2020 HALF-YEAR FINANCIAL REPORT

Chapter 1

HALF-YEAR MANAGEMENT REPORT

1.1 Message from the Chief Executive Officer

“Over the past few months, Korian’s teams have demonstrated an extraordinary level of commitment and mobilisation in the service of residents and patients.

I would once again like to salute their dedication and courage, and to express my gratitude and respect to them.

I would also like to express my sympathy to all families who have lost a loved one and to thank our stakeholders for their unwavering support during this period.

As most general lockdown measures are lifted, the company will remain particularity vigilant and will continue to take all steps to ensure that its facilities can operate in the long term in a COVID-19 environment, while ensuring that high-quality social links are maintained between residents, patients and their families.

Throughout this crisis, the guidelines of our “In Caring Hands” project encourage us to continue to actively develop community-based homecare and outpatient solutions to support fragile persons, in conjunction with the specialised care offered by our clinics and long-term care nursing homes.

Aware of our particular responsibility as a care company serving the most fragile, our top priority is to achieve the 15 social and environmental[1] commitments that we made last February. In particular, Korian is continuing to focus on recruitment, training and contributing to local economies. Thanks to the COVID Solidarity Fund set up in April, as well as through the actions of our two Foundations, we will continue our actions that support research into diseases related to old age and promote the care professions, in close dialogue with our stakeholders."

Sophie Boissard, Chief Executive Officer

[1] CSR: Corporate Social Responsibility

Photo credit: Manuelle Toussaint

1.2 Activities of the Korian group in the first half of 2020

1.2.1 KEY INDICATORS

Korian, the expert in providing care and support services for seniors, generated revenue[2] of €1,876.5 million in the period ended 30 June 2020, an increase of 6.2% over the period.
At 30 June 2020, the Group had the capacity for over 86,000 beds in Europe (France, Germany, Belgium, Spain, Italy and the Netherlands) and managed around 950 facilities in four business lines: long-term care nursing homes, specialised clinics, assisted living facilities and home care networks.

1.2.2 SIGNIFICANT EVENTS IN FINANCIAL YEAR 2020

CHANGES IN GOVERNANCE

At the combined general meeting held on 22 June 2020 (the "**2020 Meeting**"), the shareholders voted:

- to renew the terms of office as directors of Christian Chautard and Markus Müschenich (independent director);
- to appoint Sophie Boissard and Philippe Dumont as directors;

  for a term of three years, until the conclusion of the General Meeting convened to vote on the financial statements for the financial year ending 31 December 2022.

At the conclusion of the 2020 General Meeting, the terms of office of the following directors expired:

- Jérôme Grivet, a Director
- Investissements PSP, represented by Alexandre Gagnon-Kugler, a Director.

At its meeting at the conclusion of the 2020 General Meeting, the Board of Directors decided to reappoint Christian Chautard as Chairman of the Board of Directors for the same term as his term of office as director.

The Korian Group's European Works Council (EWC) officially held its inaugural meeting in Paris on Wednesday, 24 June 2020 with 36 delegates and alternates representing the Group's 56.000

2 The term "Revenue" used in sections 1.2 and 1.3 includes both the "revenues" and "other income" items reported in the consolidated income statement

employees in attendance. The EWC appointed Markus Rückerl as the second director representing employees on the Board of Directors effective 30 July 2020.

At the date of this report, the Board of Directors comprises the following 12 members:

Chairman of the Board of Directors	• Christian Chautard
Director and Company Officer	• Sophie Boissard
Institutional directors	• Philippe Dumont • Predica Prévoyance Dialogue du Crédit Agricole ("Predica"), represented by Françoise Debrus • Holding Malakoff Humanis, represented by Anne Ramon
Independent Directors	• Jean-François Brin • Jean-Pierre Duprieu • Anne Lalou • Markus Müschenich • Catherine Soubie
Directors representing the employees	• Marie-Christine Leroux • Markus Rückerl

At its meeting on 22 June 2020, which was held at the conclusion of the 2020 Meeting, the Board of Directors voted to change the composition of the specialised committees as follows:

- Appointments and Compensation Committee: Jean-Pierre Duprieu (Chair), Catherine Soubie and Philippe Dumont;
- Investment Committee: Predica (Chair), Holding Malakoff Humanis, Christian Chautard and Jean-François Brin;
- Audit Committee (composition unchanged): Catherine Soubie (Chair), Jean-Pierre Duprieu Jean-François Brin and Predica;
- Ethics, Quality and CSR Committee (composition unchanged): Anne Lalou (Chair), Dr Markus Müschenich, Holding Malakoff Humanis and Marie-Christine Leroux.

KORIAN FULLY MOBILISED DURING THE CRISIS AND PREPARED TO OPERATE IN A COVID-19 ENVIRONMENT OVER THE LONG TERM

During the crisis, Korian's sole concern was to ensure the safety and continuity of care for its residents and patients, maintaining constant contact with their families and loved ones, and to protect its employees.

The Group was fully mobilised throughout the epidemic. Maintaining daily contact with the facilities was essential to provide support for the teams and to ensure continuous delivery of supplies despite the lockdown. Significant support was provided to the most impacted sites (5,000 additional persons were mobilised at the height of the crisis). The active involvement of the various employee representative bodies also contributed to the networks' resilience. In order to acknowledge their extraordinary effort, the Group paid out exceptional bonuses to 49,000 employees.

Furthermore, the Group made a portion of its network available to local health authorities to care for COVID patients and relieve pressure on hospital services. The Group thus contributed over 1,000 beds in France, Germany and Belgium.

Thanks to the Omedys platform, which was acquired in late 2019, telemedicine consultations were available in 50% of the French network during the crisis. This very popular solution will be rolled out over the entire network by the end of the year, two years earlier than initially planned.

Since May, the Group has made arrangements in order to operate in the long term in a world marked by COVID.

To this end, it has created for its facilities a new Europe-wide standard that incorporates all best practices in the areas of hygiene, quality and safety implemented at the height of the epidemic. A campaign of audits covering 100% of the facilities, for which Bureau Veritas has been commissioned, is underway to complete deployment of this standard. This standard has also been integrated into the process for obtaining ISO 9001 certification for all our facilities by 2023.

At the same time, feedback is being obtained from Group employees, residents and families and external stakeholders in order to draw the necessary lessons from the health crisis and guide the action plans to be implemented in the coming months.

To this end, from 8 to 12 June 2020, a survey was carried out by IFOP on 612 families in 82% of the Korian nursing homes' network in France. This survey shows that 92% of participants are satisfied or very satisfied with the quality of care and the information provided during the Covid-19 crisis.

DIVERSIFICATION OF THE PORTFOLIO AND BUSINESS LINES

The Group pursued its selective acquisitions, offer expansion and geographic diversification strategy throughout the first half of 2020.

DIGITAL

Continuing the digital developments carried out in 2019 to facilitate outpatient and home care of persons who are fragile or have reduced autonomy and to enable effective coordination of the health professionals working with them (Oriane, Omedys, and Over in Italy), Korian has entered into three new innovative partnerships.

The first partnership aims to improve the care pathway for patients with chronic diseases.

On 25 February 2020, Korian announced that it was in exclusive negotiations with the two co-founders of the start-up Move In Med with a view to acquiring a majority shareholding in the start-up's share capital. Move In Med specialises in developing digital services and tools (e-health) to improve the care pathway for patients with chronic diseases. Awarded the first Prix Galien in 2018, Move in Med is currently considered one of the most innovative companies in its field.

Some 50 public, private, institutional and voluntary organisations already use Move In Med's services. These include Korian, which worked with Move In Med to create an initial pathway for patients suffering from chronic obstructive pulmonary disease (COPD), which is now operational in the Les Trois Tours clinic near Aix en Provence. Five further pathways are planned (fragility of patients, post-stroke care, enhanced recovery after surgery (ERAS) for orthopaedic patients, post-acute and rehabilitation care in extra-mural settings, and depression). Korian also collaborated with Move In Med on its Oriane offer.

The second partnership aims to accelerate digitalisation in medico-social and post-acute and psychiatric care facilities.

To this end, Korian has entered into exclusive discussions with the mutual insurance group VYV to acquire a stake in the start-up Technosens and, in conjunction with it, to develop simple and ergonomic digital solutions that enable residents and patients to maintain remote ties with their families, and that improve coordination and working conditions of care teams.

This Grenoble-based start-up created in 2017 has designed E-Lio, a unique solution on the market consisting of a platform that allows three-way Residents/Patients-Families-Staff interaction via a smart box installed in each room that is connected to the television. This solution has been tested and developed for over a year in three of the Korian Group's facilities in France. Thanks to this partnership, it will now be gradually rolled out in all the Group's retirement homes and clinics in France and then in Europe. It can also be adapted for home use.

In addition to the E-Lio project, the collaboration between Korian, the VYV group and the Technosens team will expand the uses of digital technology for seniors, which will benefit all players in the elderly care sector.

The third partnership seeks to promote local links with independent healthcare professionals who work in home care or in the facilities.

To achieve this goal, Korian has formed a partnership with the start-up Medicalib and acquired a minority stake in this company, alongside its founders and Day One Entrepreneurs and Partners.

Medicalib has developed a platform that puts patients in contact with home care health professionals (nurses, physiotherapists, midwives) and, using a geolocation system, is able to provide confirmation of home visits in less than an hour. The platform lists 10,000 government-certified independent healthcare professionals accredited by the French National Health Insurance located in 1,200 towns and cities, and has already handled over 220,000 care requests since its creation.

Through these various initiatives, Korian contributes to creating an ecosystem of digital and innovative solutions that offers a means to improve the organisation of a community-based care pathway for the elderly and fragile, benefiting all stakeholders.

FRANCE

On 25 February 2020, the Group announced the acquisition of **5 Santé**, a French group that specialises in the treatment of chronic diseases (pneumology, cardiology, neurology, addictions, etc.) from Catherine Miffre, its founder, and the Parquest Capital investment fund.

5 Santé, which has an excellent reputation in the rehabilitation of patients suffering from respiratory diseases, especially chronic obstructive pulmonary disease (COPD), offers customised care pathways to patients who live at home and visit its clinics for pre-scheduled stays. The group owns six post-acute and rehabilitation care clinics located in the French regions of Auvergne-Rhône-Alpes and Occitanie, all designed to meet rigorous standards of quality and comfort for patients.

With nearly 500 beds and around 100 day hospital units, these activities together generated an estimated revenue of €44 million in 2019. In connection with this transaction, Korian will also acquire the group's real estate assets. Founder and CEO Catherine Miffre and her management are joining Korian's teams to pursue the development of 5 Santé.

The Group acquired **Les Essentielles** in April 2020 in line with the development since 2018 of Ages&Vie shared housing for seniors adapted to rural and peri-urban areas. With the acquisition of this group, the Group has reinforced its position in assisted living facilities in urban areas.

The Les Essentielles group, which was created in 2011, has developed 11 residences (914 housing units) in city centres, near shops and means of transport, primarily in the Ile de France and Grand Est regions. Nine other residences will open by the end of 2022 throughout the country, including two by the end of 2020.

