2016 REGISTRATION DOCUMENT

KORIAN

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This registration document was filed with the Autorité des Marchés Financiers (French Financial Markets Authority – "AMF") on 26 April 2017, in accordance with article 212-13 of its General Regulation. It may be used in support of a financial transaction if accompanied by a prospectus approved by the AMF. This document has been prepared by the issuer and is binding for its signatories.

The registration document may be viewed on the Company's website (**www.korian.com**) and on the AMF's website (**www.amf-france.org**).

Message from the Chief Executive Officer

All throughout 2016, the Korian group has focused its efforts on two main objectives:

- provide the best possible day-to-day service to the residents, patients and families who place their trust in Korian's facilities and care networks;
- stabilise and strengthen the Group's organisation, after a period of very rapid growth through acquisition in France and Germany.

These efforts have enabled us, two years after the merger with Medica, to do well in 2016, in line with our targets for revenue (which grew 15.8% to about €3 billion) and EBITDA, which rose 23.5% to approximately €422 million (or 14.1% of revenue).

Including the acquisitions made since the beginning of 2016, and in particular Casa Reha in Germany and Foyer de Lork in Belgium, revenue outside of France now accounts for almost 50% of total Group revenue. This confirms the paradigm shift we have accomplished.

These are the first concrete results of the many actions we have undertaken since I was appointed Chief Executive Officer, which, for example, include: strengthening our management teams in each country and at the corporate level; reorganising our operations in France into two divisions – France Seniors, for senior services, and France Healthcare, for post-acute and psychiatric care – to improve efficiency and get closer to our markets; upgrading our IT infrastructure; and deploying our purchasing policy throughout the Group.

The groundwork we have accomplished, and which will continue throughout 2017 with the integration of our acquisitions in Germany, now enables us to focus all of our energy on executing our new five-year Korian 2020 strategic plan.

Given the structural increase in the need for long-term care and dependency care services over the foreseeable future, we intend to further consolidate our positions in each of our market segments – long-term care nursing homes, specialised clinics, assisted-living facilities and home care networks – by continuously enriching the content and diversity of our services and thus continue to offer our residents, patients and their families high-quality and comprehensive care solutions.

Excluding strategic acquisitions, we are aiming for steady annual revenue growth of at least 5%, which will mean €3.8 billion in revenue in 2021 and an operating margin of about 14.5%.

To achieve this, we will invest in the expansion of our network and open from 2,500 to 3,000 new beds a year. We will continue to improve our performance, both in terms of quality and costs, by optimising our support functions and by leveraging the scale and synergy effects now made possible by the size of our networks in each country. We are also managing our portfolio of property assets actively and are taking advantage of low interest rates to increase the proportion of the properties we own. Lastly, our efforts to develop our human resources are at the heart of our strategy. Through our ongoing employee training programmes and our policy of partnership and innovation, we intend to promote "positive care", in accordance with our Group's values of Benevolence, Responsibility, Transparency and Initiative.

With the largest network of care facilities in Europe, which the skills and commitment of our employees and the loyalty of our residents, patients and their families have made possible, Korian is well equipped to keep on growing.

GROUP REVENUE

€3 billion

REVENUE GROWTH IN 2016

15.8%

REVENUE OUTSIDE OF FRANCE

47%

OPERATING MARGIN

14.1%

VS. 13.3% IN 2015

***"Our ambition** is to consolidate our position as the leader of senior care services in Europe, by mobilising the skills and commitment of our 47,000 employees and using our ability to innovate to ensure the well-being of our residents and patients"*



Sophie Boissard

Chief Executive Officer of Korian

Profile in 2016

1st in Europe in senior **care services**

Nearly 47,000 employees

715 facilities

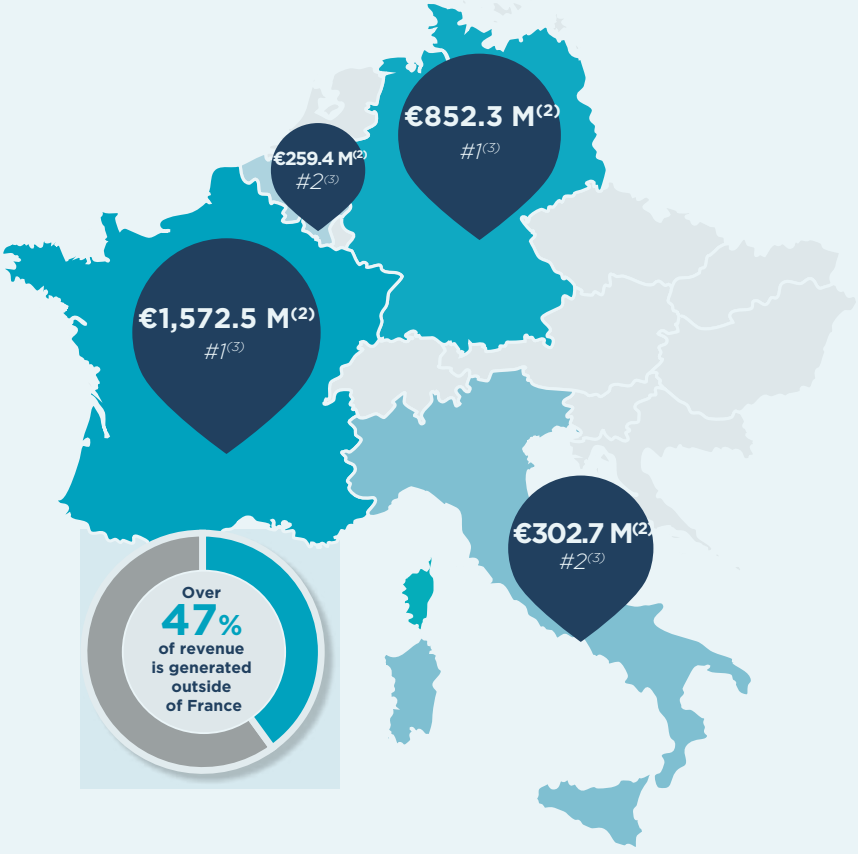
Nearly 72,000 beds

19% average annual revenue growth(1)

INTERNATIONAL GROWTH DRIVERS

Leading positions in four European countries that account for over 50% of all Europeans over the age of 75

The opportunity to share best practices



A RANGE OF COMPLEMENTARY SERVICES ADAPTED TO EVERY STAGE OF AGEING



(1) From 2006 to 2016.
(2) Revenue by country.
(3) Position in the market.

CHAPTER 1

Presentation of the Korian group

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1.1 Selected financial information

The following table compares key revenue, income and profit figures for 2016 and 2015.

In millions of euros	2016	2015	Change
Revenue	2,987	2,579	15.8%
EBITDAR	797	680	17.2%
as a % of revenue	*26.7%*	*26.4%*	
EBITDA	422	342	23.5%
as a % of revenue	*14.1%*	*13.3%*	
EBIT	266	218	22.0%
as a % of revenue	*8.9%*	*8.5%*	
Net profit Group share	131	59	123.7%

DYNAMIC GROWTH

Revenue[1] grew 15.8% in 2016, to €2,986.8 million. The Korian Group (the "**Group**") benefited from the integration of Casa Reha and other acquisitions made since the beginning of the year, and from robust annual organic growth[2] of 3.8%. In France, revenue grew by 2.4%, to €1,572.5 million. Organic growth was 1.9% and was led by the Seniors division, with a very high occupancy rate and steadily increasing average daily rates. International subsidiaries contributed €1,414.3 million to the Group's revenue and posted vigorous organic growth of 6.7%. They accounted for over 47% of the Group's total revenue, a figure that has been steadily rising. The robust growth observed in 2016 is mainly attributable to acquisitions (most notably Casa Reha in Germany and Foyer de Lork in Belgium) and to the strong organic growth of 6.7%.

Korian added 2,744 beds to its network in 2016, not including the 10,182 acquired from Casa Reha.

A SIGNIFICANT INCREASE IN EARNINGS

Group EBITDAR totalled €797 million, for a margin of 26.7% of revenue, which is 30 basis points more than in 2015.

In France, EBITDAR rose €18 million with the margin rising 50 basis points, to 27.2%. This is mainly attributable to the synergies gained from the acquisition of Medica and robust business throughout the year.

In Germany, the acquisition of Casa Reha boosted EBITDAR by an impressive 59.7%, from €144 million to €230 million. Although the EBITDAR margin fell 80 basis points over the year, to 27.0%, it increased in the second half as the measures implemented early in the year under the Success 2020 action plan began to take effect.

In Belgium, the EBITDAR margin rose 140 basis points to 26.8%, as recently opened facilities gained momentum and costs were optimised.

In Italy, the EBITDAR margin was 23.0%, which is comparable to the previous year.

The Group's EBITDA grew by 23.5%, to €422 million. The EBITDA margin was 14.1%, which is significantly higher than the 13.3% margin observed in 2015. EBITDA includes about €12 million in one-time income. When restated to account for this, the margin was 13.7% in 2016.

Earnings before interest and taxes (EBIT) were €266 million, which is 8.9% of revenue (vs. 8.5% in 2015).

The favourable impact on deferred taxes of the decrease in the French corporate income tax rate to 28.92% which is expected in 2020 resulted in net tax income of €72 million. The net profit attributable to the Group's owners was €131 million, compared to €59 million in 2015. When restated to account for the one-time tax income, the net profit attributable to the Group's owners was €59 million.

(1) Revenue and other income.

(2) Organic revenue growth includes: a) the change in the revenue between year Y and year Y-1 of existing facilities; b) the revenue generated in year Y by facilities created in year Y or Y-1; c) the change in the revenue between year Y and year Y-1 of facilities that were restructured or the capacity of which was increased in year Y or Y-1; d) the change in the revenue of recently acquired facilities observed in year Y relative to the equivalent period in year Y-1.

A SOUND FINANCIAL STRUCTURE

Net indebtedness at 31 December 2016 was €2.315 million, which is €670 million higher than at the end of 2015. This increase is the consequence of the investment in the acquisitions made during the year and of the consolidation of Casa Reha and Foyer de Lork.

The financial structure continues to be sound, with a leverage ratio of 3.9x (adjusted for real estate debt), which is below the covenant limit of 4.5x at 31 December. The syndicated loan and bonds (*Schuldschein* and Euro PP) are subject to the banking covenant and banks and bond-holders are respectively informed of the leverage ratio and of any changes to the covenant semi-annually and annually.

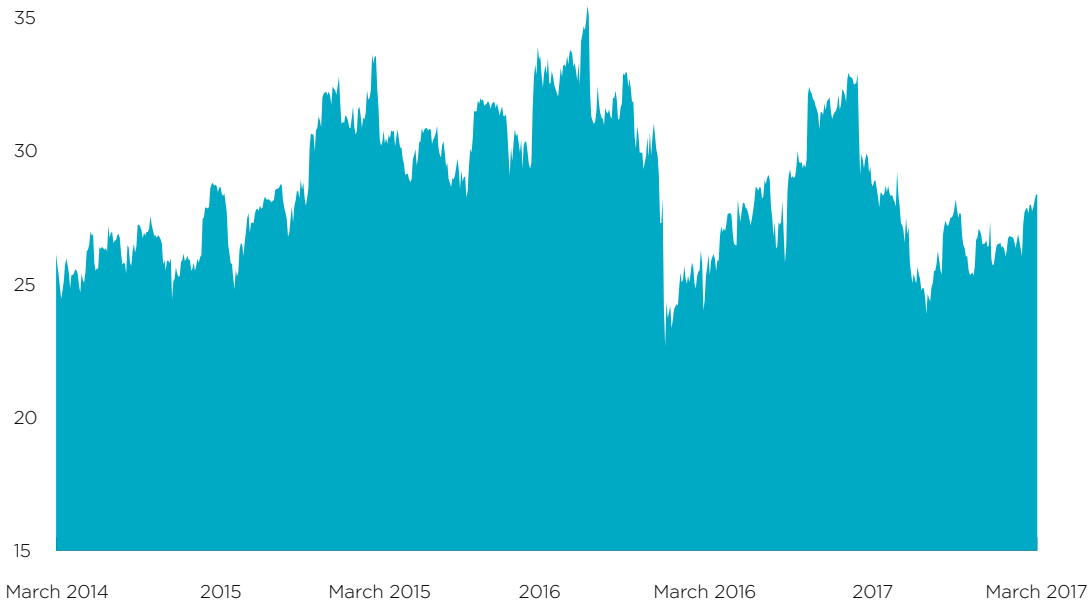
In July 2016, Korian renegotiated its syndicated loan, increasing its total amount to €1.3 billion and extending its maturity to July 2021. This increased the average maturity of debt by about five years. At the end of 2016, the Group had considerable financial resources with €650 million remaining to be drawn on the revolving tranche of this syndicated loan.

1.2 Stock-market performance

The chart below shows Korian's share price over the three years from 31 March 2014 to 1 April 2017.

Over this period the share price gained 48%. From January 2014 to November 2015, it was boosted by: the Group's merger with Medica; the purchase of a large stake in July 2015 by Office d'Investissement des Régimes de Pensions du Secteur Public ("**Investissements PSP**"), a Canadian pension fund manager which also contributed to the Board of Directors' "internationalisation"; and the announcement on 10 November 2015 of the acquisition of Casa Reha, a major transaction in Germany. The share price then declined substantially following the announcement of the appointment of a new Chief Executive Officer on 18 November 2015 and a profit warning on 10 February 2016. Over the following months it rose steadily, driven by the positive outlook for growth and the presentation of the five-year strategic plan ("**Korian 2020**") in September 2016 at the Group's first Capital Market Day. In the last quarter of 2016, the share price suffered as investors shifted to more cyclical sectors in the wake of the US presidential election. Korian's market capitalisation is about €2.1 billion, with a free float of 55%.

Korian stock is listed on Euronext – Compartment A and is a component of the SBF 120 index.



Source: Bloomberg.

1.3 History

The creation of a listed French group and a leader in comprehensive dependency care (2003-2006)

The Korian company (the "**Company**" or "**Korian**"), was formed in March 2003[1], with the objective of creating a leader in comprehensive dependency care, through the successive acquisitions of the Finagest, Sérience, Réacti-Malt and Medidep groups.

Korian quickly signed a partnership agreement with Foncière des Murs, a listed real estate company that acquires commercial properties from industrial and service sector companies. Under this agreement Foncière des Murs bought 53 properties from the Korian group in 2004 and 2005 with a total value of €224 million.

The Group was then determined to focus on operating its long-term care nursing homes and specialised clinics and held few real estate assets.

Korian dedicated 2006 to aligning the operations of its subsidiaries and to building an integrated group with a common and motivating project. It therefore set up a single organisation to oversee all operational and support functions and centralised all accounting, IT, purchasing and administrative tasks at the head office. The Group also divided its operations into two main divisions: the Long-Term Care Nursing Home Division (providing care for the dependent elderly) and the Post-Acute and Psychiatric Division (which comprises two sub-divisions: Post-Acute Care & Rehabilitation and Psychiatric Care).

To develop its operational synergies, obtain additional funding for growth, strengthen its leadership in its markets and gain the trust of new investors, Korian acquired Mediped and obtained a stock market listing in late November 2006. Employees were encouraged to take part in the Group's future by purchasing shares under a Group savings plan and *via* Korian Actionnariat, its company investment fund.

On 31 December 2006, the Korian group had 168 facilities and some 13,800 beds in France.

Korian begins its European expansion (2007-2011)

A prime objective of Korian's initial public offering was to increase equity capital and enable the Group to find new growth drivers outside of France, and in Germany and Italy in particular, where the market fundamentals were similar to those of France: rapidly ageing populations, high barriers to entry, increasingly strict regulatory standards, a lack of beds, and a highly fragmented market that was gradually consolidating.

Given this environment, Korian's strategy was to set up real "business development platforms" in each country led by skilled and ambitious local managers capable of creating a business model similar to the French one.

In April 2007, Korian thus acquired 92.5% of the Italian group Segesta, the country's second-largest private-sector provider of dependency care. The remaining shares were held by the company's management. Segesta operated seven facilities with a total of 909 beds.

In October 2007, Korian acquired a 92.5% stake in the Phönix group, a German company based in Bavaria that operated 26 facilities with a total of 2,922 beds. The remaining shares were held by the company's management.

In the first half of 2008, Korian signed an agreement with the Belgian real estate company Cofinimmo to sell 19 properties with a combined value of almost €144 million over a two-year period. Of these properties, 14 were sold in 2008 for €104 million and the remaining five in 2009 for €40 million. This made Cofinimmo the Group's number-two property partner.

During these five years, Korian's main objective was to consolidate its leadership in Ageing Well in Europe, through targeted acquisitions, internal restructuring and organic growth.

On 31 December 2011, the Korian group had:

- 169 facilities and 14,530 beds in France;
- 43 facilities and over 5,000 beds in Germany;
- 31 facilities and 4,350 beds in Italy.

Korian pursued its policy of ensuring high quality while increasing medical services (by setting up a Scientific Committee and developing new care practices) and making many operational improvements.

Change in governance and acceleration of international expansion (2012-2016)

On 21 March 2012, the General shareholders' meeting approved the Company's conversion to a *Société Anonyme* company with a Board of Directors.

After the Shareholders' meeting, the Board of Directors voted to separate the offices of Chairman of the Board of Directors and Chief Executive Officer. This resolution came into effect on 30 April 2012, when Yann Coléou took office as the Group's Chief Executive Officer.

In March 2013, Korian completed a new phase of its development in Germany when it acquired Curanum, which made it the market leader. It also opened six long-term care nursing homes and two specialised clinics in France and Italy and acquired a clinic in Italy.

(1) The Company was registered in the Besançon Trade and Companies Registry on 25 March 2003 (Registration No. 447 800 475) as a Société Anonyme company with Supervisory board and Executive board, for a period of 99 years. The Company's registered office was transferred to the jurisdiction of the Paris Commercial Court on 8 June 2006.
On 21 March 2012, the Company was converted into a Société Anonyme company with Board of Directors and its registered office was transferred from 32, rue Guersant – 75017 Paris to 21-25, rue Balzac – 75008 Paris on 15 June 2015 (tel.: +33(0)1 55 37 52 00).

By the end of 2013, the Korian group could accommodate more than 34,000 residents and patients in Europe (France, Germany and Italy) and employed over 26,000 people. The Group managed almost 270 long-term care nursing homes and 50 specialised clinics, could accommodate over 2,200 people in assisted living facilities and provided home care services.

On 18 March 2014, shareholders at the General Meetings of Korian and Medica approved their merger and Korian's absorption of Medica (the "**Merger**"), which came into effect that day, giving birth to the European leader in Ageing Well. The Company was renamed "Korian-Medica" at this time.

The Merger gave the Group the capacity to accommodate over 57,000 residents and patients in Europe (France, Germany, Belgium and Italy) and some 40,000 employees. The Group managed 506 long-term care nursing homes, 87 specialised clinics, could accommodate over 2,400 people in assisted living facilities and provided home care services to 9,000 patients.

Not only did this merger make the French group a leader in Europe and give employees an additional reason to be proud, they could also feel more secure knowing they were employed by a group with more financial resources and stronger relationships with health and local authorities.

The first purchasing synergies were achieved in 2015, with the alignment of unit costs for food, laundry, protective gear and other supplies. The harmonisation of employee pay and benefits between Korian and Medica was completed in 2015, at a total cost of about 1% of the payroll.

With the successful integration of operations and the organisational integration which remained to be completed in 2016 (*e.g.* joint management and control procedures, automated processes, Group-wide support functions, and service offering synergies), the period from 2012 to 2015 constituted a paradigm shift for the Group.

The acquisitions in Germany, Italy and Belgium drove the annual revenue of the international subsidiaries above €1 billion in 2015 for the first time in Korian's history. In January 2016, the acquisition of Casa Reha strengthened Korian's position as the leader of the medico-social sector in Germany, which is now the Group's largest country in this sector, with almost 28,000 beds and apartments.

Major changes in the Group's management (since 26 January 2016) and the five-year strategic plan

To conduct the next phase of Korian's development, on 18 November 2015 the Board of Directors unanimously decided to:

- terminate Yann Coléou's term as Chief Executive Officer;
- appoint Sophie Boissard to be the Group's new Chief Executive Officer and lead the next phase of its growth strategy. She took up her office on 26 January 2016.

Various changes were made to the Group's organisational structure, including the creation of two divisions in France (Seniors and Healthcare) each led by a Chief Operating Officer, and the creation of a Group Management Board composed of the five chief executives of the Group's four countries and divisions, and the five heads of its functional departments.

In 2016, Korian pursued its growth strategy by opening new facilities in all four countries and by acquiring the Belgian group Foyer de Lork, a leading operator of long-term care nursing homes and assisted living facilities in Flanders.

On 15 March 2017, the Group had the capacity to accommodate almost 72,000 residents and patients in Europe (France, Germany, Belgium and Italy) and employed near 47,000 people. The Group manages 715 facilities in four business lines: long-term care nursing homes, specialised clinics, assisted living facilities and home care networks.

1.4 The Korian 2020 strategy

NUMEROUS GROWTH OPPORTUNITIES

The European market for healthcare and other services for seniors enjoys strong growth that is structurally sustainable, as population ageing continues in Europe, where the number of people age 85 and older is forecast to grow at an annual rate of 3% until 2030 and the demand for dependency care for people suffering from chronic diseases is steadily increasing.

Concurrently, we are seeing that advances in medicine and in technology are expanding the spectrum of accompaniment and dependency care solutions – which range from home care to long-term care nursing homes and include day care, day hospitalisation and short-term stays – to give the elderly more freedom of choice and autonomy.

In this environment, Korian will, in accordance with its five-year strategic plan presented on 15 September 2016:

- pursue the development of its long-term care nursing homes and specialised clinics business, by expanding the range of services these facilities provide (*e.g.* with short-term stays, day care and outpatient care) and by continuously improving the quality of medical care;
- accelerate the development of its service flats and home-care services;
- coordinate service offerings and strengthen synergies more effectively throughout its network. This way the 200,000 clients served each year will be provided with a range of services that meet their evolving needs.

With its 47,000 committed healthcare professionals, its recognised expertise in age-related diseases and disorders, and its proven innovation capability, Korian's goal is to consolidate its position as the European leader in senior care services.

A STRATEGY THAT CREATES VALUE

The pillars of Korian's value-creating strategy are:

- robust growth of the Group's long-term care nursing homes and specialised clinics (its two historic businesses), to consolidate Korian's leading positions in the private healthcare sector in its four geographic markets: France, Germany, Belgium and Italy;
- expanding Korian's service flats and home-care offerings with services that complement its historic business activities;
- continuously optimising its network of facilities and deploying integrated platforms that foster local synergies;
- developing a strong brand, for both customers and employees;
- systematic differentiation through innovation in medical care and digital technologies.

The strategy's five priorities are:

- boost internal growth, mainly organically, by optimising the network, increasing its density with creation or acquisition new facilities, and by expanding the range of services provided;
- improve operating performance by optimising support functions through the leveraging of synergies and scale brought by the size of the Group's network;
- invest in our people, by expanding and leveraging the knowledge and expertise of the Group's 47,000 employees and anticipating future requirements;
- optimise real estate assets to create value and support the Group's development, through the dynamic management of its property portfolio, the formation of in-house teams to promote property development, global partnerships with investors and a policy of selective ownership of strategic assets;
- innovate in the development of new concepts and in therapeutic care and the use of digital technologies for the benefit of both customers and employees.

This strategy will be implemented in accordance with a comprehensive plan that comprises 15 projects and will observe strict financial discipline to optimise cash flow and create value.

FINANCIAL OBJECTIVES

Korian has set the following financial targets[1] for 2021:

- revenue of close to €3.8 billion, representing CAGR of about 5% between 2016 and 2021, with an additional 2,500 to 3,000 beds each year;
- an EBITDA margin of approximately 14.5% of revenue.

Midway through the plan, in 2019, the Group is expecting revenue of about €3.5 billion and an EBITDA margin of about 14%.

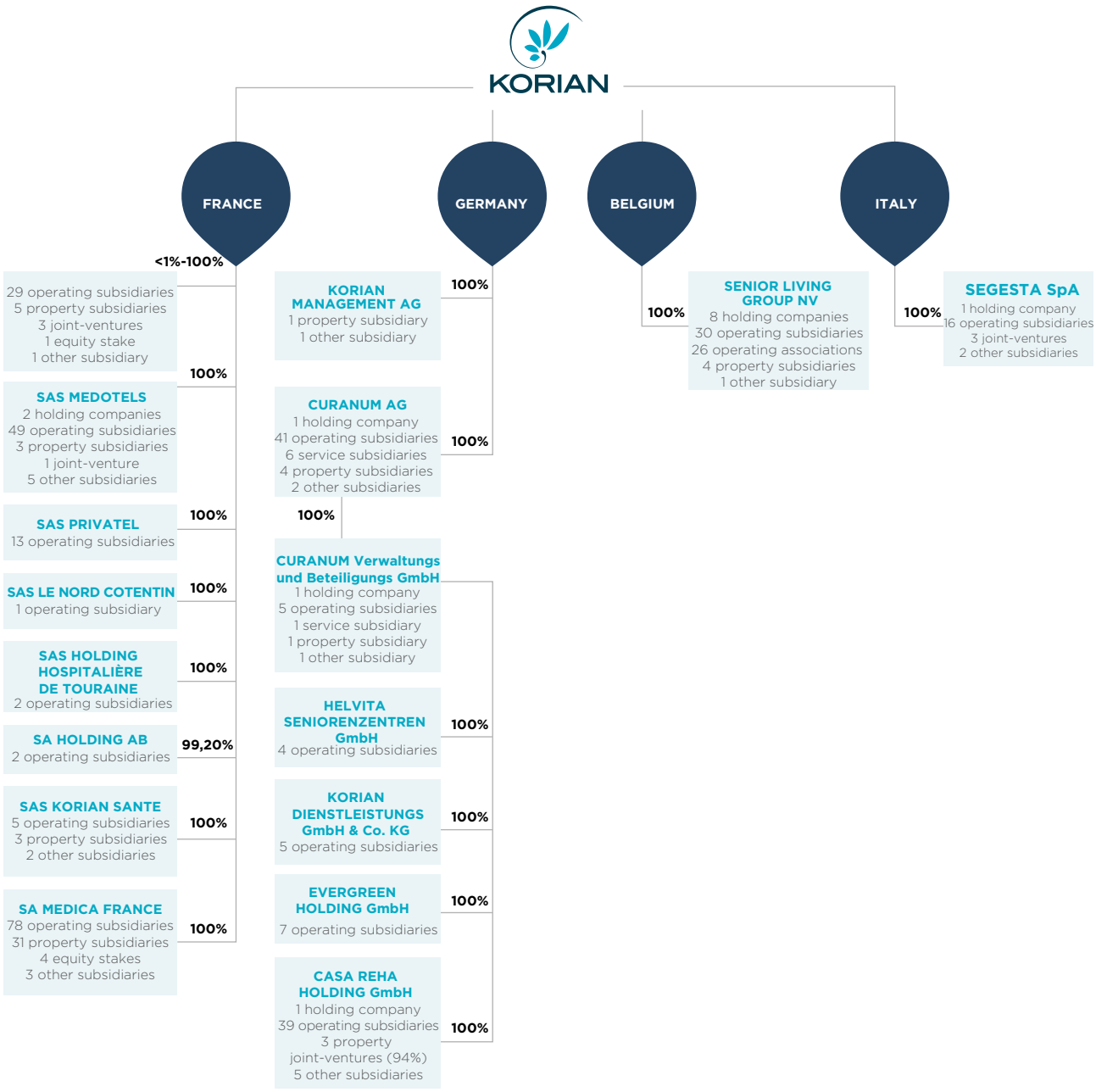
Over the duration of the plan, Korian aims to generate over 50% more free operating cash flow[2] and lower its restated debt ratio[3] to around 3.5. The current dividend policy will be maintained.

(1) Excluding strategic M&A.
(2) Free operating cash flow = Cash flow from operations - (the change in working capital + maintenance investments + financial expenses + taxes).
*(3) Restated leverage = (Net debt - real estate debt) / (EBITDA -6.5% * real estate debt).*

1.5 Legal structure

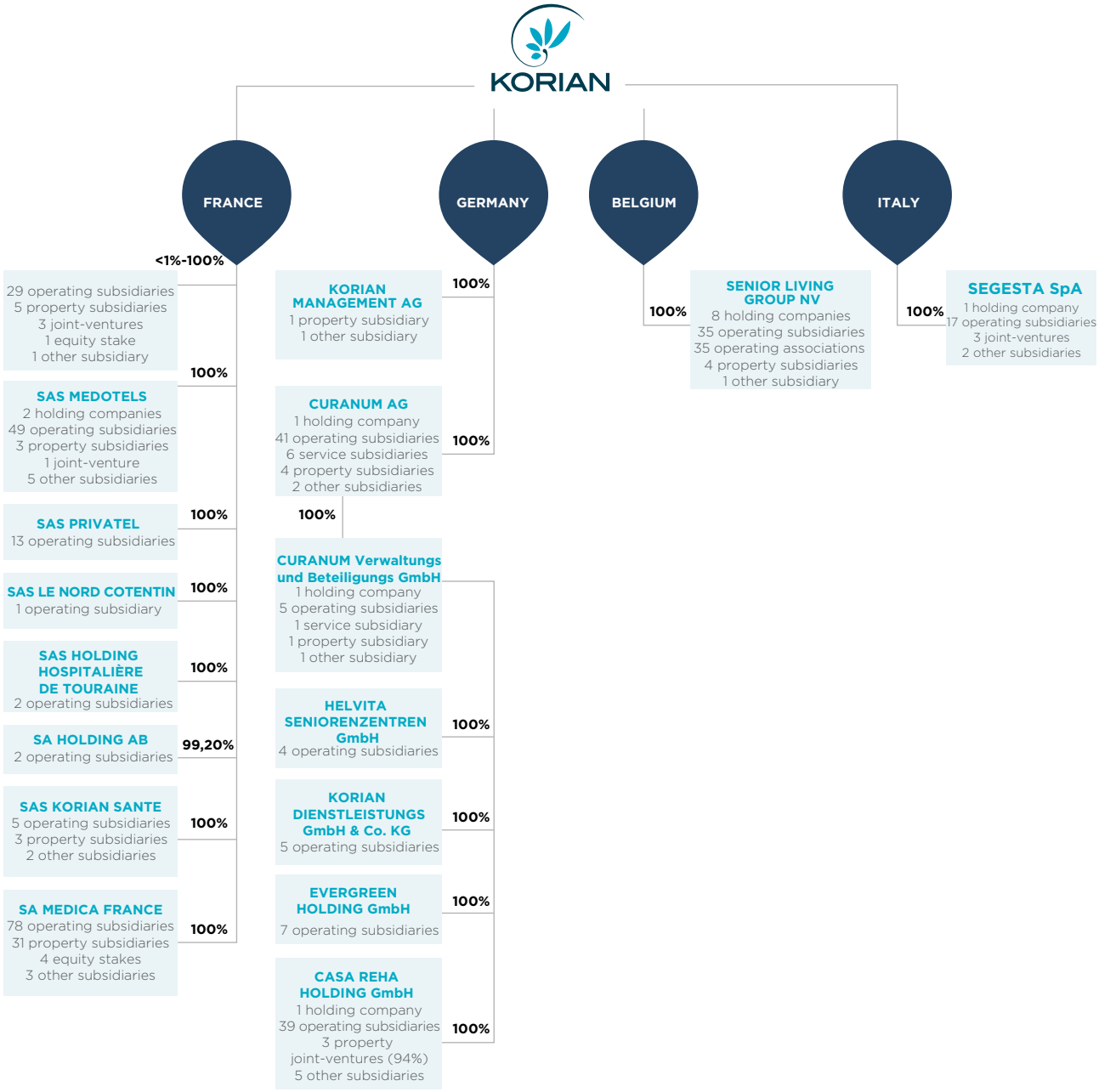
1.5.1 SIMPLIFIED LEGAL STRUCTURE OF KORIAN GROUP AS AT 31 DECEMBER 2016

The simplified legal structure of the Group as at 31 December 2016 is shown below:



1.5.2 SIMPLIFIED LEGAL STRUCTURE OF KORIAN GROUP AS AT 15 MARCH 2017

The simplified legal structure of the Group as at 15 March 2017 is shown below:



CHAPTER 2

The Group's activities

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2.1 The Group's senior services

As Europe's leading provider of senior care services, the Korian group is meeting the challenge of population ageing. The Group is present in Europe (France, Germany, Belgium and Italy), operates 715 facilities (long-term care nursing homes, specialised clinics, assisted living facilities and home care networks) employing over 47,000 people and serving almost 72,000 residents and patients.

Korian offers a broad range of services for the elderly, regardless of their age, health requirements and other needs.

Korian provides four distinct yet complementary types of senior care facilities and services.

- **Long-term care nursing homes,** which provide temporary or permanent care for elderly people who have complex and costly care requirements that make staying at home impracticable.

