the Company's share capital, resulting from the issuance of 3,000 new shares having a par value of five euros (€5) each, thereby increasing share capital from €397,328,365 to €397,343,365.

1.2.2.5. Financial authorisations

At the 2016 Meeting, the following financial authorisations and powers were granted and/or renewed.

Type	Purpose
Resolution No. 15 **Share buyback programme** **Term: 18 months**	To authorise the buying back of shares to a maximum of 10% of share capital, either on the stock market or through the purchases of blocks of shares, and to dispose of the shares thus purchased by various means. Share capital may be reduced by cancelling the shares thus purchased. Maximum purchase price per share: €50. Buyback cap: 10% of share capital.
Resolution No. 16 **Authorisation to reduce share capital by cancelling treasury shares** **Term: 18 months**	To authorise the Board of directors to reduce the Company's share capital by cancelling treasury shares held currently or to be acquired under a share buyback programme. The capital reduction shall be limited to 10% of the Company's share capital over a 24-month period.
Resolution No. 17 **Authorisation to increase share capital, with maintenance of the shareholder pre-emptive subscription right** **Term: 26 months**	To authorise the Board of directors to increase the Company's share capital by issuing ordinary shares and/or securities that carry the right to acquire the Company's capital and/or debt securities, with maintenance of the shareholders' pre-emptive subscription right, to a maximum nominal amount (i) of €150 million for equity securities (subject to the nominal amount of any additional shares that must be issued to preserve the rights of the holders of securities that carry the right to acquire the Company's capital), and (ii) of €1 billion in respect to the issuance of debt securities that carry the right to acquire share capital.
Resolution No. 22 **Authorisation to increase share capital to remunerate contributions in kind** **Term: 26 months**	To authorise the Board of directors to remunerate contributions in kind to the Company consisting of equity securities or other securities that carry the right to acquire the Company's capital. The contributions would be remunerated by issuing shares in the Company or other equity securities and/or securities that carry the right to acquire share capital, to a maximum of 10% of the share capital.
Resolution No. 23 **Authorisation to increase share capital through the incorporation of reserves, earnings, share premiums and the like** **Term: 26 months**	To authorise the Board of directors to increase share capital through the incorporation of reserves, earnings, share premiums and the like which may be incorporated into capital, either by (i) issuing bonus shares, (ii) by increasing the par value of shares, (iii) or by doing both. Nominal amount of the capital increases: €20 million.
Resolution No. 25 **Authorisation to increase share capital for the benefit of the members of an employee savings plan, with cancellation of the pre-emptive subscription right** **Term: 26 months**	To authorise the Board of directors to increase share capital by a maximum nominal amount of €2 million, by issuing shares or securities that carry the right to acquire the Company's capital exclusively for the benefit of the members of a Company savings plan (this is a legal obligation).

1.2.2.6. The 2016 dividend

Following shareholder approval at the 2016 Meeting, the Company proceeded with payment of a dividend of €0.60 per share, with the option of payment in shares (based on a share price of €26.62). This option resulted in the issuance of 709,369 new shares, which were issued on 20 July 2016 and admitted to trading on the Euronext Paris exchange on 22 July 2016. The shares shall carry dividend rights as of 1 January 2016 and enjoy the same rights as the outstanding ordinary shares. The cash dividend totalled €28.65 million and was paid to shareholders on 22 July 2016.

The Company's share capital now stands at €400,890,210 and consists of 80,178,042 shares.

1.3. Consolidated financial statements

It should be noted that Korian uses EBITDAR as its benchmark indicator, to enable operating performance to be assessed independently of the Company's real estate policy, as the ownership or rental of facility buildings has an impact on operating income. EBITDAR represents earnings from operations before rental expense.

EBITDA is EBITDAR minus rental expense.

1.3.1. SUMMARY INCOME STATEMENT

In millions of euros	H1 2016	H1 2015	Change
Revenue (and other income)	1,470.4	1,264.0	16.3%
EBITDAR	**393.0**	**340.8**	**15.3%**
%	*26.7%*	*27.0%*	*-0.2%*
Rent	-186.3	-169.1	10.2%
EBITDA	**206.7**	**171.7**	**20.4%**
%	*14.1%*	*13.6%*	*0.5%*
Depreciation, amortisation and provisions	-78.5	-58.4	34.5%
EBIT	**128.2**	**113.3**	**13.1%**
%	*8.7%*	*9.0%*	*-0.2%*
Other operating income and expenses	-13.7	-5.5	150.7%
Operating income	**114.5**	**107.8**	**6.1%**
Financial result	-52.7	-28.5	84.5%
Profit/(Loss) before tax	**61.8**	**79.3**	**-22.1%**
Tax	-28.7	-28.9	-0.8%
%	*-46.4%*	*-36.5%*	*-9.9%*
Non-controlling interests	-0.8	-1.3	-39.0%
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP'S OWNERS	**32.3**	**49.1**	**-34.2%**

1.3.2. REVENUE [(2)]

In millions of euros	H1 2016	H1 2015	Change
GROUP	**1,470.4**	**1,264.0**	**16.3%**
France	778.1	757.9	2.7%
Germany	419.5	246.9	69.9%
Italy	156.2	153.2	2.0%
Belgium	116.6	106.0	10.0%

The Korian group generated revenue of €1,470.4 million in the first half of 2016, which represents an increase of 16.3%.

- France – Revenue in France in the first half of 2016 rose 2.7%, to €778.1 million. Organic growth was 2.3% over the first six months and accelerated slightly in the second quarter (2.5%). This growth was driven mainly by the Seniors division (long-term care nursing homes), where occupancy rates rose 95.8% and average daily rates were solid. The revenue of the Healthcare division (post-acute and rehabilitation care clinics) also grew, thanks to a 98% occupancy rate and sales of additional services, which offset some of the decrease in health insurance tariffs observed in the first half of the year. The first six months saw 13% revenue growth of Korian France's restructured healthcare facilities, which represent a total of 367 beds, in addition to the 241 beds acquired during the period.