This acquisition, like the shared housing for seniors, complements the Group's other activities, home care and services, post-acute and rehabilitation care clinics and long-term care nursing homes.

NETHERLANDS

On 6 February 2020, the Group announced the acquisition of two networks of residences, shared housing for seniors and specialised clinics.

- Korian thus acquired a total of nine sites (three existing sites and six sites under development, for a total of 250 beds and apartments by 2021) from **Het Gouden Hart**, a family business offering medical care units combining assisted living facilities and outpatient care. The founders will assist Korian in developing their concept and related care services.
- The Group has also entered into two agreements with **Ontzorgd Wonen**, the largest private operator in the Netherlands, to acquire 12 facilities with 240 units, including two geriatric rehabilitation clinics near Amsterdam.
- In June 2020, the Group announced the acquisition of **Rosorum**, a company that has five living units specialising in psychogeriatrics, combining long-term care nursing homes and assisted living facilities, designed to accommodate seniors with psychiatric or somatic disorders. These high-quality, HKZ-certified[3] facilities are located in suburban areas and have a capacity of 111 beds, with 79 additional beds to be installed.

In 2021, Korian will operate 50 sites with a capacity of 1.500 beds.

ITALY

The Group is continuing to expand its network in regions where it already operates in the community-based medical activities sector by setting up specialised care channels through two acquisitions that were finalised in the second quarter of 2020:

- This is the case in Tuscany, with the acquisition of five clinics of the **Santa Chiara** family group, which supplement the local network in terms of outpatient care, diagnosis and

[3] Quality standard in the Netherlands

functional rehabilitation, in line with the investments made in 2018 and 2019 in the San Giuseppe and Frate Sole clinics.

- This is also the case in Lazio, with the acquisition of **Santa Marinella**, a 100-bed long-term care nursing home, which supplements the care network Korian has developed over the past two years in this region and assists the development of complementary offers.

GERMANY

Korian expanded its local presence in Lower Saxony and North Rhine-Westphalia with the acquisition of **Qualivita**, a family business that has developed a local platform combining long-term care nursing homes (607 beds), assisted living facilities (163 apartments), day care centres (42 places) and home care and support services. Other platforms will be developed based on the same model, making it possible to offer an additional 265 healthcare beds and 185 apartments in assisted living facilities.

1.3 REVIEW OF CONSOLIDATED RESULTS AND THE FINANCIAL POSITION AT 30 JUNE 2020

Korian uses EBITDAR as its benchmark indicator because it makes it possible to assess its operating performance separately from its real estate policy. EBITDAR is gross earnings from operations before rental expenses that are not within the scope of IFRS 16 "Leases".
EBITDA is EBITDAR, as defined above, less rental expenses.

The comments that follow are based on the financial statements presented before application of IFRS 16 and are provided for comparison purposes with the previous year.

Consolidated revenue totalled €1,876.5 million, up 6.2% over the period:

- ✓ Organic growth[4] stood at +1.0% compared to +3.8% a year earlier, due to the various measures limiting healthcare activities and the freeze on new admissions to retirement homes in Europe between March and June;
- ✓ External growth increased by +5.2% which was driven by the Group's various selective acquisitions, at the heart of its territories and living areas. 12 transactions have been completed in 2020, in addition to the 20 transactions carried out in 2019. In particular, these transactions enabled the Group to increase its presence in the healthcare sector in France and Italy.

[4] Organic revenue growth includes: a) change in revenue (year "N" vs. year "N-1")of exisitng facilities; b) the revenue generated in year "N" by facilites created in year "N" or year "N-1"; c) the change in revenue (year "N" vs. year "1") of facilities that were restructured or expanded in year "N" or year "N-1"; d) the change in revenue, in year "N" compared to the equivalent period in year "N-1", of facilities recently acquired.

Taking into account the various acquisitions and new facilities opened, at 30 June 2020, the network had added 3,371 new beds, for a total of 86,046 beds. At the same time, the Group has increased its outpatient capacities in France (+35% additional places) and in Italy.

Revenue for the first half of 2020 totalled €1,876.5 million, up 6.2%. Organic growth was up +1.0% – +2.9% excluding Italy – reflecting a steady level of activity during the crisis, despite the restrictive measures enacted in the various countries, which affected 80% of the facilities. This resilience is the product of the transformation of the network and the diversification of the business portfolio. Home care and services activities, which were in high demand during the health crisis, grew by 27% over the period.

Since June, depending on the pace at which local authorities have lifted lockdown restrictions, the activity of all networks has been gradually returning to normal, with a resumption of admissions in both the health and medico-social sectors and the relaunch of its post-acute and outpatient care activities.

In response to strong demand in the regions where it operates, the Group has also continued to diversify and develop "extra-mural" or home care solutions, in line with its "In Caring Hands" corporate project and consistently with its CSR commitments.[5]

This diversification relies significantly on digital developments designed to facilitate outpatient and in-home care of fragile persons. In this area, Korian has entered into two new partnerships, by taking a majority stake jointly with the VYV Group in the start-up Technosens, and by investing in the start-up Medicalib.

The Group's EBITDAR for the first half of 2020 stood at €442.9 million, and the EBITDAR margin was 23.6%. Adjusted for COVID-19-related non-recurring costs, EBITDAR was €462.9 million, slightly higher than the first half of 2019, whereas the EBITDAR margin fell to 24.7%, mainly due to the business slowdown, while the cost structure was maintained over the period to ensure a high level of care.

<u>By country:</u>

In **France**[6] (whose consolidation scope includes Spain), the strong revenue growth (+6.0% versus +6.4% in 2019) was due to recent acquisitions such as 5 Santé (completed in February 2020). Organic growth fell to 1.8% due to a lower occupancy rate and a significant slowdown

[5] CSR: Corporate Social Responsibility
[6] including Spain (€16.9 million)

in healthcare activities, particularly in outpatient services and post-acute care. With the end of the lockdown, there has been an upturn in admissions to French retirement homes and a resumption of activity in clinics. Home care weathered the crisis very well; the Petit-Fils network has opened 27 new branches, and its business volume has increased by around 50%. In Spain, the impact of COVID-19 was limited and revenues have more than doubled since June 2019, totalling €17 million. The EBITDAR margin fell 110 basis points to 26.2%, reflecting the impact of the loss of revenues coupled with a fixed cost structure.

In **Germany**, where COVID-19 had only a small direct impact, revenues increased by 5.0%, which was nearly identical to the previous year (5.2%). The indirect impact, i.e. the sudden drop in admissions due to the lockdown measures, was more significant. This context weighed on organic growth, which stood at 3.5% (versus 4.7% in June 2019), despite the positive impact of the range of care services offered and the strong performance of the home care sector. The acquisitions completed in 2019 and the recent acquisition of QualiVita also contributed to this strong growth. The EBITDAR margin stood at 24.5%, a drop of 60 basis points, due to lower admissions as a result of lockdown measures.

In **Benelux**[7], reported growth was strong at 14.2%,versus 21.6% in 2019, with organic growth up 5.7%. The business has benefited particularly from the various acquisitions in the Netherlands over the past 12 months, where the network now has 33 facilities and around 950 beds, and from the strong home care business in Belgium. The EBITDAR margin decreased to 23.7% (vs. 25.0% in the first half of 2019).

In **Italy**, revenue was down slightly by 1.2%, for two different reasons:

- Firstly, organic growth, which fell (16.1)%, was strongly impacted by the total interruption of many healthcare activities (representing 40% of revenues in 2019) and the extended lockdown period;
- Secondly, the Group continued its policy of strengthening community-based care pathways in Italy and consolidated its services in various areas, in particularly through the acquisition of five clinics in Tuscany and retirement homes.

The resumption of admissions triggered by the gradual lifting of lockdown measures at the end of June came later than in many other countries. This resumption in activity is particularly marked in healthcare facilities, where the number of medical procedures is already 3.5 higher than in May. The EBITDAR margin fell to 18.8% due to lower revenues.

[7] Including the Netherlands (€24.3 million)

EBITDA for the first half of 2020, which was impacted by the effects of COVID-19 valued at €58 million, stood at €227.4 million, i.e. a margin down 250 basis points to 12.1%. Adjusted for exceptional expenses of €20.1 million, which were primarily the COVID-19 bonuses paid to the staff of the Group's facilities, the margin would be 13.2%, for an EBITDA of €247.5 million.

Korian invested €516 million during this period in the development of its sites and the acquisition of real estate assets. The Group now owns 198 sites valued at over €2.3 billion, or over €1 billion net of real estate debt. This portfolio has been built so as to ensure a balance between the Group's various activities and geographical areas, while supporting its diversification and development policy. The portfolio currently represents 23% of the value of the real estate assets operated by the Group. This record level of investment reflects the Group's strategy to continue to invest in real estate to support the broad range of services it offers. At the same time, the Group is pursuing its strategy of developing partnerships, such as Âges & Vie, either with local partners, mainly in the Benelux countries, or at Group level with financial or other partners.

The Group’s operating free cash flow fell over the period, totalling €43.6 million at the end of June, as a result of the deterioration in the working capital requirement situation due to significant crisis management disbursements and deferred receipt of loss of earnings compensation.

At 30 June 2020, the Group recognised €20.8 million in other current income and expenses in relation to restructuring costs and external growth expenses.

Earnings before interest and tax (EBIT) totalled €121.2 million, or 6.5% of revenues, compared with 9.2% in H1 2019. Net profit (Group share) was €20.3 million, due to a tax impact of €14.1 million that temporarily raised the tax rate to 39.5% (compared with 35.0% in H1 2019).

Estimated COVID-19 impacts

The Group has set up the necessary processes to monitor the impacts of the pandemic on the Group’s financial statements. The estimated impact on the business, as well as non-recurring items, are shown below:

Impact on the business			
	COVID loss	Compen-sation	Net
Revenue	(100)	38	(62)
Variable costs	24	-	24
IMPACT	**(76)**	**38**	**(38)**

Impact of non-recurring items			
	COVID loss	Compen-sation	Net
Bonuses	(52)	40	(12)
Other costs	(31)	23	(8)
IMPACT	**(83)**	**63**	**(20)**

The estimated impact on EBITDAR in the first half of 2020 is €(58) million.

1.3.1 SIMPLIFIED INCOME STATEMENT

In millions of euros	30.06.2020 excluding IFRS 16	IFRS 16 adjustments	30.06.2020 IFRS 16	30.06.2019 excluding IFRS 16	Change 2020/2019
Revenue and other income	1,876,5	0,0	1,876,5	1,767,1	6,2%
EBITDAR	**442,9**	**1,6**	**441,2**	**460,0**	**-3,7%**
as % of revenue	*23,6%*		*23,5%*	*26,0%*	*-2,4%*
External rents	(215,5)	(181,5)	(34,0)	(201,7)	6,8%
EBITDA	**227,4**	**(179,9)**	**407,3**	**258,3**	**-12,0%**
as % of revenue	*12,1%*		*21,7%*	*14,6%*	*-2,5%*
Operating income	100,3	(19,8)	120,1	156,6	-35,9%
Net financial income	(64,6)	32,4	(97,1)	(60,8)	6,3%
Profit/(loss) before tax	**35,7**	**12,7**	**23,1**	**95,8**	**-62,7%**
Net income, Group share	**20,3**	**20,3**	**0,0**	**60,1**	**-66,1%**

1.3.2 FINANCIAL POSITION

Korian had cash of over €1 billion at the end of June 2020, including a substantial cash position of €645 million on the balance sheet and an unused syndicated credit line of €500 million. This line was extended for one year in March 2020, which is proof of the partner banks' support for the Group and their renewed confidence at the height of the pandemic.