  These facilities offer a personalised healthcare and living environment, high-quality service and stimulating social activities in an environment that is open to the local community.
- **Specialised clinics,** which provide short-term post-hospitalisation/post-illness care (typically for around 30 days) to patients who still depend on care and need to recover their physical capabilities so that they can return to their home. These clinics care for:
  - people who have undergone surgery and need complex post-operative care for a limited time;
  - people who suffer from a slowly progressive or chronic illness, whose condition has worsened and who can no longer be treated at home.

  These patients are mainly elderly people who suffer from more than one illness and who require geriatric expertise or a rehabilitation programme. Patients receive personalised therapies in accordance with their needs and capabilities.
- **Assisted living facilities,** for independent elderly people who are looking for social contact, do not want to live alone and seek conviviality in an open yet secure environment. Apartments are designed and equipped to ensure maximum comfort and autonomy. Such services as catering, laundry, secure parking, saunas and spa therapy may also be provided.
- **Home care networks**, which includes hospital home care ("**HHC**") and home nursing services ("**HNS**"), offers an alternative to hospitalisation. It is provided at the patient's place of residence (home, long-term care nursing home or retirement home). Home care serves to shorten or even avoid hospitalisation altogether. Home care services ensure the continuity of post-hospitalisation care, in a secure and reassuring environment.

  Home care services are provided by a multidisciplinary team of salaried employees and self-employed healthcare professionals and cover the full range of patient needs, including comprehensive, palliative and oncology care. Home care facilities work in partnership with medico-social and healthcare facilities, healthcare networks, home-assistance associations and self-employed healthcare professionals.

2.2 Korian in France

2.2.1 NETWORK OPERATED BY KORIAN

With facilities throughout France, the Group has developed a complete range of high-quality senior care services under the Korian brand.

Operations in France are now organised around two scopes of activity:

- Seniors, which comprises medico-social activities (long-term care nursing homes, assisted living facilities, home nursing services (HNS)) ;
- Health, which comprises post-acute and psychiatric care activities (specialised clinics and post-acute and rehabilitation care facilities, hospital home care (HHC)).

2.2.1.1 Seniors Division Activities

2.2.1.1.1 Korian's long-term care nursing homes

Long-term care nursing homes are for elderly people whose physical or psychological condition makes it difficult to provide adequate home care. They are designed to foster the autonomy of their residents and provide a common foundation of care services, yet with separate accommodations that enable personalised care. These facilities are thus able to adapt medical and paramedical care in accordance with each resident's pathology and degree of dependency. They also offer premium hotel and catering services that are tailored for the needs of the elderly.

Designed and equipped as a living space

Korian aims to provide the best possible environment for its residents and to maintain their mobility and cognitive capacity for as long as possible. This is why it is careful to ensure that the architectural design of its nursing homes promotes the independence of residents and provides a secure environment that allows as much freedom as possible. Residents' rooms are equipped with furniture and devices that compensate for disabilities and residents may obtain additional services, such as cleaning, laundering, telephone and television.

All facilities have lounge areas that provide residents with a convivial setting where they can meet or receive their family.

The Group's objective is to create environments where residents can socialise, feel at home and go about their lives as normally as possible. For example, they may furnish their rooms as they wish and personalise them with their personal belongings. Most facilities also feature rooms for relaxing, hairdressing, beauty treatments, newspaper kiosks and spaces reserved for such leisure activities as music, reading and cooking. A variety of socio-cultural, cognitive, physical and manual activities are organised to avoid isolation and provide mental stimulation.

The Group's staff works hard to ensure that residents maintain social contact between themselves and with their families, by facilitating visits, ensuring privacy, and being attentive to their needs.

Personalised care by healthcare professionals

Pursuant to French regulations, care services at each long-term care nursing home are overseen by a geriatrician, who among other things prepares a care programme for each resident that is tailored to his or her degree of dependency. To address the needs of residents more effectively, some Korian facilities have developed a specialisation in the treatment of Alzheimer's disease and related disorders. As an integral part of healthcare and social-aid networks, the Group's nursing homes reach out to establish partnerships with local hospitals, long-term care nursing homes and post-acute and psychiatric care facilities.

Long-term care nursing home residents are cared for by multi-disciplinary medical teams. These teams are composed of a large number of practitioners with complementary specialisations, and most notably geriatricians, rehabilitation specialists, physiotherapists, occupational therapists, psychologists, speech therapists and pharmacists. This makes it possible to offer personalised therapies to each resident.

Since increasingly short periods of hospitalisation in short-stay hospitals have increased the technical complexity of short-term dependency care in specialised clinics, the Group has equipped its nursing homes to address this trend and ensure that residents regain their independence as soon as possible. These facilities include physiotherapy rooms, spa pools and occupational therapy rooms, for functional re-education and rehabilitation through physical activity and manual work in particular.

2.2.1.1.2 Korian's assisted living facilities, for the independent elderly

Korian's comprehensive offer of senior care services includes fully equipped apartments in assisted living facilities. These apartments and common areas and the activities they offer are designed specifically for the independent elderly.

Assisted living facilities give the independent elderly an alternative to long-term care nursing homes and home care. Apartments are specifically equipped for their needs and *à la carte* services are available to ensure a secure and appropriate living environment for each resident. These residences strive to provide an environment and a level of service that meets the needs of the elderly yet independent.

The following services may be provided for an additional charge beyond the basic rent:

- catering services (for example, breakfasts served in the resident's apartment and lunches served in the restaurant);
- leisure and social activities;
- external services which residents may select at their discretion (for example, a barber, hairdresser or beautician).

These services are designed to facilitate the lives of the independent elderly, to promote social contact and ensure the safety and security of people and their property.

2.2.1.1.3 Home Nursing Services (HNS)

Home nursing care services enable people who are dependent on care providers to remain in their homes and the elderly to be cared for in a familiar environment, thus delaying their transfer to a nursing home (this mainly applies to people in an Iso-Resources Group ("**IRG**") rating of 2 to 4).

HNS are provided with a doctor's prescription by nurses who in addition to providing care help doctors monitor the condition of patients.

Caregivers also assist patients with their hygiene and mobilisation and make sure they suffer as little as possible.

2.2.1.2 Healthcare Division

2.2.1.2.1 Korian's specialised clinics and post-acute and rehabilitation care facilities

High-quality and specialised post-acute and rehabilitation care

The Group's specialised clinics are equipped with a diverse range of, with a strong focus on elderly patients' ilnesses diagnostic and treatment facilities that ensure the best care for each pathology.

Korian has specialised some of clinics to address the specific healthcare needs of local communities.

Patients at these clinics are admitted after hospitalisation or directly from their homes. The objective is to enable them to return to their home as soon as possible, or to prepare them for a long-stay residence. They provide general and specialised post-acute care services ranging from treatment of the musculoskeletal and respiratory systems, to geriatrics, neurology, cardiology and addictology.

Korian's specialised clinics prepare a therapeutic programme for each patient that is based on an overall medical, paramedical and psychological assessment. Everything that is necessary for successful recovery and rehabilitation is taken into consideration, including medical treatment, physiotherapy to relearn day-to-day tasks, and psychological support.

Some of the Group's clinics can handle a broad range of pathologies. Their services may include rheumatology, orthopaedics, and the treatment of cardiovascular, respiratory and neurological diseases and nutritional disorders (diabetes and obesity), cancer, caring for patients in a chronic vegetative state and providing rehabilitative care for highly dependent geriatric patients with multiple pathologies.

High-quality services that are underpinned by an innovative medical project in psychiatric clinics

The Group's psychiatric clinics treat people who suffer, for example, from an acute or progressive mental illness, a bipolar disorder, a behavioural problem, an addiction or the consequences of a stroke. They can tailor individual and group psychotherapies and medication to the individual needs of each patient.

2.2.1.2.2 Hospital home care facilities

Hospital home care facilities provide an alternative to traditional hospitalisation. Their purpose is to shorten or even avoid hospital stays when the patient's condition so allows. Hospital home care is a developing area that is gradually taking root in the French post-acute and psychiatric landscape. It now constitutes a distinct form of hospitalisation capable of providing ongoing and coordinated care to patients suffering from a serious, acute or chronic illness. Inherently comprehensive and multi-disciplinary, hospital home care involves a broad range of healthcare professionals, many of whom are self-employed.

Hospital home care may also include ad hoc treatments (such as chemotherapy), rehabilitation care (for example, after a heart attack) and palliative treatments.

Hospital home care is prescribed by the patient's doctor or a hospital doctor, in consultation with the HHC doctor.

2.2.2 REGULATORY FRAMEWORK AND PUBLIC FUNDING

Korian's business in France is characterised:

- by high barriers to entry in terms of operating licences and/or increasingly stringent operating standards;
- with respect to long-term care nursing homes, by funding from the public sector (the French National Health Service and local authorities) of part of the cost of providing medical care and dependency care, which accounts for an average of about 35% of the total tariff;
- with respect to post-acute, rehabilitation and psychiatric care, by funding through Social Security of a tariff for each speciality averaging 80% of the total tariff (and up to 100% in the case of long-term care);
- with respect to hospital home care, by 100% funding through the French National Health Service and supplementary health insurance;
- with respect to home nursing care services, by funding provided exclusively by the French National Health Service.

Since providing long-term dependency care is a medico-social activity, the creation and operation of long-term care nursing homes is tightly regulated. Reforms in 2002 increased regulatory requirements, which constitute a barrier to entry for new entrants in this sector with little experience.

The reimbursement of medical expenses for post-acute and rehabilitation care that requires inpatient hospitalisation is also highly regulated. The reform of the licensing system in 2008 established a national regulatory framework and greatly expanded the provision of medical services in nursing homes. Operating licences are issued by Regional Health Agencies (*Agence Régionale de Santé* – **ARS**) in accordance with the medical care needs specified in the health delivery regional plan ("**SROS-PRS**"). Post-acute and rehabilitative care also offers alternatives to inpatient hospitalisation and patients can receive ambulatory care or be treated at home, depending on their needs. Licences to provide this care are also granted by the ARS in accordance with the healthcare needs specified in the SROS-PRS.

2.2.2.1 The granting and renewal of operating licences

Medico-social services (long-term care nursing homes)

The creation, transformation or extension of a long-term care nursing home is subject to a project application procedure and the subsequent issuing of a license that is validated by the President of the local Departmental Council and the Director of the local ARS. These licenses are valid for 15 years (10 years if the facility was established before 2002). Since the HPST Act of 2009, the license cannot be used to operate a facility until it has been granted healthcare funding by the relevant authorities. This means that a facility cannot be built, established, converted or extended unless this funding is obtained.

Licence renewal is subject to internal and external assessment requirements that are specified in the decrees that implemented the HPST Act and which are in addition to the provisions of the Decree of 15 May 2007 and the recommendations of the ANESM, which assesses the quality of social and medico-social facilities in France. These assessments serve to determine the facility's capacity to provide the services with which it is entrusted and to assess the quality of its services in light of licensing requirements.

Facilities that are licensed to provide care to the dependent elderly must also have signed a five-year tripartite agreement with their local Departmental Council and their regional ARS, which specifies the terms and conditions of the facility's operation and its development from a financial standpoint and in terms of public funding and the type of care provided.

As defined under paragraphs 6 and 7 of article L. 312-1 of the French Social Action and Family Code, home nursing services are medico-social services that involve the provision of care in the homes of the elderly, disabled adults and other patients. Home nursing services are accordingly subject to the same obligations and entitled to the same rights as all other social or medico-social services, and to licensing and tariff requirements in particular.

The French Social Adaptation to Population Ageing Act No. 2015-1776 of 28 December 2015 changed the legal framework applicable to facilities as of 1 January 2017. Henceforth, operators must sign a Multi-Year Targets and Resources Contract ("**MYTRC**") and present of Draft Estimates of Income and Expenditure ("**DEIE**"). The MYTRC, which will be valid for five years, aim to simplify the granting of funding to facilities and to facilitate the transition from tariffs that are based on historical costs to a multi-annual tariff system that is based on the actual availability of resources and which promotes transparency and accountability.

Post-acute and psychiatric care services (specialised clinics)

Post-acute and psychiatric care facilities also require an operating licence. The licence application must be submitted within a time limit specified by the ARS, which may vary between regions but is generally within a period of two months and twice a year. During the license application period, the ARS makes a quantitative assessment of the offering of regional healthcare services that specifies the additional requirements in each healthcare territory on the basis of the requirements specified in the SROS-PRS plan, the main objective of which is to coordinate the provision of post-acute, psychiatric, ambulatory and medico-social services in accordance with local needs in view of improving the quality of healthcare and making it more accessible for everyone.

A license is granted when a healthcare project is considered to address the needs of the populations targeted in the regional healthcare plan, is capable of meeting the plan's objectives, and satisfies location and operational requirements.

Initially granted for a specified number of beds or places, licenses are now issued for the construction of new facilities.

A licence is normally valid for five years. Renewal is subject to the filing of an Assessment Application, at least 14 months before the license is to expire. If the results of the assessment are unsatisfactory, the ARS may formally request that an application for licence renewal be submitted.

A facility's license may be suspended or withdrawn if a serious problem is observed.

The MYTRC contract between each facility and the ARS is valid for five years. The purpose of this contract is to specify the facility's role within the overall offering of healthcare services and the cooperation and synergy that is expected with other local healthcare facilities, and to provide performance guidelines that will ensure the continuous improvement of the quality and safety of healthcare services, of the quality of service in general, and the cost effectiveness of public spending.

Failure to comply with MYTRC obligations may be sanctioned by a fine. The ARS may also suspend or terminate the contract if the facility commits a serious breach of a regulatory or statutory requirement or of a contractual obligation.

Assisted living facilities

Assisted living facilities are not considered to be medico-social or social facilities that accommodate the elderly and therefore, unlike long-term care nursing homes, are not subject to the licensing requirements under articles L. 313-1 to L. 313-9 of the French Social Action and Family Code.

The French Social Adaptation to Population Ageing Act No. 2015-1776 of 28 December 2015 introduces a special status for so-called "second-generation" assisted living facilities, which makes a distinction between the rent and condominium fees that may be charged under a commercial lease, and charges for personal services that are used by residents. Assisted living facilities are governed by the French Building and Housing Code.

Hospital home care services

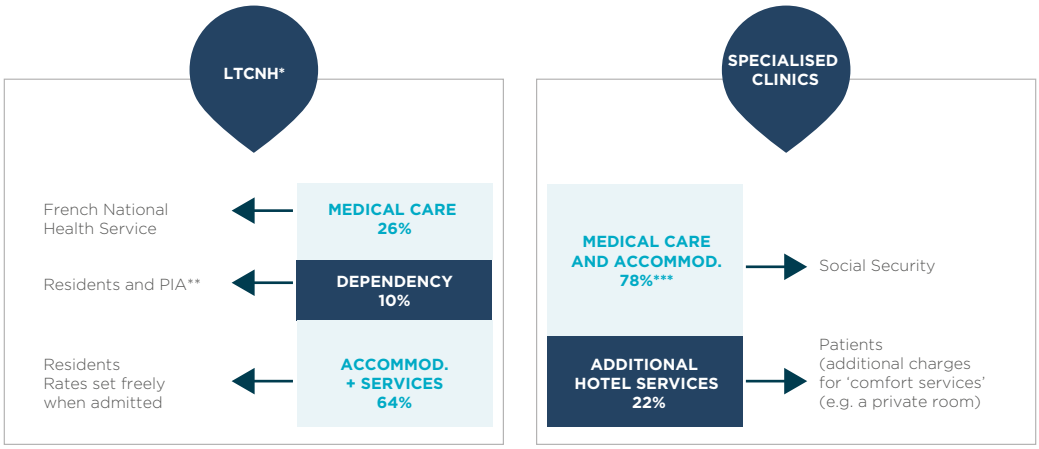
Article L. 6122-1 of the French Public Health Code requires a license for *"the creation, conversion or regrouping of healthcare services, including those that offer an alternative to hospitalisation, or hospital home care"*.

A licence is normally valid for five years. Renewal is subject to the filing of an assessment application, at least 14 months before the license is to expire. If the results of the assessment are unsatisfactory, the ARS may formally request that an application for licence renewal be submitted.

A facility's license may be suspended or withdrawn if a serious problem is observed.

2.2.2.2 Tariffs for services

The tariffs for Korian's long-term nursing homes and specialised clinics are shown in the chart below(1).



* Long-term care nursing home
** Personal Independence allowance
*** of which the daily rate accounts for about 70%

Hospital home care treatments are fully funded by the French National Health Service and supplementary health insurance. Hospital home care facilities receive funding from the National Health Insurance Fund (and sometimes from private supplemental health insurance companies) in the form of a flat per-day payment for each HHC patient, which depends on the amount of care provided, the patient's dependency rating and the length of the stay.

Home nursing services are fully funded by the French National Health Service through an annual allocation. Patients have no out-of-pocket disbursements.

The tariff system for long-term care nursing homes

French law specifies the basic tariff system for long-term care nursing homes. The budget allocated by the supervisory authorities to a long-term care nursing home under the tripartite agreement is based directly on the IRG dependency rating of the facility's residents.

Regulations have recently been expanded and amended. In keeping with the objective of tariff harmonisation, ministers can now set maximum tariffs and specify tariff calculation rules to take into account the amount of medical care required to treat a specific illness, which is assessed using specific tools that evaluate treatment requirements.

The tariff for long-term care nursing homes is set under a tripartite agreement and is composed of the following three rates.

▸ THE TREATMENT RATE (WHICH COVERS NURSING OR "BASIC" CARE, AND MEDICAL TREATMENT)

The treatment rate is set by the ARS and represents approximately 26% of the Group's medico-social revenue in France. It covers the medical services required to treat the medical conditions of residents and the paramedical services associated with the loss of independence. This system covers 70% of the care-givers' salaries, as negotiated with the ARS, 100% of the salaries of state-accredited nurses ("**IDE**"), physiotherapists, occupational therapists and the coordinating physician, and 100% of the expenses incurred to dispose of medical waste. Since August 2008, facilities have also received a fixed sum per resident to cover the cost of medical devices.

Treatment rates are not charged to residents but are paid directly to the facility by the French National Health Service in a single payment that depends on the amount of medical care provided at the facility. It is negotiated with the ARS on the basis of the facility's projected budget.

The treatment rate is adjusted annually.

However, facilities may negotiate new rates if, for example, the average dependency rating of their residents or their medical workload increases significantly. For this purpose the facilities provide the regulatory authorities with an annual statement of their income and expenses.

▸ THE DEPENDENCY RATE (FOR CLEANING, LAUNDRY, INCONTINENCE AND DAILY LIVING ASSISTANCE SERVICES)

In France, the dependency rate is set by the local Departmental Council and makes up around 10% of the Group's long-term care revenues. It covers all assistance and monitoring services that are necessary to perform essential everyday tasks unrelated to medical care. Partial funding of the expense of these services – which for example include the salaries of hospital cleaning and maintenance personnel, certified care-givers and psychologists and expenses related to incontinence and accommodation supplies, maintenance products, laundry and the depreciation of dependency care equipment – is agreed after negotiation with each local Departmental Council.

These rates are set and reviewed each year following negotiations between the facility and the Departmental Council based on a prospective budget submitted by the facility. The Departmental Council may choose not to cover all the facility's expenses, which increases the facility's expense ratio. The dependency rate for residents with IRG dependency ratings of 5 or 6 is not covered by the personal independence allowance ("**PIA**") and must therefore be paid by the resident's co-payment.

(1) Source: Korian.

The dependency rate payment is paid either by the resident who may be entitled to a PIA, depending on his/her level of dependency and income (the resident must still provide the co-payment) or directly by the local Departmental Council, if the resident is entitled to welfare.

▸ THE ACCOMMODATION RATE (WHICH COVERS ACCOMMODATION, CATERING AND RESIDENTS' SERVICES)

The accommodation rate is payable by the resident (except when he or she qualifies for welfare) and can be agreed on freely in a "residence contract" between the facility and all new residents when they arrive. This contract specifies the terms and conditions of the resident's accommodation and care, the payment for these services and for living expenses. Once this contract is signed, rates cannot be increased beyond the annual maximum increase decided by the Minister of the Economy and Finance.

In France, the accommodation rate accounts for around 64% of the Group's medico-social revenue.

Certain facilities qualify for partial or total welfare reimbursements. The accommodation rates for these beds and annual adjustments are set by the local Departmental Council. To cover the cost of their accommodation, residents of long-term care nursing homes may also qualify for various means-tested benefits, such as the housing allowance, the PIA and a tax allowance.

The French Social Adaptation to Population Ageing Act No. 2015-1776 of 28 December 2015 provides for a minimum package of core services for which a flat overall price is charged known as the "base rate". The decree of 30 December 2015 specifies the minimum accommodation services provided by long-term care nursing homes that are included in this base rate. This new tariff system applies to elderly people who entered a long-term care nursing home on or after 1 July 2016.

This tariff system clearly defines who pays what:

- the French National Health Service pays for the medical care;
- the Departmental Councils, fund all or part of the dependency rates (except for co-payments) through the PIA, and accommodation charges for the neediest, through welfare payments; and
- elderly people and their families pay for accommodation, the dependency rate co-payment, and the balance of the dependency rate, subject to their eligibility for the PIA.

The tariff system for specialised clinics

Since the French Social Security Financing Act of 2000, rates for commercial private sector facilities are negotiated directly between the government and professional bodies. These rates are specified annually in an order issued by the ARS and they are expressed as daily rates according to the speciality the authorisation was granted for.

The rates change according to the provisions of the national agreement entered into between the Health and Social Security ministries and at least one of the main two organisations that represents the private hospital sector (FHP or FEHAP) to specify:

- the average national tariff adjustment coefficient and the coefficient for each region;
- the range above and below the regional average adjustment coefficient within which the tariff adjustment coefficient the ARS grants each facility must fall.

Each year, the ARS can vary the adjustment to the tariff within the limits specified by the national agreement, under the terms of an agreement reached with at least one of the regional bodies that signed the national agreement.

The ARS can also set rates for a new facility or for a new service authorised in an existing facility, in accordance with the average regional rates.

In addition to the daily rate paid by social security, clinics can charge additional fees for "comfort services" (*e.g.* private room, television, telephone, *etc.*) and determine the prices of these services at its discretion. These additional charges are paid directly by the patient who uses the service or by their supplemental insurance plan.

Measures to reform the tariffs of post-acute and rehabilitation care facilities will progressively be implemented from 1 March 2017 until 1 March 2022. The new pricing system will involve a flat payment for each type of illness treated.

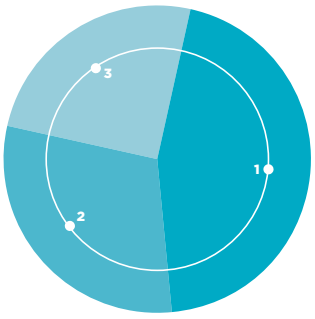
2.2.3 MARKET PLAYERS

The long-term care nursing homes market in France

In June 2014[(1)], there were 7,401 nursing homes with 603,823 beds.

- Public sector – 3,350 nursing homes (45%) and 312,367 beds (52%).
- Charitable sector – 2,225 nursing homes (30%) and 162,172 beds (27%).
- Commercial private sector – 1,826 nursing homes (25%) and 129,284 beds (21%).

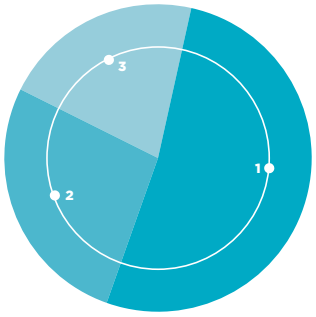
Breakdown of facilities by sector



1. Public sector **45%**
2. Charitable sector **30%**
3. Commercial private sector **25%**

(1) Source: **www.lesmaisonsderetraite.fr**.

Breakdown of facility beds by sector



1. Public sector **52%**
2. Charitable sector **27%**
3. Commercial private sector **21%**

Aside from the Korian group, the key players in the private commercial dependency sector are Orpea, DomusVi and Le Noble Age.

Long-term care nursing homes are managed by a large number of market participants from the commercial private sector, the charitable sector and the public sector. They may range considerably in size.

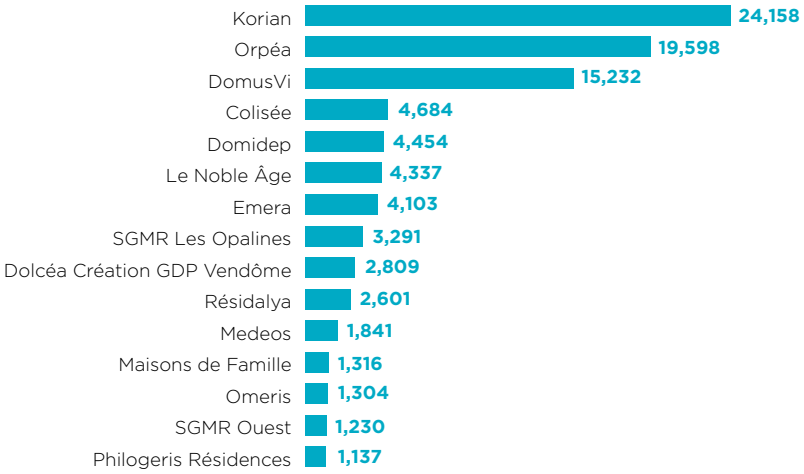
Although public and charitable sector nursing homes represent almost 80% of the market's total capacity, most of the growth over the past few years has come from the private sector. The latter is more able to invest in the necessary medical facilities and to expand the accommodation capacity of long-term care nursing homes.

Competition in the commercial private sector is primarily between:

- the major listed groups and other market participants with over 15,000 beds; and
- smaller groups and independent entities that are mainly owned by their management or founders.

The chart below shows the accommodation capacity of the top 15 commercial private operators in France by the number of beds, at 31 December 2016[(1)]:

Accommodation capacity by number of beds of the 15 largest commercial private operators in France at 31 December 2016



In 2016, only three private operators managed more than 5,000 beds and about 10 groups operated between 1,000 and 5,000 beds. Despite the emergence of major national players in the commercial private sector, the market remains highly fragmented and is showing signs of consolidation. The gap is widening every year between the top three players in the commercial private sector and the rest of this sector, with the No. 3 operator having over 15,200 beds and No. 4 only 4,684.

The French specialised clinics market[(2)]

The two largest operators of specialised clinics in the commercial private sector (Korian and Orpea) have over 12,000 beds, which is almost 35% of the total for this sector.

In 2014, France had approximately 116,000 beds in post-acute care and rehabilitation clinics, of which the public sector accounted for about 45,000 in (39%), the charitable private sector for 35,000 (30%) and the commercial private sector for 36,000 (31%). Although the public sector accounts for about 40% of specialised beds, the commercial private sector's share has been increasingly steadily for several years now.

(1) Source: Mensuel des maisons de retraite magazine, January 2017.
(2) Sources: DREES 2016 Survey of Healthcare Institutions (Panorama des établissements de santé) (2014 data).

Also in 2014, capacity in French adult psychiatric clinics exceeded 55,000 beds (excluding ambulatory care), of which the public sector accounted for about 35,000 (64%), the charitable private sector for approximately 7,000 (13%) and the commercial private sector for 13,000 (23%).

These facilities are operated by a large and very diverse number of operators from the commercial private sector, the public sector and the charitable sector (*i.e.* non-profit private sector facilities). The commercial post-acute and psychiatric sector in France continues to be characterised by very small facilities that are owned by one or more physicians or their families and is even more fragmented than the long-term car nursing home market. The vast majority of facilities are still independent. The trend however is toward more consolidation, driven mainly by the increasing specialisation in the sector and the conversion of multi-disciplinary facilities into clinics that specialise in the treatment of specific pathologies, which increases revenue per bed.

2.2.4 MARKET TRENDS

Korian's market is growing strongly, due to rapid population ageing, other favourable social and demographic trends, and a structural supply deficit.

2.2.4.1 Demographic, economic and social factors that are favourable to the growth of the dependency care market

Increasing dependency is a natural consequence of the ageing of France's population. In 2040, there will be more than 10.3 million people over age 75. Compared with 6 million today, this represents an increase of over 71% in 25 years[1].

The growth of the elderly population is largely due to the longer life expectancy that results from healthier lifestyles and more effective diagnosis and treatment of serious illnesses. In 2016, life expectancy at birth was 79.3 years for men and 85.4 years for women[2]. According to INSEE's core scenario, in 2060 the life expectancy of French men and women will be 86.0 and 91.1 years respectively[3].

INSEE analyses also confirm that the elderly and very elderly segments of the population will grow very rapidly until 2040. Among other trends, this sharp increase is attributable to the ageing of the baby boom generations. The number of people age 85 and above is therefore expected to grow 83% by 2040, to 3.6 million[4].

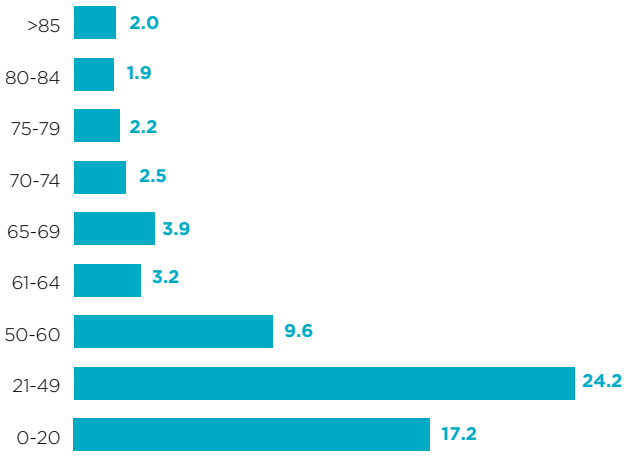
2.2.4.2 Demand for dependency care increases as the population ages and new illnesses give rise to new needs

The "senior boom"

Due to the overall ageing of Europe's population, the number of people over 80 is set to increase sharply over the coming years. And past the critical threshold of 80, becoming dependent becomes much more likely. While only 8% of people in France over age 60 are dependent, this figures increases to 20% for those 85 or older and to 63% for people above the age of 95 (based on the INSEE Group survey of PIA recipients for its report on Society and Ageing).

As shown in the age pyramid below, 12.5 million French people (over 18.8% of the population) were older than 65 in 2016[5].

Age distribution in France at 1 January 2016
(by age group, in millions of people)[5]



(1) Source: Eurostat, Population over age 75.
(2) Source: INSEE, 2016 Demographic Report, January 2017.
(3) Source: INSEE, Population projections No. 1320, 2010.
(4) Source: Eurostat. Population over age 85.
(5) Source: Eurostat, January 2016.

The first increase in the number of dependent people was observed in 2005, as the generations born between 1920 and 1940 reached old age. The baby-boom generation will start turning 80 in 2030[1].

According to the core scenario of the DREES' projections of future dependency, there will be 1.4 million dependent elderly in 2020 and 1.5 million in 2030[2]. This would mean that the number of dependent elderly will increase by a factor of 1.4 between 2010 and 2030[3].

By 2040, the number of dependent elderly and the age at which people start to become dependent will both be higher than today. The change in the number of dependent people is the result of two opposing trends: a lower dependency rate at a given age, and the demographic impact of the ageing of successive generations. For elderly people under 80, the trend toward less dependency is predominant and the number of dependent people in this age group will fall. However, the generational effect is predominant at age 80 and above and will cause the number of dependent elderly to double.

The impact of age-related illness

In addition to the above, the growing number of people who suffer from an age-related disease, such as Alzheimer's, and more generally of people who suffer from multiple illnesses, will also increase the number of the dependent elderly and the need for appropriate accommodation and care. In France, long-term care nursing homes can provide the level of medical provision that is necessary to meet their needs.

Ageing is often accompanied by chronic illnesses that make the elderly much more fragile and dependent on medical and dependency care. The following illnesses are most frequently observed among the elderly (especially past the age of 85) and have cumulative adverse effects on health:

- Cancer and cardiovascular diseases (*e.g.* heart disease, heart failure, atrial fibrillation and strokes) which in addition to being the main causes of death among the elderly are also quite debilitating;
- Neuro-degenerative diseases, which are becoming increasingly common: Alzheimer's disease (around 225,000 new cases diagnosed each year), Parkinson's disease (10,000 new cases each year), depression among the elderly (responsible for nearly 3,000 suicides a year) and sleep disorders;
- Neurosensory disorders including deafness and eye diseases, which can lead to disability if not appropriately treated in time. These disorders include cataracts, glaucoma and age-related macular degeneration;
- Illnesses affecting the musculoskeletal system such as osteoporosis and arthritis, which require hospitalisation and surgery followed by rehabilitative care and special devices.

Alzheimer's and related diseases are the main cause of admission into a care facility. Alzheimer's afflicts 15% of the population at age 80 and only 2% to 4% of people who are 65. There are currently more than 900,000 people with this disease in France. Given population ageing and more effective diagnoses, we may expect a sharp increase in the number of people who suffer from such illnesses and possibly as many as 1.3 million by 2020[4].

