KORIAN

2019 HALF-YEAR FINANCIAL REPORT

CHAPTER 1

HALF-YEAR MANAGEMENT REPORT

1.1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

“The strong performance of the first half of the year is a direct result of the investments made over the past three years to improve and develop our network and diversify our service offering, develop the skills of our employees and continuously improve the quality of our operations. By expanding into Spain and the Netherlands, the Group is extending its reach in Europe. In parallel to this expansion we continue to grow within our existing geographies by leveraging the strength of our network and building integrate care and health platforms to serve the fragile and dependant populations in the territories where we are implemented. These excellent results are the fruit of the unfailing the commitment of our teams, whom I would particularly like to thank and allow the Group to confirm its objectives for 2019.”

Sophie Boissard

Chief Executive Officer of Korian

1.2 ACTIVITIES OF THE KORIAN GROUP IN THE FIRST HALF OF 2019

1.2.1 KEY INDICATORS

Korian, the expert in providing care and support services for seniors, generated revenue of €1,767 million in the period ended 30 June 2019, an increase of 8.2% over the period.

At 30 June 2019, the Group had the capacity for over 81,000 beds in Europe (France, Germany, Belgium, Spain, Italy and the Netherlands) and managed around 850 facilities in four business lines: long-term care nursing homes, specialised clinics, assisted living facilities and home care networks.

1.2.2 HIGHLIGHTS

CHANGES IN GOVERNANCE

European Works Council (EWC): The Korian group, which operates in six European countries, Germany, Belgium, Spain, France, Italy and the Netherlands, signed an agreement in April 2019 with 12 trade unions that are representative in the various countries creating a EWC. This agreement is a first in the care services sector for seniors and vulnerable persons.

Changes in the Group's Board of Directors
To replace Elisabeth Stheeman, whose term of office expired, the General Meeting held on 6 June 2019 appointed Jean-François Brin, a doctor with clinical experience in geriatrics, who holds a master's degree from HEC and who had an international career with the Sanofi Group. In accordance with the provisions of the new "PACTE" Act, the shareholders also approved an amendment to the articles of association providing for the appointment of a second director representing the employees. Reflecting the Group's international scope, this director will be appointed by the new European Works Council, which was created last April pursuant to an agreement entered into with the 12 trade unions that are representative in the various countries where the Group operates.

CAPITAL STRUCTURE

Following a partial reclassification of the investment of the Canadian pension fund PSP Investments, the distribution of the main shareholders has changed and the free float has increased.

The transaction, which reflects PSP's new investment policy, was oversubscribed and carried out in line with the Group's interests and involved well-known institutional investors. It also enabled Predica, the life insurance subsidiary of Crédit Agricole Assurances, and Malakoff Médéric Humanis to increase their stake.

These two major reference and long-term shareholders together now hold almost one-third of Korian's capital. At the same time, the free float increased, thereby ensuring greater liquidity for the stock.

In a press release, PSP Investments reaffirmed its confidence in Korian's strategy and long-term prospects.

The new distribution of shareholders is shown below:

shareholders	28 June 2019			31 December 2018		
	Number of shares	% Capital	% droits de vote	Number of shares	% Capital	% droits de vote
Predica	19,821,453	24.2%	24.2%	19,001,453	23.2%	23.2%
Malakoff Médéric Humanis	6,353,892	7.8%	7.8%	5,203,892	6.3%	6.3%
Investissements PSP	5,400,000	6.6%	6.6%	11,100,000	13.5%	13.5%
Korian S.A (own ownership)	38,595	0.05%	0.05%	46,386	0.1%	0.1%
Public	50,371,623	61.4%	61.4%	46,624,694	56.9%	56.9%
Total	**81,985,563**	**100.0%**	**100.0%**	**81,976,425**	**100.0%**	**100.0%**

1.3 CONSOLIDATED FINANCIAL STATEMENTS

Korian uses EBITDAR as its benchmark indicator because it makes it possible to assess its operating performance separately from its real estate policy. 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 revenues totalled €1,767 million, up 8.2% over the period:

- ✓ Organic growth, which was up +3.8% compared to +2.9% a year earlier, reflected the significant effort undertaken to renovate and modernise the Group's assets, particularly in France, and from the greater specialisation of facilities and an active management of the care mix. It was also due to the ramp-up of the 15 facilities opened over the last 18 months.
- ✓ External growth increased by +4.4%, driven by the Group's various selective acquisitions in a bolt on mode to reinforce its presence in its different territories. 10 transactions have been completed in the first half of 2019, in addition to the 10 transactions carried out in 2018. In particular, these transactions enabled the Group to expand into Spain (acquisition of Seniors in January 2019 and of the long-term care nursing home business of Grupo 5 in July 2019) and into the Netherlands with the acquisition of Stepping Stones in June. These last two acquisitions will be included in the results for H2 2019.

Overall, the number of beds operated grew by 2,830 in the first half, bringing the total number of beds to nearly 81,000.

Against this backdrop of strong business growth and diversification of the business portfolio, particularly in homecare services and medical activities, the EBITDAR rate is stable at 26.0%, due to efficient management of operating expenses, particularly in France and Germany.

By country:

In **France (*),** revenue progressed significantly by +6.4% (versus +3.6% in H1 2018), of which +3.1% was organic growth (compared with +2.5% in the same period in 2018). This acceleration was due, in particular, to the dynamic transformation of the Healthcare division, the continued expansion and upgrading of the services offered by the Seniors division, and the growth of the new activities of Petits-fils (homecare) and Ages&Vie (small care communities for seniors), which were acquired in 2018. It also reflects the full impact of the various acquisitions made in the first half of 2019. The EBITDAR margin remained stable at 27.3%.

In **Germany**, revenue also increased significantly (+5.2% versus 3.4% in the same period in 2018) due to an acceleration of organic growth of +4.7% (versus +3.7% in H1 2018) as a result of the ramp-up of recently acquired facilities and a favourable care mix. This strong momentum also enabled Germany to consolidate the improvement in its operating margin (EBITDAR) by +60 basis points to 25.1%, despite wage inflation affecting the labour market.

Belgium continues to show excellent growth momentum with revenues up +21.6% due to the acquisition of Senior Assist in September 2018. Organic growth was strong at +6.1% (versus 4.0% in the same period in 2018). Due to a lower level of maturity of the facilities acquired in 2018, the EBITDAR margin fell by 40 bps to 25.0%.

In **Italy**, revenues were up by +8.1% driven by acquisitions made over the past year. Due to the impact of changes in the business mix, the EBITDAR margin fell by 30 bps to 24.0%.

(*) Including € 8.2 million in Spain in H1 2019

EBITDA totalled €258.3 million in H1 2019, up 13.4%. As a result, the EBITDA margin increased by 70 basis points to 14.6 %. This improvement is due, on one hand – accounting for 25 basis points – to a shift in the portfolio of services towards less property-intensive activities and, secondly, to the impacts of the "Asset Smart" real estate strategy implemented over the past two years, which resulted in an increased ownership rate (now at 21%) and lease renegotiations.

Earnings before interest and taxes (EBIT) amounted to €162.7 million, i.e. 9.2% of revenue (versus 8.8% in H1 2018).

Non-current expenses, primarily due to acquisition-related expenses, totalled €6.1 million.

Net profit attributable to the Group's owners totalled €60.1 million (excluding IFRS 16 impacts), an increase of 9.1% reflecting income tax expense of €33.5 million and a tax rate of 35%.

