2017 HALF-YEAR FINANCIAL REPORT

KORIAN

CHAPTER 1

Half-year Management Report

1.1 Message from the Chief Executive Officer

"In the first half of 2017, the business of Korian, the European leader in Ageing Well, confirmed the positive trend set in motion by the implementation of the Korian 2020 strategic plan. During the first half of the year, the Group:

- continued its community-based development strategy in its four business sectors – long-term care nursing homes, specialised clinics, assisted living facilities and home care networks – by opening or acquiring over 1,700 beds during the period, primarily internationally;
- undertook an ambitious programme to modernise and reconfigure its facilities in France in order to reinforce the attractiveness of its offer and accelerate organic growth;
- began to deploy its new real estate strategy, with the objective of acquiring the means to extend its development capacities and to raise its ownership rate of real estate assets; and
- completed key stages in the integration of its German operations.

The impact of these actions resulted in a dynamic first six months of 2017 consistent with the roadmap established by the Group to achieve its Korian 2020 strategic plan, and which saw revenue grow by 4.9% and an operating margin of 13.5% that was stable compared to the restated margin for the first half of 2016.

Taking into account the acquisitions completed, primarily in Belgium, where Korian is now the leading operator in the market for services to seniors, revenue generated outside France increased by 9.4% and accounts for nearly 50% of the Group's total revenue.

We also announced that we were converting our research institute into a corporate foundation, the Korian Foundation for Ageing Well, which will be the primary focus of our research and innovation partnerships, consistently with the Company's commitment to promote positive care, which means caring for persons in a compassionate and respectful manner, regardless of their health.

In the second half of 2017, the Group will accelerate its expansion by opening eight facilities and by making selective acquisitions, with the goal of reaching a total of 2,500 additional beds over all of 2017.

In order to provide the best possible day-to-day service for the residents, patients and families who place their trust in Korian's facilities and care networks, we will continue to pursue our strategic roadmap, which focuses on:

- increased growth, in particular, by reconfiguring the portfolio of facilities in France, broadening the offer of services and continuing a policy of selective acquisitions;
- optimising the portfolio of real estate assets, to promote growth and create value;
- improving operating performance by optimising support functions and taking advantage of the economies of scale and synergies made possible by the size of the network;
- innovating with respect to therapeutic care policies, for example by mobilising digital technologies; and
- developing the skills of our employees.

The Group confirms its objectives for 2017 of revenue growth over 5% and an operating margin (EBITDA) of around 13.7%, equal to the restated margin for 2016.

Together with all Korian group employees, we are fully committed to successfully implementing our Korian 2020 plan, and to making Korian the reference company in providing care and support for seniors and their families. Our aim is to confirm Korian's position as a company recognised for its compassion, the quality of its medical care and the utility of its services over time."

Sophie Boissard

Chief Executive Officer of Korian

1.2 Activities of the Korian group in the 2017 first half

1.2.1 KEY INDICATORS

Korian, the expert in senior care services, saw a sustained improvement in its business, with revenue (and other income) growing by 4.9% in the first half of 2017, to €1,541.8 million.

As at 13 September 2017, the Group had the capacity to accommodate over 73,800 residents and patients in Europe (France, Germany, Belgium and Italy) and managed over 730 facilities in four business lines: long-term care nursing homes, specialised clinics, assisted living facilities and home care networks.

1.2.2 HIGHLIGHTS

1.2.2.1 Changes in governance

Statutory governance bodies

▸ CHANGES IN THE COMPOSITION OF THE BOARD

At its meeting on 15 March 2017, the Board of Directors acknowledged:

- the decision of Martin Hoyos not to request the renewal of his term of office as Director;
- the resignation of Guy de Panafieu from his office as Director effective 21 June 2017 at midnight;
- the decision of Jean-Claude Georges-François not to request the renewal of his term of office as Board Observer.

At the combined general meeting held on 22 June 2017 (the "**2017 Meeting**"), the shareholders voted:

- to renew the terms of office as Director of Christian Chautard and Jérôme Grivet, as well as of Office d'Investissement des Régimes de Pensions du Secteur Public ("**Investissements PSP**") (represented by Jérôme Bichut), for a term of three years that will expire at the conclusion of the general meeting of shareholders convened to vote on the financial statements for the year ending 31 December 2019;
- to appoint Markus Müschenich as an independent Director for a term of three years, which will expire at the conclusion of the general meeting of shareholders convened to vote on the financial statements for the year ending 31 December 2019;
- to ratify the co-optation of Elisabeth T. Stheeman as an independent Director, to replace Guy de Panafieu for the remaining duration of his term of office, *i.e.* until the conclusion of the general meeting of shareholders that will be convened to vote on the financial statements for the year ending 31 December 2018; and
- to approve the candidacy of Guy de Panafieu to the position of Board Observer for a term of two years, *i.e.* until the conclusion of the general meeting of shareholders that will vote on the financial statements for the year ending 31 December 2018.

As a result, the Board of Directors now comprises 11 members, including the Director representing the employees: Christian Chautard (Chairman), Jérôme Grivet, Predica Prevoyance Dialogue du Crédit Agricole ("**Predica**") (represented by Françoise Debrus), Investissements PSP (represented by Jérôme Bichut), Malakoff Médéric Assurances (represented by Hugues du Jeu), Jean-Pierre Duprieu, Markus Müschenich, Anne Lalou, Elisabeth T. Stheeman, Catherine Soubie and Hafida Cola.

▸ CHANGES IN THE COMPOSITION OF THE BOARD'S SPECIALISED COMMITTEES

At its meeting on 22 June 2017, which was held at the conclusion of the 2017 Meeting, the Board of Directors voted to change the composition of the specialised committees as follows:

- Audit Committee: Catherine Soubie (Chair), Jean-Pierre Duprieu, Markus Müschenich, Elisabeth T. Stheeman, Predica (represented by Françoise Debrus) and Investissements PSP (represented by Jérôme Bichut);
- Investment Committee: Jérôme Grivet (Chair), Christian Chautard, Investissements PSP (represented by Jérôme Bichut) and Malakoff Médéric Assurances (represented by Hugues du Jeu);
- Appointments and Compensation Committee: Jean-Pierre Duprieu (Chair), Catherine Soubie and Predica (represented by Françoise Debrus);
- Ethics and Quality Committee: Anne Lalou (Chair), Markus Müschenich, Malakoff Médéric Assurances (represented by Hugues du Jeu) and Hafida Cola.

Internal governance

As at 30 June 2017, the General Management Committee, whose members report to Sophie Boissard, the Chief Executive Officer, was composed of Didier Armaingaud (Group Chief Medical, Ethics and Quality Officer), Bart Bots (CEO Korian Belgium), Rémi Boyer (Group Chief Human Resources Officer), Frédéric Durousseau (Group Chief Real Estate and Development Officer), Cécile Jolly (Group Marketing and Digital Director), Laurent Lemaire (Group Chief Financial Officer), Nicolas Mérigot (France Healthcare Division Executive VP), Charles-Antoine Pinel (France Seniors Division Executive VP), Mariuccia Rossini (CEO Korian Italy) and Ralf Stiller (CEO Korian Germany).

Furthermore, at the 2017 Meeting, the shareholders decided to reappoint Ernst & Young et Autres, the principal Statutory auditor, for a term of six years, which will expire at the conclusion of the general meeting of shareholders that will be convened to vote on the financial statements for the year ending 31 December 2022.

1.2.2.2 Pursuit of the development strategy

France

In January 2017, a specialised clinic with a capacity of 105 beds was opened in the French department of Yvelines. It replaces two other specialised clinics and includes a hospital home care unit (Yvelines Sud) and out-patient services.

In February 2017, a hospital facility also located in the French department of Yvelines, with a capacity of 71 beds, which had been acquired in 2014 while it was in insolvency proceedings, was sold to the Vivalto group.

Germany

In January 2017, the Group disposed of a facility in Olsberg, with a capacity of 88 long-term care nursing home beds and 31 beds in special care units.

In April 2017, Korian acquired a facility in Dettelbach, which specialises in home care services.

In addition, in June 2017, Korian opened two long-term care nursing homes in Vlotho and Hainichen with a capacity of 100 and 124 beds, respectively.

Belgium

In January 2017, Korian acquired two long-term care nursing homes in Flanders with a capacity of 60 beds, and supplemented the acquisition of the Foyer de Lork group with the takeover of OTV, a group also located in Flanders, which specialises in home care services and has a capacity of 88 long-term care nursing home beds and 57 assisted living beds.

In addition, in January 2017, Korian opened a facility in Flanders with a capacity of 64 long-term care nursing home beds.

In June 2017, Korian acquired eight facilities in Flanders and Wallonia from the Senior Assist group, with a total capacity of around 1,000 beds.

This acquisition, which is highly complementary with Korian's existing network in Belgium, also enables the Group to pursue its dynamic growth strategy and to consolidate its position as the leader in the Belgian market for senior care services.

Italy

In February 2017, Korian acquired a long-term care nursing home in Liguria with a capacity of 120 beds.

In March 2017, Korian also acquired a specialised clinic in the Apulia region with a capacity of 120 beds.

1.2.2.3 Increased financial flexibility

On 28 June 2017, Korian announced the issue of undated, unsubordinated and unsecured bonds with an option for repayment in cash and/or new and/or existing shares ("ODIRNANE" bonds) for an amount of €240 million. The bond issue was settled on 3 July 2017.

On 28 June 2017, the Group also issued €60 million in undated hybrid unlisted bonds that do not give access to equity.

These issues, for a total amount of €300 million, provide the Group with increased financial flexibility to pursue its development strategy through targeted acquisitions (bolt-ons).