To meet this challenge, healthcare services will need to address the social and psychological needs of patients and their families.

2.2.4.3 New economic and social factors will also increase the demand for dependency care

The market in dependency care services for the elderly is being driven by a combination of economic and social factors.

Post-acute and rehabilitation clinics benefit from shorter stays in short-stay hospitals

As advances in medical and surgical practices have reduced the average stay in short-stay hospitals, there has been a growing need for more post-acute care, which entails more frequent temporary dependency care, which is often more complex. The reform of the tariff system for these services has amplified this trend, with medical, surgical and obstetrics facilities ("**MCO**") tending, or being strongly encouraged, to reduce the average length of stay as much as possible.

The key role of post-acute and rehabilitation care in inpatient hospitalisation

Specialised healthcare services continue to pursue the growth trend observed over the past few years. The growth of this activity is most substantial in the commercial private sector.

The proportion of day hospital care in post-acute care and rehabilitation facilities, in terms of the number of places, is still low compared with inpatient hospitalisation.

However, day hospital care is growing, given the healthcare system's current regulatory and economic environment. The transition toward more ambulatory post-acute and rehabilitation care, which contributes to the reduction of hospital costs, is made possible by new technologies and practices and is often preferred by patients.

(1) Source: DREES, Elderly population projection – September 2013.
(2) Source: DREES, Elderly population projection – September 2013.
(3) Source: DREES, Elderly population projection – September 2013.
(4) Source: INSERM.

2.2.4.4 A growing and solvent demand for dependency care

The funding of dependency care is structurally sound and there is little risk that patients will be unable to pay.

In France, as explained above, the revenue of a long-term care nursing home consists of three components: accommodation, medical care and dependency care. The accommodation component is paid by the resident and/or his or her family and is based on the facility's average daily accommodation rate per bed. On average, it is estimated that around one-third of this is paid by the resident's family, the rest being paid from the resident's income. In addition, an economically disadvantaged elderly person in a long-term care nursing home may, if they lack the financial resources to cover accommodation costs, be eligible for various types of government aid, including welfare from the Departmental Councils.

In the medium-stay post-acute and rehabilitation sector, the daily rate in France is paid by social security organisations, except for the patient's co-payment, which is known as the "daily fee". This daily fee may also be paid by mutual insurers as may surcharges for so-called "comfort services", such as a private room. This combination of social security authorities and mutual insurance companies backs up the effective demand for the services of post-acute and rehabilitation care clinics.

2.2.4.5 The supply of dependency care services is structurally insufficient

Due to the rapid ageing of the French population, there is a chronic shortage in the number of places available in facilities, meaning that the needs of the elderly are not covered, especially for the most dependent (IRG 1 to 4).

Indeed, the overall rate of permanent accommodation facilities in France fell by 26.3%, from 166 places for 1,000 people age 75 and over, to 122.4 places (of which 95.1 were beds in long-term care nursing homes), despite the proactive measures undertaken since the early 2000s[(1)].

In addition to the overall shortfall in accommodations, there are large geographic discrepancies in the numbers of places available throughout the country.

However, considering constraints on public finances, the implementation of new long-term care nursing home beds is not expected within the next five years. Therefore, alternative offers will keep arising.

2.3 Korian in Germany

2.3.1 NETWORK OPERATED BY KORIAN

The Group is expanding its operations in Germany, under the Curanum, Casa Reha, Phönix, Evergreen, Helvita, Sentivo and Haßloch brands, and mainly in the long-term care nursing home segment *(Pflegeheime).* Some of these facilities also have small specialised care units for the treatment of chronic vegetative states and the symptoms of dependency and addiction.

The Group is also present in the following markets:

- assisted living facilities, which are paired with long-term care nursing homes;
- home care services and outpatient care provided at long-term care nursing homes.

The German healthcare system underwent major reforms in 1995 and 1996 that codified medico-social services (SGB XI) and funding (SGB V). Everyone who is affiliated with a public or private sector health insurance fund must take out dependency insurance from that fund. People above a certain income level may seek health insurance from a private company.

The system is highly decentralised. Under federal law, the Länder are responsible for the licensing and monitoring of medical care provision, *via* two distinct authorities:

- at the regional level – the *Medizinischer Dienst der Krankenversicherung* ("**MDK**"), which conducts on-site inspections to verify the quality of services;
- at the local level – the *Heimaufsicht,* which monitors long-term care nursing homes and home care services.

(1) Source: Statiss, Ministry of Health, February 2015.

2.3.2 REGULATORY FRAMEWORK AND FUNDING

The German healthcare system is significantly more flexible than the French model. Generally, once operating licenses have been obtained a facility can be opened and there are no administrative authorisations that limit the number of beds that can be operated.

In 1996, Germany's social security system was expanded to a compulsory dependency care insurance: *Pflegekasse*. This compulsory dependency care insurance, like Health Insurance, is funded by employee and employer contributions. Until 31 December 2016, the Pflegekasse distinguished the following three levels of care, depending on the resident's or patient's assessed health:

Level of care	Assessment criteria
Care level 1	Assistance required at least once a day
	Assistance required at least 90 min. a day
Care level 2	Assistance required at least three times a day
	Assistance required at least 180 min. a day
Care level 3	Care and assistance required throughout the day and night
	Assistance required at least 300 minutes a day

Since the concept of "care need" *(Pflegebedürftigkeit),* which is used to estimate the number of minutes of care required per day, initially applied to physical disabilities only, the funding provided for people who suffer from dementia and similar disorders was insufficient. To correct this situation, in 2013 a committee of experts submitted a report that recommended also taking mental and psychological disabilities into consideration. This recommendation was adopted in the *Zweites Pflegestärkungsgesetz* Act (the "**PSG II Act**") of 21 December 2015, which redefined the concept of care need and came into effect on 1 January 2017. Physical, mental and psychological disabilities are therefore taken into account to determine a person's degree of independence on a scale of 1 to 5. The care need is assessed on the basis of the loss of independence or capabilities in the following six areas, which are weighted as shown:

- mobility (10%);
- cognitive and communication capabilities; and
- behavioural disorders and mental illness (15% for both);
- independence (40%);
- capacity to manage and obtain treatment (20%);
- organisation of daily activities and social life (15%).

€/ month	*Pflegegrad* **1**	*Pflegegrad* **2**	*Pflegegrad* **3**	*Pflegegrad* **4**	*Pflegegrad* **5**
Funding is paid directly to the dependent person: family or ambulatory care (the patient manages his or her own care)	125	316	545	728	901
The amount of funding paid to the healthcare organisation for outpatient care	125	689	1,298	1,612	1,995
The amount of funding paid to the healthcare organisation for hospitalisation	125	770	1,262	1,775	2,005

Before the PSG II Act came into effect, the healthcare system paid a monthly allowance to people who were recognised as being dependent, the amount of which depended on their assessed degree of dependence and their funding resources. Starting in 2017, the *Pflegekasse* will pay the allowance directly to care providers who provide at least 10 hours of care per week to patients with an estimated care level of 2 to 5 inclusive.

At care level 1, people don't require substantial assistance but rather advice and/or some adaptation of their day-to-day living conditions.

When people receive care on a full-time basis in a healthcare institution, their chief concern is not so much the allowance they receive but rather the share of costs they must pay out of their own pocket. Their share of care-related costs no longer increases in proportion with their need for long-term care. As a result, all long-term care nursing home residents who require long-term care at a level of 2 to 5 pay the same share for care services. This amount may vary between facilities however.

The municipality will fund the balance when residents do not have sufficient income, which applies to 33% of the Korian group's residents in Germany. In this case, the IK rate (see below) is also regulated.

Operators of long-term care nursing homes are free to negotiate the following components of their tariffs with local authorities *(Sozialhilfeträger)* and health insurance funds:

- the medical care component *(Pflege),* which includes all expenses that are not related to "hotel services" (U+V) or property (IK);
- the hotel services component (U+V), which covers food and laundry expenses and is determined by the dependency insurance *(Pflegeversicherung);*
- the investment portion (IK), which covers rental and associated charges;
- the training portion *(Ausbildungsumlage),* which funds the training of apprentices (between €0.50 and €4.00 per day, depending on the *Länder* and the nursing home).

Although the first two tariff components are regulated, the authorities allow facilities to make a profit margin and there are currently no provisions for retrospective adjustments. Facilities set IK rates for residents who do not receive financial assistance, but these rates must be in proportion to the cost of rental, depreciation, interest rates and investments. Tariffs are generally set when a facility is opened and for a period of one year. Unlike IK rates, rates for medical care and hotel services (U+V) may subsequently be renegotiated on a case-by-case basis.

Operators of assisted living facilities are free to set their rates.

Lastly, rates for home care services are negotiated with the National Health Insurance and Dependency Insurance funds in each *Länder,* based on a "catalogue of services". Operators are free to set the prices for their additional services.

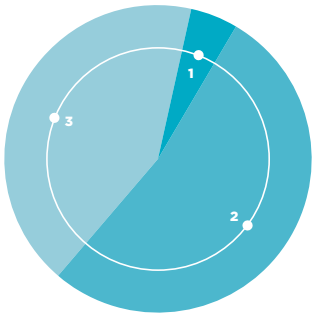
▸ NEW REGULATIONS

In certain *Länder* (Baden-Württemberg, Bavaria, Berlin, North Rhine-Westphalia and Schleswig-Holstein), new regulations require that, in the future, long-term care nursing homes increase the rate for single rooms, with compliance required between 2018 and 2036. In the regions of Baden-Württemberg and North Rhine-Westphalia, long-term care nursing homes will not be able to exceed respectively 100 beds (with compliance required between 2019 and 2034) and 80 beds (with compliance required by 31 July 2018).

2.3.3 MARKET PLAYERS

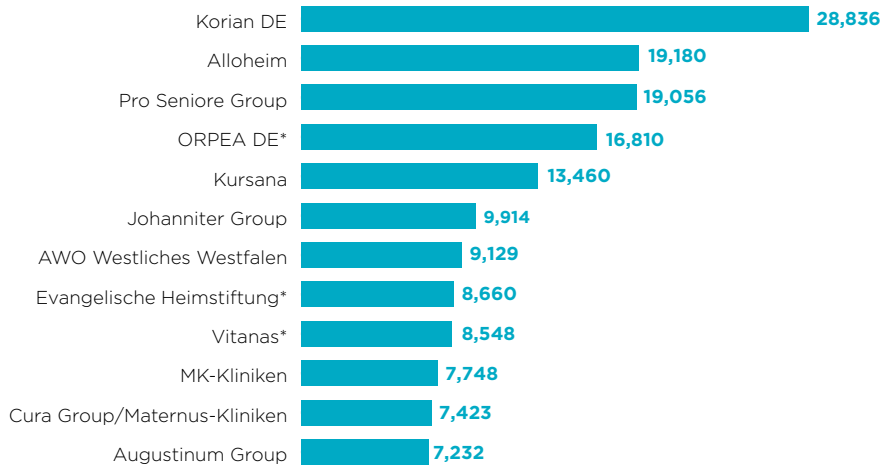
Of the 13,600 long-term care nursing homes in Germany, 53% are managed by charities. The highly fragmented private sector accounts for 42% of long-term care nursing homes and the public sector for 5%.

Almost 19% of long-term care nursing homes offer assisted living facilities nearby.



1. Public sector **5%**
2. Charitable sector **53%**
3. Commercial private sector **42%**

The chart below shows the main private-sector players in the German long-term care nursing home and assisted living facilities market(1).



* *Including Rehab*

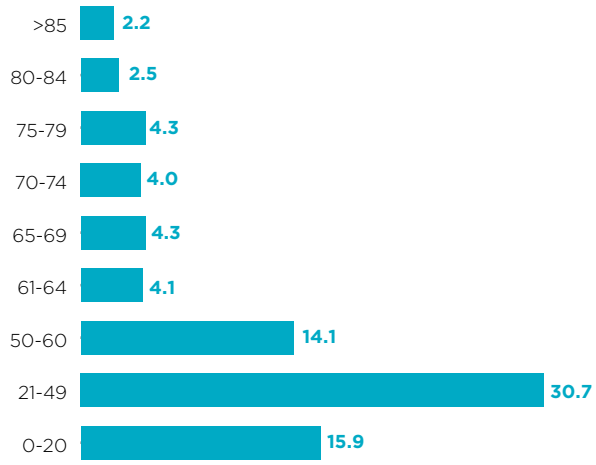
(1) Source: Care invest ranking 2017 (public information).

2.3.4 MARKET TRENDS

2.3.4.1 A fast growing market, driven by favourable social and demographic trends and a structural supply deficit

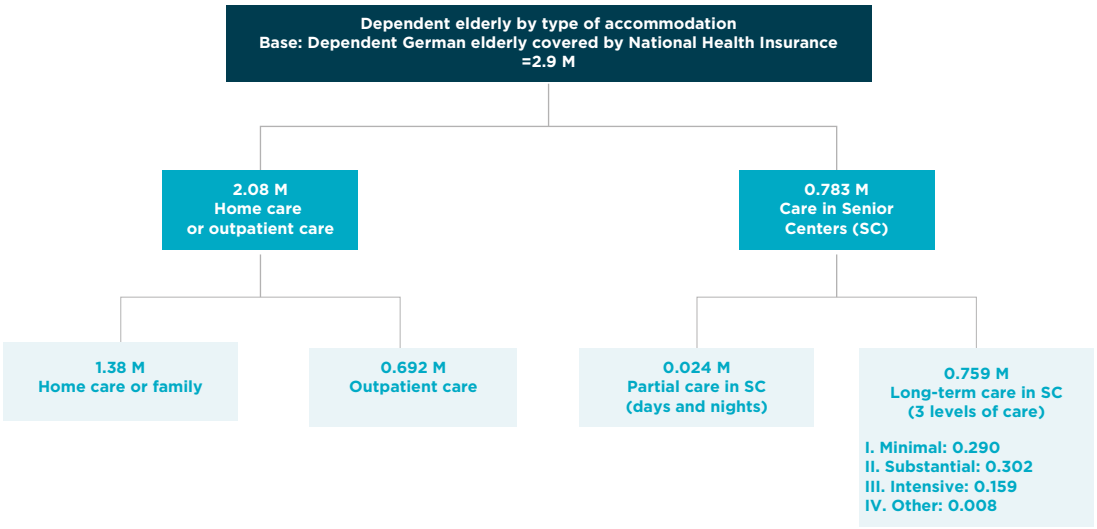
The Germany market is growing strongly, due to rapid population ageing and a lack of beds.

Age distribution in Germany at 1 January 2016
(by age group, in millions of people)[1]



2.3.4.2 Demographic, economic and social factors that are favourable to the growth of the dependency care market

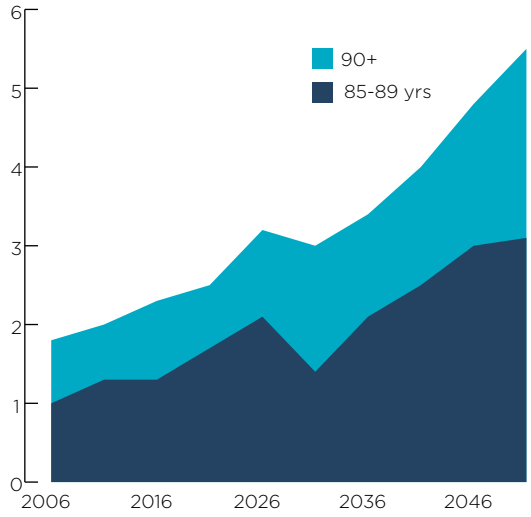
Of Germany's 2.9 million dependent elderly, 27% live in long-term care nursing homes *(Pflegeheime)* and 73% receive home care or out-patient care[2].



The number of people over the age of 85 is set to rise more sharply in Germany than in France until 2020[3]. This is attributable to Germany's particularly high birth rate in the 1930s.

(1) Source: Eurostat, January 2016.
(2) Source: Destatis, Pflegestatistik 2015.
(3) Source: Destatis.

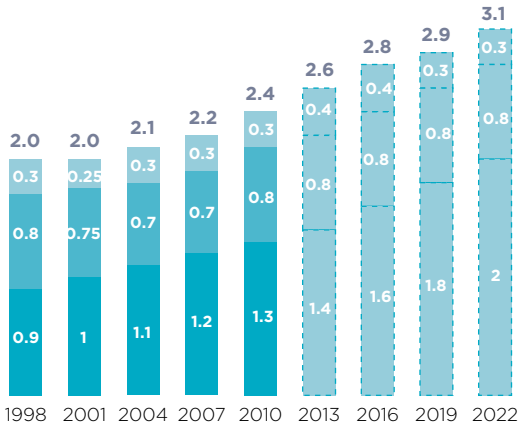
Change in number of people over 85 (V1W1 variant)*
(age group, in millions)



* *V1W1 variant: a birth rate of 1.4 children per woman until 2050, life expectancy increasing by 7.6 yrs for men and 6.5 yrs for women and net annual immigration of 100,000.*

The other characteristics of the German market (scale of dependency, changing lifestyles, *etc.*) are quite similar to those of France.

Number of people needing care
(in millions)



Future dependency needs may be forecast on the basis of these various characteristics(1).

It is thus estimated that the number of dependent elderly people will increase by 30% by 2022, which means that an additional 200,000 long-term care nursing home beds would be needed over the next 10 years(2).

2.4 Korian in Belgium

2.4.1 NETWORK OPERATED BY KORIAN

In Belgium, the Group is mainly present in the long-term care nursing home sector and operates under the Senior Living Group, Foyer de Lork and OTV brands. Assisted living facilities constitute nearly 7% of its business in Belgium.

Long-term care nursing homes provide several types of accommodation that can meet the demand for senior care services:

- "Nursing homes", which are for people age 60 and over(3). Nursing homes are authorised two types of beds: "retirement home beds" and "nursing and care home beds". These correspond to two levels of medical care with distinct staffing ratios and funding systems. More funding is provided for nursing and care home beds, which are intended for people with higher levels of dependency;
- Day care centres, which provide day care for the elderly who have lost some independence;
- Short-stay centres, at which the elderly may stay for up to three months and which may or may not provide medical care;
- Rehabilitation centres, which provide short-term rehabilitative care for the elderly, general after hospitalisation.

Assisted living facilities are available for the independent elderly and provide accommodation with a range of optional services. People who wish to live independently can rent apartments in these facilities. At the minimum, these apartments have one living room, a small kitchen, a bedroom, a toilet and a bathroom. Accommodations are designed for the elderly and are safe and secure. Residents also have access to such services as domestic help, hot meals and home care. Assisted living facilities therefore combine independent living with continuously available assistance and personalised care.

(1) Destatis; ADMED/HCB/RWI; Litsearch; Bain interviews – Assumes similar growth in care provided in facilities by families and professionals to residents with assessed care levels ranging from 1 (minimal need for care) to 3 (intensive need for care).
(2) Source: Destatis, ADMED/HCB/RW, Bain analysis.
(3) 65 in Flanders.

2.4.2 REGULATORY FRAMEWORK AND FUNDING

2.4.2.1 Long-term care nursing homes

Regulations form a substantial barrier to entry to the Belgian long-term care nursing home market, which is regulated at the regional level. An operating licence is required and accommodation rates are controlled. It is a solvent market, with approximately 44% of the day rate reimbursed by the social security system.

Operating licences

Licences are in principle issued on the basis of regional healthcare programmes and must be approved by the regional authority. Among other things, these programmes take into account the population trend of people age 65 and older. However, programming in Flanders is at the municipal level and in Wallonia by arrondissement.

Licences are granted by the Regions. Licensing rules for Flanders were changed in 2010 to encourage the building of more bed capacity, the duration of licences was reduced and minimum quality and hygiene requirements were established. Since 2013, the Flemish Government has called a moratorium, pending the construction of the beds that have been authorised.

The standards that must be met to provide nursing care, which were initially set out in the Royal decree of 21 September 2004, were amended by the Royal decree of 9 March 2014. To increase the level of quality, this decree also amended the requirements for obtaining day care centre and other licences. Accordingly, nursing homes that provide nursing care are now required to develop a care quality policy and programme, maintain records of specific events, establish procedures for preventing and dealing with these events, and have written procedures on hand hygiene, the isolation of residents who are infectious, and restraint measures.

The Regions are responsible for the initial licensing, monitoring and quality control of facilities. For example, the Wallonian Decree of 25 April 2014 enables facilities to obtain the Quality Label if they meet specific quality requirements. Licences may be withdrawn if quality standards are not met.

Care funding

Medical care and dependency are subsidised by the Regions, and until 2018 through INAMI, which is a federal body that manages the reimbursement of medical care throughout Belgium. The cost of medical care is reimbursed in proportion to the resident's degree of dependency and illness, as determined by the Katz Index. Various standards must be complied with to be eligible for INAMI funding. The Ministerial Order of 6 November 2003 specifies funding amounts and requirements.

Daily rates

Nursing homes are not free to set their own tariffs. The regional governments monitor rates and regulate annual increases.

When a nursing home is established, it is free to negotiate the daily rates that residents are to pay for room and board. These rates are then indexed to the consumer price index. Any increase in a daily rate beyond this must be applied for and substantiated and requires the approval of the regional authorities(1).

According to SPF Économie, the average daily rate in the second half of 2014 was €44.91 (€1,347 a month). The average in Flanders in 2016(2) was €55.14 (€1,654 a month), but this does not include medical costs (doctors, physiotherapists, *etc.*) and some additional costs that are billed separately (telephone, laundry, *etc.*).

2.4.2.2 Assisted living facilities

There are no regulatory barriers to entry to the Belgian market.

Since a 2009 Flemish decree, the term "serviced residences" has been abandoned in favour of "assisted living facilities".

The Belgian government has recently amended the legislation in this sector.

- There are no programming requirements in Flanders since 2013 and in Wallonia since 2011. This means that an operating licence does not have to be obtained. If a facility operator would like to be certified however it must meet certain operating and architectural requirements. When this certification has been obtained, the assisted living residence is considered to be a healthcare institution and the owner of the premises is entitled to a reduced VAT rate of 12%, instead of 21%.
- The facility operator must be capable of providing "crisis care", which is an immediate and appropriate response to an emergency, and also "transitional care", which involves ensuring the continuity of a resident's care if their usual caregiver is temporarily not available.
- The facility operator must designate a "residence assistant", who must be available for residents.

2.4.2.3 Possible consequences of the Sixth State Reform

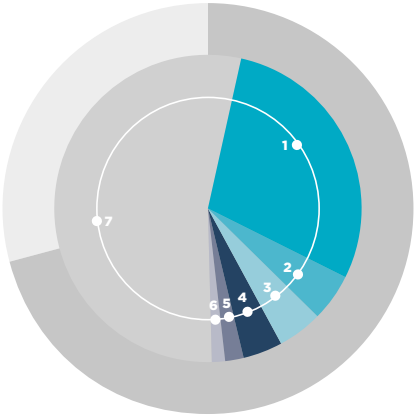
The Sixth State Reform transferred authority in the area of long-term residential care for the elderly from the federal government to the Regions, with the federal government retaining authority over home care. Until the Regions can prepare a new healthcare policy and determine funding priorities, which is not expected until 2018, the federal INAMI continues to regulate the funding of the medical care provided in nursing homes, with authority over the Regions.

(1) Annual increases are capped in some regions (5% per year in Wallonia).
(2) The average weighted daily rates in Flemish nursing homes at 1 May 2016 (Source: AZG).

2.4.3 MARKET PLAYERS

The Belgian market for long-term care nursing homes remains fragmented, with a total of 1,493 homes, 43.2% of which are owned by commercial private operators, 27.9% by charitable organisations, and 28.9% by the public sector. The five biggest private operators account for 17.3% of this market's total capacity(1).

145.679 beds Total market capacity



1. Municipal/public **28.9%**
2. Armonea **5.1%**
3. Senior Living Group **4.8%**
4. Orpea **4.0%**
5. Senior Assist **2.0%**
6. Vulpia **1.4%**
7. Other private sector players **53.8%**

Commercial and charitable privatre sector **71.1%***

Public sector **28.9%**

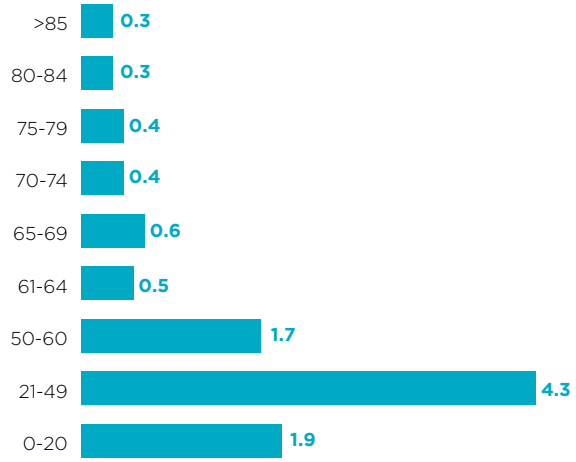
** o/w commercial (43.2%) / o/w charitable (27.9%)*

2.4.4 MARKET TRENDS

The Belgian market is supported by favourable demographics. The number of elderly in nursing homes and assisted living facilities is expected to grow by an average of 2,500 people per year until 2025, with a steady increase in dependency.

Over the last 30 years, the increase in life expectancy has accelerated population ageing, which is not offset by a parallel rise in the birth rate. According to the projections of the Federal Planning Office in 2016, people age 65 or older, who made up 17% of Belgium's population in 2010, will account for 20.7% in 2025 and 24.5% by 2050. Moreover, the proportion of people older than 85 (2.2% in 2010) will increase to 3% in 2025 and to 5.6% in 2050(2).

Age distribution in Belgium at 1 January 2016
(by age group, in millions of people)(3)



Belgium is currently home to 2,063,526 people over the age of 65(4) and there are 145,679 housing units(5) in long-term care nursing homes, or enough for just over 7.1% of this population. Therefore, to meet the current demand it will be necessary to create 20,321 more beds by 2025(6).

(1) "Authorised nursing and care home beds and nursing home beds for the erlderly" (includes SSC & RC but excludes DCS) – INAMI, 13 December 2016.
(2) "Population by age group at 1 January (2016-2061)" – SPF Économie (Statbel), December 2016.
(3) Demographic projections at 1 January 2016, SPF Économie (Statbel), 2016.
(4) "Population by age group at 1 January (2016-2061)" – SPF Économie (Statbel), December 2016.
(5) "Authorised nursing and care home beds and nursing home beds for the elderly" (includes SSC & RC but excludes DCS) – INAMI, 13 December 2016.
(6) "Residential care for the elderly in Belgium – Projections for 2011-2025" – KCE, 2011. (166,000 beds needed in 2025).

2.5 Korian in Italy

2.5.1 NETWORK OPERATED BY KORIAN

With 51 facilities in nine Regions, Korian is the only provider of healthcare services in Italy that is present in all sectors: long-term care nursing homes, specialised clinics, assisted living facilities and home care networks. Korian's expertise and success in meeting the requirements of Italian authorities have made it a benchmark for the highest quality standards.

This diversity of services is well suited for the Italian healthcare system, which is organised to cover a continuum of medical care needs. The Regional Health Authority (RHA) manages all healthcare providers, from hospitals to home care, with a single budget and can allocate its budget between them as it sees fit. This system was introduced in 2010 as part of the *"Patto di Salute"* healthcare plan under which regional budgets for medical, surgical and obstetrics provision were redirected to medium- and long-stay facilities, with targets set for bed closures in each region. The other feature of the Italian healthcare care system is its regionalism. Each RHA is largely free to manage itself and make its own decisions. One RHA may decide to prioritise specialised clinics, while another may prioritise long-term care nursing homes or home care services. Quality standards, tariff policies and funding may also vary from region to region (see section 2.5.2 below).

In accordance with Italy's healthcare system, the Group's services in the Italian market focus on providing a continuum of care, with integrated comprehensive service, personalised assistance treatments, improved quality of life for residents and patients, respect for their dignity and individuality, continuity of care, allowing residents and patients to choose between different levels of assistance, and highly professional and dedicated staff.

2.5.1.1 Long-term care nursing homes – *Residenze Sanitarie Assistenziali* (RSA)

The Group operates 41 RSAs in nine regions. These facilities accommodate partly or wholly dependent elderly people for long- or short-term stays and provide the following services:

- care that is tailored to each resident's degree of dependency, with Alzheimer's units in most facilities;
- accommodation, laundry, food, other services and various leisure activities.

With the approval of the head office, each RSA is free to propose social and cultural activities that are appropriate for its residents, such as sewing, music therapy, arts and crafts and light exercise. To promote and maintain family ties, close family members are invited to take part in these activities.

In 12 long-term care nursing homes, Korian operates day care centres with a total capacity of 295 places. These centres provide specialised care for the elderly, Alzheimer's sufferers or people with mental disabilities or mobility problems from one to several times a week. This reduces the burden for families who wish to care for their relatives on a temporary or permanent basis. The organisation of events and activities enable for people to meet and socialise. Physical and neurosensory stimulation activities are also proposed.

2.5.1.2 Specialised clinics

The Group operates 10 specialised clinics in Italy, which fall into three categories:

- specialised clinics, which treat severe physical conditions that need orthopaedic or neurological re-education. These clinics help patients recover as much of their physical, cognitive and psychological capabilities as possible before returning to their home or being admitted into a long-term care nursing home;
- psychiatric clinics, which treat patients suffering from an acute mental illness;
- other specialised clinics. Some of these clinics provide high-quality medical care for people who suffer from a severe neurological condition (coma and chronic neuro-vegetative states) within a long-term day-to-day care environment. This includes providing neurological stimulation and developing a relationship with the patient's family. Other clinics are specialised in geriatrics (rehabilitation, long-term hospitalisation, dialysis, orthopaedics, hip replacements and out-patient care).

2.5.1.3 Assisted living facilities

Korian operates three assisted living facilities in Lombardy, which are supervised by an RSA. Their apartments, which are designed for the independent elderly, may accommodate one or two people and are equipped to provide the greatest possible independence, privacy and a convivial environment for friends and family, while ensuring safety and security and providing any care that may be required.

2.5.1.4 Home care

In Lombardy, Veneto, Lazio and Apulia, Korian provides rehabilitation and home care for more than 9,000 residents and patients. These facilities, which receive full funding from the supervisory authorities, provide nursing, rehabilitation sessions, blood tests, assistance for complex conditions such as vegetative states, and palliative care for patients who are dying.

To expand its range of home care services, Korian:

- has formed partnerships with leading blood testing laboratories;
- to provide palliative care to dying patients, set up a "pain therapy" service in 2014 with the help of a highly qualified team of oncologists, surgeons, anaesthetists, nurses and other specialists.

2.5.2 REGULATORY FRAMEWORK AND FUNDING

2.5.2.1 The regulatory environment

The general framework

The Italian healthcare system is similar to that of France, where long-term care nursing homes and specialised clinics must be licensed and accredited in order to receive funding from the regulatory authority. The licensing process for both public and private sector entities that seek to operate in the post-acute and medico-social sectors was made compulsory by the legislative decree of 30 December 1992, which specified minimum requirements in terms of the entity's structure, technology and organisation. This decree was amended by the Presidential Decree of 14 January 1997, which required regions to set their own quality standards. These standards must be met to be licensed and accredited and may be more stringent than the national standards. In Lombardy, for instance, the RHA imposes a minimum time to be devoted to each RSA resident and new facilities have been prohibited from having more than 120 beds since 2001.

To maintain their accreditation, all Group facilities must comply with their respective regional standards.

The regulatory bodies carry out unannounced inspections each year to ensure that quality standards are observed.

Regulatory developments in Lombardy

At the end of 2010, Lombardy included long-term care nursing homes in its healthcare budgeting system, which had already been used for clinics and medical labs for several years. This regulation was approved by the Regional Council on 1 December 2010 and requires the signing of an annual provisional budget for expenditures that are funded by the RHA.

At the end of each year, the manager of each long-term care nursing home approves the provisional budget for the coming year, which is based on amounts billed to the RHA over the past year. Under the new legislation, funding allocated to one facility may be transferred to another facility that is owned by the same legal entity. This possibility could prove attractive over the medium term for structured groups with a well-established presence in Lombardy, such as Korian.

The LR 23 Act of August 2015 made the following substantial changes to Lombardy's health system:

- regions were made responsible for the management of the health and welfare budget;
- long-term care nursing homes were allowed to offer specialised services;
- hospitals must to be licensed to provide services for the elderly.

2.5.2.2 Rates

Since the Constitutional Law on Decentralisation of 2001, the Regions are exclusively responsible for all social policies, including long-term healthcare.

When a long-term care nursing home is accredited, its average tariff consists of the following:

- the treatment rate, which accounts for 30% to 50% of the total tariff, is regulated with no margin allowed and is funded by the local RHA;
- the accommodation rate, which accounts for 50% to 70% of the total tariff and which Korian is free to determine in all of the regions where it has facilities. Depending on the resident's circumstances, some of this rate may be funded by local authorities or supplemental health insurance.