1.3.1 SIMPLIFIED INCOME STATEMENT

In millions of euros	H1 2019 IFRS 16	**Restatements**	**H1 2019 IAS 17 (*)**	**H1 2018**	**Change**
Revenue	1 767,3	-0,2	1 767,1	1 633,9	8,2%
EBITDAR	**458,8**	**1,2**	**460,0**	**424,1**	**8,5%**
%	*26,0%*	*0,0%*	*26,0%*	*26,0%*	*0,00*
Rent	-28,5	-173,2	-201,7	-196,4	2,7%
EBITDA	**430,3**	**-172,0**	**258,3**	**227,7**	13,4%
%	*24,3%*	*0,0%*	*14,6%*	*13,9%*	*4,9%*
Impairment and provisions	-250,7	155,1	-95,6	-84,3	13,3%
EBIT	**179,6**	**-16,9**	**162,7**	**143,4**	13,5%
%	*10,2%*	*0,0%*	*9,2%*	*8,8%*	*4,9%*
Other operating income and expenses	-6,1	0,0	-6,1	4,2	-246,1%
Operating income	**173,5**	**-16,9**	**156,6**	**147,6**	6,1%
Net financial income	-91,0	30,2	-60,8	-58,2	4,5%
Profit/(loss) before tax	**82,5**	**13,3**	**95,8**	**89,4**	7,2%
Taxes	-29,5	-4,0	-33,5	-33,4	0,3%
%	*-35,7%*	*-30,4%*	*-35,0%*	*-37,4%*	*-6,4%*
Minority interests	-2,2	0,0	-2,2	-0,9	137,6%
NET PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE GROUP	**50,8**	**9,3**	**60,1**	**55,1**	**9,2%**

(*) The financial statements at 30 June 2019 have been prepared in accordance with IFRS 16 (use of the modified retrospective approach without restating information for the prior period). For comparison purposes with the prior year, the financial statements at 30 June 2019 are also presented before the application of IFRS 16.

1.3.2 FINANCIAL POSITION

Due to the increase in EBITDA and sound management of working capital requirements, the Group reports a significant increase (+57%) in the operating free cash flow generated to €87 million, on the basis of operating free cash flow as restated in 2018, despite the fact that maintenance capital expenditures as a share of revenue remained stable at 2.5%.

The Group's net financial liabilities, excluding IFRS 16 impacts, increased to €3,021 million from €2,724 million at 31 December 2018 as a result of the various acquisitions carried out for a total amount of €167 million, and real estate investments totalling €173 million in the first half of the year. These amounts include the acquisition of portfolios in Germany, France and Spain. In addition, investments to develop and restructure real estate assets totalled €38 million.

The net debt ratio and level of real estate debt as a percentage of asset value (LTV ratio) remained stable at 3.2x and 51%, respectively.

On 27th May, the Group signed an amendment and extension of the syndicated loan agreement with its partner banks for a total amount of €1 billion (50% term loan and 50% revolving credit facility), including a three-year extension of the maximum maturity date until 2024 (with two one-year extension options for the revolving credit facility tranche), which strengthens the Group's long-term financial structure and flexibility.

1.4 MATERIAL EVENTS SINCE 1 JULY 2019

Since 30 June 2019, the following events have occurred pursuant to the Group's development policy:

- ✓ On 19 July, the Group completed the acquisition of the nursing homes division of Grupo 5, which operates a complex of six medical facilities in the Balearic Islands.

1.5 RISK FACTORS

No risks are foreseen other than those described in section 2.1 "Risk management" of the 2018 Registration Document, which was filed with the Autorité des Marchés Financiers ("AMF"), the French Financial Markets Authority, on 25 April 2019 under number D.19-0400.

There were no significant changes to these risk factors in the first half of 2019.

1.6 RELATED-PARTY TRANSACTIONS

Details of related-party transactions in the first half of 2019 can be found in Note 14 of the notes to the condensed half-year financial statements in this Half-Year Management Report.

There have been no significant changes from the information provided in the Company's 2018 Registration Document.

1.7 OUTLOOK

On the strength of the sound performance experienced in the first half of 2019, the Group will pursue its buy and build development policy to strengthen and expand its service offers and to create integrated care platforms in each of the territories in which it operates.

Korian is confident in achieving its objectives for the financial year, as announced in March 2019: revenue growth above or equal to 8% and an operating margin (EBITDA margin) above or equal to 14.5%.

As a reminder, in March 2019, the Group has also raised the objectives of the K-2020 strategic plan and is now targeting revenue of at least €4.2 billion by 2021, i.e. an average annual growth rate (CAGR) above or equal to 8% over the 2019-2021 period, and an EBITDA margin of 15.5%.

The Group will organize an investors' day (in Paris) on 20 September 2019 to report on the implementation of its K-2020 strategic plan and to present the key features of its development momentum.

CHAPTER 2

CONDENSED HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

2.1 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

2.1.1 CONSOLIDATED INCOME STATEMENT

In thousands of euros	**Notes**	30.06.2019	**31.12.2018**	**30.06.2018**
Revenue	**4**	**1 766 547**	**3 333 787**	**1 632 363**
Other income	4	750	2 697	1 542
Operating income	4	**1 767 296**	**3 336 484**	**1 633 905**
Purchases used in the business	4.3	-136 853	-265 142	-131 542
Personnel expenses	4.3	-938 603	-1 722 110	-850 173
External expenses	4.3	-212 815	-765 428	-371 521
Income tax and other taxes	4.3	-48 291	-103 083	-51 342
Other operating income and expenses	4.3	-403	-3 655	-1 591
Gross operating income (EBITDA)	**4.3**	**430 331**	**477 066**	**227 737**
Depreciation, amortisation and provisions	5	-250 704	-163 298	-84 349
Profit/(loss) on acquisition and disposal of consolidated entities	6	-2 998	-7 282	-1 672
Other operating income and expenses	6	-3 111	-7 225	5 845
Operating income	**5**	**173 518**	**299 262**	**147 561**
Cost of net debt (1)	9	-32 634	-105 995	-51 657
Other items of financial income	9	-58 406	-15 629	-6 526
Net financial income	**9**	**-91 040**	**-121 623**	**-58 182**
Profit (loss) before tax		**82 479**	**177 638**	**89 379**
Income tax	10	-29 477	-52 606	-33 399
Profit/(loss) of consolidated companies		**53 002**	**125 032**	**55 980**
Non-controlling interests		-2 194	-1 899	-925
Share attributable to owners of the Group		**50 808**	**123 133**	**55 055**
Net profit/(loss) (attributable to owners of the Group) per share *(in euros)*	11	0,62	1,51	0,68
Diluted net profit/(loss) (attributable to owners of the Group) per share *(in euros)*	11	0,57	1,40	0,63
Net profit/(loss) attributable to owners of the Group		**50 808**	**123 133**	**55 055**
Recyclable items: IFRS 9 and IFRS 2 impact (measurement of hedging derivative instruments and free share plan) net of tax	*	-10 176	-3 205	-1 761
Non-recyclable items: IAS 19 impact (actuarial gains and losses)	*	-5 694	2 068	29
Gains and losses recognised directly in equity (attributable to owners of the Group)	*	**-15 869**	**-1 137**	**-1 732**
Net profit/(loss) and gains and losses recognised directly in equity (attributable to owners of the Group)	*	34 938	121 996	53 323
Net profit/(loss) and gains and losses recognised directly in equity (minority interests)	*	2 175	1 909	926

** see statement changes in equity*

(1) Reclassification of hedging costs during the period of comparison

Gross operating surplus (EBITDA): the difference between income (primarily revenue) and expenses (primarily purchases used in the business, payroll expenses, external expenses and taxes) in relation to the Group's operations. It does not include depreciation/amortisation and impairment allowances and other operating income and expenses that do not reflect the Group's operating activities.