Korian was also able to raise funds over this period on attractive terms and its €173 million Sustainability Linked Euro PP transaction has recently attracted considerable interest. The interest rate on this bond is directly linked to the Group's achievement of certain of its CSR commitments.

The Group’s balance sheet is resilient, with an adjusted[8] leverage ratio of 3.7x. The Group's net financial liabilities increased to €3,654.4 million from €3,156 million at the end of December 2019. Real estate debt totalled €1,290.3 million, against a real estate portfolio valued at €2,329 million. The resulting loan-to-value ratio is 55%, versus 52% in 2019, which remains sustainable and cautious.

1.3.3 HUMAN RESOURCES AND CSR COMMITMENTS

Aware of its particular responsibility as a care company serving the most fragile in each of the communities where it operates, in February the Group defined 15 quantified commitments to its various stakeholders – fragile persons and caregivers, employees, local players, partners and suppliers – which it has made a core priority.

In this respect, in particular given the job market, during the first half of the year, the Group focused especially on the commitments to develop training programmes leading to professional qualifications, with the goal of increasing the share of its workforce enrolled in such programmes to 8% by 2023, as well as to improve the quality of employment.

In the training field, two of the Group’s training centres in France and Italy have been certified as apprenticeship training centres for the healthcare professions (CFA Soin). This major step forward will enable the Group to train and certify its healthcare staff through work placement programmes, as it is already doing in Germany. By 2021, the Group will have 2,500 apprentices, including 800 in France, twice the number as in 2019.

In addition, despite the crisis, the Group continued its recruitment programmes in all geographical areas where it operates and thus hired 4,000 new permanent employees Europe-wide.

In the area of quality of employment, the Group is continuing its workplace health and safety action plan, in line with the Health and Safety Charter signed at the end of 2019 at the European level. A new team of workplace safety risk prevention officers has been set up in France. In addition, digital tools designed to protect the health of staff members (Humanoo) have been deployed throughout the network in Germany, and the new corporate Foundation that Korian created in Germany will focus its actions on the health of caregivers. Finally,

[8] Restated debt ratio: (net debt – real estate debt)/(adjusted EBITDA – 6.5%* real estate debt).
- Adjusted EBITDA: includes 12 months of EBITDA of acquisitions carried out during the year, to which a theoretical amount of rent is deducted.
- The rate of 6.5% applies to the average capitalisation rate as defined in the syndicated loan.

throughout the health crisis, listening and psychological assistance services were rolled out to support the teams.

These various actions are a component of the work programme defined in conjunction with the various employee representative bodies, in particular, the new European Works Council that was set up on 24 June in Paris.

Finally, via the COVID Solidarity Fund, which was created last April and endowed with a budget of €1 billion, and to which the Chairman of the Board of Directors, the Chief Executive Officer and the directors have contributed 25% of their total remuneration for 2020, the Group will reinforce its solidarity actions in its communities and will support two research programmes on treatments against coronaviruses, which will be carried out by the Medical Research Foundation.

1.4 SIGNIFICANT EVENTS SINCE 30 JUNE 2020

The Group is not aware of any significant post-closing events.

1.5 RISK FACTORS

No risks are foreseen other than those described in section 2 “Risk factors” of the 2019 Universal Registration Document, which was filed with the French Financial Markets Authority (“AMF”) on 7 May 2020 under number D.20-0452.
There were no significant changes to these risk factors in the first half of 2020.

1.6 RELATED-PARTY TRANSACTIONS

Details of related-party transactions in the first half of 2020 can be found in Note 12 to the condensed half-year consolidated financial statements in this Half-Year Management Report. There have been no significant changes from the information provided in the Company’s 2019 Registration Document.

1.7 OUTLOOK

Since June, as the various lockdown measures and business restrictions have been lifted, the activity of the various networks is returning to normal. In particular, the Group’s clinic activity has rebounded strongly in all geographical areas and nursing home admissions have returned to normal levels. This trend is expected to continue in the second half of 2020.

In addition, the Group is actively continuing the various development and transformation projects underway (249 projects, representing approximately 14,500 additional beds), pursuant to its repositioning and the expansion of its range of care and service offers, including, in particular, the alternative housing solutions proposed by Âges&Vie and the creation of new outpatient capacities (+50% in France from now until 2022).

Based on this momentum, the Group expects a steady level of business in the second half of 2020. However, given the uncertainties due to the health situation, the Group will be able to provide revenue and margin guidance for the year when it publishes its results for the third quarter 2020 on 28 October 2020.

Finally, feedback on the COVID-19 crisis is being requested from all stakeholders. In light of these lessons learned, the Group will present its updated strategy and priorities in the autumn, at the Investors' Day scheduled for 10 November 2020.

Chapter 2

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

AT 30 JUNE 2020

2.1 Condensed half-year consolidated financial statements at 30 June 2020

Consolidated income statement

In thousands of euros	Notes	**30.06.2020**	30.06.2019
Revenue	**3.2**	**1 838 203**	**1 767 296**
Other revenue	3.2	38 300	-
Total revenue		**1 876 503**	**1 767 296**
Purchases used in the business		(142 072)	(136 853)
Personnel expenses		(1 038 726)	(938 603)
External expenses		(230 429)	(212 815)
Income tax and other taxes		(58 386)	(48 291)
Other operating income and expenses		368	(403)
Depreciation, amortisation and impairment		(266 298)	(250 704)
Other operating income and expenses	3.3	(20 847)	(6 109)
Operating income	**3.1**	**120 113**	**173 518**
Cost of net debt	7.1	(35 722)	(32 634)
Other items of financial income	7.1	(61 328)	(58 406)
Net financial income	**7.1**	**(97 050)**	**(91 040)**
Profit/(loss) before tax		**23 063**	**82 479**
Income tax	9	(11 408)	(29 477)
Profit/(loss) of shares in associates		(396)	
Net Profit/(loss)		**11 258**	**53 002**
Non-controlling interests		(880)	(2 194)
Share attributable to the group's owners		**10 378**	**50 808**
Net profit/(loss) per share attrib. to owners of the Group (in euros)	6	0,13	0,61
Diluted earnings per share attrib. to owners of the Group (in euros)	6	0,08	0,54
NET PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE GROUP		**10 378**	**50 808**
Recycled items: impact of IFRS 9 and IFRS 2 (measurement of hedging instruments and free share plans) net of tax	*	(3 631)	(10 176)
Non-recycled items: impact of IAS 19 impact (actuarial gains and losses)	*	(441)	(5 694)
Gains and losses recognised directly in equity (attributable to the Group's owners)	*****	**(4 073)**	**(15 869)**
Gains and losses recognised directly in equity (attributable to the Group's owners)	*	6 306	34 938
Net profit/(loss) and gains and losses recognised directly in equity (non-controlling interests)	*	880	2 175

** See Statement of changes in equity*

Consolidated statement of financial position

In thousands of euros	Notes	**30.06.2020**	31.12.2019
Goodwill	4.1	2 674 375	2 504 154
Intangible assets	4.2	1 970 645	1 943 860
Property, plant and equipment	4.3	2 293 006	2 031 514
Rights of use	4.5	3 509 500	3 441 069
Financial assets		58 163	38 152
Shares in associates		5 604	
Deferred tax assets		98 621	76 259
Non-current assets		**10 609 913**	**10 035 008**
Inventories	3.4	36 305	33 909
Trade receivables and related accounts	3.4	285 300	284 047
Other receivables and currents assets	3.4	305 425	235 870
Financial instruments – assets	7.2	2 924	4 619
Cash and cash equivalents	7.3	644 549	344 786
Current assets		**1 274 503**	**903 232**
Total assets		**11 884 417**	**10 938 240**

In thousands of euros	Notes	**30.06.2020**	31.12.2019
Share capital	5	413 655	413 641
Premiums		902 503	902 503
Consolidated reserves and esults		1 277 575	1 242 043
Equity attributable to owners of the Group		**2 593 732**	**2 558 187**
Non-controlling interests		26 406	11 449
Total shareholder's equity		**2 620 138**	**2 569 637**
Provisions for pensions		92 675	85 454
Deferred tax liabilities		570 674	534 627
Other provisions	8	62 824	57 028
Borrowings and financial debt	7.2	3 167 754	2 408 004
Lease obligations more than one year	4.5	3 398 382	3 315 424
Other non-current debt		46 810	38 544
Non-current liabilities		**7 339 118**	**6 439 082**
Provisions for less than one year	8	11 265	12 607
Trade payables and related accounts	3.4	348 003	369 942
Other liabilities and accruals	3.4	722 769	733 205
Borrowings due within one year and bank overdrafts	7.2	477 572	453 481
Lease obligations within one year	4.5	331 751	331 270
Financial instruments - Liabilities	7.2	33 800	29 016
Current liabilities		**1 925 161**	**1 929 522**
Total liabilities		**11 884 417**	**10 938 240**

Consolidated statement of cash flows

In thousands of euros	Notes	**30.06.2020**	30.06.2019
Net profit/(loss)		**11 258**	**53 002**
Current taxes (2)		11 408	29 477
Net depreciation/amortisation and provisions		259 558	233 313
Profit/(loss) of shares in associates		396	
Gain/(loss) at fair value and non-cash items		(98)	1 853
Gain on disposal of assets		4 477	1 938
Elimination of acquisition costs of securities		3 830	3 109
Elimination of net interest paid (1)		97 074	81 235
Cash flow before cost of net debt		**387 903**	**403 927**
Change in inventories (3)		(8 640)	(3 237)
Change in trade receivables		12 024	(9 654)
Change in trade payables		(20 653)	(89)
Change in other items		(14 838)	(8 599)
Change in working capital requirements		**(32 108)**	**(21 579)**
Current taxes (2)		(34 056)	(27 454)
Deferred taxes (2)		63	(1 729)
Total Taxes paid		**(33 993)**	**(29 183)**
Net cash generated from operations		**321 802**	**353 165**
Impact of changes in scope (acquisitions)	2	(263 527)	(238 870)
Impact of changes in scope (disposals)	2	814	4 320
Payment for property, plant and equipment and intangible assets (3)		(228 130)	(165 815)
Payment for other financial investments		(10 221)	(5 221)
Proceeds from disposals of non-current assets (excluding securities)		23 933	10 876
Net cash flows relating to investing activities		**(477 131)**	**(394 710)**
Net cash flow		**(155 328)**	**(41 545)**
Capital increase of non-controlling interests		2	29
Treasury shares charged to equity		(1 886)	-
Increase in borrowings and financial liabilities	7.2	1 147 928	314 001
Repayment of borrowings and financial debt	7.2	(448 902)	(230 274)
Change in bank overdrafts		(1 480)	
Repayment of lease liabilities		(157 326)	(148 855)
Other cash flows from/(used in) financing activities		(1 223)	
Interest paid (1)		(25 871)	(46 819)
Interest received		799	
Interest paid on lease liabilities		(55 217)	(31 338)
Net interest paid		**(80 289)**	**(78 157)**
Other financial expenses (hybrid bonds)		(3 688)	(3 750)
Dividends paid to shareholders of the parent		63	-
Dividends paid to non-controlling interests in consolidated companies		(2 149)	(761)
Total dividends		**(5 773)**	**(4 511)**
Net cash relating to financing activities		**451 053**	**(147 767)**
Changes in cash position		**295 724**	**-189 312**
Cash and cash equivalents at the start of the period		337 203	542 604
Cash and cash equivalents at the end of the period		632 927	353 672
Marketable securities	7.3	104 646	18 445
Cash and cash equivalents	7.3	539 862	348 450
Bank overdrafts	7.2	(11 581)	(13 223)
Cash		**632 927**	**353 672**