Rates vary widely across the country. Treatment rates range from €27.10 to €76.83 a day, and accommodation rates may be set freely in Lombardy and Veneto but are capped elsewhere, such as in Piedmont.

	Service	Daily rate paid by the ASL *(in euros/day)*	Daily rate for accommod. *(in euros/day)*	Total *(in euros/day)*
Emilia	RSA lev. A	41.85	50.05	90.35
	RSA lev. B	41.85	50.05	90.35
	RSA lev. C	32.60	50.05	81.10
	RSA lev. D	27.10	50.05	75.60
Lazio	RSA A	59.20	59.20	118.15
	RSA B	49.20	49.20	98.40
Liguria	Long stay	29.49	49.69	79.18
	RSA maintenance	46.93	42.00	88.93
	Alzheimer	57.88	42.00	99.88
Lombardy	RSA	29 – 39 – 49	Freely set	-
	Alzheimer unit	52.00	Freely set	-
Piedmont	RSA base level	35.78	35.78	71.16
	RSA medium-low level	36.50	36.50	73.00
	RSA medium level	38.68	38.68	77.36
	RSA medium-high level	44.00	44.00	88.00
	RSA high level	47.87	47.87	95.74
	RSA high level +	52.22	52.22	104.44
	Total dependence	66.31	66.31	132.62
Apulia	Retir. homes (RSSA)	46.45	46.45	92.90
Sardinia	RSA low intensity	70.82	70.82	141.84
	RSA high intensity	76.83	76.83	153.86
Tuscany	RSA low intensity	43.23	43.23	86.46
	RSA medium intensity	57.97	57.97	115.94
	RSA high intensity	60.00	60.00	120.00
Venice	RSA low intensity	51.00	Freely set	-
	RSA medium intensity	58.00	Freely set	-

The revenue of specialised clinics depends on the rates set by the regional authorities. There can be significant disparity between regions in the rates charged by long-term care nursing homes.

In addition to the daily rate paid by the RHA, long-term care nursing homes and specialised clinics can receive additional payments for comfort services (such as a private room, television or telephone) for which rates may be set freely. These additional payments are paid directly by the resident or patient who receives the services.

As is the case with long-term care nursing homes, when an assisted living facility is accredited, part of the tariff is funded by the RHA and the remainder by the resident. In accordance with regulations, Korian is free to set rates for its assisted living facilities in Lombardy.

Revenue from home care services comes entirely from the RHA. Each region sets the rates for these services in accordance with the type of services provided. They may therefore vary between regions.

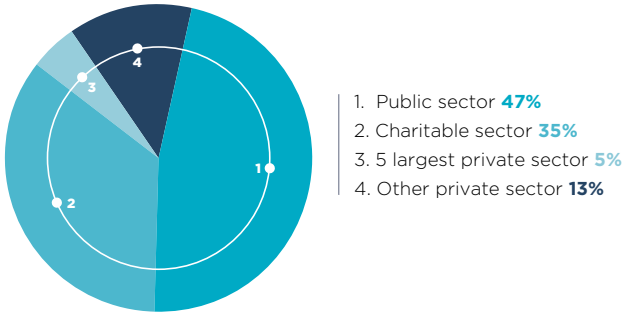
2.5.3 MARKET PLAYERS

The breakdown of dependency care by sector:

- a very large majority of dependency beds (82%) are operated by the public and charitable sectors.
- the private sector is highly fragmented, with the five biggest operators representing only 5% of total beds.

Korian is number two in the dependency care sector in Italy. The other main players in this market are Kos, Sereni, Orizzonti, Gruppo La Villa and Orpea.

There are many players at the regional level.



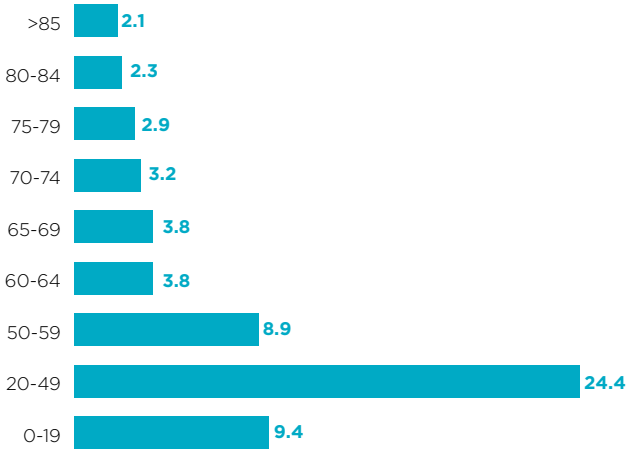
2.5.4 MARKET TRENDS

The market is growing strongly, driven by favourable demographics and a structural supply deficit.

2.5.4.1 Ageing of the over-65 population

Italy has over 14.3 million people age 65 or older[(1)]. This gives it one of the highest proportions of elderly people in the world and one of its fastest ageing populations. In 2015, over 21.7% of Italians were over 65.

Age distribution in Italy in 2015
(by age group, in millions of people)

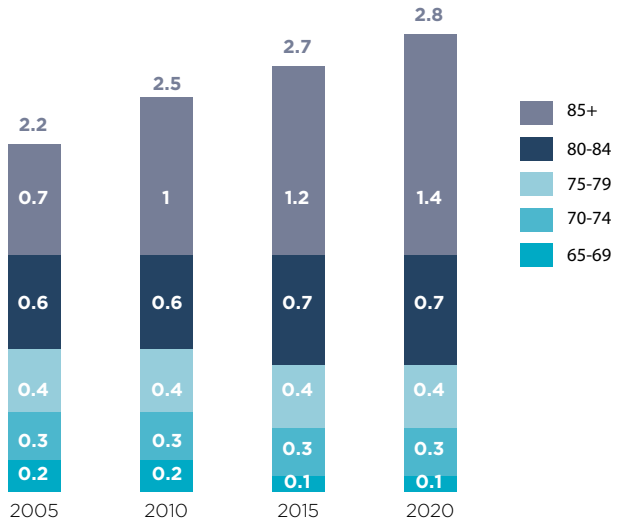


(1) Source: Eurostat. Population structure and ageing, June 2016

2. The Group's activities

Korian in Italy

The dependent elderly by age group (2005-2020)
(in millions)



A substantial increase in the number of people over 85 can be seen until 2020 (+3.7% annually between 2010 and 2020). This is mainly attributable to Italy's high birth rate in the 1930s.

Another fact is the increase in life expectancy. Italians have the highest life expectancy at birth of any European people, and one of the highest in the world. Italian men can expect to live 80.3 years and Italian women 85.2.

More than 43% of the population over 65 live in Lombardy, Piedmont, Liguria, Tuscany and Sardinia, the regions in which Korian is present.

The Italian and French markets are quite similar in several ways, such as the level of dependency and changing lifestyles. However, Italy has a relative small share of dependent elderly in specialised institutions compared with other European countries. For example, in Italy there are only 64 long-term care nursing home beds per 1,000 people over 75, and almost twice as many (127) in France. The two main reasons for this are the relative scarcity of public sector facilities and the major role that families play in caring for their older members, particularly in southern Italy.

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3.1 Highlights

3.1.1 CHANGES IN GOVERNANCE

3.1.1.1 Governance under the articles of association

Changes in General Management

At its meeting of 18 November 2015, the Company's Board of Directors voted unanimously to appoint Sophie Boissard as Chief Executive Officer to replace Yann Coléou, and she took office on 26 January 2016.

At the request of the Board of Directors, Christian Chautard held the office of Chairman and Chief Executive Officer on a temporary basis, between 18 November 2015 and 26 January 2016, the date on which the Company's governance reverted to separate chairmanship and General Management.

Changes in the composition of the Board of Directors

At its meeting of 19 May 2016, the Board of Directors acknowledged the decision of Batipart Invest and Jacques Ambonville not to seek the renewal of their respective terms of office.

At the Combined General Meeting held on 23 June 2016, the Company's shareholders decided to:

- renew the terms of office of the independent directors Anne Lalou and Guy de Panafieu for a period of three years, which will expire at the conclusion of the General Meeting of shareholders convened to vote on the financial statements for the financial year ending 31 December 2018;
- appoint Jean-Pierre Duprieu as an independent director for a period of three years, which will expire at the conclusion of the General Meeting of shareholders convened to vote on the financial statements for the financial year ending 31 December 2018;
- ratify the temporary appointment of Investissements PSP as director, to replace MAAF Assurances for the remaining period of its term of office, *i.e.* until the conclusion of the General Meeting convened to vote on the financial statements for the financial year ending 31 December 2016.

Furthermore, at its meeting of 14 September 2016, the Board of Directors acknowledged the appointment of Jérôme Bichut as permanent representative of Investissements PSP, who replaced Niall Boland effective 2 August 2016.

In accordance with article 11.4 of the articles of association, on 25 January 2016, Hafida Cola was appointed by the most representative trade union as the director representing the employees, thereby replacing Amélie Nun.

Therefore, the Board of Directors comprises 11 members, including the director representing the employees: Christian Chautard (Chairman), Jérôme Grivet, Predica Prevoyance Dialogue du Crédit Agricole ("**Predica**") (represented by Françoise Debrus), Investissements PSP (represented by Jérôme Bichut), Malakoff Médéric Assurances (represented by Hugues du Jeu), Jean-Pierre Duprieu, Martin Hoyos, Anne Lalou, Guy de Panafieu, Catherine Soubie and Hafida Cola.

Jean-Claude Georges-François is the Board Observer.

3.1.1.2 Internal governance

On 26 February 2016, Laurent Lemaire took office as Group Chief Finance Officer, thereby replacing Jean-Brieuc Le Tinier who resigned his position on 31 December 2015(1).

In addition, the Chief Executive Officer created a General Management Committee to replace the former Group Executive Committee, which comprises the following persons:

- Didier Armaingaud, who was appointed Group Medical, Ethical and Quality Director on 1 June 2016;
- Bart Bots, Chief Executive Officer of Korian Belgium;
- Rémi Boyer, who was appointed Group Human Resources Director on 1 September 2016;
- Frédéric Durousseau, who was appointed Group Real Estate and Development Officer on 10 October 2016;
- Cécile Jolly, who was appointed Group Communications, Marketing and Digital Director in June 2016;
- Laurent Lemaire, who was appointed Group Chief Financial Officer on 26 February 2016;
- Nicolas Mérigot, who was appointed Executive Vice President of the Healthcare Division in France, on 19 October 2016;
- Charles-Antoine Pinel, who was appointed Executive Vice President of the Seniors Division in France, on 19 October 2016;
- Mariuccia Rossini, Chief Executive Officer of Korian Italy;
- Ralf Stiller, Chief Executive Officer of Korian Germany.

(1) Between 18 November 2015 and 26 February 2016, Didier Laurens, Investor Relations and Finance Director, acted as temporary Chief Finance Officer.

3.1.2 OPTIMISATION OF GROUP FINANCING

3.1.2.1 New syndicated loan agreement

Taking advantage of favourable market conditions, on 21 July 2016, Korian concluded a new syndicated loan agreement.

The new syndicated loan agreement, which replaces the previous agreement signed on 12 March 2014, comprises two tranches which mature in five years:

- a term loan refinancing tranche of €650 million, which has been drawn down in full;
- a revolving credit tranche of €650 million, which has not been drawn down, to finance the Group's general needs.

The covenant limits (net debt - real estate debt) / (EDITDA -6.5% of real estate debt) are set at 4.5x as at 31 December and at 4.75x as at 30 June, over the term of the loan. This financing is not guaranteed by any *in rem* security interest.

The banking pool includes 16 European banks. With this refinancing, the Company acquired additional leeway to continue its development, while optimising its financing costs and significantly extending the maturity of its debt.

3.1.2.2 Issues in the *Schuldschein* (private offering under German law) market

On 20 January 2016, Korian issued a €41.5 million *Schuldschein* with an average maturity of 6.4 years, at variable rates, in addition to the €185.5 million issue with an average maturity of 6.1 years, at fixed and variable rates, carried out on 15 December 2015 (part of the proceeds of this issue, *i.e.* €12 million, were received on 30 April 2015). Initially planned for €125 million, the size of the *Schuldschein* was increased significantly in response to very heavy demand from European and Asian institutional investors (as had been the case with the *Schuldschein* issued in 2014-2015).

3.1.2.3 Launch of a short-term negotiable securities programme

Pursuant to its policy to diversify its financing sources and in order to fund its cash requirements, in the first half of 2016 Korian launched a programme to issue short-term negotiable securities (formerly commercial paper *(billets de trésorerie))* in the amount of €300 million, with a maturity of one year or less. As at 31 December 2016, the nominal amount of securities issued totalled €50 million.

3.1.3 PURSUIT OF THE DEVELOPMENT STRATEGY

3.1.3.1 In France

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

In October 2016, Korian opened a new facility in the French department of Yvelines with 84 nursing home beds, offering both short and permanent stays.

At 31 December 2016, the Group offered 30,020 beds in 366 facilities across France.

3.1.3.2 In Germany

In January 2016, Korian acquired the Casa Reha group, the third largest operator of long-term care nursing homes in Germany, which runs 74 facilities offering more than 10,000 beds and employs the equivalent of over 4,500 full-time employees. Casa Reha, which also has a portfolio of 782 beds in the pipeline, generated revenue of approximately €270 million. Casa Reha has been consolidated in the Group's accounts since 1 January 2016.

This acquisition, which reinforces the international nature of Korian's business, enables the Group to optimise its coverage of the German market and to strengthen its leadership position in Europe's most dynamic elder care market.

In 2016, Korian also opened six new facilities in the states of Saar, Saxony, Bavaria, Brandenburg, Baden-Württemberg and North Rhine-Westphalia, with a capacity of 637 long-term care nursing home beds and 50 beds in assisted living facilities.

At 31 December 2016, the Group offered 28,090 beds in 222 facilities across Germany.

3.1.3.3 In Belgium

On 19 August 2016, the Group acquired the Foyer de Lork group, a leading operator in the market for long-term care nursing homes and assisted living facilities in Flanders. In January 2017, this transaction was supplemented by the acquisition of OTV (see section 3.4.1.3 below). In total, these two operations represent 18 facilities and 1,601 beds(1), a portfolio of over 1,400 beds in the pipeline, nearly 700 of which will come on-stream in the next two years and half of which will be in assisted living facilities, as well as annual revenue of approximately €70 million.

In October 2016, Korian acquired a new facility in the Brussels area, with a capacity of 120 long-term care nursing home beds.

As a result of these acquisitions, the Group is now the second-largest private operator in Belgium of assisted living facilities and long-term care nursing homes, and has gained a significant position in the home care services sector, which is expanding rapidly.

At 31 December 2016, the Group offered 8,253 beds in 76 facilities across Belgium.

3.1.3.4 In Italy

In 2016, following the transfer of the business of a specialised clinic in Sardinia with a capacity of 99 beds, Korian opened two new facilities in Sardinia and Lombardy, with a capacity of 83 specialised clinic beds, 116 long-term care nursing home beds and 33 assisted living facility beds.

Moreover, in 2016, four facilities, accounting for 508 nursing home beds were deconsolidated from the Italian consolidation scope.

At 31 December 2016, the Group offered 5,506 beds in 51 facilities across Italy.

3.1.4 SHARE CAPITAL INCREASE AND DIVIDEND PAYMENT IN SHARES

Pursuant to the decisions adopted by the Board of Directors at its meeting of 21 January 2016 and the Chief Executive Officer on 20 July 2016, respectively, and (i) following the exercise of 3,000 share subscription options in 2015, in accordance with the provisions of article L. 225-178, paragraph 3, of the French Commercial Code, and (ii) following the issue, on 20 July 2016, of 709,369 new shares in connection with the payment of a share dividend(2), the share capital was increased by the amount of €3,561,845, by issuing 712,369 shares with a nominal value of €5 each, thereby increasing the share capital from €397,328,365 to €400,890,210, divided into 80,178,042 shares with a nominal value of €5 each.

3.2 Changes in business activities

3.2.1 CHANGES IN GROUP REVENUE(1)

In millions of euros	2016	2015	Variation 2016/2015
France	1,572.5	1,535.9	2.4%
Germany	852.3	519.0	64.2%
Belgium	259.4	218.3	18.8%
Italy	302.7	306.1	-1.1%
REVENUE	**2,986.9**	**2,579.3**	**15.8%**

(1) Revenue and other income.

The Korian group generated revenue of €2,986.9 million in the year ended 31 December 2016, an increase of 15.8%. It offered almost 72,000 beds in 715 facilities, and generated 47.4% of its revenue internationally.

The occupancy rate and customer satisfaction, two major operational indicators, remain high. The occupancy rate at mature facilities stands at 95%, thanks to effective management of Group facilities and the quality of its network and services.

(1) In particular, in October 2016, the Foyer de Lork group opened a facility with a capacity of 165 long-term care nursing home beds.

(2) The dividend per share totalled €0.60. The share dividend was paid on the basis of a price per share of €26.62. The cash dividend totalled €28.6 million and was paid to the shareholders on 22 July 2016.

3.2.2 GROWTH OF 2.4% IN THE FRENCH BUSINESS

In France, revenue grew by 2.4% to €1,572.5 million in 2016. France accounts for 52.6% of Group revenue.

Organic growth totalled 1.9%, essentially driven by the business of the Seniors division, whereas the business of the Healthcare division remained stable over the year. In this division, effective management of the patient mix and increased volumes offset the decreases in health insurance tariffs experienced in 2016.

3.2.3 REVENUE GROWTH OF 64.2% IN GERMANY, DRIVEN BY OPERATIONS WITHIN THE SCOPE AND SOLID ORGANIC GROWTH

Revenue totalled €825.3 million, up 64.2%.

This growth is attributable, firstly, to the impact of the acquisition of Casa Reha, which has been consolidated since 1 January 2016, and which increased capacity by nearly 10,182 beds in 74 facilities and, secondly, to organic growth of 8.4%, which was driven primarily by volumes (over 500 new beds opened, ramping up of facilities opened in 2014 and 2015).

3.2.4 REVENUE GROWTH OF 18.8% IN BELGIUM, DRIVEN BY OPERATIONS WITHIN THE SCOPE AND SOLID ORGANIC GROWTH

Belgium generated revenue of €259.4 million, up 18.8% (of which 9.1% was organic growth).

This performance is due, firstly, to the continuing increase in occupancy rates, which reflects the rising impact of the beds recently added to the Belgian network, as well as a favourable price environment. The addition of 581 beds in 2016 should contribute to continued solid organic growth in 2017. The growth in Belgium was favourably impacted by the acquisition of the Foyer de Lork group, which has been consolidated since 1 September 2016.

3.2.5 ITALIAN BUSINESS DOWN 1.1%, RESULTING FROM OPERATIONS WITHIN THE SCOPE

Revenue in Italy totalled €302.7 million, down 1.1% compared to 2015.

This drop is due to the planned shutdown of four facilities in connection with the review in Italy of the post-merger portfolio. Organic growth within this scope totalled 1.8% due to the very strong occupancy rate of long-term care nursing homes, the continuing improvement in occupancy rates and favourable price trends in healthcare facilities.

Italy foresees a return to revenue growth in financial year 2017.

3.3 Review of the financial position and results as at 31 December 2016

3.3.1 CONSOLIDATED FINANCIAL STATEMENTS

Korian uses EBITDAR as its benchmark indicator, as it makes it possible to assess its operating performance independently of its real estate policy (the ownership or rental of the facilities' premises has an impact on operating income). EBITDAR is earnings from operations before rental expenses (see Note 4.2 to the consolidated financial statements).

EBITDA is EBITDAR as defined above, less rental expenses.

Net profit (loss) is defined as net profit (loss) Group share – (other income and expenses from operating segments + gain/(loss) on acquisition and disposal of consolidated investments) × (1 – standard corporation tax rate of 34%), *i.e.* net profit (loss) Group share adjusted for non-recurring items.

3.3.1.1 Simplified income statement

In millions of euros	31.12.2016	31.12.2015	Variation 2016/2015
Revenue(1)	2,986.9	2,579.3	15.8%
EBITDAR	797.2	680.2	17.2%
as % of revenue	*26.7%*	*26.4%*	*0.3%*
External rents	-375.0	-338.2	10.9%
EBITDA	422.2	342.0	23.4%
as % of revenue	*14.1%*	*13.3%*	*0.9%*
Operating income	240.9	179.0	34.6%
Net financial result	-123.3	-65.0	89.9%
Profit (loss) before tax	117.6	114.0	3.1%
Net profit Group share	**131.3**	**58.7**	**123.7%**
Current net profit (loss) Group share	**148.0**	**85.2**	**73.8%**

(1) Revenue and other income.

EBITDAR totalled €797.2 million at 31 December 2016, up €117 million. The 2016 EBITDAR margin rose by 32 basis points to 26.7%. Details of this change are shown below for each country in which the Group operates.

	Group		France		Germany		Belgium		Italy	
In millions of euros	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	2,986.9	2,579.3	1,572.5	1,535.9	852.3	519.0	259.4	218.3	302.7	306.1
EBITDAR	797.2	680.2	428.0	410.1	230.2	144.2	69.5	55.4	69.5	70.6
Margin/revenue	**26.7%**	**26.4%**	**27.2%**	**26.7%**	**27.0%**	**27.8%**	**26.8%**	**25.4%**	**23.0%**	**23.1%**
EBITDA	422.2	342.0	244.3	230.9	110.9	51.9	28.5	21.9	38.5	37.3
Margin/revenue	**14.1%**	**13.3%**	**15.5%**	**15.0%**	**13.0%**	**10.0%**	**11.0%**	**10.0%**	**12.7%**	**12.2%**

In France, EBITDAR rose by €17.9 million and 50 basis due to effective cost controls in both business divisions (group purchasing policy, administrative expenses and energy efficiency).

These items offset reduced post-acute and rehabilitation care tariffs (-2.7%).

In Germany, the EBITDAR margin fell by 80 basis points, which is primarily due to increased payroll costs, which reflect tensions in the labour market and wage adjustments.

In Belgium, the EBITDAR margin rose by 140 basis points due to effective general controls on operating expenses and the maturity of three facilities that were in the ramp-up phase in 2015.

In Italy, the margin remained stable.

Rental expenses rose by €36.8 million, due to consolidation scope impacts.

The Group's total EBITDA is €422.2 million, up €80.2 million. The EBITDA margin rose by 88 basis points compared to 2015.

Operating income for 2016 totalled €240.9 million, up €61,9 million versus 2015, *i.e.* an increase of 34.6%.

The net borrowing cost was €123.3 million, compared to €65 million in 2015. This €58.4 million increase is due primarily to the additions to the consolidation scope in Germany and other non-recurring items.

The tax item includes net proceeds of €72 million without any impact on cash, due primarily to the favourable effect on deferred taxes of the planned lowering of the tax rate in France to 28.9% in 2020.

This rate also includes the CVAE tax in France and the IRAP tax in Italy.

Net profit (loss) Group share totalled €131.3 million, up 123.7% compared to the previous year.

The Group's net profit (loss) totalled €148 million, up 73.8%.

3.3.1.2 Consolidated statement of financial position

In millions of euros	31.12.2016	31.12.2015
Non-current assets	5,778.4	4,883.9
Current assets	713.9	881.0
Assets held for sale	1.9	0.1
TOTAL ASSETS	**6,494.2**	**5,765.0**
Equity	2,036.9	1,933.9
Non-current liabilities	3,314.1	2,878.2
Current liabilities	1,143.2	953.0
TOTAL LIABILITIES	**6,494.2**	**5,765.0**

Assets

- Non-current assets break down as follows:
  - goodwill totalled €2,175.4 million, up €468.1 million, mainly due to acquisitions completed in Germany (Casa Reha) and Belgium (Foyer de Lork);
  - intangible assets with a value of €1,717.6 million. They mainly comprise operating licences for facilities and lease rights.

    The value of these licences and goodwill are tested for impairment in accordance with IAS 36 based on their value in use, which is determined using the discounted cash flow method;
  - tangible assets were up €374.7 million over the financial year and totalled €1,670.2 million, mainly due to changes in the consolidation scope.
- Current assets break down essentially as follows:
  - trade receivables with a value of €168.2 million, up €14 million due to additions to the consolidation scope;
  - cash and cash equivalents in the amount of €309.9 million, *i.e.* down €209 million due to payment of the purchase price for Casa Reha.

Liabilities

- Consolidated equity totalled €2,036.9 million. Consolidated equity Group share increased by €100.3 million to €2,023 million, mainly due to:
  - the impact of net profit (loss) Group share of €131.3 million;
  - the distribution of -€47.7 million in July 2016, notably in respect of 2015 profit;
  - the increase in equity due to the payment of a share dividend in the amount of €18.9 million;
  - the impact of hedge accounting on interest rate hedging instruments, in the amount of €4.1 million;
  - actuarial gains and losses relating to the calculation of the provision for end-of-career salary, in the amount of -€2.2 million.
- As at 31 December 2016, Korian's share capital comprised 80,178,042 shares.
- Financial liabilities totalled €2,625.2 million, up €461.5 million.

The Group's net indebtedness breaks down as follows and is primarily due to the acquisitions completed during the period.

In millions of euros	31.12.16	31.12.2015
Bank and bond financing(1)	1,427.6	1,532.9
Real estate debt	735.7	535.1
Employee profit-sharing	0.0	0.0
Other financial liabilities	278.9	0.4
Non-current financial liabilities	**2,442.2**	**2,068.5**
Bank and bond financing(1)	53.9	15.3
Real estate debt	102.3	62.3
Bank overdrafts and advances	15.6	8.9
Other short-term financial liabilities	11.3	8.8
Short-term financial liabilities	**183.0**	**95.2**
FINANCIAL LIABILITIES	**2,625.2**	**2,163.7**
Marketable securities	91.5	9.6
Cash	218.3	509.3
Cash and cash equivalents	**309.9**	**518.8**
NET INDEBTEDNESS	**2,315.4**	**1,644.9**
NET INDEBTEDNESS ADJUSTED FOR REAL ESTATE DEBT	**1,477.4**	**1,047.5**

(1) Excluding real estate bank debt included in real estate debt.

As at 31 December 2016, net borrowings totalled €2,315.4 million, including real estate debt of €837.9 million. Excluding real estate debt, the net debt/EBITDA ratio is 3.9x, compared to the maximum authorised of 4.5x as at 31 December under the financial covenants.

- Current liabilities include, in particular, trade payables totalling €250.5 million, up €22.4 million compared to 2015, which is due to additions to the consolidation scope.

3.3.2 ANNUAL FINANCIAL STATEMENTS

No change in accounting policy had a material impact on the annual financial statements.

3.3.2.1 Korian's individual income statement

In millions of euros	31.12.2016	31.12.2015
Revenue	69.0	67.1
Other operating income, reversals of provisions and expense transfers	14.1	5.3
Total operating income	**83.1**	**72.4**
Other external purchases and expenses	-59.7	-47.9
Taxes and contributions	-2.3	-2.8
Payroll expense	-38.0	-32.9
Depreciation, amortisation and provisions	-16.0	-10.1
Others expenses	-0.8	-0.6
Total operating expenses	**-116.8**	**-94.3**
OPERATING RESULTS	**-33.7**	**-21.8**
NET FINANCIAL INCOME	**31.5**	**71.1**
NON-RECURRING PROFIT (LOSS)	**-0.1**	**-1.9**
Income tax (consolidation gains)	24.2	19.8
NET PROFIT (LOSS)	**21.9**	**67.2**

3.3.2.2 Operating results

Korian's income consists primarily of Group fees paid by its French and foreign subsidiaries. These fees, which totalled €48.7 million in 2016 are allocated according to the number of beds operated. Korian recognised an offsetting entry of €13.0 million in operating expenses for head office overheads paid by its subsidiary Medica France, which it re-invoiced to Korian.

Korian also re-invoices other expenses to its French subsidiaries, including for other services, real estate rentals and various other activities. In 2016, the amounts re-invoiced totalled €1.7 million (-€0.2 million). External services are also invoiced outside the Group and totalled €14.7 million (+€2.0 million).

Within this scope, payroll expenses of €38.0 million, for an average workforce of 369 persons, accounted for approximately 32.5% of total operating expenses.

3.3.2.3 Net financial income

As the Group's holding company, Korian receives dividends from its subsidiaries. These dividends fell from €100.8 million in 2015 to €65.0 million in 2016.

Korian carries most of the Group's debt and financial instruments. The financial expense in connection with financial liabilities (excluding real estate debts) totalled €39.6 million in 2016, *i.e.* +€9.1 million versus 2015 given the increased indebtedness. In 2016, Korian also recognised expenses of €13.7 million in relation to financial instruments, including a balance of €7.0 million paid in 2014 in connection with the renegotiation of a hedging instruments portfolio.

As head of the cash pooling arrangement, Korian paid €4.0 million (compared to €4.5 million in 2015) in interest expense on current accounts and received €10.6 million (-€1.0 million) in interest earned on the current accounts held with its subsidiaries.

3.3.2.4 Non-recurring profit (loss)

The non-recurring loss of €0.13 million is essentially due to costs in connection with abandoned projects.

3.3.2.5 Korian's individual statement of financial position

Assets	31.12.2016	31.12.2015
Intangible assets	8.9	272.3
Property, plant and equipment	5.7	3.2
Non-current financial assets	2,861.0	2,199.7
Non-current assets	**2,875.6**	**2,475.2**
Trade receivables	66.4	12.9
Other receivables	562.1	553.5
Cash	138.0	387.7
Prepaid expense	2.6	8.4
Total current assets	**769.0**	**962.6**
Debt issuance costs and bond redemption premiums	14.9	13.0
TOTAL ASSETS	**3,659.5**	**3,450.8**

Liabilities	31.12.2016	31.12.2015
Share capital	400.9	397.3
Reserves and premiums	1,098.3	1,079.6
Retained earnings	39.4	23.2
Profit (loss)	21.9	67.2
Regulated provisions	2.4	2.4
Net position	**1,562.9**	**1,569.7**
Loans with special terms	0.0	0.0
Provisions for risks and expenses	2.2	2.5
Financial liabilities	2,039.1	1,846.0
Trade payables	28.5	9.3
Tax and social security liabilities	18.2	15.1
Other liabilities	7.3	5.9
Deferred income	1.5	2.3
Total operating liabilities	**2,094.5**	**1,878.6**
TOTAL LIABILITIES	**3,659.5**	**3,450.8**

Korian's statement of financial position total was €3,659 million. This figure is essentially comprised of the following:

Assets

- Non-current assets totalled €2,875 million, which account for nearly 78% of the statement of financial position. They mainly consist of:
  - €2,246.4 million in investments, of which €264 million is net merger losses that have been transferred to the investments account;
  - €614 million in loans to subsidiaries;
  - €14.6 million in tangible and intangible non-current assets.
- The other main items on the assets side of the statement of financial position break down as follows:
  - current accounts with subsidiaries in the amount of €562.1 million;
  - €138.0 million in cash and cash equivalents;
  - €14.9 million in expenses to be apportioned, relating to bond issuance costs to be apportioned;
  - €2.6 million in prepaid expenses, including €0.9 million for a portion of the cash payment made in 2014 in connection with the restructuring of the financial instrument portfolio. This sum was apportioned over the term of those financial instruments.

Liabilities

- The net position of €1,562.9 million, down €6.8 million, is mainly due to:
  - the distribution of -€28.8 million in July 2016 in respect of 2015 profits, and the €19 million capital increase resulting from the payment of the share dividend;
  - the profit for the period of €21.9 million;
  - €2.4 million in reversals of tax depreciation.
- Financial liabilities, which totalled €2,039 million at 31 December 2016, break down into €1,028 million in bonds, €764 million in bank loans, and €246 million in current accounts held with subsidiaries.
- Trade payables amounted to €26.8 million, and break down as follows:
  - €6.6 million in provisions for invoices not yet received;
  - €20.2 million in trade payables.

  The payment schedule for these liabilities as at 31 December 2016 is shown below:

In millions of euros	Due +60 days	Due -60 days	Not yet due	Total
Operating trade payables	0.3	0.2	3.5	4.0
Group trade payables			16.2	16.2
TOTAL	**0.3**	**0.2**	**19.7**	**20.2**

The payment schedule for these liabilities as at 31 December 2015 is shown below:

In millions of euros	Due +60 days	Due -60 days	Not yet due	Total
Operating trade payables	0.5	0.5	3.2	4.2
Group trade payables	0.0			0.0
TOTAL	**0.5**	**0.5**	**3.2**	**4.9**

3.4 Material events since the year-end

Since 1 January 2017, the Group has carried out the following transactions.

3.4.1 PURSUIT OF THE DEVELOPMENT STRATEGY

3.4.1.1 In France

In January 2017, a specialised clinic with a capacity of 105 beds was opened in the French department of Yvelines. It replaced two other specialised clinics.

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

3.4.1.2 In Belgium

In January 2017, Korian acquired a long-term care nursing home in Flanders with a capacity of 62 beds, and supplemented the acquisition of the Foyer de Lork group with the takeover of OTV, a group also located in Flanders, which specialises in home care services and also has a capacity of 88 long-term care nursing home beds and 47 assisted living beds(1).