2.1.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

In thousands of euros	Notes	30.06.2019	31.12.2018
Goodwill	7	2 408 938	2 311 822
Intangible fixed assets	7	1 851 159	1 822 819
Property, plant and equipment		1 874 923	2 292 431
Rights of use	2	3 461 453	0
Financial assets	9	74 955	57 296
Deferred tax assets		153 552	140 132
Non-current assets		**9 824 979**	**6 624 501**
Inventories		20 660	17 113
Trade receivables and related accounts		252 596	235 611
Other receivables and currents assets		250 532	192 666
Financial instruments – assets	9	4 464	3 213
Cash and cash equivalents	9	366 895	550 361
Current assets		**895 148**	**998 964**
Total assets		**10 720 127**	**7 623 465**

Equity and liabilities

In thousands of euros	Notes	30.06.2019	31.12.2018
Share capital		409 928	409 882
Premiums		881 765	881 765
Reserves and consolidated results		1 186 356	1 264 538
Shareholders' equity (attributable to owners of the Group)		**2 478 049**	**2 556 185**
Non-controlling interests		10 950	11 814
Total shareholder's equity		**2 488 998**	**2 567 999**
Provisions for pensions		82 916	70 769
Deferred tax liabilities		603 622	583 287
Other provisions	8	85 088	115 982
Borrowings and financial liabilities	9	2 356 482	2 861 096
Lease obligations more than one year	2	3 343 533	0
Other non-current liabilities		38 211	32 132
Non-current liabilities		**6 509 853**	**3 663 266**
Current provisions within one year	8	11 308	12 482
Trade accounts payable and related accounts		332 622	315 111
Other payables and accruals		642 882	635 523
Borrowings due within one year and bank overdrafts	9	383 028	412 948
Lease obligations within one year	2	317 576	0
Financial instruments – liabilities	9	33 859	16 136
Current liabilities		**1 721 275**	**1 392 200**
Total liabilities		**10 720 127**	**7 623 465**

2.1.3 CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	**Notes**	30.06.2019	30.06.2018
Total net income/(loss)		**53 002**	**55 980**
Of which income tax expense		*29 477*	*33 399*
Net depreciation/amortisation and provisions		233 313	72 649
Deferred taxes		-1 729	-6 106
Income/(loss) due to changes in fair value and non-cash items		1 853	-2 497
Gain on disposal of assets		1 938	755
Cash flow after cost of net debt		**288 377**	**120 782**
Elimination of acquisition costs of securities		3 109	1 672
Elimination of net interest paid		81 235	48 812
Cash flow before cost of net debt		**372 722**	**171 265**
Change in inventories		-3 237	-1 429
Change in trade receivables		-9 654	-12 138
Change in trade payables		-89	-7 763
Change in corporate income tax		2 023	-20 757
Change in other items		-8 599	-6 089
Change in working capital requirements		**-19 557**	**-48 175**
Net cash generated from operations		**353 165**	**123 090**
Impact of changes in scope (acquisitions)	3	-238 870	-57 773
Impact of changes in scope (disposals)	3	4 320	0
Payment for property, plant and equipment and intangible assets		-165 815	-87 380
Payment for other financial investments		-5 221	13 328
Proceeds from disposals of non-current assets (excluding securities)		10 876	884
Net cash from/(used in) investing activities		**-394 710**	**-130 942**
Net cash flow		**-41 545**	**-7 851**
Capital increase of non-controlling interests		29	0
Treasury shares charged to equity		380	412
Increase in financial liabilities	9	314 001	162 020
Repayment of financial liabilities	9	-230 274	-162 849
Other cash flows from/(used in) financing activities - Hybrid financial instruments		-3 750	-4 736
Repayment of financial lease obligations		-148 855	0
Interest paid on lease obligations		-31 338	0
Net interest paid		-46 820	-42 832
Dividends paid to shareholders of the parent		0	0
Dividends paid to minority interests in consolidated companies		-761	0
Net cash from/(used in) financing activities		**-147 387**	**-47 986**
Change in cash position		**-188 932**	**-55 837**
Cash and cash equivalents at the start of the period		542 604	503 802
Cash and cash equivalents at the end of the period		353 672	447 964
Marketable securities	9	18 445	193 645
Cash	9	348 450	265 250
Bank overdrafts	9	-13 223	-10 930
Cash and cash equivalents		**353 672**	**447 964**

2.1.4 CHANGES IN CONSOLIDATED EQUITY

In thousands of euros	Capital	Premiums	Charged directly to equity	Reserves and consolidated results	Equity attributable to the Group's owners	Non-controlling interests	Total shareholder's equity
At 31 December 2017	**404 912**	**860 040**	**534 038**	**663 416**	**2 462 406**	**12 272**	**2 474 678**
Dividends distributed				-48 590	-48 590	-3 118	-51 708
Capital increases	6			-6			
Business combinations						122	122
Treasury shares			404		404		404
Equity instruments			-4 351		-4 351		-4 351
Other changes			-40	5 451	5 412	755	6 165
Income (loss) for financial year 2018				*55 055*	*55 055*	*925*	*55 980*
Impact of IAS 19 (actuarial gains & losses)			29		29		29
Measurement of hedging derivatives and free share plans (net of tax)			-1 761		-1 761		-1 761
Total income			*-1 732*	*55 055*	*53 323*	*926*	*54 249*
At 30 June 2018	**404 918**	**860 040**	**528 320**	**675 326**	**2 468 604**	**10 957**	**2 479 559**
Dividends distributed				-48 576	-48 576	-3 118	-51 694
Capital increases	4 970	21 725		-5	26 690		26 690
Business combinations			-180		-180	0	-180
Treasury shares			-356		-356		-356
Equity instruments			-9 910		-9 910		-9 910
Other changes			-69	4 185	4 116	751	4 866
Income (loss) for financial year 2018				*123 133*	*123 133*	*1 899*	*125 032*
Impact of IAS 19 (actuarial gains & losses)			2 068		2 068	10	2 078
Measurement of hedging derivatives and free share plans (net of tax)			-3 205		-3 205		-3 205
Total income			*-1 137*	*123 133*	*121 996*	*1 909*	*123 904*
At 31 December 2018	**409 882**	**881 765**	**522 386**	**742 153**	**2 556 186**	**11 814**	**2 567 999**
Dividends distributed				-49 191	-49 191	-2 610	-51 802
Capital increases	46			-46			
Business combinations						29	29
Treasury shares			381		381		381
Equity instruments			-3 786		-3 786		-3 786
Other changes (*)			-80	-5 667	-5 747	-459	-6 207
Income (loss) for financial year 2019				*50 808*	*50 808*	*2 194*	*53 002*
Impact of IAS 19 (actuarial gains & losses)			-5 694		-5 694	-19	-5 713
Impact of initial application IFRS16 restatement of rents (net of tax)			-54 731		-54 731		-54 731
Measurement of hedging derivatives and free share plans (net of tax)			-10 176		-10 176		-10 176
Total income			*-15 869*	*50 808*	*34 938*	*2 175*	*37 113*
At 30 June 2019	**409 928**	**881 765**	**448 300**	**738 057**	**2 478 050**	**10 949**	**2 488 997**

(*) includes a provision for a dispute in connection with an acquisition in a previous year

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 2019, the share capital was €409,927,815. It is divided into 81,985,563 shares, all of which are fully paid up, are of the same class and have a nominal value of €5 each.

Following shareholder approval at the 2019 General Meeting, the Company distributed a dividend of €0.60 per share, with the option to receive payment in shares (based on a share price of € 32.93). The dividend, in cash and in shares, approved for the period totalled €49.2 million.

TREASURY SHARES

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

Proceeds from the sale of treasury shares are recognised in equity and, therefore, any capital gains or losses or impairment losses do not impact consolidated income.

2.1.5 NOTES TO THE FINANCIAL STATEMENTS

The consolidated financial statements were examined by the Audit Committee on 29 July 2019 and were approved by the Board of Directors on 31 July 2019.

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;
- ✓ holding companies whose sole purpose is to hold equity interests in the aforementioned facilities;
- ✓ companies whose purpose is to hold 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 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 2018, with the exception of the following standards, amendments and interpretations that are compulsory as of 1 January 2019 and which the Group did not early adopt:

IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS"

IFRIC 23 clarifies the application of the recognition and measurement provisions of IAS 12 "Income Taxes" when there is uncertainty about the treatment of income tax.

The interpretation applies as from 1 January 2019. The application of this new standard will have no material impact on the Group's consolidated financial statements. The analysis thereof is presented in Note 8.

IFRS 16 "LEASES"

The main impact of the application of IFRS 16 for the Group as lessee is that it is now required to recognise all leases in the statement of financial position, without distinguishing between finance and operating leases. In accordance with IFRS 16, any contract that meets the definition of a lease requires the lessee to recognise a right-of-use asset and a lease liability.

Implementation of this new standard does materially impact the 2019 half-year financial statements presented; please refer to Note 2.

The Group also applies the standards and amendments adopted by the European Union in 2019, which are mandatory for reporting periods beginning on or after 1 January 2019:

AMENDMENTS TO IAS 19 “PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT” FOR DEFINED-BENEFITS PENSION PLANS.