1.2.2.4 Company's share capital increased

Pursuant to the decision adopted by the Chief Executive Officer on 31 March 2017, in accordance with the provisions of article L. 225-197-1, paragraph 4, of the French Commercial Code, following the final allotment, on 31 March 2017, of 26,361 shares to certain members of General Management (bonus share plan approved by the Board of Directors on 10 September 2014), the Company's share capital was increased by €131,805, from €400,890,210 to €401,022,015, by issuing 26,361 new shares with a nominal value of €5 each.

1.2.2.5 Financial authorisations

At the 2017 Meeting, the following financial authorisations and powers were granted and/or renewed.

Type	Purpose
Resolution 17 **Share buyback programme** **Term: 18 months**	Authorisation of a share buyback programme of up to 10% of the share capital, through trading orders, buybacks of blocks of shares and disposal, by any means, of the shares thus acquired. Possible capital reduction through the cancellation of the shares thus acquired. Maximum purchase price ≤ €50 per share.
Resolution 18 **Authorisation to reduce the Company's share capital by cancelling treasury shares** **Term: 18 months**	To authorise the Board of Directors to decide to reduce the Company's share capital by cancelling treasury shares (currently or in connection with the share buyback programme). Decrease limited to 10% of the Company's share capital in a 24-month period.
Resolution 19 **Authorisation to increase the share capital, cancelling preferential subscription rights, through a public offering** **Term: 14 months**	To authorise the Board of Directors to increase the share capital by issuing ordinary shares of the Company or any other transferable securities conferring equity rights in the Company (other than transferable securities that confer rights to preference shares) or that confer the right to a grant of debt securities, cancelling shareholders' preferential subscription rights, carried out by a public offering (on a regulated market), capped at a total nominal amount of €150 million(1) for equity securities and €1 billion(1) for the issuance of debt securities conferring equity rights.
Resolution 20 **Authorisation to increase the share capital, cancelling preferential subscription rights, through a private offering** **Term: 14 months**	To authorise the Board of Directors to increase the share capital by issuing ordinary shares of the Company or any other transferable securities conferring equity rights in the Company (other than transferable securities that confer rights to preference shares) or that confer the right to a grant of debt securities, cancelling shareholders' preferential subscription rights, carried out by a private placement (qualified investors or an investors' circle), capped at a total nominal amount of €150 million(1) for equity securities and €1 billion(1) for the issuance of debt securities conferring equity rights.
Resolution 21 **Authorisation to increase the number of securities issued in connection with a capital increase in the event of "over-subscription"** **Term: 14 months**	To authorise the Board of Directors to increase the number of securities offered in connection with the capital increases covered by the delegations of authority submitted under Resolution 17 to the general meeting held on 23 June 2016 and under Resolutions 19 and 20 to the general meeting held on 22 June 2017, up to a maximum of 15% of the initial issue.
Resolution 22 **Authorisation to set the issue price for various issues of securities** **Term: 14 months**	To authorise the Board of Directors to set the price of the issues carried out pursuant to the delegations of authority covered by Resolutions 19 and 20 submitted to the general meeting held on 22 June 2017: (i) for ordinary shares, issue price ≥ the weighted average share price on the Euronext Paris regulated market on the three trading days before the price is set, less a maximum discount of 5% if necessary; (ii) for transferable securities conferring rights to capital other than ordinary shares, the issue price shall be the amount immediately received by the Company, plus, if applicable, the amount likely to be received at a later time by the Company *i.e.* for each ordinary share issued as a consequence of the issuance of these securities, an amount at least equal to the amount stated in section (i) above, after adjustment, if applicable, of such amount to take into account the different vesting date. The maximum nominal amount of the capital increase is limited to 10% of the share capital per annum.
Resolution 23 **Authorisation to grant free shares subject to performance conditions** **Term: 38 months**	To authorise the Board of Directors to award free shares, either existing or to be issued, subject to performance conditions, up to a maximum of 1% of the Company's share capital on the date of the Board of Directors' decision (0.1% of the share capital for executive corporate officers). The grant of shares to their beneficiaries will vest at the end of a minimum vesting period of three years, and the duration of the beneficiaries' obligation to retain the shares, if any, shall be set by the Board of Directors.
Resolution 24 **Authorisation to carry out capital increases for the benefit of members of a company savings plan, cancelling preferential subscription rights** **Term: 26 months**	To authorise the Board of Directors to carry out capital increases, up to a maximum nominal amount of €2 million, by issuing shares or transferable securities conferring equity rights, for members of a company savings plan.

(1) Shared maximum amount with Resolution 23 described in this table.

1.2.2.6 2017 Dividend

Following shareholder approval at the 2017 Meeting, the Company distributed a dividend of €0.60 per share, with the option to receive payment in shares (based on a share price of €28.82). The exercise of this option resulted in the issuance of 777,940 new shares, which were issued on 19 July 2017 and were admitted to trading on the Euronext Paris exchange on 21 July 2017. These shares carry dividend rights as from 1 January 2017 and enjoy the same rights as the outstanding ordinary shares. The cash dividend totalled €25.6 million and was paid to the shareholders on 21 July 2017.

The Company's share capital now stands at €404,911,715 and is divided into 80,982,343 shares.

1.3 Consolidated financial statements

Korian uses EBITDAR as its benchmark indicator because it makes it possible to assess its operating performance separately from its real estate policy (the ownership or rental of the facilities' premises impacts operating income).

EBITDAR is gross earnings from operations before rental expenses.

EBITDA is EBITDAR, as defined above, less rental expenses.

1.3.1 SIMPLIFIED INCOME STATEMENT

In millions of euros	H1 2017	H1 2016	Change
Revenue[(1)]	1,541.8	1,470.4	4.9%
EBITDAR	**400.8**	**393.0**	**2.0%**
%	26.0%	26.7%	-0.7%
External rents	-192.2	-186.3	3.2%
EBITDA	**208.6**	**206.7**	**0.9%**
%	13.5%	14.1%	-0.5%
Depreciation and amortisations	-78.6	-78.5	0.1%
EBIT	**130.0**	**128.2**	**1.4%**
%	8.4%	8.7%	-0.3%
Other operating income and expenses	-4.5	-13.7	-67.3%
Operating income	**125.5**	**114.5**	**9.7%**
Net Financial income	-56.0	-52.7	6.3%
Pre-tax income	**69.5**	**61.8**	**12.5%**
Income tax	-29.5	-28.7	3.0%
%	-42.5%	-46.4%	3.9%
Non-controlling interests	-1.6	-0.8	99.3%
NET PROFIT GROUP SHARE	**38.4**	**32.3**	**18.8%**

(1) (and other income).

1.3.2 REVENUE[(2)]

In millions of euros	H1 2017	H1 2016	Change
GROUP	**1,541.8**	**1,470.4**	**4.9%**
France	784.1	778.1	0.8%
Germany	435.0	419.5	3.7%
Belgium	171.1	116.6	46.7%
Italy	151.6	156.2	-3.0%

(2) (and other income).

The Korian group generated revenue of €1,541.8 million in the first half of 2017, an increase of 4.9% over the previous year. Organic growth totalled 2.5%, driven by the International business, which grew by 4.2%. The scope impact was primarily due to the acquisitions in Belgium in the second half of 2016 and early 2017. In the first half, the number of beds grew by over 1,700, primarily in Belgium.

- **France:** Revenue in France totalled €784.1 million in the first half of 2017, up 0.8%. This figure includes the impact of the disposal of Centre Hospitalier des Courses in early 2017. Organic growth totalled 1.0%. Growth in the Seniors business (long-term care nursing homes) continued at a rate approaching 2%, which was driven by healthy average daily rates.

  In the Healthcare business (comprising primarily post-acute and rehabilitation care facilities), whose occupancy rate remains high, growth was slightly negative due to a drop in rates, which was partially offset by the sale of additional services and a favourable business mix.
- **Germany:** Organic growth in Germany totalled 4.1%. Revenue increased by 3.7% in reported figures after taking into account the transfer in the first quarter of the operation of a facility in connection with the portfolio optimisation policy. Growth was driven by the ramping-up of facilities opened over the last 18 months and by a favourable price impact. Two new facilities opened at the end of June.
- **Belgium:** Belgium continues to experience a very high organic growth (8.3%), driven primarily by the ramping-up of beds opened in 2016 and since the start of 2017. Revenue increased by 46.7% in reported figures due to the addition of Foyer de Lork (as from 1 September 2016), OTV (as from 1 January 2017) and eight facilities acquired from Senior Assist (as from 1 June 2017).
- **Italy:** Organic growth in Italy totalled 1.1%, bolstered by high occupancy rates. Reported growth was -3.0% due to the transfer of the operation of four facilities in 2016, which was partially offset by the acquisition of two facilities in the first quarter of 2017.

1.3.3 EBITDAR

In millions of euros	H1 2017	Revenue %	H1 2016	Revenue %	Change
GROUP	**400.8**	**26.0%**	**393.0**	**26.7%**	**2.0%**
France	215.3	27.5%	214.0	27.5%	0.6%
Germany	106.2	24.4%	112.7	26.9%	-5.8%
Belgium	42.6	24.9%	30.4	26.1%	40.1%
Italy	36.6	24.2%	35.9	23.0%	2.1%

The Group's EBITDAR totalled €400.8 million in the first half of 2017, up €7.8 million (+2.0%) compared to the first half of 2016. The Korian group's EBITDAR margin is 26%, a drop of 70 basis points. Adjusted for non-recurring favourable items in Germany in the first half of 2016, the drop was only 40 basis points.