** Items reclassified on the comparison period :*
(1) Reclassification of financial interest on comparison period
(2) Reclassification of taxes paid on comparison period
(3) Reclassification of work in progresssur on comparison period

Changes in consolidated equity

In thousands of euros	Capital	Premiums	Share and equity instruments	Investments and financial placements	Cash flow hedges ans cost of hedging	Employee benefits	Charged directly to equity	Reserves and consolidate d results	Equity attributable to the Group's owners	Non-controlling interests	Total shareholder's equity
Au 31 december 2018	**409 882**	**881 765**	**-621**	**281 742**	**-14 709**	**-30 918**	**286 891**	**742 153**	**2 556 186**	**11 814**	**2 567 999**
Dividend distribution								-49 170	(49 170)	(2 610)	(51 780)
Capital increase	3 759	20 738						-46	24 452	5 903	30 355
Business combinations								0	(0)	(54)	(54)
Treasury shares			1 105						1 105	-	1 105
Equity instruments				-7 715					(7 715)	-	(7 715)
other changes							-167	-15 529	(15 696)	(5 147)	(20 843)
Net profit in 2019								114 681	114 681	1 544	116 224
Impact of IAS 19 (actuarial gains and losses)						-5 329			(5 329)	-	(5 329)
Impact of IFRS 16 on restatement of lease income (net of tax)							-54 731		(54 731)	-	(54 731)
Measurement of hedging derivatives and free share plans			1 619		-7 212				(5 594)	-	(5 594)
Comprehensive income			1 619		-7 212	-5 329		114 681	103 757	1 544	105 301
At 30 june 2019	**409 928**	**881 765**	**371**	**278 337**	**-25 876**	**-36 612**	**232 080**	**738 057**	**2 478 050**	**10 949**	**2 488 997**
Dividend distribution								21	21	0	21
Capital increase	3 713	20 738						0	24 452	5 903	30 355
Business combinations								0	0	-83	-83
Treasury shares			1 105						724		724
Equity instruments				-4 310					-3 929		-3 929
other changes							-87	-9 862	-9 949	-4 688	-14 637
Net profit in 2019								63 873	63 873	-650	63 222
Impact of IAS 19 (actuarial gains and losses)						365			365	19	384
Impact of IFRS 16 on restatement of lease income (net of tax)							0		0		0
Measurement of hedging derivatives and free share plans			627		3 955				4 582		4 582
Comprehensive income			627		3 955		-87	54 010	58 506	-631	53 168
At 31 december 2019	**413 641**	**902 503**	**2 103**	**274 027**	**-21 921**	**-36 247**	**231 993**	**792 088**	**2 558 187**	**11 449**	**2 569 637**
Dividend distribution										-2 788	-2 788
Capital increase	13							-15	-2	20 173	20 172
Business combinations										-3 537	-3 537
Treasury shares			-1 893						-1 893		-1 893
Equity instruments				30 233					30 233		30 233
other changes							-50	-3 330	-3 380	227	-3 153
Net profit in 2020								10 378	10 378	880	11 258
Impact of IAS 19 (actuarial gains and losses)						-441			-441		-441
Impact of IFRS 16 on restatement of lease income (net of tax)							4 281		4 281		4 281
Measurement of hedging derivatives and free share plans			918		-4 549				-3 631		-3 631
Comprehensive income			918		-4 549	-441		10 378	6 306	880	7 186
At 30 june 2020	**413 654**	**902 503**	**1 128**	**304 260**	**-26 470**	**-36 689**	**236 225**	**799 122**	**2 593 732**	**26 405**	**2 620 139**

Notes to the consolidated financial statements

The consolidated financial statements were examined by the Audit Committee on 28 July 2020 and were approved by the Board of Directors on 30 July 2020.

The Group and its subsidiaries are:

- companies operating long-term care nursing homes that provide accommodation and care for elderly people who are unable to live at home due to their state of dependency. Their mission is to provide dignified support and care, irrespective of their level of dependency, until the end of their life;
- companies operating specialised clinics, which care for convalescent or disabled patients after an intensive care stay. Their purpose is to reduce physical and/or psychological disability or restore autonomy to help the patient return home and re-enter his/her social and work environment;
- companies operating assisted living facilities that offer independent seniors an environment that suits their lifestyle, while facilitating social interaction;
- companies operating home care facilities, which are healthcare facilities offering an alternative to hospitalisation;
- companies whose purpose is to own the facilities' premises.

Note 1: Accounting policies

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, and are available from the following European Union website:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002_en

The condensed consolidated half-year financial statements ("consolidated financial statements") were prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union. The interim condensed consolidated financial statements do not include all notes and disclosures required by the IFRS for annual consolidated financial statements and, therefore, should be read in conjunction with the consolidated financial statements for the 2019 financial year, subject to the particularities specific to the preparation of the interim condensed consolidated financial statements described below. An analysis of the impacts of the extraordinary circumstances of the COVID-19 epidemic that spread in the first half of 2020 is presented in Note 2.

The condensed consolidated financial statements were prepared using the same accounting policies and methods that were used to prepare the consolidated financial statements for the year ended 31 December 2019, with the exception of the following standards, amendments and interpretations that are compulsory as of 1 January 2020 and which the Group did not early adopt:

- Amendments to IFRS 3 – Business Combination: Definition of a Business
- Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Materiality
- Amendments to IAS 39 and IFRS 9 – Interest Rate Benchmark Reform, which deals with the impact of the reform of interbank offered rates (IBORs) (phasing out of EURIBOR, EONIA, etc.), particularly on hedging

These amendments do not have a material impact on the 2020 financial statements.

IFRS standards, amendments and interpretations applicable after 2020 and not adopted early by the Group

- IFRS 17 – Insurance Contracts
- Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- Amendment to IAS 37 – Onerous Contracts
- Amendment to IAS 16 – Proceeds before Intended Use
- Annual improvements 2018-2020

Analysis of the impact of the application of these standards and amendments is underway.

Presentation of the financial statements

The Group's consolidated financial statements are prepared on a historical cost basis except for the following assets and liabilities, which are recognised at fair value in accordance with IFRS 9 (Note 7.3). Current assets and liabilities are assets and liabilities held for use or sale as part of the normal operating cycle (less than one year).

The consolidated financial statements are presented in thousands of euros.

Particularities specific to the preparation of the interim financial statements

Income tax

For interim financial statements, income tax expense (current and deferred) is calculated for each tax entity by applying the estimated average annual effective tax rate for the current year to the taxable income for the period, excluding significant exceptional items. Any significant exceptional items for the period are recognised with their actual income tax expense.

Pensions

The cost of pensions for an interim period is calculated on the basis of actuarial valuations carried out at the end of the previous financial year. These valuations are adjusted, if necessary, to take into account reductions, liquidations and other significant non-recurring events that occurred during the half-year. In addition, the amounts recognised in the statement of financial position for defined benefit plans are adjusted, if necessary, to take into account significant changes that have impacted the yield on bonds issued by leading companies in the relevant area (the benchmark used to determine discount rates), as well as the value and yield of plan assets.

Seasonal nature of business activities

The Group's activities are not seasonal in nature. However, as the COVID-19 crisis has had an impact on results at 30 June 2020 (see Note 2 "Significant Events"), these interim results are not necessarily indicative of the full-year results that may be expected for 2020.

Critical accounting estimates and judgements

To prepare the consolidated financial statements, the Group applies estimates and judgements that are regularly updated and which are based on historical experience and other factors, including expectations of future events deemed reasonable in view of the circumstances. For items on which assumptions and estimates are used, the results of tests on the sensitivity of accounting values to the main assumptions are provided in the relevant notes.

In preparing the financial statements, the Group made significant estimates and judgements on the following items: Some judgements and estimates have been adapted to the context of the COVID-19 crisis and are explained in Note 2:

Business combinations (Notes 2 and 4.1)

For the purposes of acquisitions (IFRS 3 Business Combinations), the Group measures at fair value the assets acquired (in particular operating permits) and liabilities assumed.

Liabilities, price adjustments and options related 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.

Changes in the fair value of liabilities corresponding to options (put on minority interests) are recognised in shareholders' equity.

Goodwill, intangible assets and property, plant and equipment (Notes 4.1, 4.2 and 4.3)

At the level of each CGU, the value in use of intangible assets and property, plant and equipment is derived from the Company's internal valuations, based on the medium-term business plans. The main assumptions used in this measurement (medium-term growth rate, discount rate, margin and perpetuity growth rate) are estimated by the Group.

The accounting value of assets is reviewed 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 (Note 4.5)

In accordance with IFRS 16, lease liabilities are calculated using a lease term for real estate leases equal to the non-terminable period, extended, if applicable, by renewal options that the Group is reasonably certain it will use.

Classification of CVAE (Note 9)

The Group has reviewed the accounting treatment of the Corporate Value-Added Contribution (CVAE) under IFRS. According to its analysis, the CVAE meets the definition of an income tax as set out in IAS 12.2 ("Income taxes based on taxable profit").

Note 2: Significant Events

COVID-19 pandemic

In response to the global COVID-19 epidemic, the Group immediately mobilised itself and, to the best of its available knowledge on the spread of the epidemic, anticipated the guidelines and instructions of the local health authorities.

The accounting items that impact the consolidated financial statements for the first half of 2020 are presented below:

a) Recognition of "other income"

The "other income" item consists of compensation recognised in the financial statements for the year ended 30 June 2020 for the loss of business in France, Belgium and Germany. During the relevant period, if revenue from their business is lower than a level set by decree in the various countries, the facilities are entitled to a payment of additional revenue that enables them to reach that level.

The amount booked for the first half of 2020 totals €38.3 million. The largest amount concerns clinics in France and totals €19.8 million. The calculation is based on Order 2020-309 of 25 March 2020. The financing guarantee is calculated by taking into account the difference between the volume of business and Compulsory Health Insurance receipts the facility received in 2020 compared to its care activities in 2019, plus a 0.1% increase.

b) Payroll expenses and external expenses

The Group recognised:

- €16.3 million in non-recurring payroll expenses that are not expected to recur in the future. This amount includes €8 million for the share of exceptional bonuses in France not compensated by the health authorities, as well as additional salary costs incurred during the crisis;
- €3.8 million in non-recurring external expenses that are not expected to recur in the future. These costs are primarily due to the unusual demand for protective equipment, which also experienced a sharp increase in prices (up to 10 times the market price).