In the event of a plan amendment, curtailment or settlement, the service cost and net interest for the reporting period following the remeasurement is now required to be determined using the assumptions applied for the remeasurement.

On 15 March 2019, the European Commission (EC) published Regulation (EU) 2019/412 of 14 March 2019 in the Official Journal, which adopted the annual improvements to IFRS 2015-2017 cycle that had been published by the IASB on 12 December 2017 and amended the following four standards:

- ✓ IFRS 3 “Business Combinations”. If an entity obtains control of a joint operation whose activity constitutes a business, it shall remeasure its previously held interest in the joint operation (§ 42A added).
- ✓ IFRS 11 “Joint Arrangements”, heading “Previously held interests”. An entity shall not remeasure its previously held interest in a joint operation if it obtains joint control of a joint operation whose activity constitutes a business (§ B33CA added).
- ✓ IAS 12 “Income Taxes”, heading "Tax consequences of payments on financial instruments classified as equity”. An entity shall recognise all tax consequences of dividend payments in the same manner (§ 52B deleted and § 57A added).
- ✓ IAS 23 “Borrowing Costs”, heading “Borrowing costs eligible for capitalisation”. An entity shall treat a loan originally contracted to obtain an asset as general borrowings when the asset is ready for its intended use or for sale (§14 amended).

These amendments either clarify the language of the IFRS standards or correct relatively minor errors or conflicts between existing IFRS standards. Application of these amendments will have no material impact on the Group’s consolidated financial statements.

The Board added paragraph 14A to IAS 28 “Investments in Associates and Joint Ventures” and deleted paragraph 41. These amendments have been approved by the EU: Regulation (EU) No. 2019/237 of 8 February 2019.

It clarified that IFRS 9, including the provisions on impairment, applies to long-term interests in associates and joint ventures.

The Group is not affected by this amendment.

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.

Current assets and liabilities are:

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

All other assets and liabilities are non-current.

The consolidated financial statements are presented in thousands of euros.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Korian, as well as those of its subsidiaries, for the period between 1 January and 30 June 2019.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

The assumptions underlying the main estimates made for the first half of 2019 are of the same nature as those described in the notes to the consolidated financial statements at 31 December 2018.

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

Goodwill, intangible assets and plant, property and equipment

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.

Liabilities related to commitments to purchase non-controlling interests are valued 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.

Employee benefits

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

Financial instruments

Derivative financial instruments are measured at fair value. Note 9 “Funding and Financial Instruments” describes the measurement of these instruments.

CURRENCY CONVERSION METHODS

No transactions in foreign currencies are reported in the consolidated financial statements as at 30 June 2019. All subsidiaries are located in the euro zone.

NOTE 2 IFRS 16 - IMPACT OF THE FIRST-TIME APPLICATION OF THE STANDARD

The table below presents the impacts of the first-time application of IFRS 16 on the opening statement of financial position for the year:

In thousands of euros	31.12.2018	**IFRS 16 initial application**	**1 January 2019 with IFRS 16**
Goodwill	2 311 822		2 311 822
Intangible assets	1 822 819	-43 904	1 778 916
Property, plant and equipment	2 292 431	-585 126	1 707 305
IFRS 16 rights of use		3 364 251	3 364 251
Financial assets	57 296		57 296
Deferred tax assets	140 132	15 576	155 708
Non-current assets	**6 624 501**		**6 624 501**
Inventories	17 113		17 113
Trade receivables and related accounts	235 611		235 611
Other receivables and currents assets	192 666	-1 532	191 134
Financial instruments – assets	3 213		3 213
Cash and cash equivalents	550 361		550 361
Current assets	**998 964**		**998 964**
Total assets	**7 623 465**	**2 749 266**	**10 372 731**

In thousands of euros	31.12.2018	**IFRS 16 initial application**	**1 January 2019 with IFRS 16**
Capital	409 882		409 882
Premiums	881 765		881 765
Reserves and consolidated results	1 264 538	-54 731	1 209 807
Shareholders' equity (attributable to owners of the Group)	**2 556 185**		**2 556 185**
Non-controlling interests	11 814		11 814
Total shareholder's equity	**2 567 999**		**2 567 999**
Provisions for pensions	70 769		70 769
Deferred tax liabilities	583 287	0	583 287
Other provisions	115 982		115 982
Borrowings and financial liabilities	2 861 096	-674 880	2 186 216
Lease obligations more than one year		3 297 572	3 297 572
Other non-current liabilities	32 132		32 132
Non-current liabilities	**3 663 266**		**3 663 266**
Provisions within one year	12 482		12 482
Trade accounts payable and related accounts	315 111		315 111
Other payables and accruals	635 523	-113 077	522 445
Borrowings due within one year and bank overdrafts	412 948		412 948
Lease obligations within one year		294 383	294 383
Financial instruments – liabilities	16 136		16 136
Current liabilities	**1 392 200**		**1 392 200**
Total liabilities	**7 623 465**	**2 749 266**	**10 372 731**

The impacts of the first-time application of IFRS 16 on the opening statement of financial position are:

- ✓ the recognition of rights of use and lease liabilities;
- ✓ the reclassification of assets and liabilities recognised in connection with existing finance leases at 31 December 2018;
- ✓ the reclassification of incentives as a reduction of rights of use;

The Group has chosen to apply this standard using the so-called “modified retrospective” approach, which allows calculating certain first-time application impacts in a simplified manner:

(i) recognition of a lease liability measured at the present value of the remaining lease payments, calculated using the lessee’s incremental borrowing rate at the date of initial application;

(ii) the right-of-use asset is measured, as applicable, either at an amount equal to the lease liability (adjusted by the amount of prepaid lease payments and any provisions for advantageous/onerous contracts that were recognised in the statement of financial position as at 31 December 2018) or by determining the carrying amount as if the standard had been applied since the effective date of the lease (but applying the incremental borrowing rate at the date of initial application);

(iii) contracts previously treated as finance leases are maintained at their asset and liability values at 31 December 2018;

(iv) under the modified retrospective approach, no comparative restatement of prior financial statements will be made.

In connection with the transition, the Group analysed its contracts in order to:

(i) determine whether they could be classified as a lease within the meaning of IFRS 16;

(ii) to determine the main assumptions that will be used to measure the right of use and the lease liability, in particular, the term of the leases and the discount rate used to measure the lease liability.

For this purpose, the liability was 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 $5,000.

The discount rates applied at the transition date are based on the Group's incremental borrowing rate, plus a spread to take into account the economic environments of each country. These discount rates have been determined by taking into account the remaining terms of the leases at the date of initial application.

RECONCILIATION OF LEASE OBLIGATIONS AT THE TRANSITION DATE WITH OFF-BALANCE SHEET COMMITMENTS

In thousands of euros	
Commitments given under operating leases at 31/12/2018	**3 291 248**
Impacts related to optional periods not included in off-balance sheet commitments	104 863
Other impacts	-8 746
Lease obligations before discounting	3 387 365
Discounting impact	-470 290
Lease obligations after discounting	**2 917 075**
Existing finance leases	674 880
Lease obligations at 1 January 2019 after initial application of IFRS 16	**3 591 955**

ANALYSIS OF CHANGES IN RIGHTS OF USE BY CATEGORY OF UNDERLYING ASSETS

In thousands of euros	**Real estate**
31 December 2018	
IFRS 16 initial application	3 364 251
Asset inflows	201 053
Impairment losses	-155 164
Terminations	0
Change in consolidation scope	41 792
Miscellaneous	9 521
30 June 2019	**3 461 453**

ANALYSIS OF THE MATURITIES OF LEASE LIABILITIES AT 30 JUNE 2019

In thousands of euros	**Total**	**< 1 year**	**1 to 5 years**	**+ 5 years**
Lease liabilities	**3 661 109**	**317 576**	**1 161 090**	**2 182 443**

NOTE 3 SCOPE OF CONSOLIDATION

ACCOUNTING PRINCIPLES RELATED TO THE SCOPE OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled directly or indirectly by the Company. A subsidiary is considered to be controlled if the Company:

–has the power, directly or indirectly, to govern its operating and financial policies;

–obtains variable returns from its activities;

–has the ability to use its power to influence these returns.

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

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

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

Joint arrangements

This standard does not apply to any Group entity at 30 June 2019.