(2) (and other products)

- Germany – Revenue growth in Germany, which has been largely driven by Casa Reha's contribution since 1 January, surged 69.9%, to €419.5 million. The 9.2% organic growth is attributable to the steady increase in the occupancy rate of the subsidiary's pre-acquisition facilities, which is now 93%. Average daily rates were also boosted by favourable care tariff negotiations. Lastly, organic growth also benefited from the ramping up of activity in facilities opened in late 2015, and from the opening of 306 new beds in the first half of 2016.
- Italy – Revenue in Italy rose 2.0%, to €156.2 million. The organic growth of 2.6% was driven by the excellent occupancy rate of long-term care nursing homes (96%) and an increase in the specialised clinic occupancy rate to above 93%. Organic growth also benefited from the opening of 219 beds in the first half of the year.
- Belgium – The annual revenue of €116.6 million represents 10.1% growth overall and 6.4% organically. This excellent performance is the result of higher occupancy and higher average rates, the increasing impact of the beds added to the Belgian network in 2015 and the 278 beds opened up so far in 2016.

1.3.3. EBITDAR

In millions of euros	H1 2016	% rev.	H1 2015	% rev.	Change
GROUP	**393.0**	**26.7%**	**340.8**	**27.0%**	**15.3%**
France	214.0	27.5%	203.5	26.9%	5.1%
Germany	112.7	26.9%	75.1	30.4%	50.0%
Italy	35.9	23.0%	36.1	23.6%	-0.6%
Belgium	30.4	26.1%	26.1	24.6%	16.7%

The Group's EBITDAR totalled €393.0 million in the first half of 2016, up €52.2 million (+15.3%) compared to the first half of 2015. The Korian group's EBITDAR margin declined 30 basis points, to 26.7%.

- France: EBITDAR was €214.0 million, up 5.1%. The EBITDAR margin rose 65 basis points. This increase is largely attributable to synergy gains and good control of costs.

  This compensates for:
  - the harmonisation of employment conditions between Korian and Medica;
  - more restrictive government funding conditions, which impacted the healthcare sector in general.
- Germany: EBITDAR was €112.7 million, which represents an increase of 50.0% as a result of Casa Reha's integration. The EBITDAR margin fell by 357 base points, due to:
  - the increase in personnel expenses resulting from the difficulties encountered in the second half of 2015;
  - the harmonisation of the rules for the half-yearly calculation of provisions on paid holidays, with no impact on the annual base and calculation pursuant to the Group's method.
- Italy: EBITDAR declined 0.6%, to €35.9 million, with the EBITDAR margin shrinking by 59 basis points. This is mainly attributable to the opening of a new facility during the period.
- Belgium: EBITDAR was €30.4 million, for 16.7% growth and a 150 basis point improvement in the margin made possible by good control of operating expenses.

EBITDAR in the first half of 2016 included €5 million of non-recurring items in Germany.

1.3.4. EBITDA

In millions of euros	H1 2016	% rev.	H1 2015	% rev.	Change
Group EBITDA	206.7	14.1%	171.7	13.6%	20.4%

The Group's EBITDA totalled €206.7 million, for 20.4% growth and a 50 basis point improvement.

EBITDA in the first half of 2016 includes the impact of the application of the IAS 17 accounting standard on Casa Reha's consolidation, and non-recurring items of €9 million resulting from real estate transactions.

1.3.5. NET PROFIT

The increase in depreciation/amortisation is mainly attributable to the application of IAS 17 on Casa Reha's consolidation.

Non-recurring items consist essentially of provisions on the upcoming sale of a loss-making French facility and additional provisions in Germany related to human resources issues.

The net financial loss increased 84.5% to -€52.7 million. The main explanation for this is the consolidation of acquisitions in Germany (including that of Casa Reha in the first half of 2016) and the application of the IAS 17 standard to these acquisitions.

Corporate income tax was €28.7 million, including €3 million of non-recurring expenses.

The net profit attributable to the Group's owners was €32.3 million, down from €49.1 million in the first half of 2015.

1.3.6. FINANCIAL STRUCTURE

At 30 June 2016, Korian's equity attributable to the Group's owners stood at €1,899 million.

The Group's net financial liabilities totalled €2,332 million, which is €687 million more than at 31 December 2015.

This increase is mainly attributable to the payment of the Casa Reha acquisition out of the Group's cash, to the consolidation of Casa Reha's gross real estate debt and the impact of IAS 17 on the balance sheet.

The financial structure remains sound with a debt ratio excluding real estate debt of 3.9, which is significantly below the covenant limit of 4.5.

1.4. Material events since 1 July 2016

1.4.1. OPTIMISATION OF GROUP FINANCING

Given the favourable borrowing conditions, on 21 July 2016 Korian entered into an agreement to refinance its syndicated loan agreement of 12 March 2014.

The new syndicated loan consists of two tranches that mature in five years:

- a term loan tranche of €650 million that has been fully drawn down;
- a revolving tranche of €650 million that has not been tapped and which may be used for general funding purposes.

The covenant debt ratio (= Net Debt - Real Estate Debt) / (EDITDA - 6.5% of Real Estate Debt) is 4.5 at 31 December and 4.75 at 30 June, throughout the term of the loan. The new syndicated loan agreement required no collateral and allows the Group to borrow an additional €900 million in real estate debt and €150 million in non-real estate debt externally, *i.e.* outside of the loan agreement.

The bank syndicate is composed of 16 European banks.

This refinancing will give the Company more financial flexibility to pursue its development while lowering its cost of funding and significantly lengthening the maturity of its debt.

1.4.2. PURSUIT OF THE DEVELOPMENT STRATEGY

In Italy

Effective 1 July 2016, a 285-bed long-term-care nursing home in Lombardy was deconsolidated.

In Belgium

On 19 August 2016, the Group acquired the Belgian group Foyer de Lork, a leader in long-term care nursing homes and assisted-living facilities in Flanders. Another acquisition, that of OTV [3], is to be completed in early 2017. Together, these two acquisitions will mean 16 additional facilities with over 1,300 beds and a portfolio of projects representing over 1,400 additional beds of which some 700 will be opened over the next two years (half of these in assisted-living facilities) and annual revenue of approximately €70 million.

These acquisitions are part of Korian's strategy to enhance its service offering and will enable the Group to become Belgium's second largest private-sector operator of assisted-living facilities and long-term care nursing homes while establishing a significant position in the country's fast-growing homecare sector.

1.5. Risk factors

No risks are foreseen other than those identified in Section 3.6 "Risk factors", of the 2015 Registration Document, filed with the *Autorité des marchés financiers* (AMF) on 26 April 2016 under number D.16-0405.

There were no significant changes to these risk factors in the first half of 2016.

1.6. Related-party transactions

Details of related-party transactions in the first half of 2016 can be found in Note 19 to the condensed half-year financial statements in this half-year Financial Report.