In addition, in January 2017, Korian opened a facility in Flanders with a capacity of 122 long-term care nursing home beds.

3.4.1.3 In Italy

In January 2017, Korian acquired a long-term care nursing home in Liguria with a capacity of 120 beds, and a specialised clinic in the region of Apulia with a capacity of 120 beds.

3.4.2 INCREASE IN THE COMPANY'S SHARE CAPITAL

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

3.5 Foreseeable changes – Outlook

Relying on the quality and commitment of its 47,000 employees, its acknowledged medical expertise in ageing-related pathologies and its capacity to innovate, Korian aims to consolidate its position as the European leader in senior care services. Building on the positions it has conquered in the nursing home and specialised clinic markets, the Group will continue to pursue vigorous growth in the four countries in which it does business by consolidating and optimising its network in its two historic business lines, expanding the range of services offered to residents and developing the offer of assisted living and home care services. It also aims to improve its operating performance by optimising support functions, in particular by leveraging the economies of scale and synergies offered by the size of the network and by deploying integrated platforms. In addition, the Group intends to maximise the value of its real estate assets *via* a policy of selective ownership of strategic assets and dynamic management of its portfolio.

All of these strategic initiatives will be implemented observing strict financial discipline so as to generate maximum cash flow and enhance value creation.

The Group has set the following objectives for 2021:

- Revenue of around €3.8 billion, *i.e.* average annual growth of about 5% over the 2016-2021 period, driven primarily by expanding available beds by 2,500 to 3,000 beds per year;
- an EBITDA/revenue margin close to 14.5%.

In 2019, at the halfway point, the Group targets revenue approaching €3.5 billion and profitability (EBITDA/revenue) of around 14%.

These objectives exclude strategic acquisitions.

Over the duration of the plan, the Group aims to increase operating free cash flow(2) generated by over 50% and to reduce the restated leverage ratio(3) to around 3.5x. The current dividend policy will be continued.

In the short term, in 2017, the Group is targeting revenue growth of at least 5%. Growth will be driven by the favourable pricing environment in the Senior business, and will be sustained by the deployment of new services throughout the network, the ongoing ramp-up of facilities opened in 2016 and by the forecast increase in the number of beds operated, *i.e.* 2,500 new beds per year. New facilities (greenfields) will be opened primarily in the second half of 2017 and, therefore, growth should accelerate in the second half. In 2017, the Group expects an operating margin (EBITDA/revenue) of about 13.7%, which is stable compared to the 2016 underlying margin and is consistent with the target of the five-year strategic plan.

(1) OTV's portfolio of planned facilities is included in that of Foyer de Lork, and is detailed in section 3.1.3.3 above.
(2) Operating free cash flow = cash flow from operations - (WCR change + maintenance investments + financial costs + taxes).
*(3) (Net debt - real estate debt) / EBITDA - 6.5 * real estate debt.*

Indicative 2017 financial reporting calendar

Event	Date[1]
2016 full-year revenues[2]	8 February 2017
2016 annual results[2]	15 March 2017
Investor presentation meeting	16 March 2017
Q1 2017 revenues[2]	3 May 2017
General Meeting	22 June 2017
Q2 2017 revenues[2]	19 July 2017
H1 2017 results[2]	13 September 2017
Investor presentation meeting	14 September 2017
Q3 2017 revenues[2]	18 October 2017

(1) These dates are indicative only and are subject to change during the course of the year.
(2) Press release to be issued after close of trading.

3.6 Risk management

The Company continually reviews the risks to which it is exposed. The risk management and internal control systems are described in sections 3.6.1, 3.6.2 and 4.1.2 of this registration document.

The risks described below are those that the Company considers, on the date of this report, as potentially having a material impact on the Group, its business, financial position and results, or on its development. However, the list of risks described below cannot be considered exhaustive. The Group cannot rule out the possibility that other risks may arise in the future that may have a material adverse impact.

3.6.1 RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

The Group endeavours to ensure care quality and the safety of the residents and patients within its facilities, in accordance with the rules in force in the countries in which it does business and the highest standards in the sector. The approach of all Group teams is based on respect for individuals and the goal of providing quality services. Day-to-day risk management is an integral part of the procedures implemented by the Group as part of quality assurance processes and best business practices, which are circulated to all facilities.

Regulatory risk in connection with obtaining and maintaining operating licences and with statutory and regulatory operating requirements

The Group's operations are subject to strict laws and regulations in each country in which the Group does business, as detailed in sections 2.2.2, 2.3.2, 2.4.2 and 2.5.2, respectively, of this registration document.

The Group may be unable to obtain new licences, potentially holding back its development. Furthermore, the non-renewal, suspension or withdrawal of current licences, which would result in a loss of customers either directly or due to the negative impact on the Group's image and reputation, could have a direct impact on its business and results.

To prevent the risk of loss of licences, the care provided in Korian facilities is monitored by various Group departments. Audits are conducted regularly in order to ensure that the Group's quality procedures are properly applied.

Risks associated with regulatory changes

Because the Group's activities are governed by a variety of statutes and regulations, which cover *inter alia* the care provided to residents and patients, operating licences, financing methods, public health, the safety of persons and property, the environment, taxation, *etc.*, any major changes could have a material impact on the Group's business and results.

To protect itself from the negative consequences of regulatory changes, the Group conducts a regulatory watch in each country in which it operates in order to anticipate major changes. At the same time, the Group implements strategies to minimise any negative impacts, while ensuring its activities remain in compliance with the laws.

Risks associated with changes in rates and social policies

Due to the fact that the rates charged by Group facilities are defined by the competent local authorities in France, Germany, Belgium and Italy, an unfavourable change in the social and reimbursement rate policy in a country in which the Group operates could have an adverse effect on its business, strategy, results, financial position and outlook.

This is because facilities' rates are comprised of a portion paid by the residents or patients themselves, and a portion for treatment and care provided to residents or patients that is financed by the public authorities (health authorities, regions, health insurance funds, *etc.*).

- The rate for the accommodation portion is in some cases discretionary when the resident or patient enters the facility (especially in France), but increases thereto are regulated in most countries in which the Group operates (France, Belgium and Italy).
- The portion for treatment and care provided to residents or patients is set by the public authorities, and varies by country and, at times, by region. A reduction in financing by the public authorities could have an adverse impact on the Group's business, its results and its financial position.

The fact that the Group does business in several countries and various markets enables it to diversify this risk and mitigates the Group-wide impact of a reduction in financing by the public authorities of a country.

Employee-related risks

Difficulties in recruiting care staff in certain geographical areas and/or a possible increase in staff turnover, especially of qualified care staff, could have an impact, in particular, on the quality of service within the Group's facilities, affect its image and its development prospects or drive up wages significantly. Such events could adversely impact the Group's results and, in certain instances, call its operating licences into question. Moreover, the Group cannot rule out a possible deterioration in labour relations that could lead to disturbances, such as strikes or other union actions, and which could impact its financial position and operating results.

The Group implements an active human resources policy in each country in which it does business, based on the development of business skills and qualifications and enhancing the quality of life at work.

In France, partnerships have been formed with business schools and universities to create talent pools for future facility directors. In addition, in order to retain staff and ensure the quality of services provided in its facilities, the Group provides access to qualifying training courses and accreditation of prior learning and experience. Further information on the Group's training policy can be found in section 3.7.2.2 of this registration document.

In Germany, actions have been taken that focus on retaining qualified caregivers. The main efforts in this area focus on (i) recruitment programmes of apprentices (10% of the workforce), (ii) programme to recruit qualified staff abroad, (iii) strengthening the local human resources network and (iv) a programme to develop managers (facilities directors and healthcare management nurses).

In Belgium, there are no longer staff shortages. Nevertheless, the Group is very mindful of the need to maintain good industrial relations with its social partners and to negotiate collective agreements in order to minimise social disturbances.

In Italy, there is no shortage of qualified care staff (doctors, nurses and physiotherapists) and the turnover rate is not high. However, to retain staff and reduce absenteeism, the collective bargaining agreements provide for the awarding of bonuses.

Lastly, every two years, the Group's General Management conducts a survey of employee commitment in the four countries in which the Group operates. The next survey will be conducted in the second quarter of 2017.

Competition risk

To contend with local competition, one of the Group's priorities is to ensure its facilities remain attractive by offering its residents and patients a range of varied high-quality care services (quality care, quality equipment provided to users, respect for the dignity and privacy of patients when medical care is provided, professional expertise of teams, *etc.*).

In order to improve the attractiveness of its care, the Group created, in 2013, the Ageing Well Institute, which places reflection and innovation at the core of its approach. Its objectives are to advance knowledge, support professionals in the practice of their profession and improve the daily lives and care of the elderly, in particular by providing exhaustive documentary resources on the challenges of growing older and ageing well.

The Group is actively involved in the Institute's three focus areas, which are:

- societal research, to anticipate societal developments and bring about changes in attitudes towards ageing;
- applied research, to explore new solutions and continuously improve the daily lives of the elderly, their families and caregivers;
- assisting facilities in deploying innovative solutions.

Lastly, to limit the impact of the competition on its activities the Group works closely with local prescribing physicians, with which it maintains ongoing trust-based relationships.

Commercial risks

The Group's facilities may be exposed to claims and complaints by residents, patients or their families concerning the quality of medical monitoring, treatments administered, care, or accommodation services provided. In addition, although the physicians who work as independent practitioners in Group facilities may incur civil liability for the risks specific to their work, the reputation of the facility, and hence its business and results, could nevertheless be affected by such liability.

The Group is particularly attentive to the quality of the services offered to its patients and residents. Procedures are regularly updated in connection with the Group's quality assurance measures and best practices, and are circulated to all its facilities. Staff training programmes are also provided in order to ensure high-quality care.

Moreover, regular checks are conducted (self-assessments, care audits, quality audits, *etc.*) to ensure the quality of our services.

Lastly, particular attention is paid to the claims and complaints of residents, patients or their families, and the Group endeavours to provide prompt responses and resolution of issues.

Climate risks

Certain climate events can exacerbate pre-existing chronic diseases of residents and patients and endanger their health. Due to its nature, assessing facilities' climate risk is difficult. If Group facilities were unable to cope with this risk, they could be held liable and their image could be affected, which, by reducing their attractiveness, could potentially adversely impact the Group's business and results.

Climate risks are managed in all countries in which the Group operates, in compliance with applicable statutory and regulatory obligations.

Documents that analyse the risks of power outages have been drawn up and procedures have been adopted. In particular, they provide for the installation of generators in order to supplement the risk control and crisis management system that would be triggered by a climate event that interrupts the power supply.

For example, to deal with heat waves, Korian facilities have various forms of heat protection (air-conditioned rooms and/or mobile air-conditioning units, blackout blinds, *etc.*). In addition, management in charge of medical and nursing teams has established hydration protocols, as well as prevention and treatment of dehydration protocols, and offers training in order to identify and closely monitor persons at risk.

Risk of epidemic

The development of a widespread epidemic could potentially have an adverse impact on the Group's business, image, reputation, financial position and results, especially due to the additional cost of setting up special healthcare measures and the possible loss of business as a result thereof.

The Group has put in place, in the countries in which it operates, the preventive measures required to contain the diffusion of epidemic situations, and to minimise, to the extent possible, the impacts of an epidemic on its residents and patients.

In all countries where the Group operates, the facilities take measures to deal with the extraordinary situations they describe in their action plans (*e.g.* "blue" or "white" plans in France). Business continuity plans outline the procedures governing the organisation and functioning in degraded mode in the event facilities face staff shortages and procurement difficulties. Pursuant to regulations defined by national health authorities, under the authority of the Medical, Ethics and Quality Department, every year, Group facilities systematically carry out a vaccination campaign for their employees (flu vaccines) and for the elderly in their care (flu and pneumococcal vaccines).

Incentive and control measures are taken to ensure adequate vaccine coverage and make sure preventive measures are complied with. The Group complies with reporting requirements to the supervisory authorities in all countries.

Risk of infection – Hygiene

The regulations applicable to long-term care nursing homes change continuously and are supplemented by guidelines and best practices. Due to their medical or paramedical nature, the Group's post-acute and psychiatric care facilities are subject to strict regulations concerning the safety of persons, hygiene, health safety, the environment (in particular the handling of medical waste from activities with risk of infection ("**DASRI**")) and ethics.

The facilities' failure to comply with these regulations could result in the Group's civil and/or criminal liability and damage its reputation, with an ensuing adverse impact on its business and financial position. Furthermore, major regulatory changes could cause additional expense for the Group (installations, equipment, personnel, *etc.*) leading it to alter its investment plans, operational expenditures or operating conditions, and thereby delaying the implementation of its strategy.

In order to prevent infections within its facilities, the Group enforces strict procedures and ensures best practices are shared.

To control the risk of infection, the Group focuses on numerous key factors: providing the resources that enable implementing good hygiene and care practices, mastering technical procedures, controlling environmental factors (water, medical waste from activities with risk of infection, linen handling, *etc.*), making residents, patients and their families aware of hygiene rules, providing training to professionals on staff and external personnel, and developing working relationships with specialised health structures (*e.g.* in France, the Regional Anti-Nosocomial Infection Units ("**ARLIN**")).

Effective control of the risk of infection is regularly verified, in particular *via* the annual risk of infection self-assessment conducted in Korian facilities.

The management of medical waste from activities with risk of infection is subject to specific internal procedures aimed at identifying such waste, using appropriate packaging (safe bins for sharp objects and containers), providing intermediate and final storage facilities for such waste and collecting it at defined intervals for destruction, in accordance with the laws applicable in each country. These procedures explain the steps to be followed when disposing of medical waste, and aim to ensure compliance with standard precautions, and promote the safety of persons and the protection of the environment.

Lastly, audits are regularly conducted to ensure that hygiene and health best practices are properly applied.

Risk of medication error

Each step in the medication circuit may generate errors that create risks for residents and patients, ranging from the inhibition of active agents to increasing the toxicity of the medication administered. Facilities may be liable if an error occurs in the medication circuit, in particular if a complaint is filed on the grounds that a person's life was endangered, or in the event of the temporary or permanent disability or the death of a resident or patient. Such errors could be detrimental to the Group's reputation and may have an adverse impact on its business and financial position.

Under the aegis of the Medical, Ethics and Quality Department, the Group implements a prevention policy that emphasises control of the medication circuit, pharmacovigilance and

identity monitoring. Prescribing medication is a medical act, dispensing it is a pharmaceutical act, and administering it is an act performed by professionals authorised to do so by the laws of the various countries in which the Group operates.

A medication handbook (which was updated in December 2016) is distributed in Korian facilities and lists the most appropriate molecules for elderly patients.

In all Group facilities, medication is prescribed (and recorded in the person's medical file) under the responsibility of the physician (employee or independent practitioner) of the residents and/or patients, and only the head pharmacists and nurses are authorised to prepare and administer medication, which is stored on secure premises as required by law. The data concerning the administration of medications and their effects is input into a monitoring tool, which enables the general practitioner to monitor the treatment of residents and/or patients.

In France, in medico-social facilities, the organisation of the medication circuit (prescription, dispensing and administration) is governed by a formal agreement between the dispensing pharmacy and the long-term care nursing home. The prescribing doctors are now required to sign an agreement setting out the rules that ensure the safety of the prescriptions.

In French post-acute and psychiatric care facilities, the organisation of the medication circuit (prescription, dispensing and administration) is also regulated, particularly since the Retex order which requires a collective, multi-disciplinary approach, with a strong commitment on the part of the facility's Management and the Facility Medical Commission ("**CME**") to carry out projects and promote communication between services and players. In addition, each of the Group's French facilities must carry out an annual self-assessment of the medication circuit and prepare an improvement action plan.

Lastly, in France, the agreements signed with the dispensing pharmacies promote the implementation of a secure system known as "Preparation of Doses to be Administered ("**PDA**"), which consists of preparing individual doses of medication to be administered to each resident/patient, in accordance with the prescription. This system increases the security of treatment and facilitates the traceability of its administration. The PDA system is applied in 95% of the long-term care nursing homes in France and should be expanded to all Group facilities.

Risks of patients/residents falling and/or straying from facilities

Due to the fact that the Group cares for persons who are at times disoriented because they are suffering from Alzheimer's or similar diseases, all staff receive training on preventing the risks of residents and patients falling or straying from the facility without the staff's knowledge. These situations may have serious consequences on the person's health and expose the facility to liability.

The Group is aware of these consequences and, therefore, has developed a therapeutic prevention and functional rehabilitation programme that includes, for each subject, an assessment of his/her functional capacities and thus of his/her potential risk of falling. Specific training is also provided and best practices are exchanged. Moreover, falls are in all cases reported in accordance with the reporting procedure for serious adverse events ("**SAE**") (described in section 4.1.2 of this registration document), which provides feedback and enables improving risk prevention.

The risk of residents/patients straying from a facility without the staff's knowledge is a constant concern for teams and the speed at which staff responds to such an event is essential. When such an incident occurs, the ancillary risk of falls and serious injury is high. The Group has established a series of prevention and risk management systems that notably involve staff training actions and ongoing sharing of best practices.

Food-related risks

A failure to identify critical points for catering services or non-compliance with the hygiene rules in the kitchen and during the distribution of meals could create a risk of infection or mass food poisoning of residents, patients and members of staff. In such case, the facility may incur liability.

Food safety is ensured in all Group facilities, whether catering services are sub-contracted or handled in-house. However, mass food poisoning is a risk that is mitigated by the use of the Hazard Analysis Critical Control Point ("**HACCP**") method to identify and analyse critical control points in the food production process, from the delivery of products through to the consumer's plate, which involves hygiene assessments and microbiological tests on prepared "control" dishes and on kitchen work surfaces.

In France, these assessments and tests are carried out by independent firms certified by the French Accreditation Committee (COFRAC). A similar testing methodology for the food production process is also applied in all countries in which the Group operates in conjunction with the public authorities (such as the Departmental Protection of Persons Department ("**DDPP**") in France or the Federal Food Chain Safety Agency ("**AFSCA**") in Belgium), together with the Group's subcontractors and professional staff.

Risk of abuse

Although the Group pays particular attention to ensure compliance with ethical values in providing care to seniors, the risk of active abuse (physical or mental violence or aggression, financial abuse, *etc.*) or passive abuse (restriction of the freedom of movement, non-respect of persons, their dignity and privacy, *etc.*) cannot be totally excluded. The Group or its employees could be held liable on such grounds. The occurrence of such events could have an adverse effect on the Group's reputation and image, reducing occupancy rates at its facilities, and thereby affecting its business, financial position and results.

Preventing abuse is a core concern of the Group and is implemented at different levels by:

- formalising and circulating Ethical, Medical and Quality policies in accordance with ethical and regulatory requirements;
- management that focuses on quality and endeavours to provide care for persons under optimal quality and safety conditions;
- regularly circulating best practices recommendations to facilities' directors and their staff;
- training members of staff in the proper procedures to be followed when providing care, with a focus on abuse prevention through personalised or therapeutic projects.

Lastly, combating abuse also means promoting proper treatment, which is not merely the opposite of abuse, but is a way of being and acting, as well as an approach that values the person to whom care is provided and seeks to respond to his/her needs and respect his/her rights, dignity and privacy.

Safety-related risks

Risks in connection with the safety of buildings

As public access buildings, all Group facilities are subject to strict fire and health safety regulations in particular, as well as general building safety regulations. Non-compliance with these regulations by certain Group facilities could cause the Group to incur civil and/or criminal liability, lead to the suspension of operations and have an adverse impact on the Group's business, financial position and results, as well as being detrimental to its reputation.

In addition, regulatory changes could cause additional expense for the Group (installations, equipment, personnel, *etc.*) leading it to alter its investment plans, operational expenditures or operating conditions, and thereby delaying the implementation of its strategy.

Each year, the Group invests the required amounts to enable its facilities to comply with the public authorities' directives. In addition, the Group has set up partnerships with professionals, and specialist and independent suppliers, which are tasked with monitoring the safety of installations (equipment, buildings, *etc.*) and which provide ongoing compliance monitoring and control.

In France, facilities fall under the regulations applicable to public access buildings. The Real Estate Department is responsible for supervising the maintenance and safety of facilities, as well as works required to bring facilities into compliance with standards imposed by regulatory changes.

In Germany, each facility director is responsible for complying with applicable standards and for proper maintenance of the buildings, under the control and with the support of the Real Estate Department.

In Belgium, a team of engineers monitors the safety of buildings and structures, and each facility has a risk prevention advisor. Maintenance contracts are also entered into with external service providers to carry out the necessary checks on various types of equipment (fire alarm, lifts, heating, *etc.*).

In Italy, in each facility, a Health Director is responsible for the health and safety of the residents, staff and the building. To meet their legal obligations, the facilities sign maintenance contracts with qualified service providers. Internal safety procedures have been set up in accordance with Act 81/08 on the prevention of safety-related risks.

Every year, in all countries where the Group operates, new measures to improve safety are defined by adopting best practices, establishing emergency measures and maintaining buildings.

Fire risks

The Group pays special attention to compliance with fire safety regulations. In this area, the Group's policy focuses on prevention (compliance with standards and staff training), carrying out the required preventive maintenance and checks (fire safety systems, extinguishers, electricity, lifts, proper operation of automatic doors, gas installations and heat installations), posting evacuation plans and emergency instructions and keeping safety logs.

In France, under applicable regulations, the competent municipal safety commission carries out a check of each establishment every three years after it has been issued the permit entitling it to open to the public.

In Germany, the facilities have fire safety systems that comply with applicable regulations and that are directly linked to a fire station.

In Belgium, in accordance with applicable regulations, each facility has an internal emergency plan that describes the initial procedures to be applied and the persons to contact. It must be accessible at two separate locations within the facility.

As in the other countries, the Group's policy in Italy is based on risk prevention. Therefore, there is a specific prevention plan for risks associated with third parties (residents, patients, personnel and subcontractors). In each region, periodic compliance checks are carried out by the fire brigade.

Asbestos-related risks

All Group facilities must comply with standards concerning asbestos-related health risks.

In all countries where the Group operates, inspections are carried out to ascertain if asbestos is present. Necessary works are performed in order to comply with local regulations in each country.

In France, each facility at risk keeps a specific record (the "DTA"), which lists the components of the structure that may contain asbestos. In order to assess changes in risk exposure, visual inspections of the materials and products listed in the DTA are carried out every two years.

In Germany, building owners are required to remove asbestos only in the event of a total renovation of the building. Employees must be informed if asbestos is present in their workplace.

In Belgium, if inspections disclose the presence of asbestos that may create a health hazard for residents and/or patients, works are immediately carried out.

In Italy, in facilities where asbestos has been found, works have been performed.

To the Company's knowledge, no situation presenting a risk for the health of residents and/or patients or personnel has been found in its facilities.

Risks associated with hot water (legionella)

To prevent legionella-related illnesses, the Group has adopted risk management systems in all countries in which it operates and monitors compliance with applicable statutes and regulations.

In France, the water supply network in all facilities is inspected by an inspection organisation or approved service provider. A network control plan is drawn up and, if necessary, network improvements are made. A specific legionella inspection is conducted once a year by approved laboratories.

In Germany, tests are conducted for the presence of legionella under the control of the competent health authorities. Corrective measures are taken if legionella is found.

In Belgium, facility maintenance staff carries out weekly checks. In addition, a specialist company takes on-site samples annually. If legionella is found, a special corrective procedure is implemented.

In Italy, internal inspections are conducted for the presence of legionella, in accordance with the protocol based on the Directive of 4 April 2000. Most sites are equipped with specific water filters. Moreover, periodic inspections are conducted by certified laboratories (ISO/IEC 17025) and by the supervisory authorities. If legionella is found, specific water treatment protocols are implemented, followed by further inspections to ensure that the risk has been eliminated.

Risks related to water potability

The water used by Group facilities is subject to ongoing health monitoring, in particular health inspections conducted by the competent authorities in all countries, in order to prevent the risk of illness.

In France, the water networks undergo inspections at defined intervals, as well as maintenance in accordance with the facilities' maintenance policy. In all facilities, the water system is regularly inspected by an inspection organisation or a COFRAC-certified external service provider.

Inspections are conducted at the points of use. Potability tests are also conducted under the responsibility of the municipality or ARS, and under the Prefect's authority. The results are sent to the facility upon request. Moreover, bacteriological, physical and chemical tests (D1 tests) are performed annually by an external laboratory. In addition, water fountains are maintained either by in-house staff or an external service provider.

In Germany, the drinking water system is inspected every two months by the competent authorities.

In Belgium, tap water is not specifically tested in facilities. However, when a facility uses well water, annual tests are performed by an external organisation.

In Italy, drinking water is stringently controlled in accordance with Act 31 of 2001. Water quality and potability tests are conducted every six months in all Group facilities by in-house staff, as well as by the competent authorities.

Risks associated with medical equipment and devices – Medical device vigilance

Care of residents or patients may require the use of biomedical equipment and devices for diagnostic, therapeutic or rehabilitation purposes, which, if improperly maintained, could result in an erroneous diagnosis or malfunctions that could lead to a medical accident or inappropriate treatment. Furthermore, the use of reusable "multi-patient" devices could lead to infections.

The Group's facilities pay particular attention to these risks. To this end, an inventory of medical equipment and devices is performed in all facilities, annual preventive maintenance is scheduled, reusable medical devices are identified and maintenance protocols are set up, and medical device vigilance procedures (monitoring of incidents and risks of incidents resulting from the use of medical devices) are operational and carried out in all Group facilities exposed to the risks associated with medical equipment.

In each country in which the Group operates, medical equipment and devices are inspected in accordance with regulatory requirements, by in-house staff and the competent authorities (for example, in Germany, by the *Technischer Überwachungs Verein,* an inspection and standards organisation).

In addition, a few of the Group's facilities are equipped with imaging equipment that uses ionising radiation, which requires a permit and must undergo specific regulatory inspections (dosimetry tests) performed by competent organisations (for example, the Federal Nuclear Inspection Agency in Belgium).

3.6.2 GROUP-SPECIFIC RISKS

Real estate risks

The Group rents most buildings in which it operates its facilities and its rents are thus subject to indexing. Just like in Germany, where rents increase in line with the country's national index, rents in France are indexed to the rent review index (IRL), the rate of inflation (IPC), the construction costs index (ICC) or a combination of the ICC, IPC and IPT indexes (rent increase benchmark rate for long-term care nursing homes). A sharp rise in these indices over the coming years could have an adverse impact on the Group's results.

Risks relating to information systems

The Group uses a certain number of IT tools and information systems for managing the records and data of its residents and patients, as well as managing its human resources, financial flows, accounting, *etc.* Due to the fact that these systems are used to manage its day-to-day operations, a major failure of these systems could temporarily paralyse the business and have a negative impact on the Group's results.

To prevent these risks, each country in which the Group operates has an Information Systems Department responsible for safeguarding and, insofar as possible, preventing any management system failure, thereby ensuring business continuity. The work of these departments is coordinated at the Group level.

Development-related risks

Pursuant to its external growth policy, the Group seeks and will seek short-, medium- and long-term opportunities that through strategic acquisitions, equity investments or partnerships enable it to actively take part in the consolidation trend in the senior care sector. However, the Group cannot guarantee that such opportunities will arise, in particular under favourable economic and financial conditions, or that it will be able to successfully integrate any entities it may acquire and make them profitable, by obtaining the anticipated synergies, maintaining harmonised internal processes and preserving good relations with their personnel.

Risk of dependency on key management

The Group's success depends, to a certain extent, on its ability to motivate and retain an experienced and talented management team. If the Group were to lose the services of its key managers, or they were to become less motivated, it could have difficulties replacing them or its growth could experience a temporary slowdown.

Succession plans for the Group's key managers are kept up to date by the Group Human Resources Department, which works with international recruitment firms to monitor key positions within the Company and create a pool of talent the Group can activate with reasonable notice in the event of the unexpected or undesired departure of any of its managers. Moreover, the Group is organised in such a manner that the duties of the management teams can be delegated to other employees during transitional periods, thereby ensuring the continuity of strategic activities.

Legal and tax risks

Other than disputes arising in the ordinary course of its business, the Group is not currently aware of any exceptional event or dispute that could substantially impact its assets, financial position, business or results.

Financial risks

Liquidity and financing risk

The Group's total financial indebtedness totalled €2,315 million at 31 December 2016.

The Group has a broad range of credit facilities, which break down as follows:

- a syndicated loan of €1,300 million, which comprises a term loan refinancing tranche of €650 million that has been drawn down in full, and a renewable tranche of €650 million available on 31 December 2016. The loan matures in July 2021;
- real estate loans totalling €838 million, including financial debts of €719 million;
- other liabilities totalling €58 million;
- bonds placed with private investors for a total amount of €1,021 million; and
- short-term negotiable securities (formerly commercial paper *(billets de trésorerie))* for an amount of €50 million as at 31 December 2016.

Information about the measures taken in 2016 to optimise the Group's financing is presented in section 3.1.2 of this registration document.

In addition, the Group's net cash position at 31 December 2016 was €294 million.

The Company carries out specific periodic reviews of its liquidity risk.

The Group's indebtedness is described in detail in sections 3.3.1.2, 3.3.2.5, 5.1 (Note 3.9) and 6.1 of this registration document.

Interest rate risk and hedging policy

At 31 December 2016, most of the Group's indebtedness was at variable interest rates. The Group has financial instruments to hedge against fluctuations in interest rates. It uses standard derivative instruments (interest rate swaps, caps, floors, *etc.*). The average maturity of the hedges is five years and is linked to the debt profile and covers 78% of the debt at variable rates for the current year, consistently with the Group's prudent management policy.

Furthermore, marketable securities are comprised mainly of term deposits and euro-denominated open-ended investment funds with variable capital (SICAV) and, in accordance with IAS 7.6, are defined as short-term investments that are highly liquid, readily convertible into known amounts of cash and subject to low risk of changes in value.

At 31 December 2016, Korian's financial instruments is a liability of €16.5 million.

Currency and equity risk

At 31 December 2016, the Group held 33,872 Korian shares in treasury stock, *i.e.* 0.04%.

As at the date of this management report, excluding this position, the Group is not exposed to currency risk or equity risk.

Risk relating to financial communications

The compliance of accounting and financial information, as well as of information flows, is verified at a number of levels:

- the functional units apply appropriate internal control processes and check that the procedures are pertinent and respected;

- the Statutory auditors independently verify the financial statements and the processes used to prepare them, in accordance with strict professional standards;
- the Audit Committee reviews accounting and financial information and matters pertaining to the preparation and control of this information. It does the groundwork for the Board of Directors in connection with the approval of the annual financial statements or the review of the half-yearly financial statements; and
- the Board of Directors approves the financial statements and checks the integrity of the financial information released to the market by an AMF-accredited distributor.

Chapter 4 of this registration document on corporate governance and internal control provides details on these controls. Furthermore, and in accordance with the AMF's recommendations, all accounting and financial information, including investor presentations, is available on Korian's website (**www.korian.com**).

Financial co-option risk

The Group is extremely attentive to the risk of financial co-option and prohibits any form of gifts, contributions or money to staff members by persons receiving care in its facilities or their relations.

The risks of embezzlement, such as through over-billing, are limited by audits, by the management control system and by support in the field from the Sales Department, which sets business policies and trains staff.

Risks associated with subcontractors and suppliers

The Group works with a number of subcontractors, providers and suppliers in its business activities. Although the Group does not believe it is dependent on one or more of its subcontractors or suppliers, if one or more of them were to go out of business or the quality of their services or products were to decline, this could have an adverse impact on the Group by causing a decline in the quality of day-to-day services and a rise in related costs, particularly if it has to replace defaulting subcontractors with more expensive service providers. This could also have an adverse impact on the Group's reputation and image and, therefore, on its operations, financial position and results.

The Group works essentially with suppliers listed by the Purchasing Departments of the countries where it operates. This listing takes into account their acknowledged expertise, the quality of their services or products and their financial position, thereby reducing the risk that they may go out of business or become insolvent.

3.6.3 COVERAGE FOR INHERENT RISKS TO THE COMPANY AND ITS BUSINESS SECTOR

3.6.3.1 Coverage of operational risks

The Group's policy is to align its cover limits with the replacement value of property insured, or, in the case of liability cover, with the estimated risks specific to the Group and risks reasonably foreseeable in its business sector.

In all countries where it operates, the Group has taken out insurance policies that cover its civil liability, the risks of damage to property and loss of use and the financial consequences of the liability the Group's companies may incur as a result of their activities, as limited by the deductible amounts and up to the policy limits.

For construction projects it carries out as project owner, the Group takes out policies covering damage to structures under construction, its liability as a property developer and comprehensive worksite liability.

3.6.3.2 Directors and officers liability insurance

The Company has taken out insurance to cover the civil liability and criminal defence of its directors and officers arising from personal breaches of duty committed in the course of their work for the Group. This insurance covers corporate officers, de facto managers and any individual sued on the grounds of a professional breach of duty committed in the course of administration, management or supervisory activities carried out with or without a formal mandate or delegation of powers. German, Belgian and Italian officers and directors of the Group are also covered by the same policy.