Associates

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

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

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

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

Business combinations

In accordance with IFRS 3R, business combinations are subject to the following accounting rules, as of the acquisition date:

–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 to goodwill.

At the acquisition date, goodwill is the difference between:

–the fair value of the consideration transferred, plus the amount of non-controlling interests in the acquiree and, where a business combination takes place in several stages, the fair value at the acquisition date of the acquirer’s previously held equity interest in the acquiree, which is 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 at least annually and more frequently if there is evidence of impairment.

Commitments to purchase non-controlling interests made in connection with business combinations

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

–on initial recognition, these commitments are recognised as liabilities at the present value of the purchase price, offset by equity;

–subsequent changes in the value of the commitment are recognised by adjusting equity, on the grounds that it is a transaction between shareholders.

Liabilities in relation to purchase commitments are based on estimates, as described in Note 1 “Critical accounting estimates and judgments”.

Acquisition of additional securities after exclusive control is obtained

When additional interests are acquired in an entity that is already exclusively controlled, the difference between the purchase price of these interests and the share of additional consolidated equity acquired is recognised in equity attributable to the owners of the

Company. The carrying amount of the subsidiary’s identifiable assets and liabilities, including goodwill, is left unchanged.

In the statement of cash flows, the acquisition of additional interests in a controlled entity is presented in net cash flows from/(used in) financing activities.

Additional purchases of securities leading to exclusive control of an entity previously under significant influence

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

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

Sale of securities without loss of exclusive control

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

Sale of securities with loss of exclusive control

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

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

Change in the consolidation scope

At 30 June 2019, the consolidation scope included, in addition to the parent company Korian SA, 548 fully consolidated companies (vs. 503 at 31 December 2018). The following significant events occurred in the first half of 2019:

Changes in scope – France

- ✓ Acquisition of Les Acacias in Gan in February 2019, a 78-bed clinic with annual revenue of approximately €4 million.
- ✓ Acquisition of Marienia in April 2019, a 111-bed clinic with annual revenue of approximately €11 million.
- ✓ Completion of the acquisition of the Omega group on 18 February 2019, which is located in south-western France, owns 14 nursing homes, 3 assisted living facilities (2 of which are under construction) and 9 homecare service agencies, and has revenue of approximately €40 million.
- ✓ As from 1 January 2019, Korian has included Petits-fils in its consolidation scope. Petits-fils was acquired in December 2018. This acquisition was not included in the

consolidation scope at 31 December 2018 due to the immaterial nature of earnings in 2018 and of their contribution to total consolidated assets at 31 December 2018.

Changes in scope – Belgium

- ✓ Acquisition of the Heydeveld nursing home in January 2019, which operates 109 beds, has been included in the consolidation scope since 1 January 2019, and has annual revenue of approximately €2 million.

Changes in scope – Germany

- ✓ Acquisition of Schauinsland in March 2019, which operates six long-term care nursing homes in the state of Baden-Württemberg, with a total capacity of around 420 beds, and has annual revenue of approximately €18 million.

Change in scope – Spain

- ✓ Acquisition of Seniors in January 2019, a Spanish company that operates a group of seven high-end medical facilities near Malaga, in Andalusia, with a diversified portfolio of around 1,300 beds, including assisted living facilities and day-care spaces, and has annual revenue of approximately €15 million.

Changes in scope – Netherlands

- ✓ Acquisition of Stepping Stones, a Dutch company that operates a group of 12 facilities. This acquisition was not included in the consolidation scope at 30 June 2019 due to the immaterial nature of earnings in H1 2019 and of their contribution to total consolidated assets at 30 June 2019.

Changes in scope – Italy

- ✓ Acquisition of the Sanem group in June 2019, which operates four clinics in Rome, with a capacity of approximately 100,000 registrations per year. The company generated revenue of around €10 million in 2018.

MATERIAL INFORMATION ON SIGNIFICANT CHANGES IN SCOPE

Impact on cash of acquisitions and disposals of subsidiaries.

In thousands of euros	30.06.2019	31.12.2018	30.06.2018
Purchase price of subsidiaries [A]	**275 071**	**212 555**	**104 691**
Cash out/cash in [B]	275 071	198 563	82 318
Debt incurred [C] = [A]-[B]	**0**	**13 992**	**22 373**
Disposal price [D]	4 475	272	0
Cash acquired [E]	36 201	103 128	24 545
Cash disposed of [F]	-155	-332	0
Impact of changes in consolidation scope [G] = [E-F-B+D]	**-234 550**	**-95 494**	**-57 773**

The main subsidiary for which the price allocation is final is San Giuseppe, a clinic acquired during the first half of 2018 in the Florence area in Italy.

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

In thousands of euros	**Assets acquired**	**Liabilities assumed**
Goodwill	97 020	
Intangible fixed assets	68 498	
Property, plant and equipment	127 569	
Rights of use	41 792	
Financial assets	1 486	
Deferred tax assets	2 152	
Non-current assets	**338 517**	
Inventories	310	
Trade receivables and related accounts	7 021	
Other receivables and currents assets	12 912	
Current assets	**20 243**	
Non-controlling interests		**56**
Provisions for pensions		35 130
Deferred tax liabilities		0
Other provisions		5 245
Borrowings and financial liabilities		34 091
Current lease liabilities more than one year		40 104
Other non-current liabilities		4 833
Non-current liabilities		**119 404**
Provisions within one year		0
Trade accounts payable and related accounts		8 926
Other liabilities and accruals		10 898
Borrowings due within one year		15 667
Lease obligations within one year		3 145
Derivative financial instruments		39
Current liabilities		**38 675**
Assets contributed	**358 759**	
Liabilities contributed		**158 135**
Net contribution	200 625	

Subsidiaries sold

In Belgium, the Group sold Elckerlyc, which owned the premises of a nursing home.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In accordance with IFRS 5:

- ✓ a discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and which represents a separate major business line or geographical area, and is part of a single coordinated plan to dispose of a separate major business line or geographical area;
- ✓ discontinued operations are presented as a single amount in the income statement, together with an analysis of the amount;
- ✓ the Group's current and non-current assets and liabilities classified as held for sale are not offset, but are presented separately from other assets and liabilities on the balance sheet, on a single line (under assets and liabilities respectively). They are included within the sub-total of current assets and liabilities, but are presented on a separate line in current assets and liabilities.
- ✓ These assets and groups of assets, and the related liabilities, are measured at the lesser of their carrying value or estimated selling price, less selling costs.

Discontinued operations

- ✓ None.

Assets held for sale

- ✓ As at 30 June 2019, there were no assets held for sale.

NOTE 4 CURRENT OPERATING FIGURES

4.1 PRESENTATION

The income statement is presented by type of expense.

Operating income is calculated as the difference between income and expenses before tax, other than financial items.

Employee profit sharing is included in payroll expenses.

4.2 INCOME INCLUDED IN GROSS OPERATING SURPLUS (EBITDA)

Gross operating surplus (EBITDA) consists of the Company's current income and expenses and is an indicator of the Group's operating performance.

Revenue consists primarily of services provided in connection with the accommodation and care of residents, regardless of the origin of the payment. It is recognised as services are provided.

Revenue totalled €1,767 million for the period ended 30 June 2019, an increase of €133 million compared to the previous period.

NOTE 4.3: EXPENSES INCLUDED IN GROSS OPERATING INCOME (EBITDA)

In thousands of euros	30.06.2019	**31.12.2018**	**30.06.2018**
Purchases used in the business	136 853	265 142	131 542
Personnel expenses	938 603	1 722 110	850 173
External expenses	212 815	765 428	371 521
Income tax and other taxes	48 291	103 083	51 342
Other operating income and expenses	403	3 655	1 591
Total operating expenses (EBITDA)	**1 336 965**	**2 859 417**	**1 406 168**

For the period ended 30 June 2018, external expenses totalled €371.5 million and included real estate and equipment leasing costs of €196.4 million.

For the period ended 30 June 2019, the initial reporting period since the application of IFRS 16 on the treatment of leases, external expenses totalled €212.8 million and included real estate and equipment leasing costs of €28.5 million.