These non-recurring items totalled €20.1 million in the first half of 2020.

c) Impacts of impairment identified

In the context of the global pandemic, the Group has identified impairment impact on operating licences and goodwill in the countries in which it operates.

The Group experienced a partial loss of business due to increased mortality, the closure of certain activities and a prohibition on accepting new residents during the period between March and May 2020.

The Group has updated the work performed in connection with the closure of the 2019 accounts, using the most recent forecasts made in the first half of 2020. The main assumptions of the long-term business plan taken into account for the test at 31 December 2019 (e.g. growth rate to infinity and WACC) remain valid at 30 June 2020.

Over the period, tests performed on the value of operating licences led to the recognition of impairment losses of €1.8 million concerning two clinics in France.

d) Liquidity risk

The Group has taken additional measures to enhance its liquidity through several refinancing transactions with the following characteristics:

On 3 March 2020, Korian announced the successful placement with qualified investors of its issue of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE bonds) maturing in 2027 for a nominal amount of approximately €400 million. The bonds were issued at par and their nominal value was set at €61.53 each, resulting in a conversion premium of 55% over the Company's reference share price of €39.70. The bondholders will be entitled to an award/exchange of new and/or existing Korian shares applying an initial conversion/exchange ratio of one share for one bond, subject to subsequent adjustments, if any. Settlement and delivery of the bonds occurred on 6 March 2020 (the "issue date"). From the issue date until their maturity date, the bonds will bear interest at a nominal annual rate of 0.875% per annum, payable annually in arrears on 6 March of each year. Unless previously converted, exchanged, redeemed or repurchased and cancelled, the bonds will be redeemed at par on 6 March 2027 (the "maturity date").
At the Company's discretion, the bonds may be redeemed early under certain conditions. In particular, at the Company's election, the bonds may be redeemed in full, at par plus accrued interest, at any time on or after 28 March 2024 until the maturity date of the bonds, subject to at least 30 calendar days' notice (but not more than 60 calendar days' notice), if the arithmetic mean, calculated over 20 consecutive trading days chosen by the Company from among the 40 consecutive trading days before publication of the early redemption notice, of the products of the weighted average price of the Korian share on Euronext Paris on each trading day of the relevant period and the conversion/exchange ratio in effect on that same trading day exceeds 130% of the nominal value of the bonds.

In addition, the Group signed:

- on 19 March 2020, a new NSV (Namensschuld-Verschreibung) loan governed by German law with a maturity of 15 years for an amount of €49 million. The annual coupon rate is set at 2.50%. Settlement and delivery of the transaction occurred on 9 April 2020.
- in April 2020 with its pool of banks, a one-year extension of the term of the revolving credit facility (RCF) tranche of the syndicated loan agreement. This facility of about €500 million, which now matures in 2025, provides the Group with a clearer outlook and increased financial flexibility thanks to the support of its partner banks.

Lastly, on 19 June 2020, the Group announced the success of its first Sustainability Linked Euro PP, which was issued for €173 million euros with an eight-year maturity.

Changes in the consolidation scope

At 30 June 2020, the consolidation scope included, in addition to the parent company Korian SA, 620 fully consolidated companies (vs. 579 at 31 December 2019).

The following significant events occurred during the period ended 30 June 2020:

Changes in scope – France

- ✓ Acquisition in February of the 5 Santé group, which has six clinics specialising in chronic illnesses in the Auvergne-Rhône-Alpes and Occitanie regions, with a total of over 500 beds and around 100 outpatient units, and an estimated annual revenue of €44 million.
- ✓ Acquisition in April of the Les Essentielles group, a player in assisted living facilities in urban areas, which has developed 11 residences with 914 housing units, and which has estimated annual revenue of €14 million. Nine other residences will open by the end of 2022 throughout the country, including two by the end of 2020.

Changes in scope – Germany

- ✓ Acquisition of Qualivita in April, a family business in Lower Saxony and North Rhine-Westphalia that has developed a local platform combining long-term care nursing homes (607 beds), assisted living facilities (163 apartments), day care centres (42 places) and home care and support services, and which has estimated annual revenue of €25 million. Other platforms will be developed based on the same model, making it possible to offer an additional 265 healthcare beds and 185 apartments in assisted living facilities.

Changes in scope – Netherlands

- ✓ Korian acquired in January 2020 a total of nine sites (three existing sites and six sites under development, for a total of 250 beds and apartments by 2021) from Het Gouden Hart, a family business offering medical care units combining assisted living facilities and outpatient care. The founders will assist Korian in developing their concept and related care services. Its annual revenue is estimated at €5 million;
- ✓ The Group reached a first agreement in February and a second agreement in March with Ontzorgd Wonen, the largest private operator in the Netherlands, to acquire

twelve facilities, including two geriatric rehabilitation clinics near Amsterdam. Its annual revenue is estimated at €22 million;

- ✓ In June 2020, the Group announced the acquisition of **Rosorum**, a company that has five living units specialising in psychogeriatrics, combining long-term care nursing homes and assisted living facilities, designed to accommodate seniors with psychiatric or somatic disorders. These high-quality, HKZ-certified[9] facilities are located in suburban areas and have a capacity of 111 beds, with 79 additional beds to be installed. Annual revenue is estimated at €9 million.

Changes in scope – Italy

- ✓ In April, the Group acquired 60% of the Santa Chiara family Group, which supplements the local network in Tuscany in terms of outpatient care, diagnosis and functional rehabilitation. Its annual revenue is estimated at around €44 million.
- ✓ The Group acquired in April Santa Marinella, a long-term care nursing home with a capacity of 100 beds, which supplements the care network Korian has developed and assists the development of complementary offers. Its revenue is estimated at €4 million.

Material information on significant changes in scope

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

In thousands of euros	**30.06.2020**	30.06.2019
Purchase price of subsidiaries [A]	**256 601**	**275 071**
Cash out/cash in [B]	273 774	275 071
Debt incurred [C] = [A]-[B]	**-17 173**	
Disposal price [D]	650	4 475
Cash acquired [E]	10 247	36 201
Cash disposed of [F]	164	-155
Impact of changes in scope [G] = [E-F-B+D]	**-262 713**	**-234 550**

Individually, the subsidiaries acquired during the year are not material. Therefore, the opening IFRS balance sheets at the acquisition date are presented on an aggregated basis.

[9] Quality standard in the Netherlands

The table below shows the impact on the consolidated statement of financial position of the subsidiaries acquired and of the provisional allocation of their acquisition prices over the period.

In thousands of euros	Assets contributed	Liabilities contibuted
Goodwill	145 819	
Intangible assets	33 125	
Property, plant and equipment	181 582	
Rights of use	123 339	
Shares in associates	3 428	
Financial assets	2 294	
Deferred tax assets	1 752	
Non-current assets	**491 339**	
Inventories	831	
Trade receivables and related accounts	12 121	
Other receivables and currents assets	11 637	
Current assets	**24 589**	
Non-controlling interests		**(108)**
Provisions for pensions		3 808
Deferred tax liabilities		20 785
Other provisions		5 409
Borrowings and financial debt		77 298
Lease obligations more than one year		121 110
Other non-current debt		28 178
Non-current liabilities		**256 588**
Provisions for less than one year		766
Trade payables and related accounts		13 895
Other liabilities and accruals		37 193
Borrowings due within 1 year		9 909
Lease obligations within one year		478
Financial instruments - Liabilities		0
Current liabilities		**62 241**
Assets contributed	**515 928**	
Liabilities contributed		**318 720**
Net contribution	**197 208**	

Note 3: Segment reporting - EBITDAR - WCR

3.1 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 are regularly reviewed by the Group's operational management when deciding to allocate resources to these sectors and when assessing their results.

The Korian Group is organised into four operating segments: France, Germany, Benelux and Italy.

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

EBITDAR is calculated on the basis of the Company's current income and expenses and is an indicator of the Group's operating performance. This indicator is used by the industry to assess the Company's operational performance, excluding the impact of its real estate policies.

Operating segments at 30.06.2020 *In thousands of euros*	**Total of all activities**	**France (*)**	**Germany**	**Benelux (**)**	**Italy**	**Covid-19**
Revenue	1 876 503	917 079	496 769	283 608	179 047	-
EBITDAR	441 239	243 057	117 343	67 268	33 648	(20 077)
	23,5%	*26,5%*	*23,6%*	*23,7%*	*18,8%*	
Transition from EBITDAR to operating income at 30 june 2020:						
In thousands of euros						
EBITDAR	**441 239**					
Lease expenses	(33 981)					
EBITDA	**407 258**					
Depreciation, amortisation and provisions	(266 298)					
Other operating income and expenses	(20 847)					
Operating income	**120 113**					

(*) Including 16,9 M€ in revenue in Spain
(**) Including 24,3M€ in revenue in the Netherlands

Operating segments at 30.06.2019 *In thousands of euros*	**Total of all activities**	**France (*)**	**Germany**	**Belgium**	**Italy**
Revenue	1 767 296	864 866	472 955	248 265	181 210
EBITDAR	458 840	234 871	118 498	62 013	43 458
	26,0%	*27,2%*	*25,1%*	*25,0%*	*24,0%*
Transition from EBITDAR to operating income at 30 june 2019:					
In thousands of euros					
EBITDAR	**458 840**				
Lease expenses	28 509				
EBITDA	**430 331**				
Depreciation, amortisation and provisions	250 704				
Other operating income and expenses	(6 109)				
Operating income	**173 518**				

(*) Including 8,2 M€ in revenue in Spain

3.2 Total revenue

Korian positioning in the field of care and support services for seniors in Europe is structured around four business lines: specialised clinics, home care and services, assisted living facilities and shared housing for seniors, and retirement homes. Revenue includes services that are recognised as revenue when they are performed, regardless of the origin of the payment.

Revenue totalled €1,876.5 million for the period ended 30 June 2020, an increase of 6.2% compared to the same period in the previous year.

3.3 Other operating income and expenses

These items represent the impact of major events during the accounting period that could skew the interpretation of the performance, particularly of EBITDAR, the Group's preferred indicator for financial disclosure purposes.

To facilitate the interpretation of operational performance, these income and expense items, which are relatively few and infrequent, are presented separately in the income statement.

They mainly consist of:

- Gains or losses on disposals of equity interests and substantial and unusual impairment of non-current assets (tangible and intangible assets);
- Transaction costs for the period;
- Certain restructuring or merger expenses, consisting solely of restructuring costs that, because of their unusual nature and size, would distort current operating income (impact of real estate asset refinancing transactions and disposals carried out in connection with M&A transactions);

- Other operating income and expenses, such as provisions for particularly significant disputes.