There have been no significant changes compared to the information provided in the Company's 2015 Registration Document.

(3) An advance payment on the acquisition price was paid in June 2016.

CHAPTER 2.

Condensed half-year consolidated financial statements

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2.1. Condensed consolidated financial statements at 30 June 2016

2.1.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

In thousands of euros	Notes	30.06.2016	31.12.2015
Goodwill	4	2,132,114	1,707,317
Intangible assets	5	1,715,126	1,700,952
Property, plant and equipment		1,611,703	1,295,551
Non-current financial assets		31,263	31,224
Shares in associates			
Deferred tax assets		221,738	148,890
Non-current assets		**5,711,944**	**4,883,933**
Inventories		9,245	8,170
Trade receivables		169,467	154,229
Other receivables and current assets		243,980	199,545
Financial instruments	10	9	209
Cash and cash equivalents	6	155,804	518,833
Current assets		**578,505**	**880,986**
Assets held for sale	3	1,887	108
TOTAL ASSETS		**6,292,336**	**5,765,027**

Equity and liabilities

In thousands of euros	Notes	30.06.2016	31.12.2015
Share capital		397,343	397,328
Premiums		927,193	927,157
Consolidated earnings and retained earnings		574,909	598,242
Equity attributable to the Group's owners		**1,899,445**	**1,922,727**
Non-controlling interests		12,008	11,183
Total equity		**1,911,453**	**1,933,911**
Provisions for retirement benefits		60,378	49,634
Deferred taxes		751,931	690,750
Other provisions	12	129,137	69,265
Borrowings	11	2,380,995	2,068,516
Non-current liabilities		**3,322,441**	**2,878,166**
Provisions for liabilities due in less than 1 year	12	12,436	12,717
Trade payables		228,721	228,139
Other payables and accruals		684,692	597,030
Borrowings due within 1 year and bank overdrafts	11	107,094	95,183
Financial instruments	10	25,499	19,882
Current liabilities		**1,058,442**	**952,951**
Liabilities held for sale	3	0	0
TOTAL LIABILITIES		**6,292,336**	**5,765,027**

2.1.2. CONSOLIDATED INCOME STATEMENT

Comprehensive income

In thousands of euros	Notes	30.06.2016	31.12.2015	30.06.2015
Revenue		**1,469,476**	**2,573,304**	**1,263,977**
Other income		967	5,950	
Operating income		**1,470,443**	**2,579,254**	**1,263,977**
Purchases used in the business		117,629	212,357	99,330
Personnel expenses	14	744,112	1,267,256	615,861
External expenses	15	352,431	664,264	332,701
Income and other taxes		50,008	95,134	43,978
Depreciation and amortisation		78,499	123,829	58,386
Other operating revenues and expenses		429	112	-405
Gain/Loss on acquisition and disposal of consolidated entities	16	-1,782	-1,048	-565
Other operating income and expenses	16	-11,957	-36,515	-4,909
Operating income		**114,453**	**178,963**	**107,842**
Financial expense		-44,292	-52,806	-24,496
Financial income		25	200	17
Cost of gross debt	**17**	**-44,267**	**-52,605**	**-24,479**
Income from cash and cash equivalents		3	641	307
Cost of net debt	**17**	**-44,264**	**-51,964**	**-24,172**
Other financial expense	17	-8,811	-15,515	-4,871
Other financial income	17	422	2,527	501
Profit/(Loss) before tax		**61,801**	**114,012**	**79,300**
Income tax	18	-28,678	-53,042	-28,905
Profit/(Loss) of consolidated companies		**33,122**	**60,970**	**50,395**
Group share of profit/(loss) of associates				
Non-controlling interests		785	2,279	1,286
Share attributable to the Group's owners		**32,338**	**58,691**	**49,108**
Basic earnings (attrib. to the Group's owners) per share ***(in euros)***	9	0,41	0,74	0,62
Diluted earnings (attrib. to the Group's owners) per share ***(in euros)***	9	0,40	0,73	0,61
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP'S OWNERS		**32,338**	**58,691**	**49,108**
Recycled items: Impact of IAS 39 (measurement of hedging derivatives), net of tax		-3,811	1,761	3,842
Non-recycled items: Impact of IAS 19 (actuarial gains and losses)		-4,126	2,420	1,547
Gains and losses recognised directly in equity (attributable to the Group's owners)		**-7,937**	**4,181**	**5,388**
Profit/(Loss) and gains and losses recognised directly in equity (attributable to the Group's owners)		24,400	62,872	54,497
Profit/(Loss) and gains and losses recognised directly in equity (non-controlling interests)		778	2,293	1,290

2.1.3. CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	30.06.2016	30.06.2015
Net profit/(loss)	**33,122**	**50,395**
Of which income tax expense	*28,678*	*28,905*
Net depreciation, amortisation and provisions	82,629	61,008
Deferred taxes	-6,651	-1,014
Expense on discounting of pension liabilities		
Gain/(Loss) on financial liabilities at fair value through profit and loss	-1,865	-212
Gain on disposal of assets	2,417	50
Value under IFRS 2 (BSA and PEG)		
Elimination of the share of income of associates	0	0
Costs charged to merger premium		
Cash flow after cost of net debt	**109,653**	**110,227**
Elimination of acquisition costs of securities	1,782	
Elimination of net interest paid	44,264	24,172
Cash flow before cost of net debt	**155,698**	**134,399**
Change in inventories	-336	-398
Change in trade receivables	-11,151	-15,253
Change in trade payables	2,091	-21,723
State: change in income tax	7,130	25,830
Change in other items	-21,676	-29,904
Change in working capital requirements	**-23,942**	**-41,448**
Net cash flow from/(used in) operating activities	**131,756**	**92,951**
Impact of changes in scope (acquisitions) (*)	-354,234	-23,417
Impact of changes in scope (disposals)	4	0
Payment for property, plant and equipment and intangible assets	-91,981	-70,710
Payment for other financial investments	-18,464	-212
Proceeds from disposals of non-current assets (excluding securities)	719	592
Net cash from/(used in) investing activities	**-463,956**	**-93,747**
Net cash flow	**-332,199**	**-796**
Capital increase of non-controlling interests	51	34
Treasury shares charged to equity	521	-1,969
Increase in financial liabilities	43,761	181,733
Repayment of financial liabilities	-48,536	-176,610
Net interest paid	-37,878	-24,172
Dividends paid to shareholders of the parent		
Dividends paid to non-controlling interests in consolidated companies	-1	-2,325
Dividends payable		
Net cash from/(used in) financing activities	**-42,083**	**-23,309**
CHANGE IN CASH POSITION	**-374,282**	**-24,105**
Cash and cash equivalents at start of period	509,974	228,778
Cash and cash equivalents at end of period	135,692	204,673
Marketable securities	8,251	105,108
Cash	147,553	106,902
Bank overdrafts and advances	-20,112	-7,337
CASH	**135,692**	**204,673**

(*) Impact on cash of subsidiary acquisitions and disposals, excluding €28.071 million in acquired cash.