- France: EBITDAR was €215.3 million, up 0.6%. The EBITDAR margin remained stable.
- Germany: EBITDAR was €106.2 million, a drop of -5.8%. EBITDAR in the first half of 2016 included €5 million of favourable non-recurring items in Germany. Adjusted for these items, EBITDAR fell by 130 basis points. This change is primarily due to the implementation of the new PSG II Act on 1 January 2017, which has increased staffing needs to comply with the greater care obligations the law imposes for persons with high dependence levels, higher wage levels in line with the general trend of the German market, and the ramp-up impact of facilities opened over the last 18 months.
- Belgium: EBITDAR was €42.6 million, up 40.1%, a figure that integrates the impact of various recent acquisitions. These acquisitions had a dilutive impact that led to a drop of 120 basis points in the EBITDAR margin.
- Italy: EBITDAR was €36.6 million, up 2.1%. The margin rate rose by 120 basis points due to the favourable impact of changes in scope and solid operating performance.

1.3.4 EBITDA

In millions of euros	H1 2017	Revenue %	H1 2016	Revenue %	Change
Group EBITDA	208.6	13.5%	206.7	14.1%	0.9%

The Group's EBITDA was €208.6 million, up 0.9%.

EBITDA in the first half of 2016 included €9 million of favourable non-recurring items. Adjusted for these items, the EBITDA margin remained stable between the first half of 2016 and the first half of 2017.

1.3.5 NET INCOME

Depreciation and amortisations are stable.

Non-current items include reorganisation expenses in Germany and a tax reimbursement in France.

The net financial loss amounted to -€56.0 million (+6.3%).

This increase includes the increased margin of the syndicated loan following the acquisition of Casa Reha.

The net profit attributable to the Group's owners was €38.4 million, up from €32.3 million in the first half of 2016, an increase of 18.8%.

1.3.6 FINANCIAL STRUCTURE

At 30 June 2017, Korian's equity attributable to owners of the Group stood at €2,086 million.

The Group's net debt totalled €2,317.3 million, an increase of €2 million over financial debt at 31 December 2016.

The financial structure remains sound with a debt ratio excluding real estate debt of 3.8x which is significantly below the covenant limit of 4.75x.

1.4 Material events since 1 July 2017

1.4.1 CHANGES IN GOVERNANCE

On 1 July 2017, Arno Schwalie was appointed as CEO of Korian Germany and became a member of the General Management Committee, replacing Ralf Stiller, who sits on the Korian Germany Management Board and focuses on expanding the Group's business in Germany and neighbouring countries.

On 21 July 2017, Caroline de Jessey was appointed Group Chief Communication Officer and became a member of the General Management Committee, replacing Cécile Jolly.

The General Management Committee, whose members report to Sophie Boissard, the Chief Executive Officer, now comprises Didier Armaingaud (Group Chief Medical, Ethics and Quality Officer), Bart Bots (CEO Korian Belgium), Rémi Boyer (Group Chief Human Resources Officer), Frédéric Durousseau (Group Chief Real Estate and Development Officer), Caroline de Jessey (Group Chief Communication Officer), Laurent Lemaire (Group Chief Financial Officer), Nicolas Mérigot (France Healthcare Division Executive VP), Charles-Antoine Pinel (France Seniors Division Executive VP), Mariuccia Rossini (CEO Korian Italy) and Arno Schwalie (CEO Korian Germany).

1.4.2 PURSUIT OF THE DEVELOPMENT STRATEGY

France

On 4 September 2017, Korian opened a specialised clinic in the department of Aube, with a capacity of 70 beds and a hospital day care unit with 10 beds.

In addition, the Saint Bruno specialised clinic in Marseille was relocated to Martigues.

Germany

In August 2017, Korian opened a specialised clinic in Immenhasen, in the state of Hesse, with a capacity of 36 beds, and a specialised clinic in Dresden-Gruna with a capacity of 150 beds.

In addition, in August 2017, Korian also opened a facility in Lower Saxony, which specialises in home care services.

Belgium

In July 2017, Korian acquired the home care business of the Senior Assist group, *via* Senior Assist Home Care, a leading operator in the home care market in Belgium.

This acquisition is consistent with Korian's strategy to enhance its service offering in the home care sector, and will enable the Group to consolidate its strong position in the fast-growing home care services sector.

1.5 Risk factors

No risks are foreseen other than those described in section 3.6 "Risk management" of the 2016 Registration Document, which was filed with the Autorité des Marchés Financiers ("AMF"), the French Financial Markets Authority on 26 April 2017 under number D.17-0432.

There were no significant changes to these risk factors in the first half of 2017.

1.6 Related-party transactions

Details of related-party transactions in the first half of 2017 can be found in Note 5.1 of the notes to the condensed half-year financial statements in this Half-Year Management Report.

There have been no significant changes from the information provided in the Company's 2016 Registration Document.

CHAPTER 2

Condensed half-year consolidated financial statements

2.1 Condensed consolidated financial statements at 30 June 2017

2.1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

In thousands of euros	Notes	30.06.2017	31.12.2016
Goodwill	3.1	2,201,544	2,175,429
Intangible assets	3.1	1,719,602	1,717,635
Property, plant and equipment		1,712,045	1,670,218
Financial Assets	3.2	33,658	32,606
Deferred tax assets		182,630	182,506
Non-current assets		**5,849,480**	**5,778,393**
Inventories		10,023	9,707
Trade receivables and related accounts	3.2	184,561	168,241
Other receivables and currents assets	3.2	228,047	224,575
Financial instruments – assets	3.2 / 3.5	6,499	1,500
Cash and cash equivalents	3.3	408,270	309,875
Current assets		**837,400**	**713,897**
Assets held for sale			1,887
TOTAL ASSETS		**6,686,880**	**6,494,178**

Liabilities

In thousands of euros	Notes	30.06.2017	31.12.2016
Share capital		401,022	400,890
Premiums		841,518	841,519
Consolidated earnings and retained earnings		843,307	780,605
Equity attributable to the Group's owners		**2,085,848**	**2,023,015**
Non-controlling interests		10,995	13,915
Total equity		**2,096,843**	**2,036,930**
Provisions for retirement benefits		62,400	58,567
Deferred tax liabilities		673,713	673,084
Other provisions	3.4	148,131	140,200
Loans and other borrowings	3.5	2,470,891	2,442,222
Non-current liabilities		**3,355,135**	**3,314,072**
Short-term provisions	3.4	10,362	13,555
Trade payables and related accounts	3.5	245,347	250,496
Other payables and accruals	3.5	708,892	678,039
Borrowings due within 1 year and bank overdrafts	3.5	254,706	183,014
Financial instruments – liabilities	3.5	15,596	18,072
Current liabilities		**1,234,902**	**1,143,176**
Liabilities held for sale		0	0
TOTAL LIABILITIES		**6,686,880**	**6,494,178**

2.1.2 CONSOLIDATED INCOME STATEMENT

Comprehensive income

In thousands of euros	Notes	30.06.2017	31.12.2016	30.06.2016
Revenue	**4.1**	**1,539,669**	**2,981,404**	**1,469,476**
Other income		2,093	5,482	967
Operating revenue		**1,541,763**	**2,986,886**	**1,470,443**
Purchases used in the business		123,576	236,467	117,629
Personnel expenses	4.1	799,257	1,504,582	744,112
External expenses	4.1	362,171	727,773	352,431
Taxes and contributions		55,445	96,661	50,008
Depreciation, amortisation and provisions		78,596	155,954	78,499
Other revenue and expenses from operations		7,288	823	429
Profit/(loss) on acquisition and disposal of consolidated entities	4.3	-1,007	-896	-1,782
Other operating income and expenses	4.3	-3,491	-24,456	-11,957
Operating income	**4.1**	**125,508**	**240,919**	**114,453**
Cost of net financial debt	4.4	-44,774	-88,121	-41,207
Other items of financial income	4.4	-11,214	-35,223	-11,446
Net financial income	**4.4**	**-55,988**	**-123,344**	**-52,653**
Profit/(loss) before tax		**69,520**	**117,575**	**61,801**
Income tax	4.5	-29,526	15,583	-28,678
Profit/(loss) of consolidated companies		**39,994**	**133,158**	**33,122**
Share of profit/(loss) of equity affiliates attributable to the Group's owners				
Non-controlling interests		1,564	1,865	785
Share attributable to the Group's owners		**38,430**	**131,293**	**32,338**
Net profit/(loss) per share attributable to owners of the Group ***(in euro)***	4.6	0.48	1.64	0.40
Net profit/(loss) per share (diluted) attributable to owners of the Group ***(in euro)***	4.6	0.48	1.63	0.40
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP'S OWNERS		**38,430**	**131,293**	**32,338**
Recyclable items: IAS 39 impact (measurement of hedging instruments and free share plan) net of tax		4,904	1,649	-3,811
Non-recyclable items: IAS 19 impact (actuarial gains and losses)		-1,148	-2,186	-4,126
Gains and losses recognised directly in equity (attributable to the Group's owners)		**3,755**	**-538**	**-7,937**
Net profit/(loss) and gains and losses recognised directly in equity (attributable to the Group's owners)		42,186	130,756	24,400
Profit/(loss) and gains and losses recognised directly in equity (non-controlling interests)		1,563	1,864	778