NOTE 5 SECTOR-BASED INFORMATION

OPERATING SECTORS

IFRS 8 requires the disclosure of sector-based information derived from 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.

Operating sectors are identified by geographic region, i.e. France, Germany, Belgium and Italy. The Group is structured into four operating segments, each of which corresponds to a country in which the Group operates.

Management mainly uses EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent) to monitor each sector's performance.

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

Operating segments at 30.06.2019 *In thousands of euros*	Total of all activities	France (*)	Germany	Belgium	Italy
Revenue and other income	1 767 296	864 866	472 955	248 265	181 210
EBITDAR (1)	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**				
External rents	28 509				
Depreciation/amortisation and provisions	250 704				
Profit/(loss) on acquisition and disposal of consolidated entities	-2 998				
Other operating income and expenses	-3 111				
Operating income	**173 518**				

(*) including Spain € 8.2 million revenue in H1 2019

Operating segments at 30.06.2018 *In thousands of euros*	Total of all activities	France	Germany	Belgium	Italy
Revenue and other income	1 633 905	812 532	449 681	204 119	167 574
EBITDAR (1)	424 102	221 576	109 965	51 828	40 734
	26,0%	*27,3%*	*24,5%*	*25,4%*	*24,3%*
Transition from EBITDAR to operating income at 31 December 2018:					
In thousands of euros					
EBITDAR	**424 102**				
External rents	196 365				
Depreciation/amortisation and provisions	84 349				
Profit/(loss) on acquisition and disposal of consolidated entities	-1 273				
Other operating income and expenses	5 447				
Operating income	**147 561**				

(1) EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent) = gross operating income before rental expenses.)

NOTE 6 NON-CURRENT OPERATING FIGURES

"OTHER OPERATING INCOME" AND "OTHER OPERATING EXPENSES"

These items represent the impact of major events during the accounting period that could skew the interpretation of the performance, particularly of EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent), 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 (losses) on disposals, substantial and unusual impairment of non-current assets (tangible and intangible assets);
- ✓ certain restructuring or merger expenses, consisting solely of restructuring costs that, because of their unusual nature and size, would distort current operating income;
- ✓ other operating income and expenses such as substantial provisions for disputes.

PROFIT/(LOSS) ON ACQUISITION AND DISPOSAL OF CONSOLIDATED ENTITIES AND OTHER OPERATING INCOME AND EXPENSES

In thousands of euros	30.06.2019	31.12.2018	30.06.2018
Profit/(loss) on acquisition and disposal of consolidated entities	-2 998	-7 282	-1 672
Share of sale and leaseback gain	1 917	3 837	1 917
Gain/(loss) on disposal of non-current assets	-1 513	-1 141	-503
Other operating income/Other operating expenses	-3 515	-9 921	-3 005
TOTAL INCOME (EXPENSES)	**-6 109**	**-14 507**	**-3 263**

NOTE 7 GOODWILL AND~~,~~ INTANGIBLE ASSETS

GOODWILL

In thousands of euros	30.06.2019	31.12.2018	30.06.2018
Gross goodwill at the start of the period	**2 311 822**	**2 218 729**	**2 218 729**
Changes in scope	96 398	42 001	86 295
Definitive allocation of goodwill	717	50 856	
Valuation of commitment to buy out minority interests			
Disposals			
Contingent consideration		236	1 280
Reclassifications			
Assets held for sale			
Gross goodwill at the end of the period	**2 408 938**	**2 311 822**	**2 306 304**
Impairment at the start of the period			
Impairment during the period			
Impairment at the end of the period			
Net goodwill at the start of the period	**2 311 822**	**1 707 317**	**2 218 729**
NET GOODWILL AT THE END OF THE PERIOD	**2 408 938**	**2 311 822**	**2 306 304**

Goodwill is measured in accordance with the accounting principles described in Note 1. Changes in the “Goodwill” item over the period ended 30 June 2019 are shown below:

In thousands of euros	Group	France	Germany	Belgium	Italy	Spain
Net goodwill at the start of the period	**2 311 822**	**1 209 681**	**671 700**	**221 552**	**208 889**	
Changes in scope	96 398	71 765	10 853	-40 583	35 582	18 783
Definitive allocation of goodwill	717				717	
Contingent consideration						
NET GOODWILL AT THE END OF THE PERIOD	**2 408 938**	**1 281 446**	**682 553**	**180 968**	**245 188**	**18 783**

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 Omega, Petits-fils, Les Acacias Gan and Marienia groups.

The change in goodwill in Belgium is mainly due to the provisional allocation in connection with the purchase in September 2018 of the last portfolio of 21 facilities acquired from Senior Assist.

In Italy, the change is due to the definitive allocation of the purchase price of San Giuseppe for €0.7 million and the provisional allocation of the purchase price of Sanem in the Rome area.

In Germany, the change is due to the provisional allocation in connection with the Schauinsland acquisition.

In Spain, the change is due to the provisional allocation in connection with the Seniors acquisition.

The goodwill calculated at 30 June 2019 on the acquisitions during the period remains to be allocated.

In accordance with IFRS 3R, and due to the time limit set by the standards, the identifiable assets and liabilities of the facilities acquired in the first half of 2019 (see note 3) are currently being measured. The calculation of goodwill will be finalised within 12 months from the acquisition date.

In accordance with IAS 32, for the acquisitions of the Ages et Vie group in France, in which the Group acquired a 70% interest, and of Assisi Project Spa (San Giuseppe clinic), in which the Group acquired a 60% interest, the contractual obligation to buy out minority interests was recognised as a discounted debt reported in "other non-current liabilities". For the purposes of the half-year balance sheet date, this liability has been measured at the current repayment value, i.e. the most probable present value of exercising the sale option, based on factors, such as the business plans, set at the balance sheet date.

INTANGIBLE ASSETS

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

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

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

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

Regulations, at both 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.

In Italy, national regulations 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 property, plant and equipment, and then amortised over the duration of the concession granted by the region.

In thousands of euros	**Licences**	**Other**	**Total**
Gross value at the start of the period	**1 730 235**	**262 808**	**1 993 043**
Changes in scope	50 550	3 961	54 511
Disposals	-3 164	-1 210	-4 374
Acquisitions		15 632	15 632
Transfers		-3 545	-3 545
Transfers of favourable contracts to rights of use		-99 237	-99 237
Gross amount at the end of the period	**1 777 621**	**178 409**	**1 956 030**
Total amortisation and impairment at the start of the period	**10 872**	**159 352**	**170 224**
Changes in scope		-10 576	-10 576
Disposals		-918	-918
Amortisation and impairment	-1 238	6 512	5 274
Transfers		-4 184	-4 184
Transfers of favourable contracts to rights of use		-54 948	-54 948
Total amortisation and impairment at the end of the period	**9 634**	**95 237**	**104 871**
Net carrying value at the start of the period	**1 719 363**	**103 456**	**1 822 819**
Net carrying value at the end of the period	**1 767 987**	**83 172**	**1 851 159**

The valuations of licences are shown in the table below:

In thousands of euros	**France**	**Belgium**	**Italy**	**Total**
Gross value at the start of the period	1 280 292	203 774	246 170	1 730 235
Impairment	10 872	0	0	10 872
Net carrying value at the start of the period	**1 269 420**	**203 774**	**246 170**	**1 719 363**
Gross amount at the end of the period	1 317 194	217 599	242 828	1 777 621
Impairment	9 634	0	0	9 634
Net accounting value at the end of the period	**1 307 561**	**217 599**	**242 828**	**1 767 987**

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 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	**Taxes**	**Employment**	**Other**	**Total**
Opening balance	**36 731**	**46 317**	**32 933**	**115 984**
Allowances	205	2 271	2 419	4 896
Uses	-121	-2 560	-1 006	-3 686
Reversals	-1 711	-6 694	-2 211	-10 617
Changes in scope	811	989	3 445	5 245
Reclassifications	-30 690	-43	4 001	-26 733
Closing balance	**5 224**	**40 281**	**39 583**	**85 088**

CURRENT PROVISIONS

In thousands of euros	**Taxes**	**Employment**	**Other**	**Total**
Opening balance	**1 084**	**10 043**	**1 355**	**12 482**
Allowances	0	728	1 905	2 633
Uses	0	-765	-1 493	-2 258
Reversals	-989	414	-974	-1 549
Changes in scope	0	0	0	0
Reclassifications	0	0	0	0
Closing balance	**95**	**10 420**	**793**	**11 308**

MAIN RISKS AND DISPUTES

Provisions for tax disputes provide a reserve against tax adjustments and tax disputes for which the amounts have been contested. The provisions represent the best estimate of the risk at 30 June 2019.

