2014

HALF-YEAR FINANCIAL REPORT

KORIAN MEDICA

CONTENTS

KORIAN

On 18 March 2014, the Group launched the new Korian brand: a strong brand promoting Ageing Well

To ensure that the 2014 Half-Year Financial Report of Korian - Medica (the "**Company**") is reader-friendly, the following is specified:

- on 18 March, 2014, at the end of a process lasting several months, the listed *Société Anonyme* Korian absorbed the *Société Anonyme* Medica (hereinafter the "**Merger**"). Korian was then renamed "Korian – Medica";
- the term "**Korian**" refers to the Company and the Group as a whole until 18 March 2014, the date on which the Merger was completed;
- the term "**Korian - Medica**" refers to the new corporate name of the Company and to the new Group created as from the Merger.

1.1. Message from the Chief Executive Officer

"Against a background of consolidation and integration, the activity of the first half of 2014 confirmed the strength of our businesses and the merits of our strategic plan "Korian First".

- *On the Performance pillar, all management indicators improved. Consolidated revenues thus totalled €953.0 million, a very considerable increase of 45.4% (with* pro forma *revenues of €1,230.5 million, up 3.7%), with growth across all countries. The Group's consolidated EBITDAR amounted to €256.1 million, a sharp increase of 49.5% (with* pro forma *EBITDAR of €331.2 million, up 5.0%). The Group's consolidated margin rose 70 basis points to 26.9%. Consolidated net profit/(loss) from continuing operations attributable to owners of the Group amounted to €34.0 million, a very substantial increase of 75% (with* pro forma *net profit/(loss) from continuing operations attributable to owners of the Group of €52.9 million, up 18.2%).*
- *On the Development pillar, through the merger with Medica SA on 18 March 2014, the takeover of the Centre Hospitalier des Courses, the opening of a facility and the completion of an extension in France, the buyout of Kinetika Sardegna in Italy and the purchase of a care home in Belgium, Korian strengthened its position as European leader of Ageing Well, with a capacity to accommodate over 57,500 residents/patients across 4 countries (France, Germany, Italy and Belgium). Thanks to the favourable refinancing of its debt, the Group has considerable leeway to continue its development.*
- *On the Innovation pillar, the Korian Institute of Ageing Well, established in mid-2013, collaborated with well-respected partners (such as CNAM and Anios) on studies about, in particular, hand hygiene, the impact of play on people suffering from Alzheimer's and related disorders and music therapy in the treatment of pain.*
- *On the People pillar, since January 2014, the Group has continued to strengthen its management team with the arrival of Olivier Derycke, who was appointed Chief Executive Officer France, and the hiring of international candidates in Audit, IT and Purchasing. In addition, following the Merger, the Group adjusted its governance structure to reflect its resolutely international reach with the appointment of a new 7-strong Group Executive Committee that includes the four country heads.*
- *On the Client pillar, the Group wants to be recognised for the quality of the services provided day-in day-out to its patients/residents, thanks in particular to employees engaged in a process of continuous improvement that allows them to do the best job possible on a daily basis.*

In light of the very satisfactory results achieved in the first half, with a robust financial structure and an efficient organisation, Korian - Medica has good visibility on its business and encouraging prospects. The Group accordingly reaffirms its targets for full-year 2014, namely pro forma *revenue of €2.5 billion and a slightly better operating margin. Looking further ahead, we are more confident than ever that we will achieve the target of €3 billion in revenue in 2017."*

Yann Coléou, Chief Executive Officer of Korian - Medica

1.2. Activities of the Korian - Medica group in the first half

1.2.1. Main indicators

The Korian - Medica group, the European leader of Ageing Well, saw a sustained improvement in its business, with consolidated revenue of €953 million, an increase of 45.4%. This sharp increase in revenue was mainly due to the Merger, Medica SA being included in the consolidated financial statements since 1 April 2014. *Pro forma* revenue amounted to €1,230.5 million, up 3.7%.

At 30 June 2014, mainly as a result of the Merger, the Group had capacity to accommodate over 57,500 residents/patients in Europe (France, Germany, Italy and Belgium) and had close to 40,000 employees. The Group manages 509 nursing homes (long-term care facilities) and 87 specialised clinics, has capacity to accommodate over 2,400 people in intermediate residences and provides home care for close to 9,000 clients.

1.2.2. Highlights

1.2.2.1. Merger with Medica (*fusion-absorption de Medica par Korian*)

On 18 November 2013, Korian announced the signing of a memorandum of understanding in view of a merger with Medica, aimed at creating the European leader in services to the elderly. The Merger took place on 18 March 2014, with retroactive effect as of 1 January 2014 with respect to accounting and taxation. The Company was renamed "Korian - Medica".

The Merger took place under favourable demographic and economic conditions (on the one hand, the population growth and ageing in Europe, and, on the other hand, the purchasing power of the over 65, who will account for more than 54% of the purchasing power in France in 2015), with an ageing and increasingly dependent population. This combination is also an opportunity to establish a prominent French group in Europe, generating employee pride, but also offering additional security through financial soundness and stronger ties with health authorities and local governments.

Furthermore, pooling know-how and exchanging best practices should be beneficial for the operating performance of the merged entity, in terms of both income and processes.

The Merger should also boost the potential for growth of the new Group, which aims to make €3 billion in revenue by 2017.

The merger parity proposed to Korian and Medica shareholders was 10 Korian shares for 11 Medica shares. In consideration for the Merger, on 18 March 2014 Korian issued a total of 43,549,260 new shares with a par value of €5 each, representing a total capital increase of €217,746,300. The new shares were admitted to trading in Compartment B of NYSE Euronext Paris on 24 March 2014. Following the Merger, the Company's share capital was thus increased from €174,198,065 to €391,944,365, divided into 78,388,873 shares with a par value of €5 each, fully paid up and all of the same class.

1.2.2.2. Introduction of a new governance structure

Statutory governance

Following the Merger, all the members of the Board of Directors and the Observer resigned. The persons whose appointments were approved by the Combined General Meeting held on the same date took office as Directors.

The new Directors mostly come from Korian's and Medica's Boards. Thus, the Board of Directors now comprises the following twelve members: Jacques Bailet (Chairman), Christian

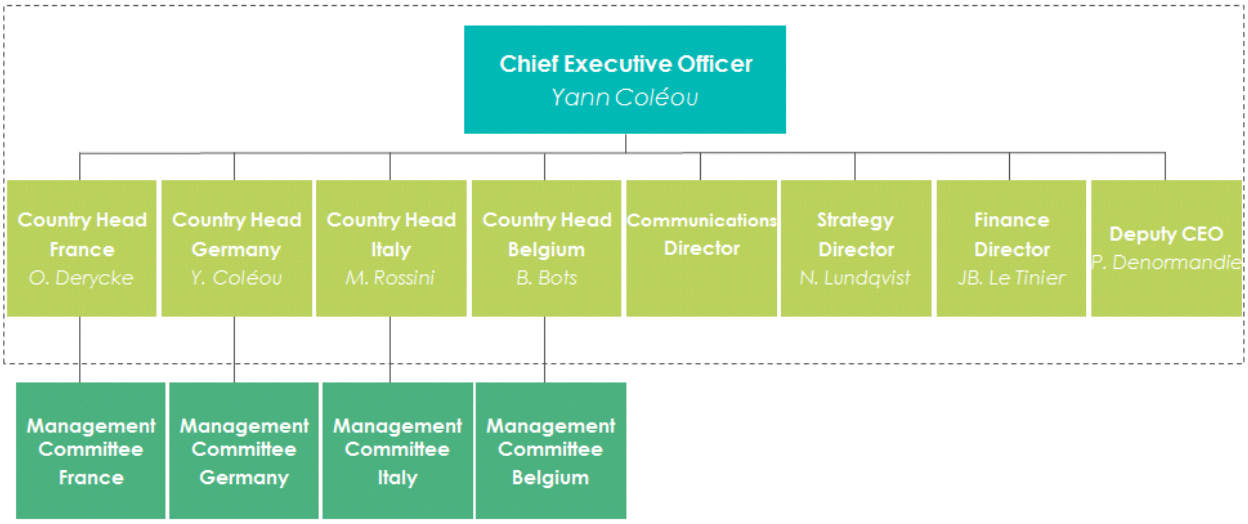
Chautard (Vice-Chairman), Jérôme Grivet, Prédica (represented by Françoise Debrus), Batipart Invest (represented by Charles Ruggieri), MAAF Assurances (represented by Sophie Beuvaden), Malakoff Médéric Assurances (represented by Hugues du Jeu), Jacques Ambonville, Martin Hoyos, Anne Lalou, Guy de Panafieu and Catherine Soubie. Jean-Claude Georges-François was also appointed Observer.

The Board of Directors decided, at its meeting of 18 March 2014, to retain the four specialist Committees in existence prior to the Merger, namely the Audit Committee, the Compensation and Appointments Committee, the Investment Committee and the Ethics and Risks Committee.

Internal governance

On the day following the Merger, a new management structure was implemented and the Group Executive Committee was reorganized to take into account the Group's international reach. In addition, each Country Head is supported by a specialised team, which meets regularly in Steering Committees to discuss business issues.

Executive Committee



1.2.2.3. Favourable refinancing of the syndicated loans

The Merger made Medica's syndicated loan payable. In December 2013, Korian accordingly negotiated bridge financing to cover this refinancing requirement. However, given the favourable market conditions, the Company negotiated a refinancing contract covering all the new Group's borrowings.