2.1.3 CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	30.06.2017	30.06.2016
Net profit/(loss)	**39,994**	**33,122**
Of which income tax expense	*29,526*	*28,678*
Net depreciation/amortisation and provisions	77,881	82,629
Deferred taxes	-916	-6,651
Gain/(loss) at fair value and non-cash items	-5,595	-1,865
Gain on disposal of assets	4,997	2,417
Cash flow after cost of net debt	**116,362**	**109,653**
Elimination of investment acquisition costs	1,006	1,782
Elimination of net interest paid	44,774	44,264
Cash flow before cost of net debt	**162,142**	**155,698**
Change in inventories	-67	-336
Change in trade receivables	-10,574	-11,151
Change in trade payables	-8,071	2,091
Change in corporate income tax	24,331	7,130
Change in other items	-23,509	-21,676
Change in working capital requirements	**-17,890**	**-23,942**
Net cash generated from operations	**144,252**	**131,756**
Impact of changes in scope (acquisitions)	-33,028	-354,234
Impact of changes in scope (disposals)		4
Payment for property, plant and equipment and intangible assets	-76,695	-91,981
Payment for other financial investments	-14,006	-18,464
Proceeds from disposals of non-current assets (excluding securities)	3,541	719
Net cash flow in connection with investment transactions	**-120,188**	**-463,956**
Net cash flow	**24,063**	**-332,199**
Capital increase of non-controlling interests		51
Treasury shares charged to equity	20	521
Increase in financial liabilities	146,122	43,761
Repayment of financial liabilities	-91,959	-48,536
Other cash flows in connection with financing transactions	59,400	
Net interest paid	-38,652	-37,878
Dividends paid to shareholders of the parent		
Dividends paid to non-controlling interests in consolidated companies	-1	-1
Dividends payable		
Cash flow from financing transactions	**74,930**	**-42,083**
CHANGE IN CASH POSITION	**98,994**	**-374,282**
Cash and cash equivalents at the start of the period	294,261	509,974
Cash and cash equivalents at the end of the period	393,256	135,692
Marketable securities	91,442	8,251
Cash	316,828	147,553
Bank overdrafts and advances	-15,014	-20,112
CASH POSITION	**393,256**	**135,692**

2.1.4 CHANGES IN CONSOLIDATED EQUITY

In thousands of euros	Share capital	Premiums	Charged directly to equity	Consolidated reserves and income	Equity attributable to the Group's owners	Non-controlling interests	Total equity
At 31 December 2015	**397,328**	**927,158**	**241,677**	**356,564**	**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 H1 2016				*32,338*	*32,338*	*785*	*33,122*
IAS 19 impact (actuarial gains and losses)			-4,126		-4,126	-7	-4,133
Measurement of hedging derivatives and free share plans (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**	**340,644**	**1,899,444**	**12,008**	**1,911,452**
Dividend distribution				21	21		21
Capital increase	3,547	15,327			18,873		18,873
Share-based payment							
Business combinations							
Treasury shares			-550		-550		-550
Other changes		-101,000		97,412	-3,588	820	-2,768
Profit/(loss) for H2 2016				*98,955*	*98,955*	*1,080*	*100,035*
IAS 19 impact (actuarial gains and losses)			1,940		1,940	6	1,946
Measurement of hedging instruments			5,460		5,460		5,460
and free share plans (net of tax)				2,462	2,462		2,462
Comprehensive income			*7,400*	*98,955*	*106,355*	*1,085*	*107,440*
At 31 December 2016	**400,890**	**841,520**	**241,110**	**539,494**	**2,023,014**	**13,914**	**2,036,930**
Dividend distribution				-48,123	-48,123	-4,615	-52,737
Capital increase	132	-1		-132	-1		-1
Share-based payment							
Business combinations			3,016		3,016		3,016
Treasury shares			22		22		22
Equity instruments			59,396		59,396		59,396
Other changes				-152	-152	132	-20
Profit/(loss) for H1 2017				*38,430*	*38,430*	*1,564*	*39,994*
IAS 19 impact (actuarial gains and losses)			-1,148		-1,148	-1	-1,150
Measurement of hedging derivatives			4,904		4,904		4,904
and free share plans (net of tax)				6,490	6,490		6,490
Comprehensive income			*3,755*	*38,430*	*42,186*	*1,563*	*43,749*
AT 30 JUNE 2017	**401,022**	**841,519**	**307,299**	**536,008**	**2,085,848**	**10,995**	**2,096,843**

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

Furthermore, no shares are reserved for issue in connection with options or share sale contracts.

Following shareholder approval at the 2017 Meeting, the Company distributed a dividend of €0.60 per share, with the option to receive payment in shares (based on a share price of €28.82).

The dividend approved for the period totalled €48.1 million.

The share capital was €401,022,015 on 30 June 2017. It is divided into 80,204,403 shares, all of which are fully paid up, are of the same class and have a nominal value of €5 each.

The Group carried out an issue of undated bonds in June 2017. In accordance with IAS 32, this hybrid financial instrument was recognised as an equity instrument for an amount net of issue expenses of €59.4 million.

Treasury shares

Treasury shares held by the Group are recorded at acquisition cost and deducted from equity until they are cancelled or sold.

Proceeds from the sale of treasury shares are recognised directly as an increase in equity and, therefore, any gains or losses and impairment do not have an impact on consolidated income.

2.1.5 NOTES TO THE FINANCIAL STATEMENTS

CONTENTS

The consolidated financial statements were examined by the Audit Committee on 12 September 2017 and were approved by the Board of Directors on 13 September 2017.

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

NOTE 1

Accounting policies

Note 1.1 Declaration of compliance

The consolidated financial statements have been prepared in accordance with the international accounting standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union at the balance sheet date. These standards include International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), together with their interpretations, which are available on the European Union's website at **https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002_fr**.

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 were prepared using the same accounting policies and methods as those used to prepare the consolidated financial statements for the year ended 31 December 2016.

In addition, the Group chose not to early adopt the following new standards, amendments to standards and interpretations:

- Standards and amendments adopted by the European Union but only subject to mandatory application after 30 June 2017:
  - IFRS 15 "Revenue from Contracts with Customers", with amended application date, which will supersede IAS 11 and IAS 18;
  - IFRS 9 "Financial Instruments", which will supersede IAS 39 on financial instruments.
- Standards, amendments and interpretations not adopted by the European Union:
  - IFRS 16 "Leases", which introduces a new lease recognition model and will supersede IAS 17 and its related interpretations;
  - amendments to IAS 7 "Statement of Cash Flows: Disclosure Initiative";
  - amendments to IFRS 15 "Clarifications on IFRS 15";
  - amendments to IAS 12 "Income Taxes: Recognition of Deferred Tax Assets on Unrealised Losses";
  - amendments to IFRS 2 "Classification and Measurement of Share-Based Payment Transactions";
  - amendments resulting from the annual standards improvement processes for 2014-2016;
  - amendments to IFRS 10 and IAS 28 "Sales and Contributions of Assets between a Group and its Equity Affiliates" (application is postponed indefinitely);
  - amendments to IAS 40 "Transfers of Investment Property";
  - IFRIC 22 "Foreign Currency Transactions and Advance Consideration";
  - IFRIC 23 "Uncertainty over Income Tax Treatments".

The Group is in the process of analysing the impact of these standards and amendments, in particular the potential impacts of IFRS 15, IFRS 16 and IFRS 9 on the consolidated financial statements.

Note 1.2 Presentation of the financial statements

The consolidated financial statements are prepared on a historical cost basis except for the following assets and liabilities, which are recorded at fair value:

- investments held for trading;
- investments available for sale;
- derivative financial instruments.

Current assets and liabilities are:

- assets and liabilities held for use or sale as part of the normal operating cycle;
- cash, cash equivalents and bank overdrafts;
- assets and liabilities held primarily for trading purposes.

All other assets and liabilities are non-current.

The consolidated financial statements are presented in thousands of euros.

Note 1.3 Consolidation basis

The consolidated financial statements comprise the financial statements of Korian, as well as of the subsidiaries it controls, for the period between 1 January and 30 June 2017.

Note 1.4 Significant accounting estimates and judgements

To prepare the consolidated financial statements, the Group applies estimates and judgements that are regularly updated and that 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 2017 are of the same nature as those described in the notes to the consolidated financial statements at 31 December 2016.

The significant estimates and judgements applied by the Group in preparing the consolidated financial statements concern the items described below.

Goodwill, intangible assets and plant, property and equipment

- The value in use of intangible assets and plant, property and equipment is derived from the Company's internal valuations, based on the medium-term business plan. The main assumptions used in this valuation (medium-term growth rate, discount rate, margin and growth rate to infinity) are those of the Group.
- Liabilities in relation to commitments to purchase non-controlling interests are measured on the basis of information or situations existing at the date the financial statements are prepared (medium-term business plan), which may prove to be different from actual outcomes.

- The accounting value of assets is reviewed at least annually, and whenever events or circumstances indicate that they may have been impaired. Such events and circumstances may be due to material adverse changes of a lasting nature that affect either the economic environment or the assumptions and objectives used at the last balance sheet date.

Leases

- Each lease is reviewed. Leases are classified as operating leases when no facts suggest that "the large majority of the risks and rewards incidental to ownership of the leased asset is transferred to the lessee" and, therefore, that the Group is acting as if it were the owner of the leased property.

Employee benefits

- The discounted value of liabilities associated with employee benefits is calculated using various assumptions, such as the discount rate, the salary growth rate, employee turnover and retirement age. Any change to these assumptions has an impact on the accounting value of obligations associated with employee benefits.

Financial instruments

- Derivative financial instruments are measured at fair value. Note 3.5 "Funding and Financial Instruments" describes the measurement of these instruments.

Note 1.5 Method of conversion

- No transactions in foreign currencies are reported in the consolidated financial statements as at 30 June 2017. All subsidiaries are located in the euro zone.