In thousands of euros	**30.06.2020**	30.06.2019
Gain/(Loss) on acquisition and disposal of consolidated entities	(896)	(2 998)
Share of sale and leaseback gain	1 917	1 917
Gain/(Loss) on disposal of non-current assets	(2 930)	(1 513)
Other operating income/ Other operating expenses	(18 939)	(3 515)
TOTAL OTHER OPERATING INCOME AND EXPENSES	**(20 847)**	**(6 109)**

The "other operating expenses/operating income" item includes primarily restructuring costs of €7.3 million and external transaction/development costs of €11.6 million.

3.4 Working capital requirements

Change in working capital requirements

Working capital requirements comprise the following items:

In thousands of euros	**30.06.2020**	31.12.2019	Change on the balance sheet	Change in consolidation scope	Change in WCR	Other cash flows
Inventory	36 305	33 909	2 396	831	8 640	
Trade receivables and related accounts	285 300	284 047	1 253	12 121	-12 024	
Other receivables and currents assets	305 425	235 870	69 554	7 151	101 846	5 569
Trade payables and related accounts	348 003	369 942	-21 939	13 895	-20 653	
Other payables and accruals	722 769	733 205	-10 436	34 689	87 009	-75 247
Working capital requirement	**443 743**	**549 320**	**-105 578**	**28 481**	**-32 107**	**-80 816**

The Group did not use the mechanisms set up for deferring payment of social contributions and corporate income tax.

Current assets

Inventories are valued at the lower of cost or net realisable value. The cost of inventories of raw materials, goods and other supplies consists of the purchase price excluding taxes, less discounts, rebates and other deductions obtained, plus incidental costs of purchase (transport, unloading charges, customs duties, purchasing commissions, etc.). These inventories are measured using the first in, first out method.

Trade and other receivables are recognised at their nominal value, i.e. the fair value on the date of initial recognition.

An impairment loss is recognised from the date of initial recognition of the receivable as required by IFRS 9. The amount provisioned depends both on the level of actual losses in prior years and on the risk assessment carried out on receivables in each of the countries in which the Group operates.

The change in receivables net of impairment is due primarily to changes in the consolidation scope.

Transfer and use of financial assets

In Italy, factoring contracts are used to assign a portion of the trade receivables of certain subsidiaries to a group of financial institutions, thereby transferring most of the risks and rewards attached to the receivables assigned (pro soluto factoring).

The risks and rewards test required by IFRS 9 has led the Group to derecognise almost all of the receivables assigned under these factoring programmes.

Receivables assigned by the Italian subsidiaries are sold at their nominal value less an initial charge of between 0.3% and 0.6%, which is recognised 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 2020 totalled €58,788,000. At 30 June 2020, a loss of €(693),000 was incurred in connection with assignment of these receivables.

Breakdown of receivables assigned (prosoluto factoring)	**2020**	**Q1 2020**	**Q2 2020**
Receivables assigned	58 788	32 908	25 880
Receivables collected	58 765	32 772	25 993
Fees for management and recovery of assigned receivables	(277)	(154)	(123)
Corresponding financial expense	(416)	(99)	(317)
Profit/(loss) on assignment	**(693)**	**(252)**	**(441)**
Net cash received	**58 072**	**32 520**	**25 552**

Other receivables and currents assets

Other receivables and current assets break down as follows:

In thousands of euros	30.06.2020	31.12.2019
Tax receivables	74 688	90 559
Social security receivables	8 236	6 247
Advances and down payments	18 079	13 632
Prepaid expenses	43 929	38 897
Other debtors	158 351	85 120
Value of other receivables	**303 284**	**234 455**

In thousands of euros	30.06.2020	31.12.2019
Deposits and guarantees	2 107	1 393
Other financial assets	34	23
Value of other current financial assets	**2 141**	**1 415**

Total other current financial assets (net)	**305 425**	**235 870**

"Other receivables" consists mainly of accrued income and other receivables. The change in tax receivables is mainly due to a decrease in corporate income tax receivables of €(15.7) million and VAT receivables of €(3.5) million.

Trade payables, other payables and accruals

Trade and other payables are recognised at historical cost (equal to the amortised cost).

In thousands of euros	30.06.2020	31.12.2019
Trade payables	348 003	369 942
Total trade payables and related accounts	**348 003**	**369 942**

In thousands of euros	30.06.2020	31.12.2019
Residents' deposits	60 624	64 826
Suppliers of non-current assets	16 888	93 759
Advances and down payments on orders	30 135	28 542
Tax liabilities	91 516	123 859
Social security liabilities	317 256	261 706
Dividends payable	2 488	39
Other liabilities	169 266	116 720
Deferred income	34 596	43 754
Total other liabilities and accruals	**722 769**	**733 205**

Note 4: Goodwill, intangible assets and property, plant and equipment

4.1 Goodwill

In accordance with IFRS 3, at the acquisition date, 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 at the proportionate share of the fair value of the net identifiable assets of the acquired entity (i.e. with no goodwill allocated to non-controlling interests: the "partial goodwill method"). This option is available on a case-by-case basis for each business combination;
- Acquisition costs are expensed when incurred and are reported in the consolidated income statement under "Gain/(Loss) on acquisition and disposal of consolidated entities";
- Any contingent consideration paid on business combinations is measured at fair value at the acquisition date. After the acquisition date, contingent consideration is recognised 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 in consideration of net 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 re-measured in the income statement; and
- The net balance 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 annually, and more frequently if there is evidence of impairment. The work carried out in connection with the closing of the half-year accounts at 30 June 2020 is described in the section entitled "Significant events".

Changes in goodwill

Changes in the "Goodwill" item over the period ended 30 June 2020 are shown below:

In thousands of euros	30.06.2020	31.12.2019
Gross goodwill at start of period	**2 504 154**	**2 311 822**
Changes in scope	170 221	228 073
Definitive allocation of goodwill		-35 741
Contingent consideration	-	
Gross goodwill at end of period	**2 674 375**	**2 504 154**
Impairment at the start of the period	-	-
Impairment during the period	-	-
Impairment at the end of the period	-	-
Net goodwill at start of period	**2 504 154**	**2 311 822**
NET GOODWILL AT END OF PERIOD	**2 674 375**	**2 504 154**

In thousands of euros	Group	France (*)	Germany	Benelux (**)	Italy
Net goodwill at start of period	**2 504 154**	**1 350 499**	**688 468**	**217 165**	**248 022**
Changes in scope	170 221	70 443	13 691	25 713	60 373
Definitive allocation of goodwill	-	-	-	-	-
Contingent consideration	-	-	-	-	-
NET GOODWILL AT END OF PERIOD	**2 674 375**	**1 420 942**	**702 159**	**242 879**	**308 395**

(*)Including Spain

(**) Including Netherlands

The allocation of goodwill corresponds primarily to the recognition of the following assets: authorisations, real estate complexes and leases.

In France: the impact of the provisional allocation of the purchase price of the 5 Santé and Les Essentielles groups in February and April 2020 respectively.

In Italy: the impact of the provisional allocation of the purchase price of the Santa Chiara and Santa Marinella acquisitions in April 2020.

The recoverable amount of the Group's main assets, in France and Germany respectively, is significantly higher than the net accounting value. The risk of impairment is therefore deemed low by the Group.

The main assumptions and results of the goodwill impairment test are shown below:

Country	WACC	Long-term growth rate	Result
France	6.0%	1.75%	No impairment
Germany	5.5%	1.75%	No impairment
Belgium	6.0%	1.75%	No impairment
Italy	6.5%	1.75%	No impairment
Netherlands	Not tested	Not tested	Not tested
Spain	Not tested	Not tested	Not tested

By reducing the long-term growth rate by 50 bps, and increasing the WACC by 50 bps, the recoverable amount of the assets tested is still higher than the net accounting value for each of the CGUs. Therefore, no impairment loss should be recognised.

4.2 Intangible assets

In accordance with IFRS 3, at the date control of a subsidiary is acquired, the identifiable assets acquired and liabilities assumed are measured at fair value.

Measurement of intangible assets

For this purpose, intangible assets representing operating licences acquired are measured at fair value at the acquisition date, determined using a multi-criteria approach that takes into account the characteristics of the facility, such as the sales multiple and cash flow obtained from the acquisition business plan.

In France, although licences are granted for a period of 15 years and tripartite agreements are signed for a period of five years, "licences" are considered to have an indefinite term and 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 and, therefore, are not recognised and are a component of goodwill.

Regulations, at both the federal and regional levels, 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. Therefore, licences are recognised as intangible assets.

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

In Spain, there is no 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, facilities can operate concerted beds through regional funding. In this specific case a licence is recognised, classified as an intangible asset, and then amortised over the duration of the concession granted by the region.

In the Netherlands, there are administrative authorisations, but there is no particular difficulty in obtaining them. Nevertheless, after a facility has been opened, it is possible to enter into a contract with an insurance company (operation under the VPT regime). Obtaining these contracts allows charging higher rates and provides easier access for residents. Contracts in existence at the acquisition date are therefore measured and recognised as intangible assets.

In thousands of euros	**Licences**	**Other**	**Total**
Gross value at start of period	**1 846 776**	**206 808**	**2 053 585**
Changes in scope	31 707	2 113	33 820
Disposals	-	(38)	(38)
Acquisitions	17	14 989	15 006
Transfers	2 242	(10 931)	(10 964)
Gross amount at the end of the period	**1 880 742**	**210 666**	**2 091 408**
Amortisation, depreciation and impairment at the start of the period	**9 317**	**100 408**	**109 725**
Changes in scope	-	899	899
Disposals	-	(38)	(38)
Amortisation, depreciation and impairment	1 461	8 336	9 797
Transfers	13	368	381
Reclassification of favourable leases to rights of use	-	-	-
Total amortisation, depreciation and impairment at the end of the period	**10 791**	**109 973**	**120 764**
Net accounting value at the start of the period	**1 837 459**	**106 401**	**1 943 860**
Net accounting value at the end of the period	**1 869 952**	**100 693**	**1 970 645**

The valuations of licences are shown in the table below:

In thousands of euros	**France (*)**	**Benelux (**)**	**Italy**	**Total**
Gross value at the start of the period	1 356 705	221 567	268 503	1 846 775
Impairment	9 317			9 317
Net accounting value at the start of the period	**1 347 388**	**221 567**	**268 503**	**1 837 458**
Gross amount at the end of the period	1 384 903	226 832	269 007	1 880 742
Impairment	10 791			10 791
Net accounting value at the end of the period	**1 374 113**	**226 832**	**269 007**	**1 869 952**

(*) including Spain

(**) including the Netherlands

No single licence represents a material amount for the Group.

Particular attention has been paid to identifying evidence of impairment, and impairment tests on goodwill and the CGUs were performed at 30 June 2020 (see Note 2).

For the period ended 30 June 2020, the tests performed on the CGUs led to the recognition of a provision of €1,768,000 for two clinics in France.

4. 3 Property, plant and equipment

Property, plant and equipment are reported at their acquisition cost, less investment subsidies, if any. Property, plant and equipment acquired as part of a business combination are measured at fair value at the acquisition date.
Key components of a non-current asset that have useful lives shorter than that of the asset itself are identified in order that they may be depreciated over their specific useful lives.