2.1.4. CHANGES IN CONSOLIDATED EQUITY

In thousands of euros	Share capital	Premiums	Charged directly to equity	Consolidated earnings and retained earnings	Equity attributable to the Group's owners	Non-controlling interests	Total equity
At 31 December 2014*	**395,187**	**916,934**	**246,942**	**345,018**	**1,904,081**	**-1,529**	**1,902,552**
Dividend distribution				-47,424	-47,424	-2,636	-50,060
Capital increase	10	24			34		34
Share-based payment							
Business combinations			-14,463		-14,463	11,660	-2,803
Treasury shares			-1,848		-1,848		-1,848
Other changes				1	1	25	27
Profit/(Loss) for first half of 2015				*49,108*	*49,108*	*1,286*	*50,395*
Impact of IAS 19 (actuarial gains and losses)			1,547		1,547	4	1,551
Measurement of hedging derivatives net of tax			3,842		3,842		3,842
Comprehensive income			*5,388*	*49,108*	*54,497*	*1,290*	*55,787*
At 30 June 2015	**395,197**	**916,958**	**236,020**	**346,704**	**1,894,878**	**8,811**	**1,903,689**
Dividend distribution					80	256	336
Capital increase	2,131	10,200			12,331		12,331
Share-based payment							
Business combinations			5,239		5,239	17	5,256
Treasury shares			1,626		1,626		1,626
Other changes				198	198	1,097	1,295
Profit/(Loss) for second half of 2015				*9,583*	*9,583*	*993*	*10,575*
Impact of IAS 19 (actuarial gains and losses)			873		873	10	883
Measurement of hedging derivatives net of tax			-2,080		-2,080		-2,080
Comprehensive income			*-1,207*	*9,583*	*8,375*	*1,003*	*9,378*
At 31 December 2015	**397,328**	**927,158**	**241,677**	**356,484**	**1,922,727**	**11,184**	**1,933,911**
Dividend distribution				-47,681	-47,681	-13	-47,694
Capital increase	15	36			51		51
Share-based payment							
Business combinations						101	101
Treasury shares			521		521		521
Other changes				-576	-576	-40	-616
Profit/(Loss) for first half of 2016				*32,338*	*32,338*	*785*	*33,122*
Impact of IAS 19 (actuarial gains & losses)			-4,126		-4,126	-7	-4,133
Measurement of hedging derivatives net of tax			-3,811		-3,811		-3,811
Comprehensive income			*-7,937*	*32,338*	*24,400*	*778*	*25,178*
AT 30 JUNE 2016	**397,343**	**927,194**	**234,261**	**340,564**	**1,899,444**	**12,008**	**1,911,452**

(*) 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014.

There are no rights, privileges and restrictions attached to the shares comprising the share capital.

Neither are any shares reserved for issue under options and contracts for the sale of shares.

Following shareholder approval at the 2016 Meeting, the Company proceeded with the distribution of a dividend of €0.60 per share, with the option of payment in newly issued shares based on a share price of €26.62.

The total dividend distribution to shareholders for the year was €47,681 thousand.

Share capital is €397,343,365 and consists of 79,468,673 shares, all of which are fully paid up, are of the same class and have a par value of €5 each.

2.1.5. NOTES TO THE FINANCIAL STATEMENTS

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The consolidated financial statements were approved by the Board of Directors on 14 September 2016.

The Korian group provides and develops an extensive range of dependency care services in France, Germany, Italy and Belgium.

At 30 June 2016, the Korian group consolidated 450 legal entities.

NOTE 1

Accounting policies

Basis of consolidation and declaration of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards and interpretations issued by the IASB (International Accounting Standards Board) and adopted by the European Union at the closing date. These standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretations, and are available on the European Union's website at **http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm**.

The condensed half-year consolidated financial statements ("consolidated financial statements") were prepared in accordance with IAS 34 - Interim Financial Reporting as adopted by the European Union.

The consolidated financial statements comprise the financial statements of Korian SA and the subsidiaries that it controls for the period between 1 January and 30 June 2016.

The consolidated financial statements were prepared using the same accounting policies and methods as those used for the preparation of the consolidated financial statements for the year ended 31 December 2015, with the exception of the following amendments to IFRS standards and interpretations subject to mandatory application for periods beginning on or after 1 January 2016 and which the Group did not anticipate.

- Amendments resulting from the annual accounting standard improvement processes for 2010-2012 and 2012-2014.
- Amendments to the IAS 19 standard "Employee Benefits": employee contributions to a defined benefits plan.
- Amendments to standards IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", to clarify acceptable depreciation and amortisation methods.
- Amendments to IAS 1 standard "Presentation of Financial Statements: Disclosure initiative".
- Amendments to the IFRS 11 standard "Joint Arrangements", which deals with investments in joint operations and ventures.

The Group chose not to early adopt the following new standards, standard amendments and interpretations:

- Standards and amendments adopted by the European Union but only subject to mandatory application as of 30 June 2016
  - Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities: exemption from preparing consolidated accounts.
  - Amendments to IFRS 10 and IAS 28 "Sales or contributions of assets between an investor and an associate/joint venture".
- Standards, amendments and interpretations not adopted by the European Union
  - IFRS 9 "Financial Instruments" and its Amendments (which will replace IAS 39 on financial instruments).
  - IFRS 15 and Amendments "Revenue from contracts with customers", which will supersede IAS 11 and IAS 18.
  - IFRS 14 "Regulatory deferral accounts".
  - IFRS 16 "Leases", which introduces a new lease recognition model and will supersede IAS 17 and its related interpretations.
  - Amendments to IAS 12 "Income Taxes: the recognition of deferred tax assets on unrealised losses".
  - Amendments to IAS 7 "Statement of Cash Flows: Disclosure initiative".
  - IFRS 2 "Classification and measurement of share based payment transactions".