The new syndicated loan was thus signed on 12 March 2014, subject to the condition precedent of the completion of the Merger. It comprises two tranches maturing in 5 years:

- a tranche refinancing the syndicated loans of Korian and Medica in the amount of €800 million;
- a revolving credit tranche of €300 million to finance the Group's general needs.

The covenant (debt – immovable property debt)/(EBITDA – 6.5% of immovable property debt) is set at 4.5x for the term of the loan. The loan is not secured, and its terms allow the Group to raise loans in addition to the syndicated loan in amounts of €700 million in immovable property debt and €150 million in non- immovable property debt.

The loan contract also contains a change of control clause:

- Korian - Medica's major shareholders must keep their interest above 40%; and
- no other shareholder may hold more than 1/3 of share capital.

The pool consists of twelve banking groups, most of which are European.

Following the completion of the Merger, the refinancing tranche was fully drawn on 26 March 2014, which allowed the simultaneous repayment of the syndicated loans of Korian and Medica.

With this refinancing, Korian - Medica has given itself considerable leeway to continue its development while optimising its financing cost and significantly extending the maturity of its debt.

1.2.2.4. Further Development in France

On 5 May 2014, the Group completed an extension to a facility located in the Aude department.

1.2.2.5. Initiation of discussions with a view to delisting Curanum AG

Since 1 January 2014, the Group has acquired 6,261,488 Curanum AG shares, representing 14.73% (14.93% excluding treasury shares) of the share capital. The Company currently holds, via Korian Deutschland AG, its wholly owned subsidiary, 39,609,059 Curanum AG shares, representing 93.18% (94.14% excluding treasury shares) of that company's share capital and voting rights.

Following the crossing, on 14 July 2014, of the threshold of 90% of the share capital and voting rights in Curanum AG, the Group initiated negotiations with Curanum AG with a view to a merger resulting in the delisting of Curanum AG in the first half of 2015. This process will make it possible to complete the already well-advanced integration of the German subsidiaries.

1.2.2.6. Further Development in Italy

Since 2010, the Group has been involved in a major project in Sardinia to transform and combine 5 clinics on 3 sites run by Kinetika Sardegna. With an existing 28% interest, the Group agreed a buyout of Kinetika Sardegna with effect from 30 June 2014. These facilities generate annual revenue of €51.5 million.

1.2.2.7. Further Development in Belgium

On 3 April 2014, the Group finalised the acquisition of shares in Ry du Chevreuil, which runs a nursing home in Leuze, following the disposal, the day before, of the La Passerinette care home.

1.2.2.8. 2014 distribution

Following the approval of the Combined General Meeting on 26 June, 2014, the Company made a total distribution of €0.60 per share, with a scrip dividend option of €0.30 on the basis of a share price of €26.42.

This scrip dividend option was hugely successful with over 73% sign-up, resulting in the issue of 648,650 new shares, which were delivered and admitted to trading on Euronext Paris on 31 July 2014. The dividend rights are back-dated to 1 January 2014 and the shares enjoy the same rights as the outstanding ordinary shares.

Furthermore, the cash distribution amounted to €29.8 million and was paid out to shareholders on 31 July 2014.

The Korian - Medica share capital now stands at €395,187,615 and is comprised of 79,037,523 shares.

Reflecting the confidence of its shareholders, this transaction enabled Korian - Medica to strengthen its equity by €17.1 million.

1.2.2.9. Renewal of financial powers

At the Combined General Meeting held on 26 June 2014, the following financial authorisations and powers were renewed.

Type	Purpose
10th resolution **Share buyback programme** **Term: 18 months**	Authorisation of a share buyback plan, up to 10% of the share capital, through trading orders, buybacks of share blocks and disposal by any means of the shares thus acquired. Possible capital reduction through the cancellation of the shares thus acquired. Maximum purchase price ≤ €40 per share. Buyback cap: 10% of the share capital.
13th resolution **Powers granted to decide to reduce the share capital by cancelling treasury shares** **Term: 18 months**	Powers granted to the Board of Directors to carry out a reduction of the Company's share capital by cancelling treasury shares (currently held or as part of a buyback programme). Reduction limited to 10% of the Company's share capital for each 24 month period.
14th resolution **Power to increase the share capital with preferential subscription rights** **Term: 26 months**	Power granted to the Board of Directors to increase the share capital through the issuance of securities giving access to the Company's share capital, with preferential subscription rights for the shareholders, up to a total nominal amount of €150 million for equity securities and €1 billion for the issuance of debt securities giving access to the share capital (for example, bonds convertible into shares). Potential public offering of these securities or part thereof.
15th resolution **Power to increase the share capital with cancellation of preferential subscription rights, through a public offering** **Term: 26 months**	Power granted to the Board of Directors to increase the share capital through the issuance of securities giving access to the Company's share capital, without preferential subscription rights for the shareholders, executed via a public offering (on a regulated market), capped at a total nominal amount of €150 million for equity securities and €1 billion for the issuance of debt securities giving access to the share capital.
16th resolution **Power to increase the share capital with cancellation of preferential subscription rights, through a private offering** **Term: 26 months**	Power granted to the Board of Directors to increase the share capital through the issuance of securities giving access to the Company's share capital, without preferential subscription rights for the shareholders, executed via a private offering (qualified investors or group of investors), up to a total nominal amount of €150 million for equity securities and €1 billion for the issuance of debt securities giving access to the share capital.

17th resolution **Power to increase the number of securities issued as part of a capital increase in the event of "over-subscription"** **Term: 26 months**	Power granted to the Board of Directors to increase the number of securities offered as part of the capital increases covered by the powers summarised in the 14th, 15th and 16th resolutions, capped at 15% of the initial issue.
18th resolution **Power to set the issue price for the different issuances** **Term: 26 months**	Power granted to the Board of Directors to set the price of the issuances made by virtue of the powers summarised in the 15th and 16th resolutions and: **i.** for ordinary shares, issue price ≥ the weighted average share price on Euronext Paris during the three trading days before the price is set, with a discount of 10% at most where applicable; **ii.** for securities giving access to the share capital other than ordinary shares, the issue price is the amount immediately received by the Company, plus, if applicable, the amount likely to be received at a later stage by the Company i.e., for each ordinary share issued as a consequence of the issuance of these securities, at least equal to the amount stated in point (i) above, after adjustment, if applicable, to take into account the difference in the dividend entitlement date. The maximum nominal amount of the capital increase is limited to 10% of the share capital per annum.
19th resolution **Power to issue securities to compensate contributions in kind** **Term: 26 months**	Power granted to the Board of Directors to compensate contributions in kind given to the Company and consisting of equity securities or other marketable securities Compensation through the issuance of Company shares and/or securities giving access to equity is capped at 10%of the share capital.
20th resolution **Power granted to increase the capital through the incorporation of reserves, profits or other** **Term: 26 months**	Authorisation granted to the Board of Directors to increase the share capital by incorporating all or part of the reserves, profits, premiums or other amounts the incorporation of which is allowed. Nominal amount of the related capital increases: €20 million.
21st resolution **Authorisation in view of stock-option allocation** **Term: 26 months**	Authorisation granted to the Board of Directors to issue options giving right to the subscription or purchase of ordinary shares in the Company capped at 1% of the Company's share capital, and subject to a maximum of 0.1% of the share capital for executive directors. The purchase or subscription price is fixed by the Board when the option is granted, without any discount on the basis of the average share price over the 20 trading days preceding the day the Board decides to allocate the options.
22nd resolution **Authorisation to allocate free shares** **Term: 26 months**	Authorisation granted to the Board of Directors to allocate free shares, existing or to be issued, capped at 1% of the Company's share capital on the day the Board of Directors makes the decision, and subject to a maximum of 0.1% of the share capital for executive directors. Shares are vested either at the end of a minimum vesting period of 2 years, with a mandatory retention period of 2 years from the final date of vesting of the shares or at the end of a minimum 4 year vesting period without a mandatory retention period.
23rd resolution **Power to execute capital increases for members of an employee savings plan** **Term: 26 months**	Power granted to the Board of Directors to carry out capital increases up to a nominal amount of €2 million, by issuing shares or financial securities giving access to the capital, for members of an employee savings plan (legal obligation).

1.3. Consolidated and *pro forma* financial statements

1.3.1. Consolidated simplified income statement

In € millions	H1 2014	H1 2013	Change
Revenue	953.0	655.3	45.4%
EBITDAR*	**256.1**	**171.3**	**49.5%**
%	**26.9%**	**26.1%**	**0.7%**
Rent	(131.0)	(91.1)	43.8%
EBITDA	**125.1**	**80.2**	**55.9%**
%	**13.1%**	**12.2%**	**0.9%**
Impairment and Provisions	(41.7)	(27.7)	50.8%
EBIT	**83.4**	**52.6**	**58.6%**
%	**8.8%**	**8.0%**	**0.7%**
Non-current	(10.8)	(4.3)	
Operating income	**72.6**	**48.3**	**50.3%**
Financial income	(44.2)	(21.1)	
Tax	(10.8)	(9.5)	13.4%
%	**-38.0%**	**-35.0%**	**-3.0%**
Non-controlling interests	(1.9)	(1.5)	24.9%
Equity affiliates	0.6	0.4	45.3%
Net profit/(loss) attributable to owners of the Group	**16.3**	**16.6**	**-1.8%**
Net profit/(loss) from continuing operations**	**34.0**	**19.4**	**75.0%**

(*)The Korian - Medica group uses EBITDAR to monitor the performance of its facilities. It consists of earnings from operations before rent.
(**)Net profit/(loss) from continuing operations is defined as Net profit/(loss) attributable to owners of the Group – (other operating income and expenses + other financial income and expenses + gains/(losses) on the acquisition and disposal of consolidated entities) * (1 – standard rate of income tax at 33.3%), namely Net profit/(loss) attributable to owners of the Group excluding non-recurring items.