Following the application of the interpretation of IFRIC 23, these provisions for tax disputes have been reclassified as other liabilities for an amount of €31 million.

The employment-related provisions cover employee disputes and employment termination benefits. No individual dispute represents a material amount.

Provisions for operating disputes (other) mainly concern healthcare funding (the "care allowance").

To the best knowledge of the Group 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 set aside.

NOTE 9 FUNDING AND FINANCIAL INSTRUMENTS

NET FINANCIAL INCOME

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

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

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).

In thousands of euros	30.06.2019	**31.12.2018**	**30.06.2018**
Cost of gross debt	**-29 965**	**-100 063**	**-48 812**
Cost of hedging	-2 673	-5 952	-2 860
Income from cash & cash equivalents	3	21	15
Cost of net debt	**-32 634**	**-105 995**	**-51 657**
Bank fees and commissions	-3 452	-7 230	-3 428
Impact of restructuring and hedging	-96	-236	-117
Capitalised financial expenses – borrowing costs and issue premiums	-1 843	-4 857	-2 659
Financial expenses on lease liabilities	-51 270	0	0
Other financial expenses	-2 852	-6 279	-1 963
Other financial income	1 107	2 973	1 641
Other financial income items	**-58 406**	**-15 629**	**-6 526**
Net financial income	**-91 040**	**-121 623**	**-58 182**

BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES

Financial assets comprise:

- ✓ non-current financial assets: investments in non-consolidated companies, related receivables and guarantees and security deposits granted;
- ✓ current financial assets: 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.

Measurement and recognition of financial assets: these financial assets are initially recognised at fair value, which is generally equal to the acquisition cost.

Loans and receivables: this category includes other loans and receivables. They are recognised in the statement of financial position at amortised cost.

Trade receivables and related accounts: trade receivables are recognised in the statement of financial position at amortised cost.

A provision for impairment is recognised for expected losses over the life of the receivable.

Cash and cash equivalents: cash and cash equivalents consist of immediately available liquid assets (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).

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

Categories of financial assets: the table below shows the volume of financial instruments as a share of the Group's consolidated assets because it presents an analysis of financial instruments recognised at fair value using the measurement method. The different levels of fair value are defined as follows:

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

In thousands of euros	30.06.2019	Financial assets at amortised cost	Financial assets recognised at fair value in income			Financial assets recognised at fair value in other items of comprehensive income	Fair value measurement		
			Cash and cash equivalents	Non-consolidated equity investments	Impact of counterparty default risk – Credit Value Adjustment	Cash flow hedging derivatives	Level 1	Level 2	Level 3
							Active markets	Observable data	Non-observable data
Non-current assets									
Non-consolidated equity investments	39 581			39 581					39 581
Other non-current assets	35 373	35 373							
Financial assets	**74 955**	**35 373**		**39 581**					**39 581**
Current assets									
Trade receivables and related accounts	**252 596**	252 596							
Other receivables	247 566	247 566							
Deposits and guarantees	2 966	2 966							
Other receivables and current financial assets	**250 532**	**250 532**							
Derivative instruments – assets	**4 464**				**-20**	**4 484**		**4 464**	
Marketable securities	18 445						18 445		
Cash	348 450								
Cash and cash equivalents	**366 895**						**18 445**		

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

Categories of financial liabilities: the table below shows the volume of financial instruments as a share of the Group's consolidated liabilities. It presents a breakdown of financial instruments recognised at fair value by measurement method. The different levels of fair value are defined as follows:

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

In thousands of euros	30.06.2019	Financial liabilities at amortised cost	Financial liabilities recognised at fair value through P&L			Financial liabilities recognised at fair value in other items of comprehensive income	Fair value measurement		
			Fair-value hedging derivatives	Derivatives ineligible for hedge accounting	Impact of counterparty default risk – Debit Value Adjustment	Cash flow hedging derivatives	Level 1	Level 2	Level 3
							Active markets	Observable data	Non-observable data
Non-current liabilities									
Loans from credit institutions	2 355 795	2 355 795							
Funding of real estate debt									
Employee profit-sharing	40	40							
Other financial liabilities	647	647							
Borrowings and financial liabilities	**2 356 482**	**2 356 482**							
Commitment to buy out non-controlling interests	16 202	16 202							
Other non-current liabilities	22 010	22 010							
Current liabilities									
Loans from credit institutions	218 047	218 047							
Funding of real estate debt									
Bank overdrafts and advances	13 223	13 223							
Other financial liabilities	151 758	151 758							
Borrowings < 1 year and bank overdrafts	**383 028**	**383 028**							
Derivative instruments – liabilities	**33 859**			**1 038**	**-1 421**	**34 241**		**33 859**	
Trade accounts payable and related accounts	**332 622**	**332 622**							
Residents' deposits	63 080	63 080							
Other liabilities	579 802	579 802							
Other payables and accruals	**642 882**	**642 882**							

The carrying amount of financial liabilities is equal to their fair value.

NET FINANCIAL LIABILITIES

Net indebtedness (current/non-current)

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

At each balance sheet date, financial liabilities are then measured at their amortised cost using the effective interest method.

Borrowings break down into:

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

In thousands of euros	30.06.2019	**31.12.2018**
Borrowings from credit institutions and financial markets	1 635 253	1 724 166
Real estate debt	938 589	1 516 515
of which IAS 17 debt other than sales and leasebacks	0	674 880
of which real estate debt to financial counterparties	938 589	841 636
Other financial liabilities	152 445	25 606
Bank overdrafts and advances	13 223	7 757
Financial liabilities (A)	**2 739 510**	**3 274 044**
Marketable securities	18 445	92 951
Cash	348 450	457 410
Assets held for sale	0	0
Cash (B)	**366 895**	**550 361**
Cash pledged as collateral (C)	0	0
NET DEBT (A) - (B) - (C)	**2 372 615**	**2 723 683**

Breakdown of financial liabilities by interest rate category

In thousands of euros		30.06.2019	**31.12.2018**
Fixed rate	47%	1 287 313	1 935 511
Variable rate	53%	1 452 197	1 338 533
TOTAL		**2 739 510**	**3 274 044**

At 30 June 2019, the share of the Group's indebtedness at variable interest rates totalled 53% of borrowings, excluding IAS 17 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, 63 % of variable-rate borrowings were hedged at 30 June 2019.

Debt secured by guarantees such as collateral, mortgages or finance leases accounted for 17.8 % of gross borrowings.

Change in borrowings (*)

In thousands euros	31.12.2018	New borrowings	Repayments	Changes in scope	Other	30.06.2019	Current	Non-current
Borrowings	3 240 681	173 693	-121 431	39 246	-758 347	2 573 842	218 047	2 355 795
Employee profit sharing	40					40		40
Loans and other borrowings	25 566	142 338	-131 200	9 012	106 690	152 405	151 758	647
TOTAL BORROWINGS	**3 266 286**	**316 031**	**-252 631**	**48 258**	**-651 658**	**2 726 287**	**369 804**	**2 356 482**

In thousands euros	New borrowings 2019	Cash	Non-cash	Repayment in 2019	Cash	Non-cash
Borrowings	173 693	187 256	-13 563	-121 431	-99 074	-22 357
Loans and other borrowings	142 338	142 338		-131 200	-131 200	
TOTAL BORROWINGS	**316 031**	**329 594**	**-13 563**	**-252 631**	**-230 274**	**-22 357**

(*) Excluding bank overdrafts and advances for €13.2 million.