3.6.3.3 Crisis management

The Company has taken out a "crisis management" insurance policy to cover any prolonged business interruption that could cause immediate financial loss or negative publicity as a result of a major disruptive event affecting the Company, such as the death or arbitrary detention of a key person, an investigation, legal action or similar proceedings against the Group, a change in the financial statements or an announcement concerning a deterioration of results or revenue, workplace violence, disasters (major fires, the collapse of a building, terrorist attacks, *etc.*), strikes by at least 20% of the personnel lasting over 48 hours, investigations of potential fraud, blackmail of the Company or intrusion into the Company's IT system to obtain confidential information.

3.7 Corporate social responsibility

The Korian group is committed to acting responsibly towards its employees, society and the environment. In 2015, we launched a major project to define our corporate social responsibility ("**CSR**") strategy. This project will be completed in 2017.

Our ambition is to be the first group in our industry to develop a comprehensive CSR system that is an integral part of its business strategy. The key components of this system will be:

- the location and presence of our facilities in local communities;
- the commitment, excellence and well-being of our employees;
- the continuous development of innovative and personalised care services and practices for our customers, residents and patients;
- more efficient management of energy, water and waste;
- responsible and transparent practices all along our value chain.

A dedicated Group CSR Manager position was established in 2015. This person reports to Group Human Resources. The role of the CSR Manager is to determine the Group's CSR strategy and oversee its deployment in each country, while monitoring employment, environmental, social and financial indicators to measure the strategy's beneficial effects on business performance.

The indicators presented in this chapter apply to the entire Korian group. Since the same methodology has been used to collect data in all of the countries in which the Group is present, the data for most indicators is comparable between countries. Cooperatives were not included among the Italian facilities in 2016.

3.7.1 ENSURING THAT KORIAN FACILITIES PLAY A KEY ROLE IN THEIR COMMUNITIES

An integral part of their local communities, Korian facilities are open and accessible, and play important roles in many areas. For example, they contribute to the local economy, strengthen bonds between generations and society in general, are a part of the healthcare system, and work closely with local authorities. These actions reflect the Group's commitment to have a positive impact on local communities and to be socially responsible.

3.7.1.1 Contributing to local economic and social development

Korian plays an active role in the economic and social development of the communities in which it operates. Designed to provide a complete living environment, Korian's facilities are accessible, encourage socialisation and promote the values of proximity, solidarity and citizenship.

Supporting local employment and regional development

A new facility can give a dynamic boost to a local economy. As well as creating jobs that cannot be relocated, the maintenance and operation of a new facility increases the local consumption of goods and services. For example, in France, a long-term care nursing home and a specialised clinic with 100 residents and patients respectively create about 90 and 121 non-relocatable jobs. Korian ensures that these jobs comply with the regulatory standards of the French Social Action and Family Code and the Public Health Code.

Open to the community

Korian facilities frequently organise open-house days for families and other stakeholders in elderly care. In France, for example, each facility organises an annual festivity, such as the Neighbours' Festival, in which not only staff, residents and patients share a festive moment, but also families and key local stakeholders. For World Alzheimer's Day, in September, loved ones and prescribers may also attend specialised conferences and events. In Germany, friendly get-togethers are organised each month and for holiday festivities, such as Christmas, Easter and carnivals. In Italy, a major campaign was launched to raise the awareness of prescribing physicians and the general public. It included the creation of a dedicated "Stop Indifference" website (**www.spezzalindefferenza.it**) that provides information on the difficulties encountered by Alzheimer's sufferers and their loved ones and useful advice. Some Korian facilities regularly organise "Alzheimer Cafés", where the families of residents may obtain useful information, assistance, a sympathetic ear and psychological support from Alzheimer's specialists. Alzheimer Cafés are also open to the general public.

Some facilities regularly open up their cafeteria to people from the outside community so that they can share a beverage with residents and patients and discover the quality of the services provided. "Chez Mathilde", the first restaurant in a Korian facility open to the general public, was inaugurated in March 2016, at the Reine Mathilde nursing home, in Grainville, France. This uniquely innovative idea not only makes the facility accessible to the community, it also dispels many common misperceptions about nursing homes. In Belgium, Korian facilities invite all senior citizens in their municipality to various social events and regularly organise quizzes with local sports teams. In Italy's Lombardy region, with the help of retired professors, five facilities have created "Senior Citizen's Universities" that offer courses in such subjects as History, Literature and Art, not only to residents and patients, but to anyone from the local community who wishes to participate.

Korian facilities also encourage intergenerational events and socialization and develop close ties with local schools to organise outings, workshops, bazaars and other activities. Some facilities in France also offer a special area just for children, with drawing table, blackboard, games and more. Several include nurseries and childcare centres. For example, Korian's Parc des Dames facility in Saint-Germain-en-Laye, near Paris, was built with a nursery that can accommodate 30 infants and young children. It is managed by Babilou, the largest private-sector operator of nurseries in France. In Italy, on "Grandparents Day", which is held each year on 2 October, all Korian facilities organise activities to which all local schoolchildren are invited.

3.7.1.2 Building innovative partnerships

By improving the coordination of services between healthcare professionals and facilities, not only within its own network but also with local partners, Korian supports, facilitates and improves the quality of service, care pathways and the administrative management of the dependent elderly, both for themselves and their loved ones.

Developing local synergies

To increase synergy between its facilities, the Group is setting up "regional centres" in major European urban areas. The objective is to provide residents with a more diversified range of services that includes access to all medical facilities and to the various activities, outings and services provided by nearby Korian facilities, such as beauty centres and entertainment. Not only do these regional centres enable the sharing of administrative tasks, they also promote communication and the sharing of knowledge, best practices and the most innovative initiatives. This naturally strengthens staff skills and expertise and improves the care provided to elderly residents and patients who are dependent or are losing their independency. In Belgium, some facilities coordinate their efforts, for example, to recruit temporary staff when they have an urgent need to replace someone.

By adopting a network approach, Korian seeks to combine long-term care and nursing homes, specialized clinics, assisted living facilities and home care services into "service hubs" and thus contribute to the creation of geriatric care pathways within a given geographic area. The synergies thus achieved make it possible to establish a coherent and integrated pathway for local dependency care, and thus enable more effective and fluid processing of admissions and reduce time spent unnecessarily in hospitals, which is disorienting for patients and costly for society. They also encourage and enable facilities to share their best practices and resources, and thus promote their special expertise. The Multi-Year Targets and Resources Contracts (MYTRC), which will be negotiated with the ARS Regional Health Agencies and departmental authorities starting in 2017, will accelerate this "regional" approach.

▸ LOCAL PARTNERS TO FACILITATE CARE PATHWAYS IN REGIONS

Managing the transition from hospital to home, finding the address of a healthcare professional after a stay in a specialised clinic, or even just an ambulance can be quite complicated for the elderly and their families. This is why over the past few years, the Korian group has been building care networks with local partners in all of the municipalities where it is present. Its objective is to provide an appropriate and coordinated solution for each elderly person, regardless of his or her situation or needs.

These partnerships were designed to bring together professionals with complementary expertise to form a network of geriatric care pathways. Building from its own network of long-term care nursing homes, specialised clinics, assisted living facilities and home care services, Korian has gradually developed close ties with local actors to find the best solutions for the elderly and ensure that all of their needs are covered. By providing useful information and sharing its knowledge, Korian ensures that patients are effectively followed up between all partners.

The diversity of these networks can be seen in the variety of Korian's partners, which include hospitals and healthcare facilities, home-care service providers, retirement homes, NGOs, insurers and other stakeholders. Korian's deep roots in local communities play an essential role in finding personalised solutions as near to the patient's home as possible. In short, these partnerships prevent discontinuities, facilitate the transition from home to hospital, provide access to the full range of available care services and facilitate and accelerate transfers between care facilities in accordance with the elderly person's needs.

In France, one of the things that Korian is doing is developing close partnerships with hospitals and clinics through contractual agreements and transferring medical records to ensure the continuity of care. In a pilot project launched by the Grand Est regional health authority to test PAERPA (a programme to assist the elderly who risk becoming dependent) two Korian long-term care nursing homes in Nancy (Korian le Gentilé and Korian Plaisance) have signed agreements with the Nancy Regional Hospital Centre to set up an effective and virtuous care pathway for elderly people who are at risk of losing their independence. This programme includes:

- remote telemedicine consultations with specialist health-care professionals at the Nancy 2 Regional University Hospital, for the most dependent elderly residents of Korian's long-term care nursing homes. This enables hospital staff to immediately obtain a specialist's opinion in such areas as cardio-vascular and pulmonary diseases, psychiatry and dermatology. Telemedicine also avoids useless trips to medical facilities, which can be quite traumatic for the most vulnerable patients, accelerates care provision and reduces waiting time if hospitalisation is necessary;
- the arrangement of short stays in long-term care nursing homes immediately after hospital discharge for people age 75 and older, who are often on their own or isolated and need assistance to recover before they can return home. A short stay in a long-term care nursing home after discharge gives medical care providers, social organisations and family sufficient time to assess the loss of autonomy and implement the appropriate tools and the personalised programme that will be necessary to provide proper care.

The agreements entered into for these partnerships have enabled health-care professionals to see long-term care nursing homes in a different light and understand the useful role they can play. They have also facilitated and enriched the exchange of care expertise for the benefit of those who are most vulnerable.

In Germany, a large project was launched in the states of Rhineland-Palatinate and North Rhine-Westphalia with the Salzburg Centre for Nursing Sciences and Paramedical Practices. The project's objective is to determine the best pain management practices for the elderly. It will soon be extended to Bavaria and will be supported scientifically for two years.

In Belgium, there are regulatory cooperative agreements between Korian's facilities and the geriatric and palliative wards of local hospitals. A large project conducted by University of Gant students in five Korian facilities in Flanders will study, over a two-year period, the positive or negative impact of certain sounds and noises on the elderly. The results of this study will be used to improve the quality of life of the Group's residents.

In Italy, over the past five years a Master's degree programme in geriatric psychology developed with Pavia University enables graduate psychologists with a geriatric specialisation to work as interns at a Korian facility. This is also the case for students in physiotherapy, nursing, activity leadership and human resources at such universities as *Politecnico di Milano, Cattolica, Roma II* and *Bocconi*. In 2016, 10 conferences were held on Alzheimer's disease, dependency care and healthcare practices in medico-social facilities. These conferences, which were held throughout Italy, were co-organised by Korian staff in partnership with universities and hospitals and were attended by up to 400 people. The *Educazione Continua in Medicina* training programme allows conference attendees to earn credits for continuous professional development.

▸ AN INNOVATIVE RESEARCH PROJECT WITH THE KORIAN AGEING WELL INSTITUTE

A third of France's population will be older than 60 in 2050[(1)]. Although this reflects the undeniable progress of our civilization, it is also a formidable challenge for society. What is at stake is not only the quality of care provided to the elderly, but also their quality of life. In 2013, the Korian group set up the Korian Ageing Well Institute to raise awareness of this issue and contribute to the available resources.

By putting fresh thinking and innovation at the core of its approach, and through a rigorous selection of documentary resources on the challenges of ageing and senior care services, the Korian Ageing Well Institute seeks to advance knowledge, support care professionals and improve care provision and the quality of life for the elderly.

Accordingly, the Institute's extensive work combines:

- social research, to anticipate social developments and issues and change people's attitudes about ageing;
- applied research, to explore new solutions and continuously improve the day-to-day lives of the elderly, their families and care assistants.

Since the Institute's creation, its staff have conducted studies at Korian facilities on various means and methods for improving the quality of life in communal environments, such as the effectiveness of playing games in treating Alzheimer's disease in long-term care nursing homes, crushed tablets and their effect on the taste of food, and the role of good hand hygiene in reducing elderly mortality. In collaboration with IPSOS, the Institute also publishes an Ageing Well Survey, which is the first of its kind in Europe. The objective of this survey is to understand ageing from the perspective of the elderly and what they think in general about such things as health, family and recreation.

For more information on the Korian Ageing Well Institute's work and publications, see section 3.8 below.

▸ PARTNERSHIPS WITH NON-GOVERNMENTAL ORGANISATIONS

Many NGOs support the efforts of the Korian group's long-term care nursing homes. The assistance, activities and entertainment they contribute make them highly appreciated by both residents and their families. They encourage socialisation, communication and the sharing of personal experiences between residents, help maintain their mental and physical capabilities, and also provide information, training and support to families. Thanks to them, long-term care nursing homes are able to offer such things as exercise and cultural activities, beauty treatments, contact with younger people, and discussion groups for care assistants.

In France, the Korian group works with a variety of NGOs that aim to improve the lives of residents, such as *Blouses Roses, Familles Rurales,* and *S.I.E.L. Bleu,* which organises light exercise sessions for residents and workshops on how to prevent falls. The Group also supports *Aidant Attitude,* an endowment fund that ensures that families with a dependent member receive all of the information they need. Korian's contribution involves organising practical workshops in its facilities, distributing the latest version of the Guidebook for Care Assistants, and providing practical assistance to family members who assist with care provision in a specialised facility.

The Korian Ageing Well Institute also works with *France Bénévolat* to organise and actively develop volunteering and intergenerational solidarity in the Group's long-term care nursing homes, mainly by helping to select the best local partners and sharing best practices.

In 2015, a three-year partnership agreement was signed with Innovation Factory, an NGO, and its Web School Factory, a centre of digital technology excellence based in Paris that promotes interaction between students, companies and start-ups. In 2016 this led to the organisation of a Week-end Challenge by Korian on the theme of informing and training medical care teams. The objective was to choose the best projects and develop them into concrete solutions that could be tested and deployed in all Korian facilities over the medium term.

In Bavaria, Germany, employees and residents participate in NGO *Geschenk mit Herz's* annual "A Gift From the Heart" campaign, by volunteering to collect and wrap Christmas gifts for disadvantaged children.

In Belgium, the Group has formed a partnership with Petra VZW, which was founded by staff members. The NGO, whose slogan is "Caring for Carers", seeks to promote friendship and solidarity between employees. It can also provide assistance to employees in difficulty, in the form of a loan or grant.

In Italy, the Group has formed a new and innovative partnership with *Donne Italiane Rete Estera* (DIRE), which works to prevent violence against women.

As Europe's leading provider of senior care services, Korian is confronted daily with the difficulties that residents who suffer from Alzheimer's and their loved ones must face. In France, Korian has signed an agreement with the NGO *Association France Alzheimer et maladies apparentées,* which in addition to providing funding will strengthen ties between Korian facilities and local NGOs. In Italy, Korian supports the communication and research efforts of numerous local and national NGOs, such as *Federazione Alzheimer, Amici del Centro Dino Ferrari* and AIMA.

(1) INSEE (2010).

3.7.2 STRENGTHENING STAFF ENGAGEMENT AND PROFESSIONAL EXCELLENCE

Those who work for Korian know that the work they do is profoundly human, meaningful, useful and underpinned by strong values. Korian's ambition is to become the benchmark employer in Europe's senior care services sector. To achieve this goal, the Group's Human Resources department works actively to optimise organisational structures in Europe, develop employee skills, improve the quality of the work environment and promote diversity.

3.7.2.1 Creating an innovative and agile international organisation

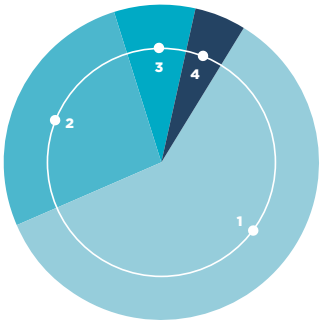
In building its innovative organisational and managerial structure, around a core of common values, Korian has made its human resources policy a key component of its transformation and performance.

Employment at Korian

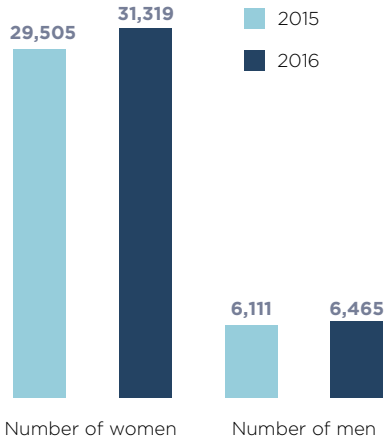
▸ TOTAL WORKFORCE AND BREAKDOWN BY GENDER, AGE AND GEOGRAPHICAL AREA

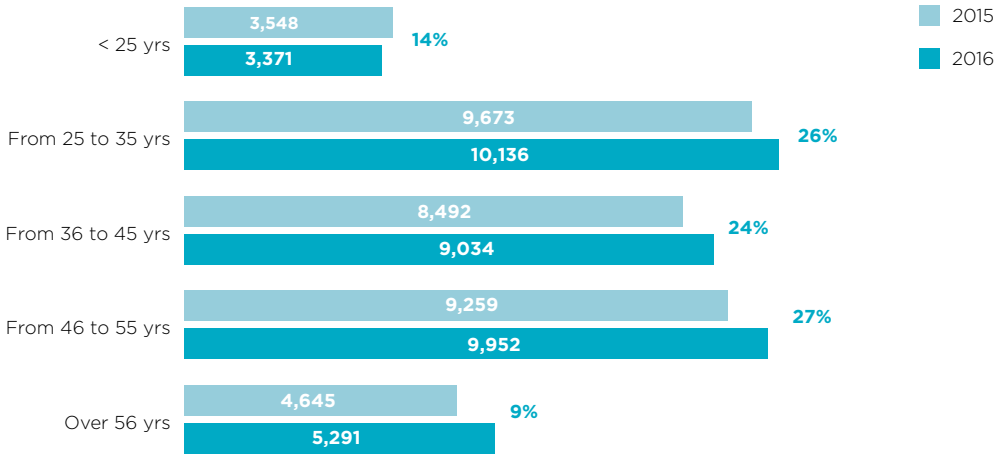
The following charts show the total workforce in full-time equivalents ("**FTE**") and the breakdown of employees[1] by age and gender in France, Germany, Belgium and Italy in 2015 and 2016.

Total workforce and breakdown of employees by gender, age and geographical area



1. France **22,439**
2. Germany **10,045**
3. Belgium **3,305**
4. Italy **1,995**



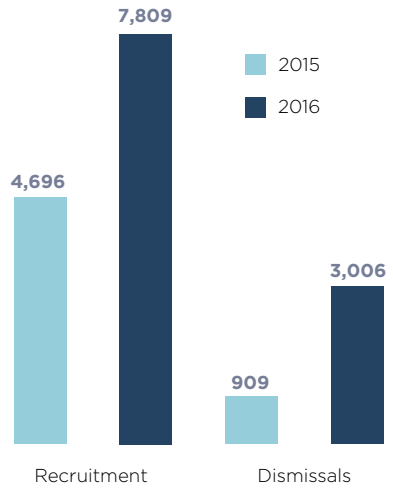


(1) Only employees on fixed-term, indefinite-term or professional training contracts employed on 31 December 2016 were counted (internship contracts and temporary contracts were excluded).

The Group's workforce in Germany grew by 6% in 2016. This is attributable to the many acquisitions made and the integration of Casa Reha. Women account for 83% of Korian's workforce. In 2016, there was little change in the breakdown by age compared to 2015.

▸ RECRUITMENT AND DISMISSALS

The following chart shows the number of new hires and dismissals between 1 January and 31 December 2016 for indefinite-term contracts in Europe, compared to 2015. The differences in the number of new hires are attributable to the many acquisitions made in the Group's four countries, and in Germany in particular with the integration of Casa Reha. No data on dismissals in Germany were published in 2015.



▸ COMPENSATION

The following table shows the total amount of gross annual wages for fixed-term, indefinite-term and professional training contracts, paid in Germany, France, Belgium(1) and Italy from 1 January to 31 December 2016, compared to 2015.

in €	2015	2016
Total compensation	965,508	1,178,601

In France, the Group's Economic and Social Unit ("UES") conducted its first mandatory annual negotiations in 2016. Under the negotiations, the gradual alignment of the salaries and bonuses of Korian and Medica employees was pursued. The resulting agreement, which was signed by three of the four unions, harmonised the calculation and amounts of the end-of-year bonuses paid to employees with 'office employee' and 'supervisor' status. Accordingly, beginning in 2017 all employees, whether employed by Korian or Medica, will receive a "presenteeism" bonus, which will be calculated similarly for everyone and paid semi-annually.

In Belgium, a major four-year project to harmonise compensation, and meal vouchers in particular, was completed in 2016. The country also has a specific pension fund for the salaried employees of care homes, regardless of whether or not the homes receive federal funding. The collective bargaining agreement for the sector provides for a supplementary pension scheme for employees. This employee savings scheme is therefore available to all of the Group's Belgian employees, regardless of the nature of their employment contract. For every quarter employed, €7 is paid into a pension savings account. Labour agreements additionally provide for an annual contribution from the federal government.

When Korian went public, it negotiated an agreement with trade unions to set up a stock ownership programme for its French employees that would enable them to purchase new shares at a preferential price and to also set up a Group savings plan. Stock-option and free-share plans were established in 2007, and a second stock-option plan was set up 2010. In 2008, Medica had established a Group savings plan to which all employees are free to contribute. Over 3,200 employees (*i.e.* over 50% of the former Group's workforce) subscribed for units in the FCPE employee investment fund when Medica went public in February 2010, in a show of confidence in its management and future. On 31 December 2016, the employees of French facilities held about 130,000 shares.

In France, an employee savings agreement was unanimously agreed on 30 June 2015. By unifying over 40 different Korian employee savings schemes, this agreement provides for a single and more equitable profit-sharing scheme for all employees.

In 2014 and 2015, the Board of Directors approved two free-share plans for certain members of the Group Executive Committee and key senior managers. The granting of free shares is subject to the achievement of demanding performance targets and is mainly intended to reward performance, retain key personnel and align the interests of management with those of shareholders. The main features of these plans are shown in the table below.

(1) This includes Foyer de Lork.

Information on the allocation of free shares	Plan No. 1	Plan No. 2
Date of the Annual General Meeting	26/06/2014	26/06/2014
Date of the Board of Directors' meeting	10/09/2014	16/09/2015
Initial total number of free shares available for granting	153,030	90,649
Share vesting date	31/03/2017	31/03/2018
End of the retention period	31/03/2019	31/03/2020
Performance conditions	share price(1), EBITDA(2) and revenue(3)	share price, EBITDA and revenue
Number of shares subscribed at 31 December 2016	N/A	N/A
Total number of shares cancelled or lapsed	72,729	57,258
Free shares available for granting at 31 December 2016	80,301	33,391

(1) Accounting for up to 50% of the number of free shares that may be granted:
- *29,450 free shares will be granted if the price (Vwap over one month) of Korian shares (the «**Korian Share Price**») is at least €30 on 14 March 2017 (the «**Target Date**»).*
- *No free shares will be granted if the Korian Share Price is not at least €30 on the Target Date.*
- *40,156 free shares will be granted if the Korian Share Price is €33 or higher on the Target Date.*
- *If the Korian Share Price is between €30 and €33 on the Target Date, the number of free shares granted will be calculated by linear interpolation between 30 and 33.*

Since the Korian Share Price was €26.519 on the Target Date, no shares were granted to plan beneficiaries on the basis of this criterion.

(2) Accounting for up to 25% of the number of free shares that may be granted:
- *14,725 free shares will be granted if the Company's EBITDA on 31 December 2016 (the «**Target EBITDA**») is at least €408,600 thousand.*
- *No free shares will be granted if the Target EBITDA is less than €408,600 thousand.*
- *20,078 free shares will be granted if the Target EBITDA is equal to or greater than €449,460 thousand.*
- *If the Target EBITDA is between €408,600 thousand and €449,460 thousand the number of free shares granted will be calculated by linear interpolation between these two figures.*

Since the Target EBITDA was €422,200 thousand, 16,497 shares were granted to plan beneficiaries on the basis of this criterion.

(3) Accounting for up to 25% of the number of free shares that may be granted:
- *14,725 free shares will be granted if the Company's revenue on 31 December 2016 (the «**Target Revenue**») is at least €2,780,100 thousand.*
- *No free shares will be granted if the Target Revenue is less than €2,780,100 thousand.*
- *20,078 free shares will be granted if the Target Revenue is equal to or greater than €3,058,110 thousand.*
- *If the Target Revenue is between €2,780,100 thousand and €3,058,110 thousand the number of free shares granted will be calculated by linear interpolation between these two figures.*

Since the Target Revenue was €2,986,800 thousand, 18,696 shares were granted to plan beneficiaries on the basis of this criterion.

▸ THE ORGANISATION OF WORKING TIME

Korian's Human Resources departments in each country ensure that the Group's facilities comply with employment legislation and collective bargaining agreements and manage recruitment in their country. In France and Germany, a network of Human Resources Managers assists regional Facility Directors in complying with employment legislation and with any industry-wide or company collective bargaining agreements that may be applicable. They also assist with the management of recruitment and staff training plans and with the follow-up of corrective actions in response to the findings of the employee satisfaction survey (for more information see section 3.7.2.3 below).

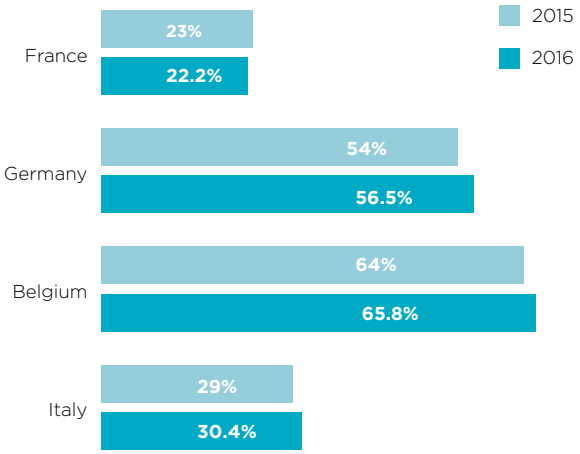
In France, the duration and organisation of work time comply with the laws and regulations in effect and with the provisions of the applicable collective bargaining agreements, and in particular company collective agreements on the reduction of working time. Overtime is also managed in compliance with statutory provisions and collective bargaining agreements. Each facility manages its own work schedule. The French Employee Relations department issues memoranda on human resources management and on the most recent legal and labour-related developments and distributes these to all concerned operational managers.

In Germany, there are relatively few regulations on work time. The industry-wide agreements limit the work week to 48 hours. Employment contracts specify each employee's work time and conditions, their obligations and those of the employer. Full-time employees generally work from 35 to 40 hours a week. Employees may be employed on a part-time basis depending on the facility's needs.

In Belgium, the statutory work week is 38 hours, with a maximum of 11 hours a day. A new application will gradually be deployed to all facilities to computerise and centralise the management of staff working hours and schedules. Docuweb software also enables facility directors to manage contracts and download new Group procedures and such documents as internal regulations and new employee welcome brochures.

In Italy, staff generally work 38 hours a week.

The chart below shows the proportion of people employed part time under indefinite-term contracts at 31 December 2015 and 2016 in France, Germany, Belgium and Italy.



A common culture built on four core values

All Korian employees share a common culture and spirit, the Korian spirit, which gives the Group its specific identity. This spirit is underpinned by four core values: Benevolence, Responsibility, Initiative and Transparency. These values guide Korian employees in their mission to provide quality care and support to residents and patients.

Although these values are all essential and closely interlinked, Benevolence is the foundation of everything our employees do. Their Responsibility is reflected in their determination to provide the best possible senior care services for residents and patients, while their Transparency may be seen in their ability to build trust with partners, residents and patients. Their Initiative ensures that they will continually improve their practices and services.

▸ BENEVOLENCE

Having consideration for others is central to what we do. Naturally this means having compassion and empathy for residents and patients, not only when they arrive but every day, by taking time out to chat or give a reassuring smile. Benevolence also means that confidentiality and privacy are absolute priorities, making sure to respect the choices of residents and patients and to protect their information.

Facility directors are responsible for fostering this spirit of benevolence, on which the well-being of their residents, patients and staff depends, and must ensure that it remains everyone's top priority. They must empathise with residents and patients and take the best possible care of their facility. To protect the confidentiality and privacy of residents and patients, they must ensure that information is provided only when and where necessary. Lastly, they must show respect for the culture and religion of their residents, patients and staff, and for other differences related to age, experience or occupation.

For Korian, benevolence is also reflected in the well-being of its employees in their work environment, as explained in section 3.7.2.3 below. The Group has also implemented measures to provide material, psychological and financial support to employees who experience personal difficulties that could cause them to lose their job, such as full-time salaried social workers in France, and financial aid *via* the Petra VZW employees' association in Belgium.

▸ RESPONSIBILITY

Our mission is to work together to deliver on the promise of ageing well for our residents and patients. Everyone, and facility directors in particular, are responsible for the quality of service they provide and must follow safety rules and Group procedures scrupulously. To ensure compliance with regulations and professional practice, Korian provides training on an ongoing basis so that staff can maintain and develop their skills. Facility directors are responsible for ensuring that their staff are empowered and accountable and for the overall operational performance and profitability of their facility.

Korian treats its residents and patients as responsible individuals and is committed to helping them make the right choices to preserve their independence. When a resident or patient arrives at a facility, a personal care plan or a medical care plan is prepared and is periodically reviewed by a multidisciplinary team.

▸ TRANSPARENCY

Being transparent with residents, patients and their families ensures open and honest communication and builds trust. This is why transparency is an essential value at Korian. Facility directors and their staff must be available to provide information on the physical and emotional state of residents and patients and on their daily schedule and activities, and also be willing to openly discuss any problem observed or practice that needs to be improved.

Employees encourage families, partners and local stakeholders to play an active part in the facility's life and events, so that it remains open to the local community. Korian encourages the sharing of best practices and useful ideas by inviting residents, patients and their families to engage with their facility. For example, in France, by being a member of a Social Life Committee (in a long-term care nursing home) or of a Users Commission (in a specialised clinic), or in Belgium, of a Residents Council.

Sharing knowledge and providing feedback with total transparency, for example with physicians and nursing managers in each region, also enables Korian to improve medical care for the elderly. Participation in the work and research of the Korian Ageing Well Institute also enables the Group's employees and all stakeholders to explore new ways to improve the quality of life for the elderly.

▸ INITIATIVE

By developing everyone's capacity to show initiative, Korian can improve its day-to-day operations and practices. It is essential that the status quo be challenged, that best practices at the local, national and international levels be shared with others year after year, and that their deployment through the Group be encouraged.

Showing initiative also means speaking out, regardless of one's position, to suggest solutions, new ways of doing things and new activities for one's facility. When planning a project, facility directors must therefore involve their staff and welcome any new suggestion that strengthen social bonds. They must be approachable and open to ideas on how to improve practices, encourage discussion and allow everyone to express his or her point of view, including residents and patients.

▸ FOSTERING A VALUE-BASED MANAGEMENT CULTURE

Korian's values are fundamental. They shape its identity and unique character and give meaning to everything it does. These values are the foundation of concrete principles and actions that are observed during day-to-day operations, and of specific attitudes and behaviour that managers are expected to demonstrate. The Group's objective is to make its four core values and their practical implementation in all of its facilities, the building blocks of Korian's unique managerial style.

To achieve this goal, the Korian Academy and the Group's Human Resources department have developed training modules for all of its managers throughout Europe, since they are the ambassadors of Korian's values. These modules, to which will be added 20-minute videos on each value in 2017, enable managers to place themselves in real-life situations and understand how they are expected to behave and apply Korian's values in their facility.

Tools and processes to promote teamwork

▸ HARMONISATION AND DISSEMINATION OF BEST PRACTICES

Korian provides its employees with tools and procedures that help ensure the dissemination and observance of best practices and compliance with quality procedures. In France and Germany, "Quality Manuals" not only describe the Group's quality policy and system but also its best practices in such key areas as the induction of new employees or health and hygiene.

In each country Quality staff have made online tools available for accessing and managing quality documents. For example:

- in France – K-GED, a best practices document management base; K-RIS, an application for monitoring and managing unwanted events; K-PAQ, an application for managing a facility's quality assurance process; K-REC, which is used to process customer complaints;
- in Germany – all Group procedures and standards are now available *via* an online integrated management system, which can be accessed from any computer at a facility or head office;
- in Belgium – the "Docuweb" application allows facility directors and head office staff to download all new Group procedures and such documents as internal regulations, new employee welcome kit, authorisations and master agreements;
- in Italy – all procedures are disseminated on the Segesta intranet.

In all four countries where Korian is present, Quality staff ensure that best practices are disseminated and observed and help facilities implement their quality assurance processes. They also work to harmonise Korian's most essential best practices, not only with respect to healthcare, but also management, marketing and human resources. In Italy, about 70% of facilities are ISO 9001 certified and are therefore audited by the Group's Quality staff annually, with the assistance of the facility's Quality manager.