The impact of these standards and amendments is being examined.

Critical accounting estimates and judgements

For the preparation of the consolidated financial statements, the Group uses estimates and judgements that are regularly updated and are based on historical experience and other factors, including expectations of future events deemed reasonable in view of the circumstances.

The assumptions underlying the main estimates made for the first half of 2016 are of the same nature as those described in the notes to the consolidated financial statements at 31 December 2015. General Management revises these estimates when it identifies new developments that need to be factored in or where the circumstances on which these assumptions were based have changed. Actual results could nevertheless materially differ from the estimates.

NOTE 2

Change in scope of consolidation and impact of acquisitions and disposals during the period

Scope of consolidation

At 30 June 2016, the scope of consolidation included, in addition to the parent company Korian SA, 449 fully consolidated companies (vs. 399 at 31 December 2015).

The first half of 2016 was marked by various events.

France:

- The acquisition, in January 2016, of two long-term care nursing homes in the departments of Essonne and Aude with a total capacity of 241 beds.
- The acquisition, in May 2016, of licences for 60 beds for the new long-term care nursing home in Saint-Germain-en-Laye.

Germany:

- The acquisition of CASA REHA, the third largest player in the German nursing home sector (on 7 January 2016). Casa Reha's revenue in the first half of 2016 was €143.1 million.
- The opening in March of a new facility in Sarre (50 assisted-living beds).
- The opening in June 2016 of a new facility in Saxe with 157 long-term care nursing home beds.

Italy:

- The opening in February 2016 of a new facility in Lombardy (116 long-term care nursing home beds and 33 assisted-living beds).
- The opening in January 2016 of a new clinic in Sardinia (83 beds) after the closing of another clinic in Sardinia.
- The opening in March 2016 of 20 additional beds in a clinic in Tuscany.

Belgium:

- The opening in April 2016 of 34 apartments in two assisted-living facilities in Flanders.
- The opening in April 2016 of a new facility in Flanders, with 120 long-term care nursing home beds and 26 assisted-living apartments.
- The opening in May 2016 of additional capacity, in a long-term nursing home in Flanders, of 28 long-term and 3 short-term care beds.

Impact of acquisitions and disposals of subsidiaries and joint ventures on cash

The table below shows the asset and liability allocations (except for cash and cash equivalents) of the subsidiaries acquired during the period. The final allocations will be made on 31 December 2016.

	Total changes in consolidation scope	
In thousands of euros	**Assets**	**Liabilities**
Intangible assets	438,662	
Property, plant and equipment	290,662	
Non-current financial assets	166	
Current assets	112,059	
Equity		380,844
Non-current liabilities		339,029
Current liabilities		149,748

NOTE 3

Discontinued operations and assets held for sale

Discontinued operations

None.

Assets held for sale

A real estate asset in France, which was in the process of being sold, was classified as an "asset held for sale" on 30 June 2016.

NOTE 4
Goodwill

In thousands of euros	30.06.2016	31.12.2015
Gross goodwill at start of period	**1,707,317**	**1,617,589**
Changes in scope	426,170	57,873
Definitive allocation of goodwill	-1,373	25,835
Valuation of commitment to buy out minority interests		
Disposals		
Contingent consideration		6,020
Reclassifications		
Assets held for sale		
Gross goodwill at end of period	**2,132,114**	**1,707,317**
Impairment at start of period		
Impairment during the period		
Impairment at end of period		
Net goodwill at start of period	**1,707,317**	**1,617,589**
NET GOODWILL AT END OF PERIOD	**2,132,114**	**1,707,317**

The goodwill calculated at 30 June 2016 on the acquisitions made during the period remains to be allocated (see Note 2).

The final allocation of goodwill concerns the four Belgian acquisitions made in 2015 (Home Eksterveld BVBA, Deze Haard is Goud Waard asbl, which operates the De Pastorij nursing home, Golden Morgen BVBA and the Ter Bleuk assisted-living facility) and the hospital homecare business in France, for which the final goodwill was calculated within the allocation deadline when the measurement of identifiable assets and liabilities had been finalised.

The final allocation of goodwill mainly has to do with the licences.

Changes in goodwill

In thousands of euros	Group	France	Italy	Germany	Belgium
Net goodwill at start of period	**1,707,317**	**1,173,781**	**171,398**	**248,711**	**113,427**
Changes in scope	426,170	12,990		413,180	
Definitive allocation of goodwill	-1,373	2,835			-4,208
Valuation of commitment to buy out minority interests					
Disposals					
Contingent consideration					
Reclassifications					
Impairment during the period					
Assets held for sale					
NET GOODWILL AT END OF PERIOD	**2,132,114**	**1,189,606**	**171,398**	**661,891**	**109,219**

NOTE 5

Intangible assets

In thousands of euros	Licences	Other	Total
Gross amount at start of period	**1,603,635**	**181,517**	**1,785,152**
Changes in scope	3,246	15,585	18,831
Disposals		-316	-316
Acquisitions	600	10,011	10,611
Transfers		-792	-792
Reclassification			
Assets held for sale			
Gross amount at end of period	**1,607,481**	**206,005**	**1,813,486**
Cumulative amortisation at start of period	**3,755**	**80,445**	**84,200**
Changes in scope		3,098	3,098
Disposals		-186	-186
Amortisation and impairment		11,310	11,310
Transfers		-63	-63
Reclassification			
Cumulative amortisation at end of period	**3,755**	**94,605**	**98,360**
Net carrying amount at start of period	**1,599,880**	**101,072**	**1,700,952**
Assets held for sale			
NET CARRYING AMOUNT AT END OF PERIOD	**1,603,726**	**111,401**	**1,715,126**

Licences broken down by country.

In thousands of euros	France	Italy	Belgium	Total
Gross value at start of period	1,265,414	191,585	146,636	1,603,635
Impairment	3,755			3,755
Net carrying amount at start of period	**1,261,659**	**191,585**	**146,636**	**1,599,880**
Gross value at end of period	1,264,193	191,585	151,703	1,607,481
Impairment	3,755			3,755
NET CARRYING AMOUNT AT END OF PERIOD	**1,260,438**	**191,585**	**151,703**	**1,603,726**

No single licence represents a significant amount for the Group.

NOTE 6

Cash and cash equivalent

In thousands of euros	30.06.2016	31.12.2015
Marketable securities	8,251	9,577
Cash	147,553	509,256
TOTAL	**155,804**	**518,833**

Marketable securities comprise term deposits or euro-denominated open-ended investment funds with variable capital (SICAV), classified in the AMF's "short-term money market fund" category. Pursuant to IAS 7, they are highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value.