The figures from the consolidation at 30 June 2014 are not comparable with the consolidated figures at 30 June 2013 due to the Merger (with Medica), which was consolidated from 1 April 2014.
As a result, the *pro forma* income statements at 30 June 2013 and at 30 June 2014 reflect the restatements associated with the business combinations occurring in 2013 and in 2014, namely on the following basis:

- takeover of Curanum group by Korian on 1 January 2013;
- takeover of Senior Living group by Medica on 1 January 2013;
- sale of the psychiatric division by Korian before 1 January 2013;
- merger between the Korian and Medica groups on 1 January 2013;
- consolidation of 100% of Kinetika Sardegna on 1 January 2013. Kinetika Sardegna was 28% consolidated in 2013 and in the first quarter of 2014;
- restatement of expenses related to these business combinations (merger costs, restructuring of hedging financial instruments, other restructurings, etc.) in 2013 and the first half of 2014.

1.3.2. *Pro forma* simplified income statement

In € millions	H1 2014	H1 2013	Change
Revenue	1,230.5	1,186.8	3.7%
EBITDAR	**331.2**	**315.5**	**5.0%**
%	**26.9%**	**26.6%**	**0.3%**
Rent	(164.7)	(160.6)	2.6%
EBITDA	**166.5**	**154.9**	**7.5%**
%	**13.5%**	**13.1%**	**0.5%**
Impairment and Provisions	(53.0)	(49.1)	8.0%
EBIT	**113.5**	**105.8**	**7.3%**
%	**9.2%**	**8.9%**	**0.3%**
Non-current	(6.0)	(1.5)	
Operating income	**107.5**	**104.3**	**3.0%**
Financial income	(29.6)	(33.7)	-12.2%
Tax	(27.1)	(25.2)	7.5%
%	**-34.8%**	**-35.7%**	**0.9%**
Non-controlling interests	(1.9)	(1.7)	12.8%
Equity affiliates		2.2	
Net profit/(loss) attributable to owners of the Group	**48.9**	**46.0**	**6.4%**
Net profit/(loss) from continuing operations	**52.9**	**44.7**	**18.2%**

1.3.3. Revenue

Consolidated in € millions	H1 2014	H1 2013	Change
Group	953.0	655.3	45.4%
France	558.2	388.2	43.8%
Germany	233.5	180.4	29.4%
Italy	110.4	86.8	27.1%
Belgium	50.9		

The occupancy rate of mature facilities remains high at 95%, thanks to effective management of the Group's facilities as well as to the quality of its network and of its services.

Pro forma in € millions	H1 2014	H1 2013	Change
Group	1,230.5	1,186.8	3.7%
France	738.1	706.2	4.5%
Germany	233.4	227.8	2.5%
Italy	157.1	153.8	2.1%
Belgium	101.7	99.0	2.8%

Thanks to the strength of its business, the Korian - Medica group generated *pro forma* revenue of €1,230.5 million in the first half of 2014, an increase of 3.7%.

All countries showed improvement.

- France: *Pro forma* revenue amounted to €738.1 million, up 4.5%. It accounted for 60% of Group revenue for the period. This strong performance was mainly due to improved occupancy rates.
- Germany: *Pro forma* revenue amounted to €233.4 million, up 2.5%. Growth was 3.9% when taking into account the removal of two facilities from the scope of consolidation in 2013.
- Italy: *Pro forma* revenue amounted to €157.1 million, up 2.1%.
- Belgium: *Pro forma* revenue amounted to €101.7 million, up 2.8%.

1.3.4. EBITDAR

Consolidated in € millions	H1 2014	% revenue	H1 2013	% revenue	Change	% diff.
Group	256.1	26.9%	171.3	26.1%	49.5%	0.7%
France	149.0	26.7%	99.5	25.6%	49.8%	1.1%
Germany	67.3	28.9%	51.7	28.7%	30.3%	0.2%
Italy	26.0	23.6%	20.2	23.2%	29.0%	0.3%
Belgium	13.8	27.1%				

Pro forma in € millions	H1 2014	% revenue	H1 2013	% revenue	Change	% diff.
Group	331.2	26.9%	315.5	26.6%	5.0%	0.3%
France	203.9	27.6%	192.5	27.3%	6.0%	0.4%
Germany	67.3	28.9%	64.0	28.1%	5.2%	0.7%
Italy	35.8	22.8%	35.3	22.9%	1.5%	-0.2%
Belgium	24.2	23.7%	23.7	23.9%	2.1%	-0.2%

The Group's *pro forma* EBITDAR amounted to €331.2 million in the first half of 2014, up €15.7 million (+5.0%) on the first half of 2013. The margin of the Korian - Medica group rose 30 basis points to 26.9%.

- France: *Pro forma* EBITDAR amounted to €203.9 million, up 6% with a 40 basis point improvement, which was mainly due to effective management of wages and salaries and of other expenses.
- Germany: *Pro forma* EBITDAR amounted to €67.3 million, up 5.2% with a 70 basis point improvement, as a result of tight control of wages and salaries and of other expenses.
- Italy: *Pro forma* EBITDAR amounted to €35.8 million, up 1.5% with a 20 basis point deterioration resulting from the consolidation of Kinetika Sardegna, which is adversely affected by a major project to transform and combine 5 clinics on 3 sites.
- Belgium: *Pro forma* EBITDAR amounted to €24.2 million, up 2.1% with a 20 basis point deterioration as a result of the ramp-up of the most recent facilities opened.

1.3.5. EBITDA

In € millions	H1 2014	% revenue	H1 2013	% revenue	Change	% diff.
Consolidated Group	125.1	13.1%	80.2	12.2%	55.9%	0.9%
Pro forma Group	166.5	13.5%	154.9	13.1%	7.5%	0.5%

The Group's *pro forma* EBITDA amounted to €166.5 million, up 7.5%, representing a 50 basis point improvement.
The rent on a *pro forma* basis represented an expense of €164.7 million, rising at a slower pace than revenue.

1.3.6. Net profit/(loss)

Consolidated net profit/(loss) amounted to €16.3 million, down 1.8%. This was due to the impact of:

- non-recurring items, mainly associated with restructuring costs following the Merger (with the Medica group);
- the financial result due to the effect of the early unwinding of financial instruments following the restructuring of the hedging portfolio involving a one-time charge of €18.5 million;
- the income tax expense of €10.8 million, representing 38% of profit/(loss) before tax, versus 35% in the first half of 2013. This increase was mainly due to the impact of the "loi rabot" in France on non-recurring financial expenses.

Pro forma net profit/(loss) from continuing operations amounted to €52.9 million, up 18.2%. Financial expenses fell 12.2% and tax totalled €27.1 million, representing a rate of 34.8% (compared with 35.7% in the first half of 2013).

1.3.7. Financial structure

At 30 June 2014, Korian - Medica's equity attributable to owners of the Group stood at €1,868 million.

The Group's net financial liabilities stood at €1,490 million, an increase of €119 million compared with the *pro forma* financial liabilities at 31 December 2013, which stood at €1,371 million.

This increase is the result of investments made as part of integrations and the future development of the Group. Of particular note is the impact of Merger-related costs, the investment made restructuring the interest rate hedging, the acquisition of Curanum AG securities as well as the investment made building additional capacity.
The financial structure remains sound with a debt ratio excluding the immovable property debt of 3.0x, well below the covenant of 4.5x.

1.4. Material events since 1 July 2014

1.4.1. Further Development in France

On 11 July 2014, the Group completed the acquisition, from a foundation, of the *Centre Hospitalier des Courses* located in Maisons-Laffitte with a view to restructuring it. This project is part of a partnership with the public authorities, with the goal of developing a full service offering in the field of Ageing Well. This deal represents potential additional revenue of circa €10 million.

On 1 July 2014, the Group also opened a facility in Bouches-du-Rhône.

1.4.2. Optimisation of Group financing

On 15 July 2014, Korian - Medica issued a €45 million private bond placement at favourable terms, with a fixed coupon of 3.65% and a (long) maturity of 7.5 years. This deal is part of an ongoing effort to diversify the Group's sources of financing and to extend the maturity of the debt.

Furthermore, in the second quarter the Group completed the restructuring of its interest rate hedging. This restructuring made it possible to significantly lower the average cost of financing to 3.8% in 2015 (from 4.3% at end-2013), while reducing the risk by extending the maturity of the hedges. The full €24 million cost is included in the consolidated financial statements for the first half of 2014 under non-recurring financial expenses.

1.5. Risk factors

No risks are foreseen other than those identified in Section 3.6 “Risk Prevention and Management Policy” of the 2013 Registration Document filed with the Financial Markets Authority (“**FMA**”) on 30 April 2014 under number D.14-0454.

These were no significant changes to these risk factors in the first half of 2014.

1.6. Related-party transactions

Details of related-party transactions in the first half of 2014 can be found in Note 20 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 2013 Registration Document.