At each balance sheet date, the acquisition cost is reduced by total depreciation and any provisions for impairment that may have been recognised using the method described in Note 6.5 of the 2019 Universal Registration Document entitled "Impairment of intangible assets, plant, property and equipment, and goodwill".

Leases

Since 1 January 2019, the Group has applied IFRS 16, which results in:

- ✓ the recognition of rights of use (operating leases under IAS 17) and lease liabilities;
- ✓ the reclassification of assets and liabilities recognised in connection with existing finance leases;
- ✓ the reclassification of incentives as a reduction of rights of use.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated using the straight-line method over the useful lives set out below.

Catégories	Useful life	Method
Structures	60 years	Straight line
Construction components	From 7 to 30 years	Straight line
Technical facilities	From 5 to 15 years	Straight line
Other improvements, fixtures and fittings	From 3 to 5 years	Straight line
Medical equipment	From 2 to 10 years	Straight line
Equipment and furniture	From 2 to 10 years	Straight line
Software	From 1 to 7 years	Straight line
Transport equipment	5 years	Straight line

In thousands of euros	Land	Building	Plant and machinery	Other	In construction and advance payements	Total
Gross value at the start of the period	**246 730**	**1 804 296**	**483 202**	**616 028**	**196 813**	**3 347 069**
Changes in scope	17 322	188 323	13 946	7 186	729	227 505
Disposals	(5 455)	(25 821)	(581)	784	(247)	(31 320)
Acquisitions	7 610	38 738	12 419	7 522	102 321	168 610
Transfers	22 615	52 920	4 840	12 327	(72 605)	20 097
Assets held for sale	-	-	-	-	-	-
Gross amount at the end of the period	**288 822**	**2 058 456**	**513 825**	**643 848**	**227 011**	**3 731 961**
Total Amortisation at the start of the period	**692**	**570 626**	**369 639**	**370 720**	**3 878**	**1 315 556**
Changes in scope	-	28 848	10 343	7 129	-	46 320
Changes in scope	-	50 805	16 871	18 160	(0)	85 835
Disposals	-	(3 381)	(504)	(66)	(166)	(4 117)
Other	184	(6 205)	909	474	-	(4 638)
Assets held for sale	-	-	-	-	-	-
Amortisation at the end of the period	**876**	**640 693**	**397 258**	**396 417**	**3 712**	**1 438 955**
Net accounting value at the start of the period	**246 038**	**1 233 670**	**113 563**	**245 309**	**192 934**	**2 031 514**
Net accounting value at the end of the period	**287 946**	**1 417 763**	**116 568**	**247 431**	**223 299**	**2 293 006**

Borrowing costs

Pursuant to IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (in particular, buildings) are included in the cost of that asset. The borrowing rate that may be included is the average cost of the Group's debt after hedging.

4.4 Changes in cash flows in relation to acquisitions of non-current assets

Cash flows in relation to acquisitions of property, plant and equipment and intangible assets are shown below:

In thousands of euros	**30.06.2020**
Acquisitions of intangible assets	-15 006
Change in debt on acquisitions of intangible assets	-6 224
Acquisitions of property, plant and equipment	-168 610
Change in debt on acquisitions of PPE and other	-38 290
Payment for property, plant equipment and intangible assets	**-228 130**

4.5 Lease commitments

The IFRS 16 liability has been calculated using a lease term for real estate leases equal to the non-terminable period, extended, if applicable, by renewal options that the Group is reasonably certain it will use.

The Group has chosen to use the two capitalisation exemptions allowed by the standard for leases with an initial term of 12 months or less and leases for goods with an individual replacement value of less than USD 5,000.

The discount rates applied are reviewed at each year-end.

Analysis of changes in rights of use by category of underlying assets

In thousands of euros	**Real estate**
Rights of use at 31 december 2019	3 441 069
Inflows of assets, net of renegotiations	193 852
Depreciation and amortisation	(164 539)
Lease terminations	-
Change in consolidation scope	123 339
Other changes	(84 220)
Rights of use at 30 june 2020	**3 509 500**

Analysis of changes in lease liabilities

In thousands of euros

lease liabilities at 31 december 2019	**3 646 694**
Discounting and new contract	156 453
Repayment of lease liabilities	(157 326)
Decrease of duration and lease amount	(41 857)
Change in consolidation scope	126 168
Other changes	-
Lease liabilities at 30 june 2020	**3 730 133**

Analysis of the maturities of lease liabilities at 30 June 2020

In thousands of euros	**Total**	**< 1 year**	**1 to 5 years**	**> 5 years**
Lease liabilities	**3 730 133**	**331 751**	**1 167 747**	**2 230 635**

Note 5: Shareholders' equity

There are no rights, privileges or restrictions attached to the shares comprising the share capital. Moreover, no shares are reserved for issue under options or share sale contracts.

At 30 June 2020, the share capital was €413,654,535. It is divided into 82,730,907 paid-in shares, all of which are of the same class and have a nominal value of €5 each.

Due to the COVID-19 crisis, at its meeting of 29 April 2020, the Board of Directors voted to withdraw the proposal to pay a dividend for 2019.

Hybrid Bonds

On 28 June 2017, the Group issued undated unsubordinated bonds with an option for redemption in cash and/or in new and/or existing shares (ODIRNANE bonds), suspending shareholders' pre-emptive subscription rights, for a nominal amount of €240 million. These bonds were issued with the following characteristics:

- A conversion premium of 35%, which corresponds to a nominal share price of € 40.21;
- These bonds will bear interest from 1 January 2018 until 31 December 2022, at a fixed nominal annual rate of 2.50% that is paid semi-annually;
- Bond-holders may convert their bonds until 1 January 2023. If bondholders exercise their conversion right, they will receive cash, shares or a combination of both, at Korian's discretion;

• From 1 January 2023, the instrument will bear interest at the six-month Euribor plus 900 basis points. Korian has the option of suspending interest payments if no dividend r

On 21 September 2018, the Group carried out an additional issue of ODIRNANE bonds for a nominal amount of approximately €60 million. These new bonds have the same characteristics (with the exception of the issue price) and are entirely equivalent to the pre-existing ODIRNANE bonds. The purpose of this issue was to refinance unlisted hybrid bonds that had been issued in June 2017 for an amount of €60 million and that were redeemed on 19 November 2018.

In accordance with IAS 32, these hybrid financial instruments were recognised as equity instruments for an amount net of interest and issue expenses of €298.6 million at 30 June 2020 (€298.4 million at 31 December 2019).

OCEANE bonds

On 3 March 2020, Korian announced the successful placement of its issue of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE bonds) maturing in 2027 for a nominal amount of approximately €400 million.

The bonds were issued at par and their nominal value was set at €61.53 each, resulting in a conversion premium of 55% over the Company's reference share price.

In accordance with IAS 32, this OCEANE convertible bond was divided into an equity component of €34 million (equal to the fair value of the call option sold to the bearer) and a debt component of €366 million.

Note 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".

	30.06.2020	30.06.2019
Net profit/(loss) attributable to the Group's owners (in thousands of euros)	10 378	50 808
Weighted average number of shares (in thousands)	82 730	82 730
Earnings per share	**0,13**	**0,61**
Net profit/(loss) attributable to the Group's owners (in thousands of euros)	10 378	50 808
Impact of remuneration of equity items	-3 688	-3 361
Weighted average number of shares (in thousands)	82 730	82 730
Average number of shares in relation to stock option and free share adjustments	-478	5 616
Average number of shares in relation to hybrid bond adjustments	6 094	6 094
Average number of shares used for calculation of diluted earnings per share	88 346	88 346
Diluted earnings per share (in euros)	**0,08**	**0,54**

Note 7: Funding and financial instruments

7.1 Net financial income

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

Net borrowing costs are equal to the interest expense on bank loans and bonds and the cost of hedging contracts.

Other financial income items are primarily 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), the financial cost of employee benefits and the financial expense in relation to the recognition of rights of use under leases (application of IFRS 16).

7.2 Net indebtedness

Net indebtedness consists of gross debt less liquid financial assets (marketable securities and cash and cash equivalents).

In thousands of euros	30.06.2020	31.12.2019
Borrowings from credit institutions and financial markets	2 295 586	1 665 731
Real estate debt (excl. IFRS 16)	1 290 264	1 062 303
Other financial liabilities	47 854	125 868
Bank overdrafts	11 622	7 583
Borrowings and financial debt (A)	**3 645 326**	**2 861 485**
Marketable securities	104 646	55 100
Cash	539 903	289 686
Cash (B)	**644 549**	**344 786**
Net debt (A) - (B)	**3 000 776**	**2 516 700**

Change in the Group's indebtedness at 30 June 2020

The Group's gross debt at 30 June 2020 breaks down as follows:

- ✓ A €500 million term tranche of a syndicated bank loan, which has been fully drawn down;
- ✓ Bonds placed with private investors and debts placed with credit institutions for a total amount of €1,801 million;
- ✓ €18 million of NEU CP (commercial paper) not backed by bridge-financed real estate projects;
- ✓ Bank overdraft facilities for an amount of €12 million;
- ✓ Immovable property debt in the amount of €1,290 million. These debts comprise primarily:
  - o Debts owed to financial counterparties, including finance leases totalling €988.3 million;
  - o Other real estate-backed debt totalling €302 million, including €109 million of NEU CP backed by real estate bridge financing.

Moreover, at the end of the period, the Group's net cash position stood at €645 million, excluding bank overdraft facilities.

Change in borrowings (*)

In thousands of euros	31.12.2019	New loans	repayments	Changes in scope	Other	30.06.2020	Current	Non-current
Borrowings	2 728 034	971 573	(178 176)	76 504	(13 610)	3 585 850	424 676	3 161 174
Employee profit sharing	40	12	-	-	-	52	12	40
Loans and other borrowings	125 828	200 872	(281 751)	4 392	(14)	47 802	41 263	6 539
Borrowings and financial debt	**2 853 902**	**1 172 457**	**(459 927)**	**80 896**	**(13 625)**	**3 633 704**	**465 950**	**3 167 754**

In thousands of euros	New borrowings in 2020	Cash	Non-cash	Repayments in 2020	Cash	Non-cash
Borrowings	971 573	968 035	3 539	(178 176)	(178 613)	438
Employee profit sharing	12	12				
Loans and other borrowings	200 872	179 882	20 990	(281 751)	(270 288)	(11 463)
Total borrowings and financial debt	**1 172 457**	**1 147 928**	**24 528**	**(459 927)**	**(448 902)**	**(11 025)**

(*) Excluding bank overdraft facilities of €11,622,000.

Breakdown of financial liabilities by interest rate category

In thousands of euros		30.06.2020	31.12.2019
Fixed rate	65%	2 377 440	1 333 165
Variable rate	35%	1 267 886	1 528 320
TOTAL		**3 645 326**	**2 861 485**

At 30 June 2020, the share of the Group's indebtedness at variable interest rates totalled 35% of financial liabilities. The Group has financial instruments to hedge against fluctuations in interest rates. It uses standard derivative financial instruments (interest rate swaps, caps, floors, etc.).

Including financial instruments classified as cash flow hedges, 95% of variable-rate borrowings were hedged at 30 June 2020.