NOTE 7

Categories of financial assets

The table below shows the size of financial instruments in proportion to the Group's consolidated assets.

The table presents a breakdown of financial instruments recognised at fair value by valuation method. The different levels of fair value are defined as follows.

- **Level 1:** quoted prices on an active market;
- **Level 2:** observable inputs other than quoted prices on an active market (financial models);
- **Level 3:** unobservable inputs.

						Fair value measurement		
In thousands of euros	**2016**	**Financial assets available for sale**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Cash flow hedging derivatives**	**Level 1: active markets**	**Level 2: observable inputs**	**Level 3: Unobservable inputs**
Non-current assets								
Available-for-sale securities	904	904						904
Other non-current assets	30,358			30,358				
Non-current financial assets	**31,263**	**904**		**30,358**				**904**
Current assets								
Trade receivables	**169,467**			**169,467**				
Other receivables	226,235			226,235				
Deposits and guarantees	17,745			17,745				
Other receivables and current financial assets	**243,980**			**243,980**				
Derivative instruments - assets	**9**				**9**		**9**	
Marketable securities	8,251		8,251			8,251		
Cash	147,553		147,553					
CASH AND CASH EQUIVALENTS	**155,804**		**155,804**			**8,251**		

The book value of financial assets is considered to be their fair value.

NOTE 8

Transfer and use of financial assets

In accordance with IAS 39, the Group derecognises financial assets when they are no longer expected to generate future cash flows and when most of the risks and rewards attached to them have been transferred.

Under factoring contracts, contracts covering the assignment of receivables concluded solely in Italy are used to assign a portion of the receivables of certain subsidiaries to a group of financial institutions, with a transfer of most of the risks and rewards attached to the receivables assigned *(prosolvendo factoring)*.

Receivables assigned by the Italian subsidiaries are sold at their par value less an initial charge of between 0.3% and 0.6%, recorded in other expenses, to which interest at the Euribor rate plus a margin is added and recorded as a financial expense.

Receivables assigned and derecognised in the first half of 2016 totaled €60,382 thousand.

The assignment of these receivables resulted in a loss of €567 thousand in the first half of 2016.

Breakdown of assignment of receivables over the period		1st quarter 2016	2nd quarter 2016
Receivables assigned	60,382	26,808	33,574
Receivables collected	61,480	28,165	33,315
Fees for management and recovery of assigned receivables	-262	-123	-139
Corresponding financial expense	-305	-164	-141
Gain/(Loss) on assignment	**-567**	**-287**	**-280**
NET CASH RECEIVED	**60,913**	**27,878**	**33,035**

NOTE 9

Earnings per share

	30.06.2016	31.12.2015	30.06.2015
Net profit/(loss) attributable to the Group's owners ***(in thousands of euros)***	32,338	58,691	49,108
Weighted average number of shares ***(in thousands)***	79,688	79,688	79,688
EARNINGS PER SHARE *(in euros)*	**0.41**	**0.74**	**0.62**
Net profit/(loss) attributable to the Group's owners ***(in thousands of euros)***	32,338	58,691	49,108
Weighted average number of shares ***(in thousands)***	79,688	79,688	79,688
Adjustments for stock options	401	401	401
Average number of shares used for calculation of diluted earnings per share	80,089	80,089	80,089
DILUTED EARNINGS PER SHARE *(in euros)*	**0.40**	**0.73**	**0.61**

NOTE 10

Hedging instruments

The Korian group uses derivative financial instruments to hedge against changes in interest rates, given that most of its financial liabilities are at variable rates.

At 30 June 2016, the market value of instruments designated as interest rate hedges was a negative €25,490 thousand.

The table below shows the income, expenses, gains and losses recognised in profit or loss and in equity before deferred taxes in the first half of 2016 for each category of financial instrument.

	Impact on equity and change in fair value	Impact of hedging on profit or loss	Impact of undocumented items on profit or loss	Impact of instruments balanced in cash on profit or loss
Financial instruments eligible for hedge accounting	-5,817	5		
Financial instruments ineligible for hedge accounting			-4	
Financial instruments balanced in cash				
TOTAL	**-5,817**	**5**	**-4**	

Assets	31.12.2015	Newly consolidated companies	Deconsolidated	Change	30.06.2016
Interest rate swaps					
Options	209			-200	9
Total hedging instruments - Assets	**209**			**-200**	**9**
TOTAL FINANCIAL INSTRUMENTS - ASSETS	**209**			**-200**	**9**

Liabilities	31.12.2015	Newly consolidated companies	Deconsolidated companies	Change	30.06.2016
Interest rate swaps	18,751			5,712	24,463
Options	638			-100	538
Total hedging instruments - Liabilities	**19,389**			**5,612**	**25,001**
Interest rate swaps	493			5	498
Options					
Total ineligible financial instruments - Liabilities	**493**			**5**	**498**
TOTAL FINANCIAL INSTRUMENTS - LIABILITIES	**19,882**			**5,617**	**25,499**
NET TOTAL	**19,673**			**5,817**	**25,490**

NOTE 11

Financial liabilities

Net indebtedness (current/non-current)

	30.06.2016	31.12.2015
Loans from credit institutions	1,584,431	1,532,901
Real estate debt	794,721	535,138
Employee profit sharing	31	31
Other financial liabilities	1,813	447
Liabilities held for sale		
Non-current financial liabilities	**2,380,995**	**2,068,516**
Short-term loans from credit institutions	741	15,294
Short-term real estate debt	71,073	62,263
Bank overdrafts and advances	20,112	8,859
Other short-term financial liabilities	15,168	8,767
Liabilities held for sale		
Short-term financial liabilities	**107,094**	**95,183**
Financial liabilities (A)	**2,488,089**	**2,163,699**
Marketable securities	8,251	9,577
Cash	147,553	509,256
Assets held for sale		
Cash (B)	**155,804**	**518,833**
NET DEBT (A) - (B)	**2,332,285**	**1,644,866**

Breakdown of borrowings by interest rate category

In thousands of euros		30.06.2016	31.12.2015
Fixed rate	48%	1,194,748	895,557
Variable rate	52%	1,293,341	1,268,142
TOTAL		**2,488,089**	**2,163,699**

At 30 June 2016, most of Korian group's debt bore a variable interest rate. The Group uses standard derivative instruments (*e.g.* interest rate swaps, caps and floors) to hedge against fluctuations in interest rates.