CHAPTER 2. CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

2.1. Condensed consolidated financial statements at 30 June 2014

2.1.1. Consolidated statement of financial position

ASSETS			
In thousands of euros	Notes	**30.06.2014**	**31.12.2013(*)**
Goodwill	4	2,262,504	743,204
Intangible assets	5	725,587	657,760
Property, plant and equipment		1,037,630	555,485
Non-current financial assets		31,985	13,588
Investments in associates	6	0	12,235
Deferred tax assets		67,885	58,007
Non-current assets		**4,125,592**	**2,040,279**
Inventories		7,779	4,096
Trade receivables		176,359	85,563
Other receivables and current assets		223,640	135,215
Financial instruments - assets	11		35
Cash and cash equivalents	7	92,557	50,847
Current assets		**500,334**	**275,756**
Assets held for sale		21,854	721
Total assets		**4,647,779**	**2,316,755**

EQUITY AND LIABILITIES			
In thousands of euros	Notes	**30.06.2014**	**31.12.2013(*)**
Share capital		391,944	174,198
Premiums		899,099	293,419
Consolidated earnings and retained earnings		576,945	278,286
Equity attributable to owners of the Group		**1,867,989**	**745,903**
Non-controlling interests		12,638	22,525
Total equity		**1,880,627**	**768,428**
Provisions for retirement benefits		33,290	22,931
Deferred taxes		304,028	241,688
Other provisions	13	34,772	14,411
Borrowings	12	1,480,936	712,101
Non-current liabilities		**1,853,026**	**991,130**
Provisions for liabilities due in less than one year	13	14,302	6,217
Trade payables		187,669	133,335
Other payables and accruals		570,249	320,324
Borrowings due within one year and bank overdrafts	12	108,977	59,306
Financial instruments - liabilities	11	18,799	38,014
Current liabilities		**899,996**	**557,197**
Liabilities held for sale		14,131	
Total liabilities		**4,647,779**	**2,316,755**

(*)The Group applied IFRS 11 - Joint Arrangements at 1 January 2014. There is now a single method for accounting for investments in jointly controlled entities, with the proportionate consolidation method no longer being used. The 2013 financial statements have been restated in accordance with the new rule for comparison purposes.

2.1.2. Consolidated income statement

COMPREHENSIVE INCOME				
In thousands of euros	Notes	**30.06.14**	**30.06.13(*)**	**31.12.13(*)**
Revenue		**953,010**	**655,323**	**1,356,374**
Other income				
Operating revenue		**953,010**	**655,323**	**1,356,374**
Purchases used in the business		67,327	35,467	90,705
Personnel expenses	15	463,081	317,166	651,995
External expenses	16	265,352	201,315	390,960
Income and other taxes		32,162	22,527	45,179
Depreciation and amortisation		41,689	27,652	61,699
Gain/(loss) on acquisition and disposal of consolidated entities	17	(740)	(944)	(4,972)
Other operating income and expenses	17	(10,024)	(1,933)	(11,038)
Operating income		**72,635**	**48,319**	**99,827**
Financial expense		(24,643)	(19,939)	(43,334)
Financial income		126	51	50
Cost of gross debt	18	**(24,517)**	**(19,888)**	**(43,283)**
Income from cash and cash equivalents		1,960	184	366
Net borrowing cost	18	**(22,557)**	**(19,703)**	**(42,917)**
Other financial expense	18	(24,225)	(2,032)	(3,066)
Other financial income	18	2,560	655	1,307
Profit/(loss) before tax		**28,413**	**27,239**	**55,151**
Income tax	19	(10,805)	(9,530)	(23,788)
Profit/(loss) of consolidated companies		**17,608**	**17,708**	**31,363**
Group share of profit/(loss) of equity affiliates		620	427	25
Net profit/(loss)		**18,228**	**18,135**	**31,387**
Non-controlling interests		1,934	1,548	2,812
Attributable to owners of the Group		**16,294**	**16,587**	**28,576**
Basic earnings (attributable to owners of the Group) per share (in euros)	10	0.27	0.28	0.48
Diluted earnings (attributable to owners of the Group) per share (in euros)	10	0.27	0.28	0.48
Net profit/(loss) attributable to owners of the Group		**16,294**	**16,587**	**28,576**
Recycled items: impact of IAS 39 (measurement of hedging derivatives), net of tax		9,798	7,323	10,625
Non-recycled items: impact of IAS 19 (actuarial gains and losses)		(865)	362	261
Gains and losses recognised directly in equity (attributable to owners of the Group)		**8,933**	**7,684**	**10,886**
Net profit/(loss) and gains and losses recognised directly in equity Attributable to owners of the Group		25,227	24,272	39,462
Net profit/(loss) and gains and losses recognised directly in equity (non-controlling interests)		1,934	1,548	2,812

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

2.1.3. Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euros)	30.06.2014	30.06.2013(*)
Net profit/(loss)	**18,228**	**18,135**
Of which income tax expense	*10,805*	*9,634*
Net depreciation, amortisation and provisions	40,687	31,386
Deferred taxes	5,244	1,372
Gain/(loss) on financial liabilities at fair value through profit or loss	(9,772)	(338)
Gain on disposal of assets	13,960	(1,025)
Elimination of the share of income of equity affiliates	(620)	(427)
Cash flow after net borrowing cost	**67,727**	**49,104**
Elimination of acquisition costs of securities	327	3,714
Elimination of net interest paid	43,641	19,759
Cash flow before net borrowing cost	**111,695**	**72,577**
Change in inventories	88	187
Change in trade receivables	(6,251)	(4,497)
Change in trade payables	(31,129)	(5,337)
State: change in income tax	(8,919)	(3,729)
Change in other items	(22,610)	(23,765)
Change in working capital requirements	**(68,820)**	**(37,141)**
Net cash generated from operations	**42,874**	**35,435**
Impact of changes in scope (acquisitions)	34,093	(79,446)
Impact of changes in scope (disposals)	(41)	56,006
Payment for property, plant and equipment and intangible assets	(47,277)	(56,731)
Payment for other financial investments	(5,486)	210
Proceeds from disposals of non-current assets (excluding securities)	5,259	10,473
Net cash from/(used in) investing activities	**(13,451)**	**(69,488)**
Net cash flow	**29,423**	**(34,053)**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)	30.06.2014	30.06.2013(*)
Capital increase of non-controlling interests		(775)
Treasury shares charged to equity	(535)	148
Increase in financial liabilities	893,118	42,304
Repayment of financial liabilities	(873,993)	(100,890)
Net interest paid	(43,641)	(19,759)
Net cash used in financing activities/net cash generated by financing activities	**(25,050)**	**(78,972)**
Change in cash position	**4,372**	**(113,025)**
Cash and cash equivalents at start of period	44,980	156,014
Cash and cash equivalents at end of period	49,352	42,990
Marketable securities	20,782	18,225
Cash	71,775	29,646
Bank overdrafts and advances	(43,205)	(4,881)
Cash and cash equivalents	**49,352**	**42,990**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

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 owners of the Group	Non-controlling interests	Total equity
At 31 December 2012(*)	**170,204**	**284,949**	**-40,374**	**297,453**	**712,233**	**20,325**	**732,558**
Dividend distribution				(20,424)	**(20,424)**	(4)	**(20,429)**
Capital increase						585	**585**
Share-based payment							
Business combinations			1,463		**1,463**	(2,947)	**(1,483)**
Treasury shares			148		**148**		**148**
Profit/(loss) for the first half of 2013				16,587	**16,587**	1,548	**18,135**
Impact of IAS 19 (actuarial gains and losses)			362		**362**		**362**
Measurement of hedging derivatives net of tax			7,323		**7,323**		**7,323**
Comprehensive income			*7,684*	*16,587*	***24,272***	*1,548*	***25,820***
At 30 June 2013(*)	**170,204**	**284,949**	**(31,078)**	**293,616**	**717,691**	**19,507**	**737,198**
Dividend distribution				89	**89**		**89**
Capital increase	3,994	8,470			**12,464**	677	**13,141**
Share-based payment							
Business combinations			606		**606**	1,077	**1,683**
Treasury shares			(137)		**(137)**		**(137)**
Profit/(loss) for 2013				11,988	**11,988**	1,264	**13,252**
Impact of IAS 19 (actuarial gains and losses)			(100)		**(100)**		**(100)**
Measurement of hedging derivatives net of tax			3,302		**3,302**		**3,302**
Comprehensive income			*(7,684)*	*(16,587)*	***(24,272)***	*(1,548)*	***(25,820)***
At 31 December 2013(*)	**174,198**	**293,419**	**(27,408)**	**305,693**	**745,902**	**22,526**	**768,428**
Dividend distribution		(23,517)		(23,517)	**(47,033)**	(5)	**(47,039)**
Capital increase							
Share-based payment							
Business combinations	217,746	629,198	297,631		**1,144,575**	5,414	**1,149,988**
Treasury shares			(618)		**(618)**		**(618)**
Other changes*(1)*			(63)		**(63)**	(17,230)	**(17,293)**
Profit/(loss) for the first half of 2014				16,294	**16,294**	1,934	**18,228**
Impact of IAS 19 (actuarial gains and losses)			(865)		**(865)**		**(865)**
Measurement of hedging derivatives net of tax			9,798		**9,798**		**9,798**
Comprehensive income							
At 30 June 2014	**391,944**	**899,100**	**278,475**	**298,471**	**1,867,990**	**12,637**	**1,880,628**

(*)Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.