Note 1.6 Eliminated transactions

- Commercial and financial transactions and balances, and profits or losses on inter-company transactions, are eliminated in the consolidated financial statements.

NOTE 2

Consolidation scope

Note 2.1 Consolidation scope accounting principles

Subsidiaries

Subsidiaries are entities controlled directly or indirectly by the Company. A subsidiary is controlled when the Company:

- has the power, directly or indirectly, to set its operating and financial policies;
- obtains variable returns from its activities;
- is able to use its power to influence returns.

In general, controlled companies are those in which Korian directly or indirectly holds more than 50% of voting rights.

The financial statements of subsidiaries are fully consolidated from the date on which the Company acquires effective control until such time as control is transferred outside the Group.

The consolidated financial statements include all of the subsidiary's assets, liabilities, income and expenses. Equity and income are shared between the owners of the Group and non-controlling interests.

Joint arrangements

This standard does not apply to any Group entity at 30 June 2017.

Associates

Associates are companies over which the Company directly or indirectly exercises significant influence over operating and financial policies, without having control. They are generally companies in which the Company directly or indirectly holds at least 20% of voting rights.

The Group's interests in associates are consolidated using the equity method. The financial statements of associates are included in the consolidated financial statements from the date significant influence is obtained until the date when the Company ceases to have such influence.

The balance sheet value of investments in associates consolidated using the equity method includes the acquisition cost of the investments (including goodwill) plus or minus changes in the Group's share of the associate's net assets after the acquisition date. The income statement reflects the Group's share of the results of the associate.

There are no investments consolidated using the equity method or other equity interests in joint ventures.

Business combinations

A) BUSINESS COMBINATIONS

At the acquisition date, and in accordance with IFRS 3R, business combinations are recognised as follows:

- the identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date;
- non-controlling interests in the acquired business are measured either at fair value (*i.e.* with goodwill allocated to the non-controlling interests: the "full goodwill method") or as a proportionate share of the fair value of the net identifiable assets of the acquired entity (*i.e.* without goodwill allocated to the non-controlling interests: the "partial goodwill method"). This option is available on a case-by-case basis for each business combination;

- acquisition costs are recognised as expenses for the period and are reported in the consolidated income statement under "Gain/Losses on acquisition and disposal of consolidated entities";
- any earn-out payments on business combinations are recognised at fair value at the acquisition date. After the acquisition date, earn-outs are measured at fair value at each balance sheet date. After a period of one year following the acquisition date, any change in fair value is recognised in income. Within this one-year period, any changes in fair value explicitly linked to events subsequent to the acquisition date are also recognised in income. Other changes are charged to goodwill.

At the acquisition date, goodwill is the difference between:

- the fair value of the consideration transferred, plus the amount of non-controlling interests in the acquiree and, where a business combination takes place in several stages, the fair value at the acquisition date of the acquirer's previously held equity interest in the acquiree, which is recognised in income; and
- the net fair value of identifiable assets acquired and liabilities assumed at the acquisition date, measured at fair value.

Goodwill is not amortised. In accordance with IAS 36 "Impairment of Assets", goodwill is tested for impairment at least annually, and more frequently if there is evidence of impairment.

B) COMMITMENTS TO PURCHASE NON-CONTROLLING INTERESTS ENTERED INTO UNDER BUSINESS COMBINATIONS

The following accounting treatment has been adopted in accordance with currently applicable IFRS standards and the recommendation of the French financial markets authority (AMF):

- on initial recognition, these commitments are recognised as liabilities at the present value of the purchase price, offset by equity;
- subsequent changes in the value of the commitment are recognised by adjusting equity, on the grounds that it is a transaction between shareholders.

C) ACQUISITION OF ADDITIONAL INTERESTS AFTER EXCLUSIVE CONTROL IS OBTAINED

When additional interests are acquired in an entity that is already controlled exclusively, the difference between the purchase price of these interests and the share of additional consolidated equity acquired is recognised in equity attributable to owners of the Company. The accounting value of the subsidiary's identifiable assets and liabilities, including goodwill, is left unchanged.

In the statement of cash flows, the acquisition of additional interests in a controlled entity is presented in net cash flows in relation to financing activities.

D) ADDITIONAL PURCHASES OF SECURITIES LEADING TO EXCLUSIVE CONTROL OF AN ENTITY OVER WHICH SIGNIFICANT INFLUENCE WAS PREVIOUSLY HELD

The acquisition of exclusive control gives rise to the recognition of a gain/loss on disposal calculated on the entire investment at the date of the transaction.

The share previously held is re-measured at fair value through income when exclusive control is obtained.

E) DISPOSAL OF INTERESTS WITHOUT LOSS OF EXCLUSIVE CONTROL

In the event of a partial sale of interests in an exclusively controlled entity that does not modify control of said entity, the difference between the fair value of the sale price of the interest and the share of consolidated equity that this interest represents at the date of disposal is recognised in equity attributable to owners of the Company. The consolidated value of the subsidiary's identifiable assets and liabilities, including goodwill, is left unchanged.

F) DISPOSAL OF INTERESTS WITH LOSS OF EXCLUSIVE CONTROL

The loss of exclusive control gives rise to the recognition of a gain/loss on disposal calculated on the entire investment at the date of the transaction.

Any residual interest is therefore re-measured at fair value through income when exclusive control is lost.

Note 2.2 Change in the consolidation scope

At 30 June 2017, the consolidation scope included, in addition to the parent company Korian SA, 462 fully consolidated companies (*versus* 444 at 31 December 2016).

The following significant events occurred in the first half of 2017:

Changes in scope – France

DISPOSAL OF CENTRE HOSPITALIER DES COURSES (FEBRUARY 2017)

Disposal of operations and real estate assets previously classified as assets held for sale.

REORGANISATION

New companies created and transfer of real estate assets refinanced with financial leases:

- Sale of five properties owned by Medica France and SCI Korian Immobilier.
- Creation of six new companies, including two holding companies (SAS Korian Immobilier France and SCI Holding Immobilière).
- The assets disposed of were refinanced with financial leases and are now held by four dedicated real estate investment companies that replaced the subsidiaries that previously owned them.

Changes in scope – Germany

- The following nursing homes were opened in June 2017: Vlotho (100 beds) and Hainichen (124 beds).
- The Olsberg facility closed on 1 January 2017 (88 nursing home beds and 31 beds in special care units).
- In April 2017, Korian acquired a facility in Dettelbach, which specialises in home care services.

Changes in scope – Belgium

- In January 2017, two facilities with a total capacity of 60 beds were acquired in Flanders.
- OTV group (January 2017): acquisition of a group of facilities specialising in home care services, which also has a capacity of 88 nursing home beds and 57 assisted living beds.
- Senior Assist (June 2017): acquisition of eight nursing homes in Flanders and Wallonia, providing additional capacity of around 1,000 beds.
- In January 2017, a facility with a capacity of 64 nursing home beds was opened in Flanders.

Changes in scope – Italy

ACQUISITIONS

- Le Cappuccine (February 2017): a 120-bed long-term care nursing home in Liguria.
- Monte Imperatore (March 2017): a 120-bed clinic in the Apulia region.
- Nativitas (April 2017): acquisition of a company holding the assets in Bari.

Note 2.3 Material information on significant changes in scope

A) Impact on the cash position of acquisitions and disposals of subsidiaries and joint ventures

In thousands of euros	
Purchase price of subsidiaries [A]	**51,520**
Cash-out/cash-in [B]	51,520
Debt incurred [C] = [A]-[B]	**0**
Disposal price [D]	0
Cash acquired [E]	18,491
Cash disposed of [F]	0
IMPACT OF CHANGES IN CONSOLIDATION SCOPE [G] = [E-F-B+D]	**-33,028**

B) Subsidiaries for which the purchase price allocation is definitive

The Group made a definitive allocation of the acquisition prices of the following facilities:

- France: Château de Lormoy and Clos de l'Orchidée.

C) Subsidiaries acquired during the year

The impacts on the consolidated statement of financial position of the subsidiaries acquired and of the definitive allocation of their acquisition prices in the first half break down as shown below.

In thousands of euros	Assets contributed	Liabilities contributed
Goodwill	26,128	
Intangible assets	6,437	
Property, plant and equipment	51,823	
Financial assets	253	
Deferred tax assets	1,747	
Non-current assets	**86,389**	
Inventories	269	
Trade receivables and related accounts	6,305	
Other receivables and current assets	3,881	
Current assets	**10,455**	
Non-controlling interests		**-6**
Provisions for retirement benefits		
Deferred tax liabilities		3,548
Other provisions		631
Loans and other borrowings		31,584
Non-current liabilities		**35,764**
Short-term provisions		
Trade payables and related accounts		4,797
Other payables and accruals		20,106
Borrowings due within one year		4,188
Financial instruments – liabilities		
Current liabilities		**29,092**
ASSETS CONTRIBUTED	**96,844**	
LIABILITIES CONTRIBUTED		**64,849**
Net contribution	31,995	

D) Subsidiaries sold

None.

Note 2.4 Discontinued operations and assets held for sale

In accordance with IFRS 5:

- a discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and which identifies a separate major business line or geographical area, and is part of a single coordinated plan to dispose of a separate major business line or geographical area;
- discontinued operations are presented as a single amount in the income statement, together with a breakdown of the amount;
- the Group's current and non-current assets and liabilities classified as held for sale are presented, without being set off individually against other assets and liabilities, on a single line of the statement of financial position (under assets and liabilities respectively). They are included within the sub-total of current assets and liabilities, but are presented on a separate line in current assets and liabilities.

These assets and groups of assets, and the related liabilities, are measured at the lesser of their accounting value or estimated selling price, less selling costs.