▸ DEDICATED EXPERTISE AT THE REGIONAL LEVEL

Maintaining Korian's hands-on approach to management at the regional level is essential to preserving the flexibility and simplicity of operation that have served Korian so well and to improving communication between operational entities. The Group's regional directors throughout Europe support the day-to-day work of facility directors.

In France and Germany, regional teams who report to a Division Director stand ready to assist facility directors with their expertise in human resources, quality, care, management control, maintenance, security, regulations, supervisory authorities, sales and marketing. In addition to providing operational support, particularly at facility Management Committee meetings, they sometimes provide training and auditing services. This arrangement establishes a close working relationship between facility directors and the regional director, creates additional opportunities for career development and allows support functions to focus on their primary role.

In France, the position of Support Director was created for temporary management assignments in long-term care nursing homes and specialised clinics. The role of Support Directors is to fill vacant positions and ensure that facilities continue to operate smoothly for residents, patients and staff. These positions are stepping stones towards a full-time director post and are available to employees who are seeking to assume operational responsibilities.

▸ A UNIQUE EMPLOYEE INDUCTION PROCESS

To facilitate the integration of new employees in France and develop their sense of being a part of the Group, Korian has set up an induction process that is tailored to each employee's profile. For managers of core functions this induction training includes immersion in a facility and several days at the head office in Paris.

This hands-on experience in the field enables new employees to gain an overall perspective of the Group as they discover its mission and operations, understand how a facility is organised, learn key processes and become familiar with the main management tools. For head office employees, this immersion training will enable them to discover the Group's activities, learn how a facility is operated and assimilate Korian's values. This approach also allows facilities to share their operational expertise and behavioural practices with the rest of the Group. This on-site immersion is also available for head office employees in Germany, Belgium and Italy.

3.7.2.2 Developing professional skills and expertise

To ensure that its employees will be proud of their work and will be able to develop their careers, Korian has made training a constant priority. To achieve its objective of being the leading provider of care services for the elderly, the Group must recognise and improve the skills of its employees, help them adapt to new practices and career changes, and offer them training that will improve their safety and well being.

The Korian Academy

Staff training is a constant priority. Training initiatives to maintain the highest level of professionalism not only help ensure the excellence of medical care but also of the services provided to residents and patients. Training is also a powerful means of uniting employees around common objectives and of providing residents and patients with innovative care and other services in accordance with their needs.

This is why the Group set up Korian Academy training programmes in France and Germany and is progressively deploying them in Belgium and Italy. Korian's training policy seeks to facilitate employee career development by promoting internal career paths, to strengthen the corporate culture and the sense of Group identity, and to formally recognise employees' skills and knowledge in order to promote the sharing of best practices.

Korian Academy trainers are selected for their ability to teach and their expertise in such fields as nursing, physiotherapy, occupational therapy, psycho-gerontology, and the law. They use their wealth of knowledge to:

- design innovative training courses that are aligned with the Group's strategy, in collaboration with functional and operational departments;
- forecast skills requirements to design new career paths;
- tailor instruction to meet the specific needs of facilities;
- create stimulating interactive training tools and methods;
- promote training excellence by partnering with recognised educational authorities, such as the ministries of Education and Labour and the *École supérieure des sciences commerciales d'Angers* (ESSCA).

In France, the Korian Academy has its own web portal, which is accessible to all employees and presents all training opportunities, news, videos, quizzes, instructional games and more. Practical guides are also available for downloading, with recommendations, instructions and advice on safety and well-being in the workplace, for example when performing such tasks as getting residents ready for bed, washing them and changing them while in bed.

In late January 2015, the Korian Academy signed an agreement with French national education authorities and GRETA (a nation-wide network of continuing education centres) to help trainees gain diploma or certificate credit for work experience through the "VAE" programme, and to provide training in accommodations services. The Versailles regional educational authority will be responsible for overseeing the pedagogical and administrative aspects of these programmes.

There are also Group training centres in Germany, Belgium and Italy, which report to their respective Human Resources departments. Their role is to review training requirements, determine training priorities and prepare and implement training plans.

Diploma and certification training programmes

The Korian Academy makes sure that the Group's employees are able to receive useful professional development training that recognises and rewards their engagement, enhances their skills, and offers them a promising professional future.

In France, Korian encourages employees to work toward a diploma. They may do this through the VAE work experience accreditation programme, which enables employees with three years of professional experience to obtain a diploma that is relevant for their job, without having to go back to school. The Korian Academy supports and assists these employees by developing a comprehensive training package that consists of individual interviews and group workshops in their region, à la carte training modules to strengthen the knowledge and skills they will need for their diploma, and guidance and assistance to help them prepare for tests and evaluations.

Korian promotes the recognition of the nursing profession and is preparing for the future by creating a network of Korian nationally certified Coordinating Nurses. In France, the Korian Academy provides a modular training programme specifically for nurses who would like to obtain an advanced certificate in long-term care nursing home management (in partnership with INSEEC) or work experience credit toward a third of the Healthcare Facility Director Master 2 degree. The objective of these training programmes is to enable certified nurses to obtain the front-line management skills they will need to oversee the operation of a long-term care nursing home (in collaboration with the supervisory authorities) and to align work with personal professional development projects.

Management training

Managers play a key role in ensuring the quality and personalisation of admission and care for residents, patients and their families. This is why Korian has structured training courses that enable its managers to strengthen their fundamental management skills while developing a common managerial approach that is based on team work and Korian's values.

In France, the foundation of the Group's managerial style is its Booster Management programme, which includes the "Management Path", which is a dedicated sequence of training modules for front-line managers. It enables trainees to acquire the fundamentals of human resources management, work organisation, change management, marketing and quality of life in the workplace. In Italy, the first module of this innovative training programme was deployed in 2016 for front-line managers in all facilities, including cooperatives.

All facility directors may also take courses at the Korian Academy's "Korian Campus", which partners with well known educational institutions. Training modules on the most critical aspects of facility management are created to harmonise managerial practices in such areas as human resources management, sales and marketing, and the measurement of business performance and quality of service.

The Korian Academy also provides comprehensive training for Accommodation Managers that fosters a culture of excellence and high service standards, removes the barriers between care and accommodation, and ensures effective quality control of catering and accommodation services. This training path enables employees to use their work experience to earn credit toward a diploma through the VAE programme and qualify for the Management Path programme, which gives them access to all available training courses, or take specialised training courses (often in a hotel management school) that will enable them to learn about or improve their knowledge of such basic skills as how to set a table, how to improve dining room services and how to create a warm and pleasant environment for residents and patients.

In Germany, the Korian training centre provides mandatory inter-disciplinary training over four days for medical care directors and front-line managers. Training themes and priorities are adapted annually and enable managerial staff to develop their skills in human resources management, work organisation, change management, and quality of life in the workplace. Managers can also take specialised courses in regulations, quality assurance, employment law, project management, conflict management and team management, in accordance with the Group's values. Germany also offers a 24-month Facility Director training programme for young interns. This programme includes class-room courses, internships in various Korian departments and progress monitoring by the Human Resources department.

Developing core expertise

Korian believes that expertise in its core service activities is essential to achieving excellence in the care and services it provides to residents and their families. To enhance the professional recognition of the Group's geriatric services and continuously improve their quality, the Korian Academy in France has created the "Geriatric Care Passport", a new and innovative certification training programme that enables caregivers to acquire uniquely specialised expertise.

The training modules, which are organised into five skill areas – elderly care and well being, therapeutic programmes and care continuity, stimulating the elderly, end-of-life care and support, and practice analysis – are tailored toward medico-social care or post-acute and psychiatric care. In 2016, nine e-learning Geriatric Care Passport modules were created to make this training accessible to as many employees as possible.

In Belgium, nursing staff can attend external training courses and become their facility's "expert" in such areas as palliative care or dementia. Upon completion of training, they receive a certificate that is recognised throughout the field as evidence of their professional expertise.

Ensuring everyone's safety and well-being

Created in France in 2011, the "BEST" benevolent and ethical care training programme is representative of Korian's commitment to providing care and support for its residents, patients and employees. BEST training ensures a benevolent and non-abusive approach to therapeutic and personal care.

To ensure that all employees are aware of safety and benevolent care measures, the Korian Academy has created a BEST training table game. A bit like snakes and ladders, employees are asked questions that enable them to test and improve their theoretical and clinical knowledge. Employees also have access to "Know-it-all" memos on EU hygiene requirements. In 2016, the first e-learning modules were tested successfully in France. They will be deployed to the Seniors Division in the first half of 2017, and will be translated for the Group's other countries over the following months.

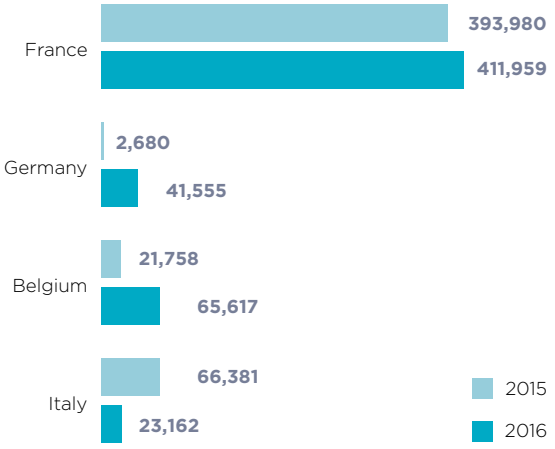
Employees in France may also receive training in the Montessori method, which is used to develop the cognitive skills of people who suffer from Alzheimer's by getting them to use their emotional memory and faculties to circumvent mental deficiencies, as explained in 3.7.3.1 below.

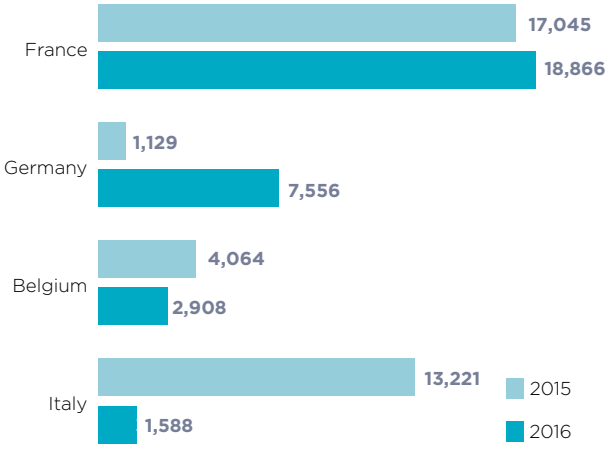
In Belgium, medical care staff may take part in role-playing games in which they are residents suffering from dementia. This enables them to experience what residents may feel, see things from their perspective and identify things they can improve in their relations with residents. In Italy, quality assurance specialists receive six days of training on how to detect abusive treatment in medico-social facilities and monthly follow-up and assessment indicators have been implemented for each facility.

In Germany and Belgium, employees may also receive training in workplace wellness to improve communication with colleagues and the families of residents, manage stressful situations and conflicts more effectively, and prevent musculoskeletal disorders ("**MSD**") and burnout.

Total training hours

The charts below show the number of training hours and the number of employees on fixed-term, indefinite-term and professional development contracts who received training in 2015 and 2016 in France, Germany(1), Belgium(2) and Italy, including study days, individual training leave and e-learning, where applicable. Unlike in 2015, the data for 2016 does not include Italian cooperatives.





3.7.2.3 Commitment to the quality of life in the workplace and diversity

Korian places great importance on the safety, well-being and inclusion of its employees. The Group is convinced that diversity in the workplace goes hand-in-hand with progress and has made respect and consideration for others a key component of its managerial practices.

Making safety, health and well-being in the workplace a priority

The safety, health and well-being of employees are essential to Korian's mission of providing high quality care and support. The Group actively encourages them to adopt healthy movements and postures to reduce the risk of occupational illness and accidents.

▸ THE EMPLOYEE SATISFACTION SURVEY

Hundreds of dedicated action plans were prepared and deployed throughout the Group's facilities in 2016, with the objectives of significantly improving the work environment, staff organisation and the day-to-day well-being of employees. In 2017, Korian will once again conduct its *Kommunity* employee satisfaction survey in all four countries. This new survey will make it possible to measure the progress made since the 2015 survey and to ask all employees what they think about such key issues as equal opportunity, training and innovation.

▸ ENSURING AND PROMOTING HEALTH AND SAFETY AT WORK

Fewer work accidents and occupational illnesses

In France, the Korian group has been publishing *This Month's Safety Tip* since September 2014, to remind employees of the main safety recommendations to prevent or reduce such work-related risks as burns, falls and slipping, exposure to chemical products or blood, accidents transporting equipment or materials, and driving hazards. Each monthly tip is posted on the Korian Academy's new web portal and is also available in the K-GED document management database. At all of the Group facilities in France, safety themes are addressed at monthly team meetings in the presence of employee representatives. The monthly safety tip must be displayed in the facility to ensure that all employees are informed.

In Germany, to implement best practice, ECONOMED, a workplace and medical safety database used by the Phönix group, was deployed in all facilities. This initiative includes annual safety reminders on such hazards as accidental needle pricks and musculoskeletal disorders and periodic check-ups. Health authorities regularly conduct surprise inspections. Furthermore, facility personnel were surveyed in 2016 to get a better understanding of the causes of stress at work.

(1) Only training offered by the Korian Academy is counted, and not training offered by external organisations.
(2) Only training time during work hours is counted.

In Belgium, the Occupational Health Authority checks working conditions in each facility once a year. The Group has taken many steps to improve safety and health in the workplace and conducts an annual study on psycho-social risks and work-related stress in all facilities. A programme on stress management and nutrition was deployed in 2016. To ensure that workplace safety, health and well-being measures are implemented and appropriately monitored by occupational physicians and psychologists, each facility's Health and Safety Committee meets once a month, in the presence of trade union representatives. The role of these committees is to find ways to prevent accidents and improve employee well-being in the workplace. Lastly, each facility has an emergency plan that specifies all safety procedures to be observed if a facility must be evacuated.

In Italy, mandatory training in workplace safety is provided. The Group is committed to establishing a strong safety culture by improving risk awareness and encouraging all employees to behave responsibly. Each facility's Risk Management Document includes the provisions of Act No. 81/08 on Safety and Health in the Workplace. There is also a specific safety plan for safety hazards involving third parties, *i.e.* residents, patients, personnel and contractors. Employees are trained by the local fire department before they may be issued a fire safety certificate. By law, at least one employee who has been issued a fire safety certificate must be on the staff roster. In each region supervisory authorities conduct periodic inspections to check that this rule is observed.

Each site in Italy has emergency and evacuation plans that specify the procedures to be followed in an emergency, such as a fire, power outage or lift breakdown. Facilities are equipped with fire extinguishers and hydrants, regulatory safety signs, and detection, signalling and alarm systems and equipment. Emergency and first-aid teams undergo regular training, refresher training and drills. Evacuation drills are conducted annually at each site.

The table below shows the average frequency rate and severity of work-related accidents involving employees employed under fixed-term and indefinite-term contracts in France, Belgium and Italy in 2015 and 2016. This information is not available for Germany.

in %	2015	2016
Frequency rate	47.14	48.28
Severity rate	1.69	3.18

Preventing musculoskeletal disorders

Preventing musculoskeletal disorders (MSD), assessing occupational risks and managing work-related stress are among Korian's top employee health priorities.

In France, the Group has been using a bio-cleaning process since 2012 that significantly improves the working conditions of cleaning staff with ergonomic equipment that reduces and even prevents MSD. By substantially reducing the distance travelled when cleaning a given area, bio-cleaning reduces load carrying, uncomfortable and painful postures, cleaning time and repetitive tasks and movements. Korian aims to reduce employee back and shoulder problems by 30%.

A film on MSD prevention and another on chemical-biological risks that were made in 2013 are now shown to all medical care and bio-cleaning employees in France. These two pedagogical tools were the result of the national agreement on the prevention of occupational hazards and work hardship.

In Belgium, occupational health authorities come to each facility twice a year to raise employee awareness about healthy workplace practices.

In Italy, ergonomics trainers teach employees how they can avoid MSD and work-related accidents. They also advise facility directors on the best equipment and materials to purchase for residents and dependent patients.

▸ COMBATING ABSENTEEISM

Fostering workplace well-being and limiting absenteeism go hand-in-hand with the Group's objective of providing high-quality service. To reduce absenteeism, a new collective agreement was signed on 27 June 2016 in France, that provides for the granting of an annual "presenteeism" bonus to which all employees are eligible. This bonus is intended to increase the loyalty of employees by rewarding them for their diligence at work. The amount of this bonus, which is paid at the end of the year, is proportional to the employee's length of service and is reduced by each successive absence.

In Belgium, a plan to reduce absenteeism was implemented in 2015. Employees must explain all intended absences in advance to their direct supervisor at an "announcement interview" so that the causes and the duration of the absence can be anticipated. Follow-up interviews during the employee's absence and when he or she returns to work are also arranged to maintain contact and communication. After a third period of absence, an appraisal interview is held to determine the reasons for the absences and discuss possible ways of reducing future absences. Another objective is to raise employee awareness of the negative impact their absence has on the quality of service provided to residents and/or on the workload for their co-workers. Other measures to reduce absenteeism include reducing work loads, maintaining or increasing the motivation of employees with low or zero absenteeism, and simplifying work organisation and schedules. Now considered to be a best practice, the Group is deploying this new procedure in France, Germany and Italy.

The table below shows the absenteeism rate in France, Belgium and Italy in 2016. This information is not available for Germany.

in %	Italy	Belgium	France
2016	4.19	12.52	8.33

Concrete measures taken to promote diversity and equal opportunity

The Korian group and its social partners have decided to make firm commitments to promote diversity in the workplace, since they are convinced that diversity is the hallmark of a modern, innovative and efficient company.

▸ AN EXEMPLARY COMMITMENT TO GENDER EQUALITY

In 2016, the Group received the Gender Equality Grand Prize in the SBF 80 category and the Gender Equality Prize in the Healthcare Goods and Services category, based on the Zimmermann Index, which measures corporate gender equality on the basis of three criteria: the proportion of women executives on the Company's Board of Directors and in its senior management bodies and its overall proportion of women employees. In November 2016, Korian also received the Ethics & Boards prize. Ethics & Boards is the leading international observatory on the corporate governance of listed companies and on the gender equality of their senior management bodies.

These results may be attributed to the Group gender equality agreement that Korian signed on 26 January 2012 and which applies to all French subsidiaries. Under this agreement, Korian made a commitment to encourage its facility directors to observe the principles of gender equality, and in particularly to ensure that:

- job offers are presented equitably in a gender-neutral manner to men and women;
- all job applications are treated equally (all facility directors are provided with a guidebook on recruitment);
- all employees have equal access to promotion and new job opportunities on the basis of skill requirements;
- men and women receive equal pay for the same level of responsibility, education, ability, professional experience and number of work hours;
- part-time employees are paid proportionally as much as full-time employees.

In addition to this, on 10 March 2015, a collective agreement on Gender Equality in the Workplace was signed by all unions. The agreement features important measures on parenthood, such as the distribution of a maternity guidebook to all pregnant employees to inform them of their rights. Particular attention is paid to improving the gender balance throughout the Company.

In Belgium, equal pay between men and women is required under the collective labour agreement of 15 October 1975 (No. 25). This agreement bans all forms of gender discrimination between people performing the same job or doing work of equivalent value.

▸ THE DISABILITY MISSION – REAL EMPLOYMENT FOR THE DISABLED

For Korian, the Disability Mission project is not just about hiring the disabled in France, but is part of an overall approach towards employee integration and retention. Since 1 January 2015 the Disability Mission has been underpinned by a Group collective agreement to employ the disabled that includes substantial commitments to hire more people with disabilities and raise awareness. It was signed by all unions in France.

Employing people with disabilities

In France, the Group's efforts to hire and integrate the disabled includes a partnership with the handicapped job site www.handicap.fr, which provides information about the Group's job opportunities and posts job offers. Several partnership agreements have also been signed with the following organisations since 2015:

- the Mulhouse Vocational Rehabilitation Centre, which mainly provides training for caregivers and activity leaders;
- the Montpellier Retraining and Vocational Integration Centre, which is the only vocational training institute in France that awards nursing diplomas to the disabled;
- the Valentin Haüy Foundation, which trains the visually impaired to be masseur-physiotherapists;
- the Coubert Occupational Retraining Centre, which provides training for activity leaders;
- *Tremplin,* an NGO that finds jobs for young graduates with disabilities.

To ensure the successful integration of these interns and employees, in 2015 the Group signed a partnership agreement with *CED Hanploi* to create a training module for mentoring people with disabilities. This training has already been provided to 182 people in 95 facilities. Also since 2015, special training in managing the disabled has been available for the Group's managers, in partnership with the NGO *Théâtre à la Carte.* To this day, this training has been given 22 times, to a total of 238 people.

The Disability Mission task force provides individual assistance to facilitate the employment and support the retention of disabled employees. This includes providing assessments of their professional situation, processing requests for work adaptation, and providing equipment and aids that help them overcome their disabilities. In 2016, all of the documents in the new employee welcome booklet were audio-transcribed and are available in digital form to facilitate the induction of visually impaired employees.

There are currently no Group collective agreements that govern the employment of the disabled in Germany, Belgium or Italy, but the relevant national laws are complied with in these three countries.

The total number of people with disabilities employed in Europe in 2016 represents 1,172 full-time equivalents. In France, Korian has well exceeded its 2015 commitment to hire 180 disabled workers over a period of three years, as it has already hired 106 new disabled employees and has recognised 373 additional employees with disabilities.

Raising employee awareness
In France, Korian's Disability Mission task force regularly organises communication initiatives to increase employee awareness about employing the disabled. The welcome booklet that is distributed to each new employee contains a leaflet on this subject. Every year, each Group employee also receives a letter and a pamphlet that describes the Disability Mission's work and includes personal narratives from employees. A response form is also included to enable employees to provide information about their particular situation so that the Human Resources department may take it into account.

The Group also participates actively in European Disability Employment Week ("**EDEW**"), during which numerous shows, forums and job dating events are held in France and in Belgium, and in two "hackathons" where employers and handicap specialists meet to discuss new innovations for the disabled. During the 2016 EDEW, the Group conducted a major campaign in all of its French facilities to raise awareness about diversity in the workplace. For this occasion a photo contest was organised by Grégory Cuilleron, the ambassador of AGEFIPH, which provides funding to support the employment of the disabled. The 12 best photos were selected for publication in a calendar that was distributed to all Korian facilities.

Many other targeted actions were proposed to employees in 2016, such as: conferences with handisport athlete and entrepreneur Rhyad Sallem on the themes of individual performance and challenging oneself; an exhibition on Music and Disability; Anma massages from visually impaired practitioners; and disability awareness workshops for the 10 facilities that are furthest behind in achieving their employment obligation.

▸ **ANTI-DISCRIMINATION POLICY**
Korian prohibits any discrimination based on the age, gender, sexual orientation, health, ethnic origin, nationality, political opinions or religious beliefs of individuals. The management and professional development of staff is based on the principle of equal opportunity. Performance, career potential and personal skills are essential criteria for career advancement and pay rises. The Group believes that diversity is a valuable asset and endeavours to reach all professionals in its sector through its recruitment communication.

In France, the Group has therefore implemented a clear and fair career management policy that encourages and rewards the expression of individual skills and efforts without discrimination. This policy is largely implemented through performance management, which involves an annual assessment of each employee's performance that enables them to progress their careers in accordance with their desires, abilities and achievements. Using the results of these yearly assessments human resources staff impartially examine individual cases and career development potential at annual Career Committee meetings. The information obtained at these meetings is used to conduct annual talent reviews to support each employee's professional development and offer motivating career opportunities. For example, to promote internal promotion and mobility, the Human Resources department keeps employees continuously informed of all jobs available in France through its Opportunity Flashes among other means.

In France, Korian signed an agreement on "generation contracts" with its representative union organisations on 26 January 2012. This agreement specifies concrete actions for the long-term employment of young people under indefinite-term contracts and for the hiring and retention of older employees, to facilitate the transfer of knowledge and expertise. It supersedes the Group collective agreement on senior employment signed on 29 December 2009 and is in keeping with its commitment to prevent discrimination by ensuring that all employees have equal access to employment and career advancement opportunities regardless of their age.

In Germany, Belgium and Italy, the Group complies with all local laws and regulations to prevent all forms of discrimination. If necessary, discrimination matters may be referred to specialised organisations.

3.7.2.4 Ensuring social dialogue and respecting employee rights

In each country, Korian makes it a point to foster constructive relations with its employees and to comply with employment law and rules that govern staff representation and consultation.

Social dialogue and staff information and consultation procedures

The Korian group's employment policy is underpinned by the hands-on management and attentiveness to employee concerns of facility directors and Human Resources staff in each country. The Group makes it a point to ensure that management and staff communicate openly and proactively at all of its sites. In doing so it aims to develop constructive social dialogue that will enable the Group, and each of its entities, to achieve their objectives.

▸ **REGIONAL HUMAN RESOURCES MANAGERS**
In France and Germany, facility directors, who are ultimately responsible for developing and maintaining a constructive social dialogue, are assisted by their regional HR managers, not only for staff recruitment and retention, but also to ensure that they comply with local employment laws and the terms of industry or company collective bargaining agreements. Together they ensure proactive and open communication between management and employees, in accordance with the Group's values. Their objective is to establish a positive dialogue with employees and their representatives to ensure that the objectives of the Company and its operational entities will be achieved.

In Belgium and Italy, human resources are managed directly by each facility, under the oversight of the national Human Resources department, except for head office staff, facility directors and regional directors. The largest sites in Belgium have their own Human Resources Manager. In the other sites human resources are the responsibility of the facility director. Meetings with the head office are held every quarter to discuss recent events of importance to the Group and new procedures to be observed.

▸ EMPLOYEE REPRESENTATION

In the Group's French subsidiaries specific bodies and people represent the interests of employees, as required by law. Pursuant to article 11.4 of the Company's articles of association, which is based on articles L. 225-27-1 and subsequent of the French Commercial Code, a voting member of the Board of Directors is responsible for representing employees. A representative of the Group Works Council attends Board of Directors' meetings, but is not entitled to vote. In 2016, 7,500 employees were able to take advantage, for the first time, of the benefits provided by the Group's four works councils. One of these represents post-acute and psychiatric services, two represent medico-social services, and the fourth support services and facility directors. Their members were elected with an employee voter turnout rate of 65.5%. These works councils have a budget for social and cultural activities that is equivalent to 0.6% of payroll, which can mean as much as €1 million a year for each council.

In Belgium, employee representation is organised at the facility level. All facilities have a works council and a Health and Safety committee, which meet each month. These meetings are attended by an employers' delegation (representing facility directors) and a union delegation (representing the three trade unions), which are elected every four years. Elections of employee representatives were held in 2016. All of the collective agreements of the National Labour Council *(Conseil national du travail)* are observed, as are the collective agreements that are specific to the Group's sector. Belgium also has a collective labour agreement that specifically deals with meal vouchers.

In Italy, labour-management agreements may be signed at the national, regional and individual site level, in accordance with regulations. The Human Resources department is responsible for overseeing the social policy, which is based on attentiveness to employee concerns and proactive and open communication.

▸ COLLECTIVE AGREEMENTS

In France, the following new collective agreements were signed with union representatives in 2016:

- on 13 January 2016, a pre-election agreement to prepare for works council elections. This makes Korian the first company to implement the new measure under the Rebsamen Act which makes it possible to Group employee representatives and members of Occupational Health and Safety Committees together in a single representative body;
- on 3 March 2016, an agreement on social dialogue to set forth rules for the organisation of employee representative bodies that are essential for works council elections;
- on 27 June 2016, an agreement to continue efforts to harmonise employee compensation and establish a single "presenteeism bonus" for all facilities.

Collective agreements on the Disability Mission, gender equality and "generation contracts" are still in force and are described in section 3.7.2.3 of this registration document.

The collective agreement of 30 June 2015 on employee savings schemes is described in section 3.7.2.1 of this document.

No agreement was reached on the introduction of a new healthcare insurance scheme, with effect from 1 January 2016, due to legal considerations with which the trade unions agreed. However, nine meetings were held to discuss the content of coverage, the number of options to be made available and the scope of family member inclusion. The new healthcare costs scheme was the subject of an extensive internal communication campaign. The diversity of the insurance coverage proposed gives all employees who were employed on 31 December 2015 the opportunity to select their own "personalised" plan. This new scheme replaces more than 60 existing schemes and applies to all categories of employees equally. In January 2016, more than 7,000 employees had already decided to join this new scheme.

Regarding the negotiations on working conditions that began in May 2015, in order to shift the focus of discussion more toward the idea of well-being in the workplace, trade union representatives and General Management decided to use the term "quality of life at work" rather than "working conditions" and to prioritise "intangible working conditions". These negotiations will be completed in 2017.

In conclusion, 2017 will once again be a fruitful year for social dialogue in France, with negotiations on the creation of the single social contract, on the quality of life at work and on Strategic Manpower and Skills Requirement Planning ("**GPEC**"). The signature of these agreements in France shows that the Korian group is determined to maintain a responsible social dialogue.

In Germany, although no collective agreements are applicable nation-wide, the facilities do enter into agreements. Although no new collective agreements were signed in 2016, a project to harmonise HR management is planned for 2017.

In Belgium, a major four-year project to harmonise meal vouchers and other compensation was completed in 2016.

In Italy, a collective agreement on occupational safety and health conditions was signed on 5 September 2012.

Promoting and observing the fundamental conventions of the International Labour Organisation (ILO)

▸ RESPECTING THE FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

The Group ensures that freedom of association and the right to collective bargaining are observed, which means that all statutory requirements and all provisions of group or company collective agreements that apply to collective bargaining are complied with.

▸ ELIMINATION OF FORCED LABOUR AND ABOLITION OF CHILD LABOUR

The Group observes the principles of the ILO's fundamental conventions in the four countries in which it operates, and in particular those that apply to the elimination of forced labour and the abolition of child labour.

3.7.3 DEVELOPING INNOVATIVE APPROACHES

Korian innovates ceaselessly to address the need of its residents, patients and their families for more services and dependency alternatives. The Group offers a unique ethics-based approach that focuses on the needs of the individual and develops pioneering digital tools to improve the day-to-day lives of its residents, patients and staff.

3.7.3.1 Adopting an innovative approach to care provision

As the European leader in senior care services, Korian has made the well-being of the elderly its priority, regardless of their degree of dependency or autonomy. For example, in the four countries where it is present, Korian prefers to use non-medicinal therapies when caring for residents who suffer from dementia.

Korian's "positive care" programme

Korian seeks to provide an environment in which its residents and patients can live their lives as normally as possible and to offer care and services tailored to meet their personal needs.

▸ ALOÏS AREAS

The Korian group's long-term care nursing homes are equipped with communal living areas that are specially designed and arranged to meet the specific needs of people suffering from Alzheimer's or related diseases. These areas are not isolated from the rest of the facility, are equipped with a kitchen and special lighted paths, and are subject to 24/24 surveillance. Medical staff are trained in alternative and non-medicinal therapies such as the Montessori method, and organise appropriate activities that consist mainly of games and domestic tasks, such as laundry, housework and gardening.

In France, Alzheimer care units in long-term care nursing homes are now known as "Aloïs areas", in homage to Aloïs Alzheimer, the German psychiatrist, neurologist and neuropathologist famous for discovering the disease that bears his name.

▸ NON-MEDICINAL TREATMENTS ARE PREFERRED

Korian prefers to use non-medicinal therapies to treat the cognitive and functional impairment, mood disorders (such as anxiety) and behavioural problems of its residents and patients who suffer from Alzheimer's or a related disease.

In France, these disorders are evaluated during the resident's geriatric assessment, under the responsibility of the facility's medical director, by a team of therapists and practitioners who take into account the person's needs and expectations. Depending on the problems identified and the profile of the resident or patient (mainly their degree of dependency and their physical and cognitive abilities) appropriate therapies are proposed and incorporated into the person's care plan.

- For cognitive disorders, stimulation and cognitive rehabilitation therapies (such as memory workshops or Creasoft's the HAPPY Neuron EPHAD application) enable psychologists to stimulate the resident's memory and analytical skills. Social activities such as cooking, housework and gardening also contribute to his or her care and support.
- To treat functional and practical disorders, physiotherapists and occupational therapists may propose environmental and/or activity stimulation therapies in a gym or physiotherapy room, such as special exercises to improve balance and help prevent falls. Silverfit, an exercise system for the elderly, helps residents and patients maintain their functional capabilities, prevent osteoporosis, and maintain their reflexes and coordination so that they can continue to be active and independent. Original activities such as tai chi or osteopathy may also be proposed.
- Psychologists treat mood disorders with non-medicinal therapies involving memory stimulation, empathy and the improvement of self-esteem. This may involve, for example, simulating the presence of a family member (perhaps with a photo or video) or encouraging residents to reminisce about famous people or historic places.
- To deal with behavioural disorders, psychologists prefer therapies based on sensory or multi-sensory stimulation, such as "Snoezelen" rooms, balneotherapy, aromatherapy, art therapy, music therapy, *etc.* Game-based mediation activities that involve assembling things and manipulating symbols (such as Ludim) can also be played for fun or to ease anxiety and boost self-esteem. Creating a familiar and soothing environment can also reduce the anxiety of people suffering from dementia. For example, a Group facility in Milan recreated the interior of an old rail carriage.