(1)In the case of jointly owned companies, the portion attributable to the other joint ventures was, up to 31 December 2013, accounted for in non-controlling interests offset in shareholder accounts. At 30 June 2014, these sums were offset in the assets and liabilities of the consolidated statement of financial position for €17.2 million.

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 the approval of the Combined General Meeting on 26 June 2014, the Group made a total distribution of €0.60 per share, with a scrip dividend option of €0.30 on the basis of a share price of €26.42.

The amount of the distribution allocated by the parent company to its shareholders during the period totalled €47,033 thousand.

2.1.5. Notes to the financial statements

Contents

The consolidated financial statements were approved by the Board of Directors at its meeting of 10 September 2014.

On 18 November 2013, Korian had announced the signing of a memorandum of understanding in view of a merger with Medica. The Merger took place on 18 March 2014, with retroactive effect in the annual financial statements as of 1 January 2014 with respect to accounting and taxation. In the consolidated financial statements, the former Medica group was consolidated as from 1 April 2014.

Given the material impact of this Merger, *pro forma* financial information is presented in Note 2 to the financial statements.

The Company was renamed "Korian - Medica".

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

At 30 June 2014, the Korian - Medica group consolidated 428 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 balance sheet date. These standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretations, and are available from the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.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 - Medica SA and the subsidiaries that it controls for the period between 1 January and 30 June 2014.

The consolidated financial statements were prepared using the same accounting policies as used for the preparation of the consolidated financial statements for the year ended 31 December 2013, with the exception of amendments to IFRS standards and interpretations subject to mandatory application for annual periods beginning on or after 1 January 2014. These specifically concern the following items:

- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- Amendments to IAS 28 – Investment in Associates and Joint Ventures.

The impact of the application of these standards was initiated at 30 June 2014.

The following amended standards did not have a material impact on the Group's financial statements:

- IAS 32 – Offsetting Financial Assets and Financial Liabilities;
- Amendment to IAS 36 – Recoverable Amount Disclosures for Non-financial Assets;
- Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting.

The Group did not opt for early application in the half-year consolidated financial statements at 30 June 2014 of the following text published by the IASB and approved by the European Union.

- IFRIC 21 - Levies

Similarly, the Group did not opt for early application in the half-year consolidated financial statements at 30 June 2014 of the following texts published by the IASB but not yet approved by the European Union.

- IFRS 9 and supplements to IFRS 9 - Financial Instruments: classification and measurement of financial assets, fair value option for financial liabilities and hedge accounting
- Amendment to IAS 19 - Defined Benefit Plans: Employee Contributions
- IFRS 15 - Revenue from Contracts with Customers

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 2014 are of the same nature as those described in the notes to the consolidated financial statements at 31 December 2013. Management revises these estimates when it identifies new developments that need to be factored in or where the circumstances on which these estimates were based have changed. Actual results could nevertheless materially differ from the estimates.

Application of IFRS 11 - Joint Arrangements

The Group applied IFRS 11 - Joint Arrangements at 1 January 2014. There is now a single method for accounting for investments in jointly controlled entities, with the proportionate consolidation method no longer being used.

The only entity within the Korian scope of consolidation affected by the application of this new standard is Kinetika Sardegna, in which Segesta had a 28% interest at 31 December 2013, and which was proportionately consolidated.

The consolidation method used for this company was thus changed to the equity method up to 30 June 2014, the date of the buyout of Kinetika Sardegna by Segesta.

The retrospective application of IFRS 11 - Joint Arrangements resulted in the restatement of the 2013 consolidated financial statements for comparison purposes.

The detailed effects of the first application of this standard are presented in the following tables.

ASSETS			
In thousands of euros	Published financial statements 31.12.2013	Impact IFRS 11	Restated financial statements 31.12.2013
Goodwill	748,713	(5,509)	743,204
Intangible assets	669,886	(12,126)	657,760
Property, plant and equipment	556,842	(1,357)	555,485
Non-current financial assets	13,588		13,588
Investments in equity affiliates		12,235	12,235
Deferred tax assets	58,120	(113)	58,007
Non-current assets	**2,047,149**	**(6,870)**	**2,040,279**
Inventories	4,280	(184)	4,096
Trade receivables	88,361	(2,799)	85,563
Other receivables and current assets	135,543	(328)	135,215
Financial instruments - assets	35		35
Cash and cash equivalents	51,933	(1,086)	50,847
Current assets	**280,152**	**(4,397)**	**275,756**
Assets held for sale	721		721
Total assets	**2,328,022**	**(11,267)**	**2,316,755**

EQUITY AND LIABILITIES			
In thousands of euros	Published financial statements 31.12.2013	Impact IFRS 11	Restated financial statements 31.12.2013
Share capital	174,198		174,198
Premiums	293,419		293,419
Consolidated earnings and retained earnings	278,286		278,286
Equity attributable to owners of the Group	**745,903**		**745,903**
Non-controlling interests	22,716	(191)	22,525
Total equity	**768,619**	**(191)**	**768,428**
Provisions for retirement benefits	23,324	(392)	22,931
Deferred taxes	245,942	(4,254)	241,688
Other provisions	14,411		14,411
Borrowings	713,576	(1,475)	712,101
Non-current liabilities	**997,251**	**(6,121)**	**991,130**
Provisions for liabilities due in less than one year	7,260	(1,043)	6,217
Trade payables	135,851	(2,516)	133,335
Other payables and accruals	321,721	(1,397)	320,324
Borrowings due within one year and bank overdrafts	59,306	0	59,306
Financial instruments - liabilities	38,014		38,014
Current liabilities	**562,152**	**(4,955)**	**557,197**
Liabilities held for sale			
Total liabilities	**2,328,022**	**(11,267)**	**2,316,755**

COMPREHENSIVE INCOME						
In thousands of euros	Published financial statements 30.06.13	Impact IFRS 11	Restated financial statements 30.06.13	Published financial statements 31.12.13	Impact IFRS 11	Restated financial statements 31.12.13
Revenue	**663,075**	**(7,752)**	**655,323**	**1,370,990**	**(14,617)**	**1,356,374**
Other income						
Operating revenue	**663,075**	**(7,752)**	**655,323**	**1,370,990**	**(14,617)**	**1,356,374**
Purchases used in the business	36,928	(1,461)	35,467	93,423	(2,719)	90,705
Personnel expenses	319,408	(2,242)	317,166	656,402	(4,407)	651,995
External expenses	204,432	(3,118)	201,315	396,817	(5,857)	390,960
Income and other taxes	22,556	(29)	22,527	45,223	(45)	45,179
Depreciation and amortisation	27,988	(336)	27,652	62,689	(990)	61,699
Gain/(loss) on acquisition and disposal of consolidated entities	(944)		(944)	(4,972)		(4,972)
Other operating income and expenses	(1,968)	35	(1,933)	(11,023)	(14)	(11,038)
Operating income	**48,851**	**(532)**	**48,319**	**100,441**	**(613)**	**99,827**
Financial expense	(19,994)	55	(19,939)	(43,414)	81	(43,334)
Financial income	51		51	50		50
Cost of gross debt	**(19,943)**	**55**	**(19,888)**	**(43,364)**	**81**	**(43,283)**
Income from cash and cash equivalents	184		184	366		366
Net borrowing cost	**(19,759)**	**55**	**(19,703)**	**(42,998)**	**81**	**(42,917)**
Other financial expense	(2,044)	12	(2,032)	(3,169)	103	(3,066)
Other financial income	662	(7)	655	1,315	(8)	1,307
Profit/(loss) before tax	**27,709**	**(471)**	**27,239**	**55,588**	**(438)**	**55,151**
Income tax	(9,582)	52	(9,530)	(24,198)	410	(23,788)
Profit/(loss) of consolidated companies	**18,127**	**(419)**	**17,708**	**31,391**	**(28)**	**31,363**
Group share of profit/(loss) of equity affiliates	8	419	427	(3)	28	25
Net profit/(loss) from continuing operations	**18,135**	**0**	**18,135**	**31,387**	**0**	**31,387**
Net profit/(loss) from operations discontinued, sold or held for sale						
Net profit/(loss)	**18,135**	**0**	**18,135**	**31,387**	**0**	**31,387**
Non-controlling interests	1,548		1,548	2,812		2,812
Attributable to owners of the Group	**16,587**	**0**	**16,587**	**28,576**	**0**	**28,576**

Note 2 – Change in scope of consolidation and impact of acquisitions and disposals during the period

Scope of consolidation

At 30 June 2014, the scope of consolidation included, in addition to the Korian - Medica SA parent company, 426 fully consolidated companies (241 at 31 December 2013) and 1 equity affiliate (2 at 31 December 2013).

The first half of 2014 was marked by various events.

- Merger with Medica (*fusion-absorption de Medica par Korian*) and consolidation on 1 April 2014 of the companies from the former Medica group (Medica France in France, Aetas in Italy and Senior Living group in Belgium).
  The acquisition price was measured at fair value based on the quoted price of Korian - Medica securities issued in consideration for the business combination at the acquisition date (closing price of €26.35 on 18 March 2014), giving the securities contributed a fair value of €1,148 million.
  The provisional goodwill, based on the opening statement of financial position of the former Medica group at 31 March 2014, amounted to €1,505 million.
  The identification, measurement and recognition of the assets acquired and liabilities assumed as part of the business combination (*Purchase Price Allocation*) is ongoing.
  In view of the significant impact of this acquisition, *pro forma* financial information is presented below.