Discontinued operations

None.

Assets held for sale

As at 30 June 2017, there are no longer any assets held for sale.

NOTE 3

Notes on the statement of financial position

Note 3.1 Goodwill, intangible assets

Goodwill

In thousands of euros	30.06.2017	31.12.2016
Gross goodwill at the start of the period	**2,175,429**	**1,707,317**
Changes in scope	31,102	488,426
Definitive allocation of goodwill	-4,986	-20,314
Valuation of commitment to buy out minority interests		
Disposals		
Earn-out		
Reclassifications		
Assets held for sale		
Gross goodwill at the end of the period	**2,201,544**	**2,175,429**
Impairment at the start of the period		
Impairment during the period		
Impairment at the end of the period		
Net goodwill at the start of the period	**2,175,429**	**1,707,317**
NET GOODWILL AT THE END OF THE PERIOD	**2,201,544**	**2,175,429**

Goodwill is valued in accordance with the accounting principles described in Note 2.

Changes in goodwill

In thousands of euros	Group	France	Germany	Belgium	Italy
Net goodwill at the start of the period	**2,175,429**	**1,182,721**	**666,624**	**160,132**	**165,951**
Changes in scope	31,102			13,754	17,348
Definitive allocation of goodwill	-4,986	-4,986			
NET GOODWILL AT THE END OF THE PERIOD	**2,201,544**	**1,177,735**	**666,624**	**173,886**	**183,299**

The goodwill calculated at 30 June 2017 on the acquisitions during the period remains to be allocated.

The final allocation of goodwill concerns the two acquisitions completed in the first half of 2016 in France (Clos de l'Orchidée and Château de Lormoy).

Pursuant to IFRS 3R, the identifiable assets and liabilities of entities acquired in the first half of 2016 (see Note 2) were recognised at their fair value at the date that control was acquired.

The fair value of assets acquired comprises primarily the value of licences, property and leases.

Intangible assets

▸ MEASUREMENT OF INTANGIBLE ASSETS

Intangible assets are recorded at their acquisition cost. Operating licences acquired through business combinations are measured at fair value at the acquisition date, by reference to a revenue multiple.

They are not subsequently revalued. Most intangible assets are comprised of operating licences, which are non-amortisable assets with indefinite lives. If applicable, they may be impaired if their recoverable value falls below their accounting value.

In France, although licences are granted for a period of 15 years and tripartite agreements are signed for a period of five years, no amortisation is recognised in the consolidated financial statements. This market position in the sector stems from the fact that operating licences can only effectively be withdrawn if the Group fails to comply with the conditions imposed by regulators for the operation of this type of facility, including compliance with minimum standards of care, which is verified through compliance inspections.

Germany does not have a system of administrative licences for the operation of facilities, which are essentially subject to technical standards. Therefore, operating rights do not meet the definition of an identifiable intangible asset. However, prices are regulated by the supervisory authorities, and business growth depends on the relationships established with them.

Regulations, at both federal and regional level, represent a substantial barrier to entry in the Belgian long-term care nursing home market. An operating licence must be granted, and accommodation rates are controlled.

In Italy, national regulations impose minimum structural requirements and each region transposes these regulations into local rules. Italian facilities undergo inspections by the supervisory authorities under agreements entered into with such authorities.

In thousands of euros	Licences	Other	Total
Gross amount at the start of the period	**1,617,541**	**209,201**	**1,826,742**
Changes in scope	6,080	3,960	10,039
Disposals		-872	-872
Acquisitions		6,975	6,975
Transfers		-361	-361
Gross amount at the end of the period	**1,623,621**	**218,903**	**1,842,524**
Total amortisation at the start of the period	**3,755**	**105,353**	**109,108**
Changes in scope		3,602	3,602
Disposals		-747	-747
Amortisation and impairment		11,268	11,268
Transfers		-309	-309
Total amortisation at the end of the period	**3,755**	**119,167**	**122,922**
Net accounting value at the start of the period	**1,613,787**	**103,848**	**1,717,635**
NET ACCOUNTING VALUE AT THE END OF THE PERIOD	**1,619,866**	**99,736**	**1,719,602**

The valuations of licences are shown in the following table:

In thousands of euros	France	Belgium	Italy	Total
Gross value at the start of the period	1,271,801	151,482	194,258	1,617,541
Impairment	3,755			3,755
Net accounting value at the start of the period	**1,268,046**	**151,482**	**194,258**	**1,613,787**
Gross amount at the end of the period	1,277,880	151,482	194,258	1,623,621
Impairment	3,755			3,755
NET ACCOUNTING VALUE AT THE END OF THE PERIOD	**1,274,126**	**151,482**	**194,258**	**1,619,866**

No single licence represents a significant amount for the Group.

Note 3.2 Financial assets

Financial assets comprise:

- non-current financial assets: investments in unconsolidated companies, related receivables, loans for construction projects, and guarantees and security deposits granted;
- current financial assets, including short-term derivative financial instruments and cash and cash equivalents (marketable securities).

Initial measurement

Financial assets are initially measured at fair value, which is generally equal to the acquisition cost.

Classification and measurement at the balance sheet date

Financial assets recognised on the balance sheet (other than hedging instruments) are classified into one of the three categories below for the purpose of measurement.

Class	Measurement	Recognition of changes in value
Financial assets measured at fair value	Fair value	Income
Loans and receivables	Amortised cost	N/A
Available-for-sale assets	<u>General principle</u>: fair value <u>Exception:</u> amortised cost for equity instruments for which the fair value cannot be reliably estimated (in particular, shares not listed on an active market)	Equity (except for significant or lasting loss of value recognised in income)

Financial assets for which changes in fair value are recognised in income

This asset class includes:

- assets held for trading, *i.e.* acquired by the Company with the aim of generating short-term gains;
- derivative instruments not expressly designated as hedging instruments.

Marketable securities (open-ended investment funds, mutual investment funds, *etc.*) are measured at fair value on the closing date, and changes in fair value are recorded under net financial income. Fair value is determined primarily with reference to quoted market prices.

Loans and receivables

Loans and receivables are mainly comprised of non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

For the Group, this class comprises trade and related receivables and subsidised 1% housing loans for employees (which are immaterial).

The amortised cost of short-term receivables typically corresponds to their face value.

Available-for-sale assets

Investments in non-consolidated companies are treated as available-for-sale securities and are carried at fair value, with unrealised gains and losses recognised in equity, except for unrealised losses deemed material or lasting, which are recognised in the income statement.

The fair value is the market price when available. In the absence of a market price, the Group determines fair value by using various valuation techniques including OTC transactions, discounted cash flows and adjusted net asset value.

Other available-for-sale assets are financial assets that have not been classified in one of the other two categories.

Cash and cash equivalents

Short-term investments are recognised at market value at each balance sheet date.

Cash and cash equivalents consist of immediately available liquidities (cash at bank and in hand) and short-term, highly liquid investments that are readily convertible into known amounts of cash and are exposed to an immaterial risk of change in value (short-term deposits with an initial term of less than three months and euro-denominated money market funds classified in the AMF's "short-term money market fund" category).

Classes of financial assets

The table below shows the amounts of financial instruments as a share of the Group's consolidated assets.

This 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 data other than quoted prices on an active market (financial models);
- level 3: non-observable data.

						Fair value measurement		
						Level 1	Level 2	Level 3
In thousands of euros	2017	Financial assets available for sale	Financial assets recognised at fair value in income	Loans and receivables	Cash flow hedging derivatives	Active markets	Observable data	Non-observable data
Non-current assets								
Available-for-sale investments	1,154	1,154						1,154
Other non-current assets	32,504			32,504				
Non-current financial assets	**33,658**	**1,154**		**32,504**				**1,154**
Current assets								
Trade receivables and related accounts	**184,561**			**184,561**				
Other receivables	227,453			227,453				
Deposits and guarantees	594			594				
Other receivables and current financial assets	**228,047**			**228,047**				
Derivative instruments – assets	**6,499**				**6,499**		**6,499**	
Marketable securities	91,442		91,442			91,442		
Cash	316,828		316,828					
CASH AND CASH EQUIVALENTS	**408,270**		**408,270**			**91,442**		

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

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 customer receivables of certain subsidiaries to a group of financial institutions, thereby transferring 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, to which interest at the Euribor rate plus a margin is added and recorded as a financial expense.

The total of receivables assigned and derecognised in the first half of 2017 totalled €62,248 thousand.

The assignment of these receivables in the first half of 2017 resulted in a loss of €424 thousand.

Breakdown of receivable assignments during the year	2017	1st quarter 2017	2nd quarter 2017
Receivables assigned	62,248	29,294	32,954
Receivables collected	61,466	29,190	32,276
Fees for management and recovery of assigned receivables	-263	-202	-61
Corresponding financial expense	-161	-149	-12
Gain/(loss) on assignment	**-424**	**-351**	**-73**
NET CASH RECEIVED	**61,042**	**28,839**	**32,203**

Note 3.3 Cash and cash equivalents

In thousands of euros	30.06.2017	31.12.2016
Marketable securities	91,442	91,532
Cash	316,828	218,343
TOTAL	**408,270**	**309,875**

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 a insignificant risk of changes in value.

Note 3.4 Other provisions

A provision is recognised when, at the end of the period, the Group has a present obligation (legal or constructive) and it is probable that an outflow of resources that do not embody future economic benefits will be required to settle it.

Provisions are discounted if the effect of time is material. Increases in the provision due to the passage of time are recognised as financial expenses.

In connection with a restructuring, a provision can only be made if the restructuring has been the object of an announcement and a detailed plan, or if restructuring work has begun at the closing date.