Debt secured by guarantees such as collateral, mortgages or finance leases accounted for 18.5% of gross borrowings.

Management of interest rate risk

The Group uses derivative financial instruments (swaps and caps) to hedge against the interest rate risk arising from its variable-rate financing policy. The Group applies hedge accounting (cash flow hedge) when the IFRS 9 hedging criteria are met.

The market value of instruments purchased to hedge interest rate risk at 30 June 2020 was €(30.9) million, after adjustment for counterparty default risk.

At the balance sheet date, the sensitivity of the market value of derivatives to a change in market interest rates, before adjustment for counterparty default risk, was as follows:

- a 0.5% (50 basis points) increase in interest rates would increase the market value to €16.4 million;
- a 0.5% (50 basis points) decrease in interest rates would decrease the market value by €(48.7) million.

The table below shows the items of income, expenses, gains and losses recognised in income and in equity, before deferred taxes, in 2020 for each category 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**	**Impact of counterparty default risk**
Financial instruments eligible for hedge accounting	(5 985)	(1 706)	-	-
Financial instruments ineligible for hedge accounting	-	-	(51)	-
TOTAL	**(5 985)**	**(1 707)**	**(51)**	**1 262**

Assets	**31.12.2019**	**Newly consolidatd companies**	**Deconsolidatd companies**	**Change**	**30.06.2020**
Interest rate swaps	-	-	-	-	-
Options	4 730	-	-	(1 708)	3 022
Total hedging instruments – Assets	**4 730**	-	-	**(1 708)**	**3 022**
Interest rate swaps	-	-	-	-	-
Options	-	-	-	-	-
Total ineligible financial instruments – Assets	**-**	**-**	**-**	**-**	**-**
Total impact of counterparty default risk – Credit Value Adjustment	**(110)**	-	-	**13**	**(97)**
TOTAL FINANCIAL INSTRUMENTS – ASSETS	**4 619**	**-**	**-**	**(1 695)**	**2 924**

Liabilities	**31.12.2019**	**Newly consolidatd companies**	**Deconsolidatd companies**	**Change**	**30.06.2020**
Interest rate swaps	27 055	-	-	7 135	34 190
Options	2 100	-	-	(1 152)	948
Total hedging instruments – Liabilities	**29 155**	**-**	**-**	**5 983**	**35 138**
Interest rate swaps	936	-	-	51	987
Options	-	-	-	-	-
Total ineligible financial instruments – Liabilities	**936**	**-**	**-**	**51**	**987**
Total impact of counterparty default risk – Debit Value Adjustment	**(1 075)**	-	-	**(1 249)**	**(2 324)**
TOTAL FINANCIAL INSTRUMENTS – LIABILITIES	**29 016**	**-**	**-**	**4 784**	**33 800**
TOTAL NET	**24 396**	**-**	**-**	**6 480**	**30 876**

Breakdown of financial liabilities by maturity

In thousands of euros	**30.06.2020**	**31.12.2019**
<1 year	477 572	453 481
Short-term financial liabilities	**477 572**	**453 481**
1 to 5 years	1 964 582	1 861 588
>5 years	1 203 172	546 416
Non-current financial liabilities	**3 167 754**	**2 408 004**
TOTAL	**3 645 326**	**2 861 485**

Bank and bond covenants at 30 June 2020

The syndicated loan and the Euro PP, Schuldschein and NSV bonds are subject to covenants. Changes impacting the covenants are notified to the banks every six months and annually in the case of bonds.

	Ratio Korian	**Maximum/minimum ratio authorised at 30 June and 31 December**
Adjusted leverage ratio (syndicated loan, SSD, NSV, Euro PP)	3,7x	<4,5x

The basis for calculating this adjusted leverage ratio includes an adjustment of €20.1 million for non-recurring COVID-19-related costs (see Note 2).

Counterparty risk

For the purposes of its financial activities (in particular, cash management and interest rate hedging derivatives), the Group has set up risk management procedures and works with leading financial institutions.

Currency risk

The Group is not exposed to currency risk as all the Group's subsidiaries are located in the euro zone and all transactions are carried out in euros.

7.3 - Financial assets

Financial assets comprise:

–non-current financial assets: investments in unconsolidated companies, related receivables and guarantees and security deposits granted;

–current financial assets, which include short-term financial derivative instruments and cash and cash equivalents (marketable securities).

In accordance with IFRS 9, financial assets are classified into one of the following three categories:

–financial liabilities recognised at amortised cost;

–financial liabilities recognised at fair value through other items of comprehensive income;

–financial liabilities recognised at fair value through income.

Cash and cash equivalents:

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).

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

Cash and cash equivalents

In thousands of euros	**30.06.2020**	**31.12.2019**
Marketable securities	104 646	55 100
Cash and cash equivalents	539 903	289 686
Total	**644 549**	**344 786**

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 an insignificant risk of changes in value.

Note 8: 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 provisions due to the passage of time are recognised as financial expenses.

A provision for restructuring can only be recognised if the restructuring was publicly announced and a detailed restructuring plan has been drawn up or restructuring is underway at the balance sheet date.

A provision is recognised for disputes (e.g. employee 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	**4 335**	**19 006**	**33 687**	**57 028**
Allowances	331	6 257	1 651	8 239
Used	(243)	(1 132)	(162)	(1 537)
Reversals	(454)	(3 521)	(2 764)	(6 739)
Changes in scope	185	-	5 224	5 409
Reclassifications	1 232	15	(823)	425
Closing balance	**5 387**	**20 625**	**36 812**	**62 824**

Current provisions

In thousands of euros	Tax	Social contributions	Other	Total
Opening balance	**434**	**9 751**	**2 423**	**12 607**
Allowances	350	334	1 390	2 074
Used	(142)	(2 257)	(1 313)	(3 712)
Reversals	0	(106)	(398)	(503)
Changes in scope	-	-	766	766
Reclassifications	-	-	34	34
Closing balance	**642**	**7 722**	**2 901**	**11 265**

Non-IAS 12 tax disputes

Provisions for non-IAS 12 tax disputes (e.g. VAT disputes) are recognised for tax adjustments and tax disputes whose amounts have been contested. No individual dispute represents a material amount at 30 June 2020.

Employee disputes

The provisions recognised cover employee disputes and employment termination benefits. No individual dispute represents a material amount at 30 June 2020.

Risks relating to operating disputes (“Other” column)

The provisions recognised cover litigation concerning contractual disputes (suppliers and real estate) and disputes over medical liability. No individual dispute represents a material amount at 30 June 2020.

Note 9: Taxes

Breakdown of income tax expense

In thousands of euros	30.06.2020	30.06.2019
Current taxes	(16 992)	(30 174)
Deferred tax	5 583	697
Income tax	**(11 408)**	**(29 477)**

The Group's tax rate is 49.5%. The rate for the first half of 2020 is not representative due to the weak performance in the period and the country mix.

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 10: Disputes

At the publication date of this document, to the best knowledge of the Company and its legal advisors, there are no disputes that are liable to have a material impact on the Group's business, results or financial position for which provisions have not been made.

Note 11: Post-closing events

The Group is not aware of any significant post-closing events.

Note 12: Other information

Related-party transactions

There were no significant changes in the terms of management remuneration compared to the information provided in the 2019 Universal Registration Document.

Scope of consolidation - Germany

The information below supplements the data on Korian's scope of consolidation in Germany:

- The German subsidiary PHÖNIX-ambulante intensive Pflege GmbH, which was incorporated in 2018, has been added to the list of the Group's consolidated entities in Germany in Section 14.4.2 of the notes to the consolidated financial statements of the 2018 Registration Document;
- The German subsidiary doc Orange GmbH, which is mentioned in Note 5.7 and Sections 14.4.2 and 14.3.2 of the 2017 and 2018 Registration Documents and the 2019 Universal

Registration Document respectively, is registered in the commercial register under the corporate name "BuP Betreuung- und Pflege GmbH" ;

- The German subsidiary Zentrale Parsberg (Holding Weidlich), which is mentioned in Sections 14.4.2 and 14.3.2 of the 2018 Registration Document and the 2019 Universal Registration Document respectively, is registered in the commercial register under the corporate name "PHÖNIX-Lebenszentren GmbH" ;
- The German subsidiary RIAG SENIORENZENTRUM, which is mentioned in Note 5.7 and Sections 14.4.2 and 14.3.2 of the 2017 and 2018 Registration Documents and the 2019 Universal Registration Document respectively, is registered in the commercial register under the corporate name "RIAG Seniorenzentrum « Eneppetal » GmbH & Co. KG";
- The German subsidiary Ambulanter Dienst Kutlu GmbH, which is mentioned in Sections 14.4.2 and 14.3.2 of the 2018 Registration Document and the 2019 Universal Registration Document respectively, is registered in the commercial register since 24 February 2020 under the corporate name "PflegeExperten GmbH";
- The German subsidiary CASA REHA HOLDING GMBH, which is mentioned in Section 14.3.2 of the Group's 2019 Universal Registration Document, has been registered in the commercial register since 20 January 2020 under the corporate name "CR Korian Holding GmbH" ;
- The German subsidiary CURANUM AG, which is mentioned in Section 14.3.2 of the 2019 Universal Registration Document, has been registered in the commercial register since 3 March 2015 and was registered again on 15 January 2020 under the corporate name "Korian Deutschland AG" ;
- The German subsidiary CURANUM Dienstleistung GmbH, which is mentioned in Section 14.3.2 of the 2019 Universal Registration Document, has been registered in the commercial register since 18 April 2019 under the corporate name "Korian Personaldienstleistung GmbH ";
- The German subsidiary KORIAN MANAGEMENT VERWALTUNG GMBH, which is mentioned in Section 14.3.2 of the 2019 Universal Registration Document, has been registered in the commercial register since 16 December 2019 under the corporate name "Korian Textilservice GmbH" .

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

For the period from 1 January to 30 June 2020

To the shareholders,

In compliance with the assignment entrusted to us by your General Meeting 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 limited review of the accompanying condensed consolidated half-year financial statements of Korian, for the period from 1 January to 30 June 2020;
- the verification of the information presented in the half-year management report.

These condensed half-year consolidated financial statements were prepared under the responsibility of your Board of Directors on 30 July 2020 on the basis of the information available at that date in the evolving context of the COVID-19 crisis and given the difficulties in assessing its impacts and the outlook for the future. 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 procedures. This work is less extensive than that required for an audit performed in accordance with the accounting standards applicable in France. Consequently, the assurance that the financial statements taken as a whole do not contain any material misstatements obtained based on a limited review is moderate assurance, which is lower than the assurance that would be obtained based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated half-year 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-year management report prepared on 30 July 2020 on the condensed consolidated half-year financial statements subject to our review.

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

Courbevoie and Paris-La Défense, 30 July 2020

The Statutory auditors

MAZARS	ERNST & YOUNG et Autres
Anne Veaute	May Kassis-Morin

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 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, 30 July 2020

Sophie Boissard, Chief Executive Officer

KORIAN
A French public limited company with share capital of €413,654,535
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Paris Trade and Companies Register No. 447 800 475