- On 30 June 2014, Segesta bought out Kinetika Sardegna, in which it previously had a 28% interest, for an acquisition price of €33.2 million.
  Pursuant to IFRS 3 Revised, the takeover of Kinetika Sardegna resulted in the previous interest being remeasured at fair value, offset by a gain on disposal (€0.1 million), followed by an acquisition and the calculation of the corresponding goodwill.
  The provisional goodwill totalled €12.5 million, following initial allocation of the acquisition price at 30 June 2014.
  The definitive allocation of the acquisition price will take place in the second half of 2014.

- Outright acquisition by Senior Living Group, on 3 April 2014, of Ry du Chevreuil for €3.6 million, generating provisional goodwill of €1.6 million.

- 1.20% increase in Korian Deutschland AG's interest in Curanum AG, taking the interest to 79.65%.

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

In € thousands	
Purchase price of subsidiaries [A]	**38,817**
Cash-out/cash-in [B]	5,611
Debt incurred [C] = [A] – [B]	**33,206**
Disposal price [D]	(41)
Cash acquired [E]	39,704
Cash transferred [F]	0
Impact of changes in the scope of consolidation [G] = [E-F-B+D]	**34,052**

The amount of assets and liabilities, other than cash and cash equivalents, of the subsidiaries acquired during the period breaks down as follows.

In € thousands	Total changes in scope	
	Assets	Liabilities
Assets	1,255,779	
Inventories	3,770	
Trade receivables	95,105	
Other receivables	130,034	
Prepayments and accruals	15,848	
Assets held for sale	27,652	
Equity		101,604
Provisions for risks and expenses		36,102
Financial liabilities		788,622
Trade payables		138,617
Other liabilities		470,781
Other accruals		10,129
Liabilities held for sale		22,036

Pro forma financial information

The *pro forma* income statement at 30 June 2014 was prepared on the following basis.

- Merger between the Korian and Medica groups on 1 January 2014
- Takeover of Kinetika Sardegna by Segesta on 1 January 2014

1. Scope of consolidation and historical data used

The *pro forma* financial information has been prepared on the basis of:

- the consolidated financial statements of the Korian - Medica group at 30 June 2014, which were subject to a limited review by the statutory auditors;
- the consolidated financial statements of the former Medica group at 31 March 2014, which were reviewed by the statutory auditors;
- contributory data of Kinetika Sardegna recalculated with a 100% impact on the first half of 2014 rather than the profit (loss) of affiliates of the company (28% owned to 30 June 2014).

2. Reclassifications and adjustments

The main adjustments made to the *pro forma* statement of financial position and income statement are as follows.

a) Cancellation of costs related to significant business combinations

€17.0 million in costs related to the merger between Korian and Medica were eliminated from the "Other operating income and expenses" line of the *pro forma* income statement.

b) Restatement of financial results

Furthermore, when preparing the *pro forma* financial information, the interest expense relating to the renegotiation of the instruments hedging the new financial liabilities arranged as part of the Merger were eliminated to the amount of €21.1 million.

c) Restatement of income taxes

The *pro forma* financial statements reflect the tax effect of the above items. The total tax effect is €10.3 million.

Transition	Consolidated financial statements 30.06.14	Medica group 3 months	Impact Kinetika 100%	*Pro forma* restatements	*Pro forma* total
Revenue	**953,010**	**250,632**	**26,862**		**1,230,504**
Purchases and external expenses	**(201,634)**	**(56,044)**	**(12,974)**		**(270,653)**
Personnel contributions	**(463,081)**	**(114,271)**	**(8,112)**		**(585,464)**
Income and other taxes	**(32,162)**	**(10,898)**	**(80)**		**(43,140)**
EBITDAR	**256,133**	**69,418**	**5,696**	**0**	**331,247**
EBITDAR margin	*26.88%*	*27.70%*	*21.21%*		*26.92%*
External rents	(131,045)	(31,797)	(1,893)		(164,735)
EBITDA	**125,088**	**37,621**	**3,803**	**0**	**166,512**
EBITDA margin	*13.13%*	*15.01%*	*14.16%*		*13.53%*
Depreciation and amortisation	**(38,197)**	**(9,170)**	**(1,381)**		**(48,748)**
Impairment losses and provisions	**(3,492)**	**(516)**	**(211)**		**(4,219)**
Other operating income and expenses	**0**	**24**	**0**		**24**
EBIT	**83,399**	**27,935**	**2,212**	**0**	**113,546**
Gain/(loss) on disposal of consolidated entities	**(740)**	**0**	**0**		**(740)**
Other operating income and expenses	**(10,024)**	**(14,881)**	**(204)**	**19,814**	**(5,294)**
Operating income	**72,635**	**13,054**	**2,008**	**19,814**	**107,511**
Net borrowing cost	**(22,557)**	**(6,468)**	**(142)**		**(29,167)**
Other financial income and expenses	**(21,665)**	**314**	**(148)**	**21,090**	**(410)**
Profit/(loss) before tax	**28,413**	**6,899**	**1,718**	**40,904**	**77,934**
Income tax	**(10,805)**	**(5,987)**	**0**	**(10,335)**	**(27,127)**
Profit/(loss) after tax	**17,608**	**913**	**1,718**	**30,569**	**50,807**
Profit/(loss) of equity affiliates	**620**	**0**	**(620)**		**0**
Net profit/(loss)	**18,228**	**913**	**1,098**	**30,569**	**50,807**
Net profit/(loss) attributable to owners of the Group	**16,294**	**925**	**1,098**	**30,569**	**48,886**
Attributable to non-controlling interests	**1,934**	**(12)**	**0**	**0**	**1,922**

Note 3 – Discontinued operations and assets held for sale

Discontinued operations

None.

Assets held for sale

- In Italy, as the Vado Sabatia facility is in the process of disposal, this asset was classified pursuant to IFRS 5 at 30 June 2014.
- At 31 December 2013, the Curanum group began the process of disposing of two assets (Ennepetal and Gatterburg). Given that the Gatterburg asset was sold in the first half of 2014, only Ennepetal was classified as being held for sale at 30 June 2014.

- Four real-estate assets in the process of being disposed of, along with the directly related debt to be repaid in tandem with the disposals, were classified as being held for sale.

Note 4 – Goodwill

In thousands of euros	30.06.2014	31.12.2013(*)
Gross goodwill at start of period	**743,204**	**666,795**
Changes in scope	1,519,300	72,300
Definitive allocation of goodwill		
Valuation of commitment to buy out non-controlling interests		(245)
Disposals		(1,004)
Price supplement		
Reclassifications		5,359
Assets held for sale		
Gross goodwill at end of period	**2,262,504**	**743,204**
Amount of impairment at start of period		
Impairment during the period		
Amount of impairment at end of period		
Net goodwill at start of period	**743,204**	**666,795**
Net goodwill at end of period	**2,262,504**	**743,204**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

The goodwill calculated at 30 June 2014 on the acquisitions during the period remains to be allocated (*see Note 2*).

Note 5 – Intangible assets

In thousands of euros	Licences	Other	Total
Gross amount at start of period(*)	**632,001**	**56,585**	**688,586**
Changes in scope	52,393	25,618	78,011
Disposals		(927)	(927)
Acquisitions		5,326	5,326
Transfers		(401)	(401)
Reclassification			
Assets held for sale			
Gross amount at end of period	**684,394**	**86,201**	**770,595**
Cumulative amortisation at start of period(*)	**2**	**30,824**	**30,826**
Changes in scope		10,551	10,551
Disposals		(859)	(859)
Depreciation		4,775	4,775
Transfers		(286)	(286)
Reclassification			
Cumulative amortisation at end of period	**2**	**45,006**	**45,007**
Net carrying amount at start of period(*)	**632,000**	**25,761**	**657,760**
Assets held for sale			
Net carrying amount at end of period	**684,392**	**41,195**	**725,587**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

The goodwill calculated at 30 June 2014 on the acquisitions during the period remains to be allocated; accordingly, no licence on the Medica group was valued at 30 June 2014.

No single licence represents a significant amount for the Group.

The number of CGUs for which licences were valued is 167, with an average value of €4,091 thousand.

Note 6 – Investments in associates and joint ventures

In thousands of euros	Carrying amount
Carrying amount at start of period(*)	**12,235**
Newly-consolidated companies	
Removed from scope of consolidation	(13,069)
Share of income	620
Dividends paid	
Reclassifications and other	214
Carrying amount at end of period	**0**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

The change in this item is mainly due to the impact of the change in the consolidation method for Kinetika Sardegna followed by the takeover.

The main items on the statement of financial position and the income statement in respect of equity investments are as follows.

In thousands of euros	30.06.14	30.06.13(*)	31.12.13(*)
Total assets/liabilities	(7)	727	214
Revenue			
Net profit/(loss)		427	25

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

Note 7 – Cash and cash equivalents

In thousands of euros	30.06.14	31.12.13(*)
Marketable securities	20,782	25,678
Cash and cash equivalents	71,775	25,168
Assets held for sale		
Total	**92,557**	**50,847**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

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 8 – 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

In € thousands	2014	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Cash flow hedging derivatives	Fair value measurement		
						Level 1 Active markets	Level 2 Observable inputs	Level 3 Unobservable inputs
NON-CURRENT ASSETS								
Available-for-sale securities	341	341						341
Other non-current assets	31,644			31,644				
Non-current financial assets	**31,985**	**341**		**31,644**				**341**
CURRENT ASSETS								
Trade receivables	176,359			176,359				
Other receivables	222,366			222,366				
Deposits and guarantees	1,274			1,274				
Other receivables and current financial assets	**223,640**			**223,640**				
Derivative instruments – assets					35			
Marketable securities	20,782		20,782			20,782		
Cash and cash equivalents	71,775		71,775					
Cash and cash equivalents	**92,557**		**92,557**			**20,782**		

The carrying amount of financial assets represents their fair value.