A provision is set aside for disputes (*e.g.* employee industrial disputes, tax audits, commercial disputes, *etc.*) if the Group has a liability towards a third party at the closing date. The amount of the provision reflects the best estimate of future expenditures.

Non-current provisions

In thousands of euros	Tax	Social contributions	Other	Total
Opening balance	**73,800**	**10,801**	**55,599**	**140,200**
Allowances	418	3,461	1,075	4,954
Used	-950	-2,071	-2,893	-5,915
Reversals			-16	-16
Changes in scope		633		633
Reclassifications		8,275		8,275
CLOSING BALANCE	**73,268**	**21,100**	**53,764**	**148,131**

Current provisions

In thousands of euros	Tax	Social contributions	Other	Total
Opening balance	**542**	**11,127**	**1,885**	**13,555**
Allowances		568	39	607
Used		-1,561		-1,561
Reversals			-36	-36
Changes in scope				
Reclassifications	180	-2,500	117	-2,203
CLOSING BALANCE	**722**	**7,634**	**2,005**	**10,362**

Main risks and disputes

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 2017.

EMPLOYEE-RELATED DISPUTES

The provisions set aside cover employee disputes and employment 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.

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Note 3.5 Financing and financial instruments

Net indebtedness (current/non-current)

Interest-bearing loans are initially measured at fair value less associated transaction costs. These costs (bond issue premiums and fees) are included in the calculation of amortised cost using the effective interest method.

Thereafter, at each closing date, financial liabilities are measured at amortised cost using the effective interest method.

Borrowings break down into:

- current liabilities for the portion due within 12 months of the closing date; and
- non-current liabilities for the portion due in more than 12 months.

In thousands of euros	30.06.2017	31.12.2016
Borrowings from credit institutions and financial markets	1,710,704	1,705,253
Real estate debt	758,413	735,675
Employee profit-sharing	40	41
Other financial liabilities	1,734	1,253
Liabilities held for sale		
Long-term financial liabilities	**2,470,891**	**2,442,222**
Short-term borrowings from credit institutions and financial markets	109,528	53,311
Short-term real estate debt	112,252	102,260
Bank overdrafts and advances	15,014	15,614
Other short-term financial liabilities	17,912	11,830
Liabilities held for sale		
Short-term financial liabilities	**254,706**	**183,014**
Financial liabilities (A)	**2,725,597**	**2,625,236**
Marketable securities	91,442	91,532
Cash	316,828	218,343
Assets held for sale		
Cash (B)	**408,270**	**309,875**
Cash provided as collateral (C)		
NET DEBT (A) - (B) - (C)	**2,317,327**	**2,315,361**

Breakdown of borrowings by interest-rate category

In thousands of euros		30.06.2017	31.12.2016
Fixed rate	47%	1,287,261	1,258,346
Variable rate	53%	1,438,336	1,366,890
TOTAL		**2,725,597**	**2,625,236**

At 30 June 2017, the share of the Group's indebtedness at variable interest rates totalled 53% of borrowings. The Group has financial instruments to hedge against fluctuations in interest rates. It uses standard derivative instruments (interest rate swaps, caps, floors, *etc.*).

Including financial instruments classified as cash flow hedges, 64% of variable-rate borrowings at 30 June 2017 were hedged. Debt secured by guarantees such as pledges, mortgages or leases accounted for 16.6% of gross borrowings.

Breakdown of borrowings by maturity

In thousands of euros	30.06.2017	31.12.2016
< 1 year	254,706	183,014
1 to 5 years	1,697,196	1,612,998
> 5 years	773,695	829,224
TOTAL	**2,725,597**	**2,625,236**

Change in Group indebtedness as at 30 June 2017

At 30 June 2017, the Group's net indebtedness was €2,317 million, up €2 million from 31 December 2016. Net indebtedness adjusted for real estate debt totalled €1,447 million. Real estate debt, which totalled €871 million, was up €33 million. This increase was primarily due to the transaction whereby assets disposed of were refinanced with financial leases.

This gives Korian a net debt to EBITDA ratio of 3.8x when real estate debt is excluded, which is well below the 4.75x limit authorised at 30 June 2017 under the financial covenants. The syndicated loan and the Schuldschein and Euro PP bonds are subject to banking covenants. Changes in the banking covenants are notified to the banking institution every six months and annually for bonds.

Furthermore, Korian has diversified its financing lines by issuing short-term negotiable securities (formerly commercial paper (*billets de trésorerie*)) for a total nominal amount of €85 million at 30 June 2017.

At 30 June 2017, excluding bank overdrafts and advances, the Group's gross borrowings broke down as follows:

- €650 million in loans from credit institutions. At 30 June 2017, the Group thus had €650 million available under the revolving credit facility;
- real estate debt in the amount of €871 million. These debts consist primarily of operating and finance leases with long maturities;
- bonds placed with private investors for a total amount of €1,021 million;
- €85 million in short-term negotiable securities;
- €84 million in other borrowings.

Moreover, at the end of first half of 2017, the Group's net cash position stood at €393 million.

Hedging financial instruments

▸ DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments (swaps and caps) to hedge against the interest rate risk generated by its variable-rate financing policy.

These financial derivatives are measured at fair value, which is determined by using valuation models incorporating market parameters at the closing date.

For financial derivatives that qualify as hedges for accounting purposes:

- if the derivative is classified as a fair value hedge, changes in the value of the derivative and the hedged portion of the risk are recognised in income over the same period;
- if the derivative is classified as a cash-flow hedge, the change in value of the effective portion of the derivative is recognised in equity. It is recognised in income when the hedged item itself is recognised in income. However, the ineffective portion of the change in the value of the derivative is recognised directly in income.

For derivatives that do not satisfy the qualifying criteria for hedge accounting, any gain or loss arising from changes in fair value is recognised directly in financial income for the period.

The fair value of derivative instruments is recognised in current assets and current liabilities.

At 30 June 2017, the market value of instruments subscribed to hedge interest rate risk was -€9,097 thousand.

The table below sets out the items of income, expenses, gains and losses recognised in income and in equity before deferred taxes, in the first half 2017, for each class of financial instrument.

In thousands of euros	Impact on equity	Impact of hedging on profit or loss	Impact of undocumented items on profit or loss
Financial instruments eligible for hedge accounting	6,771	-36	
Financial instruments ineligible for hedge accounting			739
TOTAL	**6,771**	**-36**	**739**

Assets	**31.12.2016**	**Newly consolidated companies**	**Deconsolidated companies**	**Change**	**30.06.2017**
Interest rate swaps	1,500			1,402	2,902
Options				3,596	3,596
Total hedging instruments – Assets	**1,500**			**4,999**	**6,499**
TOTAL FINANCIAL INSTRUMENTS – ASSETS	**1,500**			**4,999**	**6,499**

Liabilities	**31.12.2016**	**Newly consolidated companies**	**Deconsolidated companies**	**Change**	**30.06.2017**
Interest rate swaps	15,844			-1,737	14,107
Options	453			-453	
Total hedging instruments – Liabilities	**16,297**			**-2,190**	**14,107**
Interest rate swaps	1,775			-660	1,115
Options				374	374
Total ineligible financial instruments – Liabilities	**1,775**			**-286**	**1,489**
TOTAL FINANCIAL INSTRUMENTS – LIABILITIES	**18,072**			**-2,476**	**15,596**
NET TOTAL	**16,572**			**-7,475**	**9,097**

Categories of financial liabilities

The table below shows the amounts of financial instruments as a share of the Group's consolidated liabilities.

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

- level 1: quoted prices on an active market;
- level 2: observable data other than quoted prices on an active market (financial models);
- level 3: non-observable data.

			Financial liabilities at fair value in income			Fair value measurement		
						Level 1	Level 2	Level 3
In thousands of euros	2017	Financial liabilities at amortised cost	Fair value hedging derivatives	Derivatives ineligible for hedge accounting	Cash flow hedging derivatives	Active markets	Observable data	Non-observable data
Non-current liabilities								
Loans from credit institutions	1,710,704	1,710,704						
Real estate debt	758,413	758,413						
Employee profit sharing	40	40						
Other financial liabilities	1,734	1,734						
Borrowings and financial liabilities	**2,470,891**	**2,470,891**						
Current liabilities								
Loans from credit institutions	109,528	109,528						
Real estate debt	112,252	112,252						
Bank overdrafts and advances	15,014	15,014						
Other financial liabilities	17,912	17,912						
Loans due in less than 1 year and bank overdrafts	**254,706**	**254,706**						
Derivative financial liabilities	**15,596**			**1,489**	**14,107**		**15,596**	
Trade payables and related accounts	**245,347**	**245,347**						
Commitment to buy out non-controlling interests								
Residents' deposits	59,514	59,514						
Other liabilities	649,378	649,378						
OTHER PAYABLES AND ACCRUALS	**708,892**	**708,892**						

The accounting value of financial liabilities is equal to their fair value.

NOTE 4

Notes on the income statement

Note 4.1 Calculation of operating income

The income statement is presented by type of expense.

Operating income is calculated as the difference between pre-tax income and expenses, other than:

- financial items;
- the profit or loss of associates;
- the Group share of income from joint ventures with non-consolidated companies;
- the income from discontinued operations, sold or held for sale.

Employee profit sharing is included in personnel contributions.

Revenue

Revenue consists primarily of services performed in connection with the accommodation and care of residents, regardless of the origin of the payment.

It is recognised as services are performed.