Breakdown of financial liabilities by maturity

In thousands of euros	30.06.2019	31.12.2018
< 1 year	383 028	419 282
Short-term financial liabilities	**383 028**	**419 282**
1 to 5 years	1 816 727	1 837 451
> 5 years	539 755	1 017 311
Non-current financial liabilities	**2 356 482**	**2 854 762**
TOTAL	**2 739 510**	**3 274 044**

Change in the Group's indebtedness at 30 June 2019

At 30 June 2019, the Group's net debt totalled €2,373 million, a decrease of €351 million compared with 31 December 2018. If the impact of the reclassification of former IAS 17 liabilities is neutralised, net financial liabilities increased by €303 million. Net financial liabilities, excluding real estate debt, totalled €1,434 million, versus €1,207 million at 31 December 2018.

Real estate debt owed to financial counterparties totalled €939 million, versus €842 million at 31 December 2018. The increase is attributable to the increase in the property ownership ratio and to the consolidation of the acquisitions made in France and Spain.

The ratio of net debt to restated EBITDA 1() was 3.2x, compared with an authorised maximum of 4.5x at 31 December and 30 June. The syndicated loan and the Schuldschein and Euro PP bonds are subject to this covenant. Changes in the covenant are notified half-yearly to the syndicated lenders and yearly to the bondholders.

*1 (Net debt - real estate debt)/(adjusted EBITDA - (6.5% * real estate debt)).*

At 30 June 2019, excluding bank overdrafts and advances, the Group's gross borrowings consisted of:

- ✓ a €500 million syndicated loan (term loan tranche);
- ✓ €2,099 million in bonds placed with private investors and other borrowings;
- ✓ €128 million in short-term and other negotiable securities.

In addition, the Group's cash position net of bank overdrafts and advances at 30 June 2019 was €354 million.

Transfer and use of financial assets

In accordance with IFRS 9, the Group derecognises financial assets when they are no longer expected to generate future cash flows and when most of the risks and rewards attached to them have been transferred.

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

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 deducted from assets in the first half of 2019 totalled €64,694,000.

The assignment of these receivables in the first half of 2019 resulted in a loss of €788,000.

Breakdown of receivables assigned during the year (PROSOLUTO)	HY 2019	Q1 2018	Q2 2018
Receivables assigned	64 694	29 888	34 806
Receivables collected	65 172	30 700	34 472
Fees for management and recovery of assigned receivables	-295	-114	-181
Corresponding financial expense	-493	-177	-316
Profit/(Loss) on assignment	**-788**	**-291**	**-497**
Net cash received	**64 384**	**30 409**	**33 975**

CASH AND CASH EQUIVALENTS

In thousands of euros	30.06.2019	31.12.2018	30.06.2018
Marketable securities	18 445	92 951	193 645
Cash and cash equivalents	348 450	457 410	265 250
Total	**366 895**	**550 361**	**458 895**

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.

DERIVATIVE INSTRUMENTS

The Group uses derivative financial instruments (swaps and caps) to hedge against the interest rate risk arising from its variable-rate financing policy. These derivative financial instruments are measured at fair value, which is determined by using valuation models that incorporate market parameters at the balance sheet date.

For financial derivatives that qualify as hedges for accounting purposes:

- ✓ if the derivative is classified as a fair value hedge, changes in the value of the derivative and the hedged portion of the risk are recognised in profit or loss over the same period;
- ✓ if the derivative is classified as a cash-flow hedge, the change in value of the effective portion of the derivative is recognised in equity. By contrast, the ineffective portion of the change in the value of the derivative is recognised directly in profit or loss.

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

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

The market value of instruments purchased to hedge interest rate risk at 30 June 2019 was €29,395,000, after adjustment for counterparty default risk.

The table below presents the items of income, expenses, gains and losses recognised in income and equity before deferred taxes, in the first half of 2019, for each class of financial instrument.

In thousands of euros	Impact on equity	Impact of hedging on profit or loss	Impact of undocumented items on profit or loss	Impact of counterparty default risk
Financial instruments eligible for hedge accounting	-16 459	-662		
Financial instruments ineligible for hedge accounting			-226	
TOTAL	**-16 459**	**-663**	**-226**	**914**

Assets	31.12.2018	Newly consolidated companies	Deconsolidated companies	Change	30.06.2019
Interest rate swaps					
Options	3 387			1 097	4 484
Total hedging instruments – Assets	**3 387**			**1 097**	**4 484**
Interest rate swaps					
Options					
Total ineligible financial instruments – Assets					
Total impact of counterparty default risk – Credit Value Adjustment	**-174**			**154**	**-20**
TOTAL FINANCIAL INSTRUMENTS – ASSETS	**3 213**			**1 251**	**4 464**

Equity and liabilities	31.12.2018	Newly consolidated companies	Deconsolidated companies	Change	30.06.2019
Interest rate swaps	14 424			14 193	28 617
Options	1 518	39		4 067	5 624
Total hedging instruments – Liabilities	**15 942**	39		**18 260**	**34 241**
Interest rate swaps	730			308	1 038
Options	125			-125	
Total ineligible financial instruments – Liabilities	**855**			**183**	**1 038**
Total impact of counterparty default risk – Debit Value Adjustment	**-660**			**-761**	**-1 421**
TOTAL FINANCIAL INSTRUMENTS – LIABILITIES	**16 137**	**39**		**17 683**	**33 859**
NET TOTAL	**12 924**	**39**		**16 432**	**29 395**

NOTE 10 INCOME TAX

In thousands of euros	30.06.2019	31.12.2018	30.06.2018
Current taxes	-30 174	-60 785	-39 505
Deferred taxes	697	8 178	6 106
INCOME TAX EXPENSE/(INCOME)	**-29 477**	**-52 606**	**-33 399**

The Group’s tax rate is 35.7 %. 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 11 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".

	30.06.2019	31.12.2018	30.06.2018
Net profit/(loss) attributable to owners of the Group *(in thousands of euros)*	50 808	123 133	55 055
Weighted average number of shares *(in thousands)*	81 981	81 981	81 981
Profit/(loss) per share (in euro)	**0,62**	**1,50**	**0,67**
Net profit/(loss) attributable to owners of the Group *(in thousands of euros)*	50 808	123 133	55 055
Weighted average number of shares *(in thousands)*	81 981	81 981	81 981
Adjustments for stock options	6 563	6 563	6 563
Average number of shares used for calculation of diluted profit/(loss) per share	88 544	88 544	88 544
Diluted earnings per share (in euro)	**0,57**	**1,39**	**0,62**

NOTE 12 COMMITMENTS AND CONTINGENT LIABILITIES

Disputes: 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 13 EVENTS AFTER THE REPORTING PERIOD

Since 1 July 2019, the Group has carried out the transactions described below.

2019 distribution

Following shareholder approval at the 2019 General Meeting, the Company distributed a dividend of €0.60 per share, with the option to receive payment in shares (based on a share price of € 32.93). Pursuant to this option, 742,707 new shares were issued on 3 July 2019. These shares carry dividend rights as of 1 January 2019 and enjoy the same rights as the outstanding ordinary shares. The cash dividend totalled €24,5 million.

The Company's share capital now stands at € 413,641,350 and is divided into 82,728,270 shares.

Continuation of the development strategy

Since 30 June 2019, the following events have occurred in connection with the Group's development policy:

- ✓ In Spain, completion of the acquisition of the nursing homes business of Grupo 5, which operates a complex of six medical facilities in the Balearic Islands.

NOTE 14 ADDITIONAL INFORMATION

Related-party transactions

There were no significant changes in the terms of management remuneration compared to the information provided in the 2018 Registration Document.

2.2 STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEAR FINANCIAL INFORMATION

For the period from 1 January to 30 June 2019

To the shareholders,

In compliance with the assignment entrusted to us by your shareholders 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 2015;
- the verification of the information presented in the half-year management report.

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

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical 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.

Without qualifying the conclusion expressed above, we draw your attention to Note 2 "IFRS 16 – Impact of the first-time application of the standard" of the notes to the condensed consolidated half-year financial statements, which describes the impacts of the application of IFRS 16 "Leases" as at 1 January 2019.

2. Specific verification

We have also verified the information presented in the half-year management report 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, on 1 August 2019

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, 1 August 2019

Sophie Boissard, Chief Executive Officer

KORIAN
A French public limited company with share capital of €413,641,350
21-25 rue Balzac - 75008 Paris
Paris Trade and Companies Register No. 447 800 475