Note 9 – 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 nominal value less an initial charge of between 0.3% and 0.6%, recorded in other expenses, plus financial interest based on Euribor, which is recorded in financial expense.

The total of receivables assigned and derecognised in the first half of 2014 was €47,838 thousand.

The gain or loss on assignment of said receivables in the first half of 2014 was €(682) thousand.

Breakdown of assignments of receivables over the half	First half of 2014	First quarter of 2014	Second quarter of 2014
Assigned receivables	**47,838**	19,815	28,023
Amounts received	**45,374**	17,135	28,239
Commissions for management and recovery of assigned receivables	**(269)**	(111)	(157)
Related financial expense	**(413)**	(156)	(257)
Gain/(loss) on assignment	**(682)**	**(267)**	**(415)**
Net cash received	**44,692**	**16,867**	**27,825**

Note 10 – Earnings per share

	30.06.14	30.06.13	31.12.13
Net profit/(loss) attributable to owners of the Group (in thousands of euros)	16,294	16,587	28,576
Weighted average number of shares (in thousands)	59,862	59,862	59,862
Earnings per share (in euros)	**0.27**	**0.28**	**0.48**
Net profit/(loss) attributable to owners of the Group (in thousands of euros)	16,294	16,587	28,576
Weighted average number of shares (in thousands)	59,862	59,862	59,862
Adjustments for stock options	95	95	95
Average number of shares used for calculation of diluted earnings per share	59,957	59,957	59,957
Diluted earnings per share (in euros)	**0.27**	**0.28**	**0.48**

Note 11 – Hedging financial instruments

The Korian - Medica 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 2014, the market value of instruments designated as interest rate hedges was minus €18,799 thousand.

In the first half of 2014, the Group restructured its interest rate hedging in order to reduce its average cost of financing. As a result, a portion of its financial instruments was unwound early in return for a €24 million balancing payment. In accordance with IAS 39, the amount of reserves relating to these financial instruments will be recycled in profit or loss, as the hedged risk impacts the income statement. Accordingly at 30 June 2014, €18.5 million was recognised in financial expenses and €8 million was maintained in equity, and will be amortised between 2015 and 2021.

The table below sets out the items of income, expenses, gains and losses recognised in profit or loss and in equity before deferred taxes in the first half of 2014 for each category of financial instrument.

In € thousands	Impact on equity of change in fair value	Impact of hedging on profit or loss	Impact of trading on profit or loss	Impact on profit or loss of balanced items
Financial instruments eligible for hedge accounting	(4,532)	1,095		
Financial instruments not eligible for hedge accounting			560	
Balanced financial instruments				(18,514)
Total	**(4,532)**	**1,095**	**560**	**(18,514)**

Assets	31.12.13	Newly-consolidated companies	Removed from scope of consolidation	Change	30.06.14
Options	35			(35)	
Interest rate swaps					
Total hedging instruments – Assets	**35**			**(35)**	
Options					
Interest rate swaps					
Total trading instruments – Assets					
Total financial instruments - Assets	**35**			**(35)**	

Liabilities	31.12.13	Newly-consolidated companies	Removed from scope of consolidation	Change	30.06.14
Interest rate swaps	32,803	2,910		(18,778)	16,934
Options	5,117	203		(4,300)	1,021
Total hedging instruments – Liabilities	**37,920**	**3,113**		**(23,078)**	**17,955**
Interest rate swaps	77	1,279		(490)	866
Options	16			(39)	(22)
Total trading instruments – Liabilities	**94**	**1,279**		**(529)**	**844**
Total financial instruments – Liabilities	**38,014**	**4,392**		**(23,607)**	**18,799**
Net total	**37,979**	**4,392**		**(23,572)**	**18,799**

Note 12 - Financial liabilities

Net indebtedness (current/non-current)

In € thousands	30.06.2014	31.12.2013(*)
Loans from credit institutions	1,079,218	520,445
Finance lease liabilities	370,124	190,502
Employee profit sharing	32	34
Other financial liabilities	31,763	1,120
Liabilities held for sale		
Non-current financial liabilities	**1,480,936**	**712,101**
Short-term loans from credit institutions	25,411	28,463
Short-term finance lease liabilities	33,423	13,896
Bank overdrafts and advances	43,205	5,867
Other short-term financial liabilities	6,937	11,080
Liabilities held for sale		
Short-term financial liabilities	**108,977**	**59,306**
Financial liabilities (A)	**1,589,913**	**771,406**
Marketable securities	20,782	25,678
Cash	71,775	25,168
Assets held for sale		
Cash (B)	**92,557**	**50,847**
Cash provided as collateral (C)	7,200	7,200
Net indebtedness (A) - (B) - (C)	**1,490,156**	**713,360**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

Breakdown of borrowings by interest rate category

In thousands of euros	%	30.06.14	31.12.13(*)
Fixed rate	18%	286,832	256,023
Variable rate	82%	1,303,081	515,383
Total	**100%**	**1,589,913**	**771,406**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

At 30 June 2014, most of Korian - Medica group's indebtedness was at variable interest rates. The Group has financial instruments to hedge against fluctuations in interest rates. It uses standard derivative instruments (interest rate swaps, caps, floors, *etc.*).

Taking into account financial instruments, 85% of variable-rate borrowings at 30 June 2014 were hedged.

Breakdown of borrowings by maturity

In thousands of euros	30.06.14	31.12.13(*)
Less than 1 year	65,772	53,439
1 to 5 years	1,202,104	487,063
More than 5 years	322,037	230,905
Total	**1,589,913**	**771,406**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

Breakdown of future interest linked to financial liabilities by maturity (projected flows based on interest rates at 30 June 2014)

In thousands of euros	30.06.14	31.12.2013
Less than 1 year	40,653	22,911
1 to 5 years	108,694	58,435
More than 5 years	38,094	43,696
Total	**187,441**	**125,043**

- Change in indebtedness as at 30 June 2014

The Merger made Medica’s syndicated loan repayable. In December 2013, the Company accordingly negotiated bridge financing to cover this refinancing requirement.

However, given the favourable market conditions, the Company negotiated a refinancing contract covering the entire debt of the new Group.

The new syndicated loan was signed on 12 March 2014, subject to the condition precedent of the completion of the Merger. It comprises two tranches maturing in 5 years:

- a tranche refinancing the syndicated loans of Korian and Medica in the amount of €800 million;
- a revolving credit tranche of €300 million to finance the Group's general needs.

The covenant (debt – immovable property debt)/(EBITDA – 6.5% of immovable property debt) is set at 4.5x for the term of the loan.

The loan is not secured, and its terms allow the Group to raise loans in addition to the syndicated loan in amounts of €700 million in immovable property debt and €150 million in non- immovable property debt.

The loan contract also contains a change of control clause:

- Korian - Medica’s major shareholders must keep their interest above 40%; and
- no other shareholder may hold more than one-third of share capital.

The pool consists of twelve banking groups, most of which are European.

Following the completion of the Merger, the refinancing tranche was fully drawn on 26 March 2014, which allowed the simultaneous repayment of the syndicated loans of Korian and Medica.

Note 13 – Other provisions

- Non-current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at start of period(*)	**(13)**	**3,307**	**11,116**	**14,411**
Additions	215	1,273	2,304	3,792
Used	(12)	(640)	(701)	(1,353)
Reversals		(35)		(35)
Changes in scope		5,035	12,890	17,925
Reclassifications	(16)	48		32
Liabilities held for sale				
Balance at end of period	**175**	**8,987**	**25,608**	**34,772**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

- Current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at start of period(*)	**840**	**2,929**	**2,448**	**6,218**
Additions	333	1,506	537	2,376
Used	(348)	(686)	(532)	(1,566)
Reversals				
Changes in scope	22		7,714	7,736
Reclassifications	(462)	0		(462)
Liabilities held for sale				
Balance at end of period	**384**	**3,749**	**10,168**	**14,302**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

- Main risks and disputes

Risks relating to operating disputes ("Other" column)

Provisions for operating disputes 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 - Medica recognises all income in use-of-funds statements as revenue and records surpluses as provisions to cover the risk of having the public authorities allocate the funds differently.

The amount of the allocation for the period totalled minus €2.0 million net of reversals.

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 2014.

Employee-related disputes

The provisions set aside cover employee disputes and termination benefits. No individual 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 business, results or financial position of the Group.