Personnel expenses

In thousands of euros	30.06.2017	31.12.2016	30.06.2016
Wages and salaries	610,043	1,127,019	560,124
Social contributions	192,786	382,169	182,905
Employee profit sharing	4,774	9,716	4,914
Other personnel expenses	-8,346	-14,321	-3,831
PERSONNEL EXPENSES	**799,257**	**1,504,582**	**744,112**

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External expenses

In the first half of 2017, external expenses totalled €362,171 thousand and included property and equipment leasing costs of €192,182 thousand. In the first half of 2016, external expenses totalled €352,431 thousand and included property and equipment leasing costs of €186,296 thousand.

The external expenses of the Italian operations totalled €84,587 thousand, which included salary costs invoiced by cooperatives.

Note 4.2 Operating sectors

Operating sectors

IFRS 8 requires the disclosure of segment information based on the components of the Group reviewed and measured by the Group's management.

These components (operating sectors) are identified on the basis of internal reports that the Group's operational management regularly reviews when deciding to allocate resources to sectors and when assessing their results.

Operating sectors are identified by geographic region, *i.e.* France, Germany, Belgium and Italy.

The Korian group is organised into four operating sectors, each of which corresponds to a country in which the Group operates.

Management uses EBITDAR as its benchmark indicator to monitor each sector's performance.

The Group's operational management monitors the indicators shown in the table below, in particular revenue and EBITDAR.

Operating segments at 30.06.2017 *In thousands of euros*	Total of all activities	France	Germany	Belgium	Italy
Revenue and other income	1,541,763	784,100	434,989	171,112	151,561
EBITDAR[1]	400,784	215,325	106,186	42,634	36,638
	26.0%	*27.5%*	*24.4%*	*24.9%*	*24.2%*

Transition from EBITDAR to operating income at 30 June 2017: *In thousands of euros*	
EBITDAR	**400,784**
External rents	192,182
Depreciation, amortisation and provisions	78,596
Gain/(loss) on acquisition and disposal of consolidated entities	-1,007
Other operating income and expenses	-3,491
EBIT (operating income)	**125,508**

Operating segments at 30.06.2016 *In thousands of euros*	Total of all activities	France	Germany	Belgium	Italy
Revenue and other income	1,470,443	778,106	419,535	116,618	156,184
EBITDAR[1]	392,987	213,970	112,707	30,426	35,885
	26.7%	*27.5%*	*26.9%*	*26.1%*	*23.0%*

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 acquisition and disposal of consolidated entities	-1,782
Other operating income and expenses	-11,957
EBIT (operating income)	**114,453**

(1) EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent) = earnings from operations before rental expenses.

Note 4.3 “Other operating income” and “other operating expenses”

These items report the impact of major events during the accounting period that could skew the interpretation of performance, in particular EBITDAR, the Group’s benchmark indicator which it uses in financial communication.

They comprise a limited number of infrequent income and expense items, which are reported separately in the income statement in order to facilitate understanding of operational performance.

They include:

- gains/losses on disposal and substantial and unusual impairment of tangible and intangible non-current assets;
- certain restructuring or merger expenses, consisting solely of restructuring costs that may distort current operating income due to their unusual nature and size;
- other operating income and expenses such as substantial provisions for claims.

Profit/loss on acquisition and disposal of consolidated entities

In thousands of euros	30.06.2017	31.12.2016	30.06.2016
Securities acquisition costs	-1,007	-2,202	-1,782
Gain/(loss) on disposal of consolidated entities		1,306	
GAIN/(LOSS) ON ACQUISITION AND DISPOSAL OF CONSOLIDATED ENTITIES	**-1,007**	**-896**	**-1,782**

Other operating income and expenses

In thousands of euros	30.06.2017	31.12.2016	30.06.2016
Share of sale and leaseback gain	1,918	3,837	1,917
Gain/(loss) on disposal of non-current assets	-462	-640	-541
Other operating income/expenses	-4,947	-27,653	-13,333
TOTAL INCOME (EXPENSES)	**-3,491**	**-24,456**	**-11,957**

Note 4.4 Net financial income

Net financial income consists of net borrowing costs and other financial income items.

The gross borrowing cost is the interest expense on bank loans, bonds and financial lease contracts.

The other financial income items are primarily the cost of the Group's hedges, the amortisation of capitalised issue expenses, amortisation in connection with the renegotiation and restructuring of debt and hedging instruments, bank fees and charges paid (including factoring expenses), and the financial cost of employee benefits.

In thousands of euros	30.06.2017	31.12.2016	30.06.2016
Gross borrowing cost	**-44,791**	**-88,577**	**-41,210**
Income from cash and cash equivalents	17	456	3
Net borrowing cost	**-44,774**	**-88,121**	**-41,207**
Cost of hedging	-3,432	-7,428	-3,247
Bank fees and commissions	-3,806	-6,339	-2,025
Impact of restructuring and hedging	-147	-6,987	-3,464
Capitalised financial expenses – borrowing costs and issue premiums	-2,230	-12,491	-2,586
Other financial expenses	-2,539	-5,080	-927
Other financial income	940	3,103	803
Other items of financial income	**-11,214**	**-35,223**	**-11,446**
NET FINANCIAL INCOME	**-55,988**	**-123,344**	**-52,653**

Note 4.5 Income tax

In thousands of euros	30.06.2017	31.12.2016	30.06.2016
Current taxes	-32,116	-57,579	-35,839
Deferred taxes	2,590	73,162	7,161
INCOME TAX EXPENSE/(INCOME)	**-29,526**	**15,583**	**-28,678**

The Group's tax rate is 42.47%.

The income tax expense for the period is estimated on the basis of the Group's effective income tax rate, in accordance with IAS 34.

Note 4.6 Earnings per share

Net earnings per share are calculated by dividing the Group's consolidated net income by the weighted average number of shares outstanding during the period.

Diluted net earnings per share are calculated on the assumption that all outstanding dilutive options are exercised, using the "treasury stock method" defined in IAS 33 "Earnings per Share".

	30.06.2017	31.12.2016	30.06.2016
Net profit/(loss) attributable to the Group's owners ***(in thousands of euros)***	38,430	131,293	32,338
Weighted average number of shares ***(in thousands)***	80,191	80,191	80,191
EARNINGS PER SHARE *(IN EURO)*	**0.48**	**1.64**	**0.40**
Net profit/(loss) attributable to the Group's owners ***(in thousands of euros)***	38,430	131,293	32,338
Weighted average number of shares ***(in thousands)***	80,191	80,191	80,191
Adjustments for stock options	170	170	170
Average number of shares used for calculation of diluted earnings per share	80,361	80,361	80,361
DILUTED EARNINGS PER SHARE *(IN EURO)*	**0.48**	**1.63**	**0.40**

NOTE 5

Additional information

Note 5.1 Related-party transactions

There were no significant changes in the terms of management remuneration compared to the information provided in the 2016 Registration Document.

Note 5.2 Commitments and contingent liabilities

Disputes

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

Note 5.3 Commitments under leases

Finance leases

In thousands of euros	30.06.2017	31.12.2016
Net accounting value of assets under financial leases	**753,294**	**724,455**
Leasing commitments by term:		
• less than 1 year	55,077	50,197
• from 1 to 5 year	266,142	231,153
• more than 5 years	438,014	437,511
TOTAL COMMITMENTS	**759,233**	**718,861**

Operating leases

In thousands of euros	30.06.2017	31.12.2016
Minimum non-cancellable lease payments due:		
• less than 1 year	350,096	373,526
• from 1 to 5 year	1,213,319	1,286,953
• more than 5 years	1,936,433	2,134,343
TOTAL COMMITMENTS	**3,499,848**	**3,794,822**

Note 5.4 Events after the reporting period

Since 1 July 2017, the Group has carried out the transactions described below.

2017 distribution

Following shareholder approval at the 2017 Meeting, the Company distributed a dividend of €0.60 per share, with the option to receive payment in shares (based on a share price of €28.82). This option resulted in the issuance of 777,940 new shares, which were issued on 19 July 2017 and were admitted to trading on the Euronext Paris exchange on 21 July 2017. These shares carry dividend rights as of 1 January 2017 and enjoy the same rights as the outstanding ordinary shares. The cash dividend totalled €25.6 million and was paid to the shareholders on 21 July 2017.

The Company's share capital now stands at €404,911,715 and is divided into 80,982,343 shares.

Pursuit of the development strategy

France:

- Korian Les Vergers, a new 70-bed clinic, opened in Troyes in September 2017.

Germany:

- A new 36-bed specialised clinic opened in Immenhausen (state of Hesse) in August 2017.
- A new 150-bed specialised clinic opened in Dresden-Gruna in August 2017.
- A home care services unit opened in Lower Saxony in August 2017.

Belgium:

- Acquisition of Senior Assist Home Care in July 2017.

Bond issue

- On 3 July 2017, Korian successfully raised €240 million by issuing undated, unsubordinated and unsecured bonds with an option for repayment in cash and/or new and/or existing shares ("ODIRNANE" bonds).

2.2 Statutory auditors' review report on the half-yearly financial information

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 2017

To the shareholders,

In compliance with the assignment entrusted to us by your annual 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 to 30 June 2017;
- 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 IFRS 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 and Paris La-Défense, on 27 September 2017

The Statutory auditors

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 that have occurred during the first six months of the year, their impact on the financial statements and the major related-party transactions, as well as a description of the main risks and uncertainties to which the Company is exposed during the remaining six months of the year.

Paris, 27 September 2017

Sophie Boissard, Chief Executive Officer

KORIAN
A French public limited company with share capital of €404,911,715
21-25 rue Balzac – 75008 Paris
Registered at the Paris Trade and Companies Registry under No 447 800 475

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