Including financial instruments, 44% of variable-rate borrowings at 30 June 2016 were hedged.

Breakdown of borrowings by maturity

In thousands of euros	30.06.2016	31.12.2015
< 1 year	107,094	95,183
1 to 5 years	1,398,463	1,178,314
> 5 years	982,532	890,202
TOTAL	**2,488,089**	**2,163,699**

Change in indebtedness as at 30 June 2016

- The increase in gross debt in the first half of 2016 is mainly attributable to the application of accounting standard IAS 17 to the recognition of some property leases on the balance sheet. The book value of these liabilities at 30 June 2016 was €282 million.
- Gross borrowings were also increased by the issuance, in January 2016, of two additional tranches of the *Schuldschein* initially issued in December 2015, for €41.5 million.
- The Group's net financial liabilities at the end of the first half were €2,332 million, which is €687 million more than their total at 31 December 2015 (€1,645 million).
- In addition to the impact of the application of accounting standards, net debt was increased by the investments made to integrate acquisitions and to ensure the Group's development. Of particular note is the significant impact of the acquisition of the German group Casa Reha and of two French facilities, and of the investment made in building additional capacity.
- The financial structure remains sound with a debt ratio excluding real estate debt of 3.9, which is significantly below the covenant limit of 4.5.

NOTE 12

Other provisions

Non-current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at start of period	**7,208**	**20,778**	**41,279**	**69,265**
Additions	4,998	6,085	7,099	18,182
Used	-104		-1,430	-1,534
Reversals	-3,580	-2,035	-6,214	-11,830
Changes in scope	54,538	60	1,558	56,156
Reclassifications	692	-8,690	6,897	-1,102
Liabilities held for sale				
BALANCE AT END OF PERIOD	**63,751**	**16,197**	**49,188**	**129,137**

Current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at start of period	**1,880**	**6,073**	**4,764**	**12,717**
Additions		1,823	2,004	3,827
Used		-37		-37
Reversals	-197	-532	-2,037	-2,766
Changes in scope				
Reclassifications	-1,629	2,529	-2,205	-1,305
Liabilities held for sale				
BALANCE AT END OF PERIOD	**54**	**9,856**	**2,526**	**12,436**

Main risks and disputes

Risks relating to operating disputes ("Other" column)

Provisions for operating risks relate mainly to care.

Allowances received under tripartite agreements are recognised in revenue.

When filing use-of-funds statements, surplus care allowances are allocated to the compensation reserve, thereby resulting in income for the Company.

Korian recognises all income in use-of-funds statements as revenue and records surpluses as provisions to cover the risk of having the funds allocated differently by the public authorities. The amount allocated for the half-yearly period net of reversals was €4.3 million.

Tax disputes

Provisions for tax disputes provide a reserve against tax adjustments and tax disputes for which the amounts have been contested. The provisions represent the best estimate of the risk at 30 June 2016.

Employee-related disputes

The provisions set aside cover pending employee disputes and termination benefits. No individual employee dispute represents a significant amount.

To the knowledge of the Company and its legal advisors, there are no disputes not covered by provisions liable to have a material impact on the Group's business, results or financial position.

NOTE 13

Categories of financial liabilities

The table below shows the size of financial instruments in proportion to the Group's consolidated liabilities.

The table breaks down financial instruments recognised at fair value by valuation method. The different levels of fair value are defined as follows:

- **Level 1:** quoted prices on an active market;
- **Level 2:** observable inputs other than quoted prices on an active market (financial models);
- **Level 3:** unobservable inputs.

In thousands of euros	2016	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss		Cash flow hedging derivatives	Fair value measurement		
			Fair value hedging derivatives	Derivatives ineligible for hedge acct.		Level 1: Active markets	Level 2: Observable inputs	Level 3: Unobservable inputs
Non-current liabilities								
Loans from credit institutions	1,584,431	1,584,431						
Real estate debt	794,721	794,721						
Employee profit sharing	31	31						
Other financial liabilities	1,813	1,813						
Borrowings	**2,380,995**	**2,380,995**						
Current liabilities								
Loans from credit institutions	741	741						
Real estate debt	71,073	71,073						
Bank overdrafts and advances	20,112	20,112						
Other financial liabilities	15,168	15,168						
Loans due in less than 1 year and bank overdrafts	**107,094**	**107,094**						
Derivative financial liabilities	**25,499**		**0**	**498**	**25,001**		**25,499**	
Trade payables and related accounts	**228,721**	**228,721**						
Commitment to buy out non-controlling interests	1,109	1,109						
Residents' deposits	59,950	59,950						
Other liabilities	623,633	623,633						
OTHER PAYABLES AND ACCRUALS	**684,692**	**684,692**						

NOTE 14

Personnel expenses

In thousands of euros	30.06.2016	31.12.2015	30.06.2015
Wages and salaries	560,124	925,753	457,759
Social security charges	182,905	330,095	157,623
Employee profit sharing	4,914	11,308	2,874
Other personnel expenses	-3,831	101	-2,394
PERSONNEL EXPENSES	**744,112**	**1,267,256**	**615,861**

NOTE 15

External expenses

In the first half of 2016, external expenses totaled €352,431 thousand and included property and equipment leasing charges of €186,296 thousand. In the first half of 2015, external expenses totaled €332,701 thousand and included property and equipment leasing charges of €169,126 thousand.

External expenses for business in Italy totaled €92,300 thousand. This includes salary expenses invoiced by cooperatives.