Note 14 – Categories of financial liabilities

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

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

In € thousands	2014	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss			Fair value measurement		
			Fair value hedging derivatives	Derivatives not eligible for hedge accounting	Cash flow hedging derivatives	Level 1 Active markets	Level 2 Observable inputs	Level 3 Unobservable inputs
NON-CURRENT LIABILITIES								
Loans from credit institutions	1,079,218	1,079,218						
Finance lease liabilities	370,124	370,124						
Employee profit sharing	32	32						
Other financial liabilities	31,763	31,763						
Borrowings	**1,480,936**	**1,480,936**						
CURRENT LIABILITIES								
Loans from credit institutions	25,411	25,411						
Finance lease liabilities	33,423	33,423						
Bank overdrafts and advances	43,205	43,205						
Other financial liabilities	6,937	6,937						
Loans due in less than one year and bank overdrafts	**108,977**	**108,977**						
Derivative financial liabilities	18,799			844	17,955		18,799	
Trade payables and related accounts	187,669	187,669						
Commitment to buy out non-controlling interests	12,203	12,203						
Residents' deposits	54,739	54,739						
Other payables	503,307	503,307						
Other payables and accruals	**570,249**	**570,249**						

Note 15 – Personnel contributions

In thousands of euros	30.06.14	30.06.13(*)	31.12.13(*)
Wages and salaries	333,943	241,484	474,707
Social security charges	121,223	71,439	166,668
Employee profit sharing	2,391	2,595	5,357
Other personnel contributions	5,524	1,648	5,262
Personnel contributions of discontinued operations			
Personnel contributions	**463,081**	**317,166**	**651,995**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

Note 16 – External expenses

In the first half of 2014, external expenses amounted to €265,352 thousand and included property and equipment leasing charges of €131,045 thousand. In the first half of 2013, external expenses amounted to €201,315 thousand and included property and equipment leasing charges of €91,106 thousand.

External expenses on the Italian scope amounted to €69,336 thousand. This includes salary expenses invoiced by cooperatives.

Note 17 – Gains and losses on acquisition and disposal of consolidated entities and other operating income and expenses

In thousands of euros	30.06.14	30.06.13(*)	31.12.13(*)
Securities acquisition costs	(327)	(3,714)	(4,859)
Gain/(loss) on disposal of consolidated entities	(413)	2,770	(113)
Gain/(loss) on acquisition and disposal of consolidated entities	**(740)**	**(944)**	**(4,972)**

In thousands of euros	30.06.14	30.06.13(*)	31.12.13(*)
Gain/(loss) on disposal of premises		2,916	10,378
Share of sale and leaseback gain	1,905	1,934	3,835
Gain/(loss) on disposal of non-current assets	(221)	(1,771)	(1,608)
Other operating expenses	(15,184)	(6,442)	(26,864)
Other operating income	3,477	1,431	3,221
Operating income from discontinued operations			
Total income (expenses)	**(10,024)**	**(1,933)**	**(11,038)**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

Other operating income and expenses notably included:

- €7.9 million in costs relating to the restructuring of the Korian - Medica group following the Merger;
- €1.6 million in costs relating to the restructuring of facilities.

Note 18 – Net financial income excluding discontinued operations

In thousands of euros	30.06.14	30.06.13(*)	31.12.13(*)
Interest expense and other	(24,517)	(19,888)	(43,283)
Gross borrowing cost	**(24,517)**	**(19,888)**	**(43,283)**
(Gain)/loss on disposal of investment securities	1,960	184	366
Net borrowing cost	**(22,557)**	**(19,703)**	**(42,917)**
Restructuring of hedging instruments and debt	(21,084)		
Dividends received from non-consolidated companies	33	32	48
Other income from investments		8	
Other financial expense	(2,851)	(2,032)	(2,953)
Fair value of hedging instruments, ineffective portion	979	354	458
Fair value of hedging instruments, trading impact	529	42	126
Other financial income	637	218	675
Other allocations to financial provisions	(259)		(113)
Other reversals of financial provisions	352		
Financial income	**(44,222)**	**(21,081)**	**(44,677)**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

Note 19 – Income taxes

Analysis of income tax expense

In thousands of euros	30.06.14	30.06.13(*)	31.12.13(*)
Current tax	(5,884)	(7,808)	(29,900)
Deferred taxes	(4,921)	(1,722)	6,112
Income tax expense of discontinued operations			
Income tax expense/(income)	**(10,805)**	**(9,530)**	**(23,788)**

(*)**Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.**

The Group's tax rate is 38.03%.

In accordance with IFRS, taxes for the period ended 30 June 2014 include an expense of €5,821 thousand, corresponding to the CVAE.

Note 20 – Related-party transactions

There were no significant changes in the management remuneration arrangements compared with what was set out in the 2013 Registration Document.

Note 21 – Commitments under leases

- Finance leases

In thousands of euros	30.06.2014	31.12.2013
Leasing commitments by term:		
less than 1 year	33,941	14,734
in between 1 and 5 years	134,690	66,850
more than 5 years	234,916	122,815
Total commitments	**403,547**	**204,398**
Discounting effect	113,818	58,563
Total discounted commitments	**289,729**	**145,835**

- Operating leases

In thousands of euros	30.06.2014	31.12.2013
Minimum non-cancellable lease payments due		
in less than 1 year	231,864	161,356
in between 1 and 5 years	980,449	686,082
in more than 5 years	1,286,705	577,392
Total undiscounted commitments	**2,499,018**	**1,424,830**

Aside from the change in lease payments set out above, there have been no significant changes in contingent liabilities since the previous balance sheet date.

Note 22 – Operating segments

Operating segments at 30.06.2014	Total of all activities	France	Germany	Italy	Belgium
Revenue	**953,010**	**558,199**	**233,533**	**110,379**	**50,900**
EBITDAR**	**256,133**	**148,978**	**67,336**	**26,020**	**13,800**
	26.9%	*26.7%*	*28.8%*	*23.6%*	*27.1%*

Transition from EBITDAR to operating income at 30 June 2014:

EBITDAR (excluding discontinued operations)	**256,133**
Head office EBITDAR	
External rents (excluding discontinued operations)	131,045
Depreciation, amortisation and provisions	41,689
Gain/(loss) on disposal of consolidated entities	(740)
Other operating income and expenses	(10,024)
Operating income	**72,635**

Operating segments at 30.06.2013(*)	Total of all activities	France	Germany	Italy
Revenue	**655,323**	**388,163**	**180,395**	**86,765**
EBITDAR**	**171,348**	**99,478**	**51,695**	**20,175**
	26.1%	*25.6%*	*28.7%*	*23.3%*

Transition from EBITDAR to operating income at 30 June 2013(*):

EBITDAR (excluding discontinued operations)	**171,348**
Head office EBITDAR	(1,393)
External rents (excluding discontinued operations)	91,106
Depreciation, amortisation and provisions	27,652
Gain/(loss) on disposal of consolidated entities	(944)
Other operating income and expenses	(1,933)
Operating income	**48,319**

*Pursuant to IFRS 11 - Joint Arrangements, the 2013 financial statements have been restated in accordance with the new rule for comparison purposes.
**EBITDAR: earnings before interest, taxes, depreciation, amortisation and rent = earnings from operations before rent costs

Note 23 - Events after the reporting period

Since 1 July 2014, Korian - Medica has carried out the following transactions.

- 2014 distribution

Following the approval of the Combined General Meeting on 26 June, the Company proposed keeping the dividend unchanged at €0.60 per share, with a scrip dividend option of €0.30 on the basis of a share price of €26.42.

Over 73% of shareholders signed up for this scrip dividend option, resulting in the issue of 648,650 new shares, which were delivered and admitted to trading on Euronext Paris on 31 July 2014. The dividend rights are back-dated to 1 January 2014 and the shares enjoy the same rights as the outstanding ordinary shares.

Furthermore, the cash distribution amounted to €29.8 million and was paid out to shareholders on 31 July 2014.

The Korian – Medica share capital now stands at €395,187,615 and is comprised of 79,037,523 shares.

- Further Development in France

On 11 July 2014, the Group completed the acquisition, from a foundation, of the Les Courses hospital located in Maisons-Laffitte with a view to restructuring it. This project is part of a partnership with the public authorities, with the goal of developing a full service offering in the field of Ageing Well. This deal represents potential additional revenue of circa €10 million.

On 1 July 2014, the Group also opened a facility in Bouches-du-Rhône.

- Initiation of discussions with a view to delisting Curanum AG

Following the crossing, on 14 July 2014, of the threshold of 90% of the share capital and voting rights in Curanum AG, the Group initiated negotiations with Curanum AG with a view to a merger resulting in the delisting of Curanum AG in the first half of 2015.

- Optimisation of Group financing

On 15 July 2014, Korian – Medica issued €45 million private bond placement at attractive terms, with a fixed coupon of 3.65% and a (long) maturity of 7.5 years. This deal is part of an ongoing effort to diversify the Group's sources of financing and to extend the maturity of the debt.

2.2. Statutory Auditors' report on the half-year financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders 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 - Medica, for the period from January 1, 2014 to June 30, 2014,

- 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.

Without qualifying our conclusion, we draw your attention to the matter set out in the note 1 “Accounting policies “ which presents the consequences of the first implementation of IFRS 11 standard «Joint Arrangements»

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 and Paris-La Défense, September 11, 2014

The Statutory Auditors

(French Original signed by)

MAZARS	ERNST & YOUNG et Autres
Manuela Baudoin-Revert	Sophie Duval

CHAPTER 3. DECLARATION OF THE PERSON RESPONSIBLE FOR THE DOCUMENT

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, 24 September 2014

Yann Coléou

Chief Executive Officer

KORIAN MEDICA

Legal information
KORIAN - MEDICA SA
A French limited liability company (*Société Anonyme*)
with share capital of 395,187,615 euros
32 rue Guersant - 75017 Paris
Paris Trade and Companies Register (RCS) 447 800 475