NOTE 16

Gains and losses on acquisition and disposal of consolidated entities and other operating income and expenses

In thousands of euros	30.06.2016	31.12.2015	30.06.2015
Securities acquisition costs	-1,782	-5,146	-565
Gain/(Loss) on disposal of consolidated entities		4,098	0
GAIN/(LOSS) ON ACQUISITION AND DISPOSAL OF CONSOLIDATED ENTITIES	**-1,782**	**-1,048**	**-565**

In thousands of euros	30.06.2016	31.12.2015	30.06.2015
Gain/(Loss) on disposal of premises			
Share of sale and leaseback gain	1,917	3,835	1,898
Gain/(Loss) on disposal of non-current assets	-541	-1,851	-619
Impact of purchase price allocation of Medica			-377
Restructuring expenses			-1,826
Impairment of operating licenses		-3,753	
Other operating expenses	-13,333	-34,746	-5,196
Other operating income			1,212
TOTAL INCOME (EXPENSES)	**-11,957**	**-36,515**	**-4,908**

NOTE 17

Net financial result

In thousands of euros	30.06.2016	31.12.2015	30.06.2015
Interest expense and other	-44,267	-52,605	-24,478
Gross borrowing costs	**-44,267**	**-52,605**	**-24,478**
(Gain)/Loss on disposal of investment securities	3	641	307
Net borrowing costs	**-44,264**	**-51,964**	**-24,171**
Restructuring of hedging instruments and debt			
Dividends received from non-consolidated companies	32	62	34
Other income from investments			
Other financial expense	-8,048	-11,255	-4,905
Fair value of hedging instruments, ineffective portion	5	391	801
Fair value of hedging instruments, trading impact	-4	831	122
Other financial income	366	135	469
Other allocations to financial provisions	-758	-4,260	-889
Other reversals of financial provisions	18	1,108	-2
NET FINANCIAL RESULT	**-52,653**	**-64,952**	**-28,541**

NOTE 18

Income taxes

Analysis of income tax expense

In thousands of euros	30.06.2016	31.12.2015	30.06.2015
Current tax	-35,839	-51,212	-27,200
Deferred taxes	7,161	-1,829	-1,705
INCOME TAX EXPENSE/(INCOME)	**-28,678**	**-53,042**	**-28,905**

The Group's tax rate is 46.4%.

The income tax expense for the period is estimated using the Group's effective income tax rate, pursuant to IAS 34.

In accordance with IFRS principles, taxes for the period ended 30 June 2016 include the CVAE tax of €8,664 thousand.

NOTE 19

Related-party transactions

There were no significant changes in the terms of management remuneration compared to the information provided in the 2015 Registration Document.

NOTE 20

Lease commitments

Finance leases

In thousands of euros	30.06.2016	31.12.2015
Net carrying amount of leased assets	**745,147**	**470,042**
Leasing commitments by term		
• less than 1 year	48,311	38,058
• from 1 to 5 years	215,123	144,986
• more than 5 years	466,566	285,121
TOTAL COMMITMENTS	**730,000**	**468,165**

Operating leases

Aside from the changes in lease payments shown below, there have been no significant changes in off-balance sheet commitments since the previous balance sheet date.

In thousands of euros	30.06.2016	31.12.2015
Minimum non-cancellable lease payments due		
• in less than 1 year	363,993	341,036
• in from 1 to 5 years	1,284,346	1,197,286
• in more than 5 years	2,166,541	1,942,480
TOTAL COMMITMENTS	**3,814,880**	**3,480,801**

NOTE 21

Operating sectors

Operating sectors at 30.06.2016	Total of all activities	France	Germany	Italy	Belgium
Revenue and other income	1,470,443	778,106	419,535	156,184	116,618
EBITDAR	392,987	213,970	112,707	35,885	30,426
	26.7%	*27.5%*	*26.9%*	*23.0%*	*26.1%*
Transition from EBITDAR to operating income at 30 June 2016:					
In thousands of euros					
EBITDAR	**392,987**				
External rents	186,296				
Depreciation, amortisation and provisions	78,499				
Gain/(Loss) on disposal of consolidated entities	-1,782				
Other operating income and expenses	-11,957				
EBIT (operating income)	**114,453**				

Operating sectors at 30.06.2015	Total of all activities	France	Germany	Italy	Belgium
Revenue and other income	1,263,977	757,917	246,905	153,195	105,960
EBITDAR	340,828	203,522	75,133	36,109	26,064
	27.0%	*26.9%*	*30.4%*	*23.6%*	*24.6%*

Transition from EBITDAR to operating income at 30 June 2015:

In thousands of euros	
EBITDAR	**340,828**
External rents	169,126
Depreciation, amortisation and provisions	58,386
Gain/(Loss) on disposal of consolidated entities	-565
Other operating income and expenses	-4,909
EBIT (operating income)	**107,842**

NOTE 22

Events after the reporting period

2016 distribution

Following shareholder approval at the 2016 Meeting, the Company proceeded with the distribution of a dividend of €0.60 per share, with the option of payment in shares (based on a share price of €26.62). This option resulted in the issue, on 20 July 2016, of 709,369 new shares, which were delivered and admitted to trading on the Euronext Paris exchange on 22 July 2016. These shares bear rights retroactively as of 1 January 2016 and enjoy the same rights as the ordinary shares that are currently outstanding. The amount of the dividend paid in cash totaled the sum of €28.65 million and was paid to the shareholders on 22 July 2016.

The Company's share capital now stands at €400,890,210 and consists of 80,178,042 shares.

Ongoing business development

In Italy

Effective 1 July 2016, a 285-bed long-term-care nursing home in Lombardy was deconsolidated.

In Belgium

On 19 August 2016, the Group acquired the Belgian group Foyer de Lork, a leader in long-term care nursing homes and assisted-living facilities in Flanders. Another acquisition, that of OTV, is to be completed in early 2017. Together, these two acquisitions will mean 16 additional facilities with over 1,300 beds and a portfolio of projects representing over 1,400 additional beds of which some 700 will be opened over the next two years (half of these in assisted-living facilities) and annual revenue of approximately €70 million.

2.2. Statutory auditors' half-yearly financial report

This is a free translation into English of the Statutory auditors review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the period from 1 January to 30 June 2016

To the shareholders,

In compliance with the assignment entrusted to us by your shareholders general meetings and in accordance with the requirements of article L. 451-1-2-III. of the French monetary and financial code *(Code monétaire et financier),* we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Korian, for the period from 1 January 2016 to 30 June 2016;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie, 20 September 2016

The Statutory auditors

French original signed by

Mazars	Ernst & Young et Autres
Manuela Baudoin-Revert	Sophie Duval

CHAPTER 3.

Declaration of the responsible person

3. Declaration of the responsible person

I certify that, to the best of my knowledge, the condensed financial statements for the past six months have been prepared in accordance with applicable accounting standards and provide a true and fair view of the Company's assets, liabilities, financial position and earnings, as well as those of its consolidated subsidiaries, and that the accompanying half-year management report provides a fair view of the key events over the first six months of the year, of their impact on the financial statements, of the major related-party transactions as well as a description of the main risks and uncertainties over the remaining six months of the year.

Paris, 23 September 2016

Sophie Boissard, Chief Executive Officer

KORIAN
A French public limited company with share capital of €400,890,210
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