In France, at the instigation of the Korian Ageing Well Institute, a "flash activities trolley" was created to provide a non-drug alternative for dealing with the mood and behavioural disorders of residents (for more information see section 3.8 of this document). Traditionally used with young children, the Montessori method has been adapted to treat people suffering from Alzheimer's or a similar disease. Based on neuroscience theory, this method uses non-verbal, sensorial and motor communication to get disoriented elderly people to use their faculties and emotional memory to circumvent cognitive difficulties. The practical applications of the Montessori method (for example, to adapt to new activities and environments or guide behaviour) have been shown to improve the quality of life, socialisation, self-esteem and behavioural disorders of disoriented elderly people. The Korian Academy provides the Group's employees with training in the Montessori method.

In Italy, a group activities laboratory was set up in Milan to enable high school and university students to work in a Korian long-term care nursing home, once a week for six months, on an innovative project to improve the well-being of residents who suffer from a cognitive disorder. In 2016, students developed new forms of communication and interaction using a game employing emoticons. In Italy, Korian is also a pioneer in the use of such non-medicinal therapies as the empathy doll, the virtual train ride, the sensory room, robot pets and art therapy. The Group also proposes a Dog Camp, where residents and patients can spend time with their pet and engage in a non-medicinal therapy based on affection and pacification.

▸ A VARIETY OF CULTURAL AND SOCIAL ACTIVITIES

The Group is committed to making activities a major component of the cultural and social lives of its residents. Activity leaders at facilities help to combat isolation and give residents a sense of fulfilment by designing, organising and leading pleasurable social activities that are consistent with the facility's development plan and the social life plans of residents. The aim is to improve their quality of life in accordance with their wishes, needs, level of dependency and health.

Although each facility determines its own activities policy, Korian recommends a large selection that encompasses the needs of all residents. There are various types of activities, including cultural, creative, manual, relational, recreational and physical. Long-term care nursing homes organise trips and inter-generational events with stakeholders in the local community.

▸ EATING WELL TO AGE WELL

Serving good food has always been a priority for Korian. This is very important for residents, patients and their families and plays a substantial role in their well-being. With some 76 million meals served each year in Europe, Korian is committed to providing its residents and patients with food service that is pleasurable, family-oriented and delicious.

In France, Korian makes the quality of its meals and dining experience a top priority. "Home-style cooking" is provided and meals are cooked and prepared using unprocessed seasonal products and traditional recipes. Facility chefs are assisted by culinary experts, regional catering advisers and dieticians who are specialised in the health and nutrition of the elderly. Korian also works to increase the skill and expertise of its chefs through training programmes, some of which are conducted in collaboration with hotel management schools. Menus are planned over a period of five weeks and are renewed each season in accordance with the availability of food products and seasonal recipes. These menus must observe a nutrition plan that is established by qualified dieticians. The recommended nutritional criteria are observed and are validated whenever menus are renewed.

In partnership with *L'Atelier des Chefs,* in 2016 Korian launched a website that is available to all chefs in France. The site proposes e-learning modules on major culinary themes and presents a monthly interactive cooking show. It also unites the community of Korian chefs by providing them with an innovative means to communicate and share their best practices while staying informed of recent events within the Group.

To allow residents to spend time with their family over a good meal, Korian offers "guest meals" with set daily menus and gourmet menus. Residents can also attend cooking workshops several times a month and make cakes, pastries or jams that will be served at social events.

In Belgium, a new Food Service Manager position was created in 2015 to evaluate the practices of kitchen staff and improve the quality and taste of the meals that facilities serve.

In Italy, more and more facilities are making it possible for their residents and their families to pre-select their menus on "Ristocloud", a dedicated website, and obtain information about meal ingredients and their origin, allergens and calories. Using a tablet computer, medical care teams can thus help each resident select the meals they would like for the week, which considerably improves customer satisfaction while reducing food waste.

Putting ethics at the core of everything we do

Respecting individual residents and patients, their dignity and desires are the fundamental principles that underlie the care provided in Group facilities and inform its approach to ethical issues.

▸ REGULATORY PRACTICES

Regulations require that all facilities observe the rights of residents and patients and provide guidelines for developing an ethics-based approach.

In France, ethical reflection is largely based on the recommendation published in 2010 by ANESM (the National Agency for the Assessment and Quality of Social and Medico-Social Facilities and Services) entitled "Ethical considerations in medico-social and social facilities and services". This recommendation seeks to foster dispassionate and objective thinking on ethical issues within a department or facility. Adapted to the sector's specific requirements, ethics is understood to be an overarching reflection on the meaning and role of care provision and on the potential benefits for residents, patients, families and staff.

One of ANESM's recommendations is to set up an Ethics Committee in each facility to guide the development and implementation of this ethical reflection. In 2016, all facilities in France had an Ethics Committee, which met at least once a year to deal with ethical issues that impact practices. The chairs of these Ethics Committees are encouraged to invite experts from the local community to attend meetings to ensure the independence and plurality of views that is essential for constructive dialogue and objective decision-making. Residents, patients and the representatives of family members (notably *via* the Social Life Committees and CDU) can also participate in these meetings.

In Germany, the Ministry for Families, Senior Citizens, Women and Youth set up the *Pflege-Charta* ("Care Charter") to set forth the rights of dependent persons. It recommends setting up an Ethics Committee or examining real-life situations and practices at meetings led by trained employees. Awareness-raising and self-assessment materials are also made available to "Charter owners" within the facility, who are considered to be Quality Assurance managers.

▸ ETHICS BODIES

The Ethics and Quality Assurance Committee, which is a special committee of the Company's Board of Directors, is responsible for validating and monitoring the implementation of the Group's Ethics and Quality Assurance systems. It validates the risks map, evaluates the Group's risk prevention procedures and makes recommendations to the Board on complaint monitoring procedures and other issues. It makes proposals on any ethical issues pertaining to the care of the elderly in Korian's facilities and thus contributes to the preparation of internal policies, measures and procedures.

In Germany, an Ethics Committee was created in 2013. It is led by Dr. Helen Kohlen, a professor of philosophy at Vallendar University. The Committee's 14 members include physicians, university professors, HR staff members and representatives of residents. It meets twice a year to review and improve the tools and procedures that are made available to employees to guide and support their ethical reflection. It provides insights on topics such as palliative care for residents with dementia, communication with family members and physicians, and preserving the independence of residents. It then informs the Quality Department of its findings, which are used to prepare documents and procedures for harmonising practices.

▸ DISSEMINATION OF BEST PRACTICES

The implementation and coordination of ethical reflection tools and actions in the Korian group's four countries is the responsibility of Quality staff. They are also responsible for seeing to it that facilities observe best practices and for the centralised monitoring of all complaints that may have ethical implications (for example, pertaining to abuse or pain management).

The Group coordinates the specification and dissemination of the ethical standards that each facility must observe. Fact sheets on the best practices to be adopted and recommendations regarding regulatory compliance (for example, for dealing with adverse events, abuse, residents and patient independence, pain management and nutrition) are broadly disseminated in France and in Germany *via* KGED or the Quality Manual. In Belgium and Italy, there is a Code of Ethics to which all employees must refer. This code specifies the rules, values and behaviour that employees are expected to observe in their relations with residents, patients and other employees (such as respecting the dignity and privacy of the elderly) transparency and impartiality.

Korian also provides its employees with special tools that help them apply the ethical reflection process to their day-to-day work. For example, in France, medical care teams at long-term care nursing homes use the EVIBE care assessment tool, which was developed by the Korian Ageing Well Institute in September 2014. EVIBE is the first tool that can easily and immediately evaluate the well-being of residents and patients. Another example is the MobiQual kit designed by *Société française de gériatrie et de gérontologie* (the French Geriatrics and Gerontology Society), which recommends simple things that employees can do and attitudes they can adopt that will contribute to improving the quality of care and their relations with residents and patients. In France and Germany, leaflets on the prevention of violence and abuse are distributed to residents and their families whenever necessary, for example during consultation interviews.

Lastly, employees have access to a multitude of training courses to help them learn care and support methods that promote benevolent treatment of the elderly and prevent abuse, as described in section 3.7.2.2 of this document. In Germany, there is a training programme to become an "Ethics Advisor" in a medico-social facility. Among other things, the Ethics Advisor assesses the need for palliative care. In Belgium, medical care teams receive training in dealing with end-of-life issues under the Advanced Care Planning and Euthanasia programme, which covers the relevant laws, requirements and procedures and guides staff through the essential process of discussing the resident's end-of-life needs and desires (such as what questions to ask, when, and how).

3.7.3.2 Strengthening our dialogue with our customers and employees

Korian is attentive to the needs of its employees and customers. In order to continuously improve the quality of its services it has made digital technology a cornerstone of its innovation strategy.

Digital technology for the benefit of our customers and employees

Korian has made innovation one of the pillars of its strategy and is using digital technologies to improve both medical care and the quality of its other services, for the benefit of its residents, patients, their families and its employees.

▸ STRENGTHENING SOCIAL BONDS WITH "KORIAN GÉNÉRATION"

After noting that the family members of the residents of its facilities are often widely dispersed throughout France and that they increasingly use the Internet, Korian wanted to make it easier for them to communicate with their families and with younger generations. To enable this, it provided the residents of its nursing homes in Europe with "Korian Génération", a social network that was specially designed and developed for them in partnership with the start-up Familéo. The objective of this innovative project is to reinvent intergenerational communication and to make it easier for residents to keep in touch with their families by reconciling the digital technologies used by younger generations with their preference for paper documents.

This new social network enables family members and friends to share a private message or photo *via* their smartphone or the network's dedicated website. These messages and photos are automatically formatted and regularly printed out in the form of a gazette that is sent out to each resident of a Korian nursing home. Facilities can also post messages to keep a resident's family or specific family members informed of his or her life at the home.

▸ TABLET COMPUTERS

In the four countries where it is present, Korian has generalized the use of tablet computers to manage care pathways and improve the quality of service and activities. In Germany, some 120 facilities are now using the "Dementia-Tablet PC tablet", which offers features and activities (such as films, games and cartoons) that are specifically designed for people who suffer from dementia and other cognitive disorders. This unique tablet computer, which is simple to use and requires no Internet connection, makes it easy for residents to communicate and stay in contact not only with medical staff but also with their loved ones.

Listening to residents, patients and their families

Korian regularly measures the satisfaction of residents, patients and their families. By obtaining a better understanding of what is most important to them, facilities are able to determine priorities and meet their needs more effectively.

▸ RESULTS OF THE EUROPEAN "CUSTOMER" SATISFACTION SURVEY

The Group regularly surveys its residents, patients and their families throughout Europe, to determine how satisfied they are with its medico-social and post-acute and psychiatric networks. The aim of these "Satisf'aKtion" surveys is to conduct a strategic analysis in each country and understand how customer satisfaction can best be improved and determine the best practices that need to be deployed throughout the network. They also make it possible to monitor and manage "customer" satisfaction within each region and especially for each facility, while taking its client profile, strengths, weaknesses and other specific characteristics into account.

The harmonisation of this satisfaction survey throughout Europe since 2015 has provided useful indicators that can be compared from year to year. Although Korian has chosen to conduct its medico-social survey annually, post-acute and psychiatric facilities distribute satisfaction questionnaires whenever a patient is discharged, in accordance with regulatory requirements. "Customers" are asked about key aspects of their stay at Korian, including, for example, medical care, comfort, room, food, activities, relations with staff, *etc.* The medico-social questionnaire includes questions to assess the psychological and emotional well-being of residents, regarding such things as room decoration and personalisation, the feeling of being at home, participation in decisions and whether they were able to make friends.

In 2016, some 60,000 questionnaires were completed concerning all of the Group's networks in Europe and were submitted, either by post or e-mail or were left directly at the facility. The overall customer satisfaction rate is high, with 67% and 74% of both nursing homes residents and clinic patients respectively being very or extremely satisfied.

To improve the analysis of results, a pre-qualification questionnaire was sent to facilities prior to the survey to get a better understanding of their specific characteristics and facilitate the interpretation of results. Staff in each country was provided with a guidebook on how to prepare these surveys and each French facility was assisted by its Regional Quality Manager.

The results of the satisfaction survey for the medico-social sector are posted on a dedicated website that is accessible to all Facility Directors and Regional Directors. In addition to this, each site is provided with a customised analysis of these results, so that it may better understand its overall strengths and weaknesses and can prepare an appropriate plan of action. The website also enables post-acute and psychiatric facilities to upload responses to questionnaires and analyse client satisfaction in real time, either overall or in a specific area, such as staff attentiveness, clarity of information and pain treatment. Each facility can also view its performance over a period of time and compare it to that of other facilities within its region or nationally. More importantly, it can see what factors have the greatest impact on customer satisfaction and which therefore are the Group's priorities. For the residents of long-term care nursing homes, for example, this may be the general living environment, food service or social life. Lastly, facilities have PowerPoint presentations and their own posters to present the results of their satisfaction surveys to their residents, patients, families, visitors and employees, for example at meetings of Social Life Committees or User Relations Committees.

▸ CONTINUOUSLY IMPROVING THE QUALITY OF SERVICE

To enable each facility to continuously improve the quality of its services, Korian must establish a relationship with its residents, patients and their families based on communication and dialogue.

Handling of complaints

In France, the Quality and Risk Management sub-department of the Medical, Ethics and Quality department set up the *Écout'Client* unit in July 2014 to handle all complaints sent to the head office and help facilities process and follow up the complaints they receive. All complaints (both written and verbal) are subject to a standard procedure and must be entered in a single management system, responded to within seven days and reported to the Regional Director. K-REC, the new management system for handling complaints and claims, has been deployed to all facilities. In addition to this, pursuant to regulations, each long-term care nursing home and each specialised clinic have respectively set up a Social Life Committee and a User Relations Committee. These committees enable a facility's management and staff to meet and discuss with residents, patients and their families.

In Germany, the Group has implemented a unique system for monitoring the processing of complaints and ensuring that all are responded to in a satisfactory manner. This system enables facilities to assign complaints to one of 13 predefined categories (for example, medical care, accommodation or food), monitor their follow-up and progress in real time and ensures that they are processed within three days after reception. If the complainant is not satisfied with the facility's handling of the complaint, he or she can contact the claims management centre in Munich, which can then mediate the dispute. The centre also compiles statistics on the complaints that have been entered in the system and publishes a monthly assessment report for General Management.

In Belgium, the Complaints Call Centre is managed directly by the government. Regulations require that residents and their families have their own mailbox at each facility.

In Italy, marketing staff developed an in-house customer relationship management system. The system enables users (*e.g.* call centre and facility reception personnel) to find all information on calls made by residents, patients, families and prospective customers. This innovative software meets all staff requirements, ensures more effective monitoring of queries, complaints and suggestions from families, and in short improves customer service. French facilities are currently deploying a similar system.

Engaging with families

All Group facilities work to communicate and engage with residents, patients and their families. One of the ways they do this is by organising regular meetings of committees that represent the interests of residents and patients, as required by law. These committees make sure that the rights of patients, residents and their families are respected and facilitate suggestions and complaints. Their contributions also serve to improve the facility's care policy and the care provided to residents and patients, as discussed in section 4.1.2 below.

3.7.4 REDUCING THE ENVIRONMENTAL IMPACT OF KORIAN FACILITIES

The Korian group made the reduction of its environmental impact a top CSR priority for 2016. It focused particularly on monitoring and reducing the water and energy consumption and waste production of all facilities throughout Europe.

3.7.4.1 Managing and optimising the consumption of resources

In its four countries, Korian is deploying processes and tools to centrally monitor, manage and optimise the water and energy consumption of its facilities, to reduce waste while preserving the well-being and comfort of all residents and patients.

Centralised monitoring of consumption data

In France, Germany and Belgium (and soon in Italy), the Korian group is installing smart meters at strategic points in facilities to automatically measure and record energy and water consumption on an ongoing basis. These data are then consolidated on dashboards of performance indicators that are accessible online. This enables Facility Directors, Technical Managers and head office staff who purchase raw materials and building maintenance services to monitor consumption easily and analyse consumption patterns. Alerts can be set up to be triggered when consumption exceeds a predefined ratio.

When a facility is not equipped with a smart-meter remote monitoring system, Technical Managers at each site must record consumption figures on internal performance indicator dashboards on a weekly or monthly basis. Energy consumption data may also be provided directly by power companies. These dashboards are then compiled and analysed by a network of Safety and Maintenance Managers ("**SMM**") in each region in France or Italy, or by head office staff in Germany and Belgium. The role of these teams is to use their operational experience and technical expertise to interpret these data, determine which facilities are consuming the most energy and propose a targeted action plan for each one.

In France, all Technical Managers have received training in water and energy management from their SMM. Each year, the Maintenance and Safety department issues a National Maintenance Plan, which the SMM adapt in accordance with each facility's particular requirements. The Technical Managers and maintenance technicians, who are responsible for executing the plan, are asked to carry out the maintenance actions indicated and to record their progress in a logbook, which is checked by the SMM.

Making employees aware of eco-friendly actions

Simply monitoring and analysing consumption does not reduce it. Korian is working to mobilise all of its employees and set up a network of stakeholders who are committed to decreasing consumption, getting others to change their consumption habits and getting facilities to make an irreversible commitment to sustainable development.

Korian used the encouraging results it had achieved from its efforts to improve equipment maintenance and settings to conduct an extensive awareness-raising campaign during European Sustainable Development Week, from 30 May to 5 June 2016. Using videos and posters, Korian demonstrated its engagement and informed its employees and customers of six high-priority eco-friendly actions, such as turning of lights, signalling water leaks and recycling waste. The objective is to promote simple yet effective best practices and durably change the consumption habits of residents, patients, their families and employees at all levels (whether caregivers, chefs or maintenance staff) and thus significantly reduce the amount of water and energy that is wasted every day. These tools will soon be deployed in the other European countries.

A dedicated environmental governance

Korian has set up a dynamic and multi-disciplinary governance system to oversee the drafting and execution of its environmental policy. This has resulted in the creation of the following governance bodies:

- The Environmental Committee, chaired by General Management in France, and whose members include representatives of the Finance, Purchasing, Maintenance & Safety, and CSR departments. The committee's task is to validate the strategic vision (priorities, objectives, timetable, execution, *etc.*) and see to it that CSR is an integral part of the Group's strategy.
- The Environmental Steering Committee, composed of members of the CSR, Maintenance & Safety, Purchasing and Finance departments. Its role is to determine and implement the actions that will be necessary to execute the Group's environmental strategy, which must be validated by the Environmental Committee.
- Working groups on such themes as Food, Energy, Water, Mobilisation, Waste and Relamping, to fine-tune each project and draft the best practices that will be implemented in facilities. Each working group is composed of leading experts in each theme.

This environmental governance system makes it possible to monitor the various actions undertaken on a continuous basis and across departments, and to establish a CSR policy that is aligned with the operational conditions of the facilities.

In 2017, a European Environmental Steering Committee with representatives from each country will be formed to further promote the sharing of best practices to reduce water and energy consumption and manage waste and to harmonise the Korian group's environmental management in its four countries.

No administrative sanction for failure to comply with an environmental regulation was observed and no environmental incidents were reported. In 2016, Belgium made a €146,880 provision for environmental risk. It was the only country to make such a provision.

3.7.4.2 Substantially reducing the energy consumption of facilities

Energy consumption, mainly for heating, is the greatest contributor to Korian's greenhouse gas emissions and to its overall environmental impact. Reducing spending on electricity, gas and heating oil is therefore a priority.

Total energy consumption of facilities in 2016

The tables below show energy consumption (*i.e.* of gas[1], electricity and fuel oil) in 2016 in France, Germany, Belgium and Italy.

France	**Natural gas**	**Electricity**	**Fuel oil**
In MWh	118,338	128,533	5,783
In euros	5,217,054	13,200,437	291,988
Number of facilities	220	360	27
Metric tons of CO_2 equivalent	25,916	10,540	1,874

Germany	**Natural gas**	**Electricity**	**Fuel oil**
In MWh	87,056	44,228	6,100
In euros	4,489,615	9,034,334	286,293
Number of facilities	126	156	8
Metric tons of CO_2 equivalent	18,630	20,389	1,976

Belgium	**Natural gas**	**Electricity**	**Fuel oil**
In MWh	35,620	14,840	5,085
In euros	2,171,990	3,214,367	285,615
Number of facilities	42	57	15
Metric tons of CO_2 equivalent	7,623	3,265	1,648

(1) Only expenditures on natural gas are indicated, as the price of propane varies considerably depending on the supplier, period and the amount ordered.

Italy	Natural gas	Electricity	Fuel oil
In MWh	8,225	9,593	760
In euros	333,194	1,508,187	62,412
Number of facilities	15	22	3
Metric tons of CO_2 equivalent	1,760	3,895	246

Measures to consume less energy and prevent pollution

The Group is developing a responsible and rigorous energy-management strategy, but without requiring residents or patients to restrict their energy consumption. Energy efficiency is a priority, both to protect the environment and to cut costs. With 715 facilities in Europe, Korian makes sure that all of its property projects include innovative solutions to protect the environment. The Group's property partners share its goals and are determined to promote its values in all new projects.

In the four countries where the Group operates, all used light bulbs are replaced with low-energy bulbs whenever possible. In 2016, relamping audits were conducted at six facilities in France to obtain a better understanding of lighting practices and estimate the potential savings from using low-energy light bulbs. In 2017, a Relamping Guide will be distributed in all four countries to present the findings of these audits along with recommendations for purchasing bulbs and lighting practices.

Working with service providers, in 2016 Korian France completed an extensive campaign to optimise the operation of its heating, ventilation and air-conditioning systems, by installing room temperature regulators, timers and other devices. Energy Savings Certificates were issued for insulating plumbing systems and roof spaces, and upgrading air-conditioning systems. Since 2015, 26 facilities in Belgium have undertaken renovation and insulation work and installed energy-savings equipment and materials that include, for example, new water-heaters, insulation, low-energy light bulbs and solar panels for a pilot project. This work, for which full funding was obtained, was carried out by an engineering firm. Each year, at the start of winter, these facilities conduct awareness-raising sessions on the importance of sustainable development to ensure that employees observe the indispensable eco-friendly actions that go hand-in-hand with their more energy-efficient installations. The first energy savings were observed in 2016.

In Germany, Korian audited 10 facilities in 2016 to gain an insight into day-to-day practices and understand what prevents some people from adopting more environmentally responsible behaviour. The results of this study will make it possible to determine the most effective means for reducing the consumption of water and of electricity in particular, and prepare a practical guide to the most effective eco-friendly actions for all facilities.

3.7.4.3 Reducing the consumption of natural resources

The amount of water the Group needs to accommodate and provide care for its nearly 70,000 residents and patients has a considerable impact on its environmental footprint. To ensure their comfort and well-being, while reducing water consumption, Korian has focused its efforts on systematically detecting and repairing leaks and finding additional ways to save water.

Total water consumption in 2016

All Korian facilities, in each country, are supplied *via* the municipal water system. The following table shows the annual water consumption in cubic meters (m^3) for France(1), Germany, Belgium and Italy in 2015 and 2016. The number of beds is based on the number of facilities included in the dataset.

Water consumption	France	Germany	Belgium	Italy
In cubic meters	1,796,484	961,426	299,108	174,485
In euros	6,287,694	1,752,476	1,407,371	386,094

▸ MEASURES TAKEN TO SAVE WATER AND REDUCE POLLUTION

In France, Belgium and Italy, Technical Managers in all facilities report the weekly or monthly water consumption to their Regional Safety and Maintenance Manager. This periodic monitoring identifies possible overconsumption of water at facilities that are not equipped with smart meters, by measuring the amount of water used each day relative to the number of residents or patients. Technical Managers also receive regular group training from their region's Safety and Maintenance Manager on reducing water consumption and on such risks as legionella and hot water burns.

In 2016, Korian installed 25,000 water-saving devices in France. After observing that the average water consumption for a facility in one month is 5 cubic metres per bed, the SMM were able to determine which facilities were consuming too much water and therefore could undertake such actions as repairing leaks and adjusting toilet-flushing mechanisms and automatic sprinkler systems. These actions succeeded in reducing water consumption in France by 5% relative to 2015.

(1) The amount for France was calculated from an average national cost of €3.50/cubic metre.

Korian has also equipped all of its facilities in France with bio-cleaning systems (also see section 3.7.2.3 of this document). This new technology reduces not only water consumption, but also the amount of chemicals used, water pollution, the amount of throw-away consumables (which are particularly polluting) and waste materials. The bio-cleaning equipment also makes it difficult for residents and patients to access detergent products (particularly in protected care units). Since this cleaning method makes aerosol products unnecessary, it reduces the amount of chemicals inhaled by people who live or work in the facility. Since less water is used to clean floors they dry more quickly and there is less chance that someone may slip and fall.

The management of the risks associated with the water network is described in section 3.6.1.

3.7.4.4 Reducing and recycling waste

While infectious medical waste is tightly regulated and managed at all Group facilities, the management of other waste (household and recyclable) has not yet been standardised or evaluated and therefore remains a priority for 2017.

Collection of infectious medical waste

As described in section 3.6.1 of this document, and according to the laws applicable in each country, the management of infectious medical waste is subject to specific internal procedures within the Korian group. These procedures explain the steps and the standard precautions to be observed to identify, store and dispose of medical waste, to ensure safety and protect the environment. To make sure that waste is correctly sorted and managed, each facility provides its workers and waste recovery contractors with clean, labelled and specific containers for each type of waste. Staff responsible for internal waste logistics are trained and informed in advance of waste handling risks and are provided with the necessary personal protection equipment, in accordance with each country's occupational health and safety regulations.

In France, the disposal of medical waste is subject to the Environmental Code and the Public Health Code and is each facility's responsibility. Although some facilities still manage the collection of medical waste locally, in 2016 Korian further increased the number of those for which collection is handled by the external contractor. This contractor also launders the facility's linen and the uniforms of its employees, which reduces transport to and from the facility and therefore the carbon footprint of this service.

To harmonise the procedure for waste disposal at all facilities, in 2015 the Medical, Ethics and Quality department prepared and disseminated a binder which contains the rules to be observed and in which staff must record the weight of the special disposal containers prior to waste collection and file all collection and destruction forms. The binder is checked by Regional Quality Managers, who regularly evaluate the quality of the contractor's service and check that the facility's process for handling infectious medical waste (*i.e.* sorting, packing, collection, transportation, storage and treatment) is correctly executed.

In Germany, the handling of infectious medical waste was also harmonised in 2016, with a single contractor for almost all sites. The current contract does not however make it possible to determine the amount of waste collected at the facilities.

A total of 531.67 metric tons of medical waste from activities with risk of infection was collected at 338 facilities in the Group's four countries in 2016(1). This information is not available for Germany.

The management and recycling of other waste

Waste management is not harmonised throughout the Group but varies depending on the country, region, municipality and the engagement of each Facility Director. While most sites sort and recycle their waste, not all of them do so for all recyclable materials (plastic, glass, cardboard, *etc.*) and none measure these quantities with a view to reducing them. Setting forth a Group-wide strategy for managing and reducing waste with concrete commitments will first require an inventory of current practices at all sites in France, which is indispensable in 2017.

Stopping food waste

In June 2016, Korian conducted an extensive study of biowaste at 20 facilities. The teams responsible for this collected all of the consumable food associated with each meal that was thrown away over a period of 30 days. This includes food disposed of in the kitchen (mostly due to over-production and out-of-date products) and food that was served but not eaten. In addition to determining the average amount of biowaste produced, this study discovered simple yet effective actions for reducing food waste, such as better management of meal orders and food storage, and preparing the right amount of food for a given number of meals. Simply by recording the amount of food waste at lunch and dinner, the 20 facilities that participated in this study were able to reduce their biowaste by about 3% in only 30 days.

In light of this success, a major campaign to prevent food waste will be conducted in 2017, not only in France but at all of the Group's facilities in Europe. The campaign will use dedicated training tools and performance indicators to increase staff awareness of this problem and get them to regularly weigh their biowaste and take specific action to reduce it.

In 2017, Korian will also be working in France to find local solutions for converting biowaste into useful products or energy.

(1) Based on the records of waste disposal and management companies.

3.7.5 BEING RESPONSIBLE AND TRANSPARENT ALL ALONG OUR VALUE CHAIN

Through its responsible purchasing policy and strict internal control procedures, the Group combats corruption and anti-competitive practices, including in its dealings with partners, suppliers and contractors.

3.7.5.1 Defining a responsible purchasing policy for the Group

Korian and its partners, suppliers and contractors will be making a substantial commitment to sustainable development in 2017. To do this, the Group works to maintain fair and sustainable partnerships with its suppliers based on their shared CSR objectives.

Korian's Responsible Purchasing Policy

Since CSR is an integral part of Korian's business and overall strategy, the Group also wants its suppliers to continuously improve their practices for the benefit of society and the environment. In its Responsible Purchasing Policy Korian specifies the social, ethical and environmental commitments it wants all of its suppliers to observe, and which it itself makes on their behalf. In 2017, this policy will be attached to all calls for tenders and contracts with suppliers and must be signed by all of the Group's suppliers in France.

▸ RESPECT FOR HUMAN RIGHTS AND WORKING CONDITIONS

The Group's suppliers commit to implementing actions and procedures to ensure compliance with the principles of the ILO's fundamental conventions and human dignity, at all of their sites, and to ensuring that their suppliers do the same. These principles include:

- the total abolition of child labour and compliance with the statutory minimum age;
- the elimination of forced and compulsory labour and degrading practices in the workplace (such as corporal punishment, sexual and psychological harassment or working under duress or coercion);
- paying a fair minimum wage that allows employees to live decently, given the local cost of living;
- respecting freedom of association and collective bargaining rights pursuant to the local law and the freedom to express opinions on working conditions;
- eliminating all forms of discrimination based on gender, race, religion or political affiliation and making a positive commitment to diversity in the workplace;
- complying with all national laws and with the ILO's international rules on wages, benefits and working hours;
- protecting the health and safety of staff, contractors, the general public and the users of products and services, in accordance with health and safety laws, standards and regulations;
- combating the sexual exploitation of children and child pornography.

▸ REDUCING ENVIRONMENTAL IMPACT

Suppliers also commit to monitoring and reducing the environmental impact of their activities and to adopting environmentally friendly practices. This includes:

- complying with international, national and local environmental regulations, particularly with respect to not using certain hazardous products, substances and processes;
- implementing a process for continuously improving environmental management in order to reduce the consumption of resources, the disposal of waste and the risk of water, air and soil pollution, in accordance with the best environmental practices of their industry;
- reducing the environmental impact of production sites and of products and services (measurement of impacts, analytical processes and publication of results);
- procuring raw materials that limit the depletion of natural resources (and preserve biodiversity) and of non-renewable resources, such as oil and natural gas;
- developing processes for managing and recycling waste over the entire product or service life cycle, and for recycling end-of-life products;
- proposing innovative solutions that will enable Korian to reduce its direct environmental impact and providing the information that Korian needs for its environmental assessments and regulatory reporting.

▸ COMBATING CORRUPTION

Lastly, Korian's suppliers must agree to combat all forms of corruption and anti-competitive practices. This includes:

- not offering Korian group employees any benefits (*i.e.* free goods or services, jobs or opportunities) that are in violation of the Group's "gifts" policy and which could serve to facilitate business with our Company;
- observing the confidentiality of information and complying with intellectual property rights;
- ensuring that all necessary information is provided and is transparent, and in particular in respect of situations that could constitute a conflict of interests.

▸ KORIAN'S COMMITMENTS

Well aware of the importance of maintaining a relationship of trust with our suppliers, the Group's Purchasing department makes sure to select them in a transparent, fair and honest manner, to observe the confidentiality of the information provided, and to prevent corruption and conflicts of interest.

- Regarding the fairness and transparency of competition, Korian is committed to a supplier selection process that stimulates competition between suppliers and is based on predefined and transparent criteria. We treat our suppliers with honesty and respect and keep them regularly and equitably informed when pre-selecting suppliers and awarding contracts.

- Regarding conflicts of interest, Korian is committed to ensuring that all decisions to select suppliers and award contracts are taken objectively and in the Company's best interest. We do not work with a supplier when we detect a conflict of interest, *i.e.* an employee or a family member may profit directly from a transaction or has a known financial interest in the transaction.
- Regarding confidentiality, Korian is committed to ensuring the confidentiality of the non-public, sensitive and/or confidential technical, financial and commercial information of its suppliers, and of information in relation to intellectual property rights, including after the relationship with the supplier has been terminated.

▸ SUPPLIER SELECTION AND EVALUATION

All of Korian's current or potential suppliers in France must now read and sign the Group's Responsible Purchasing Policy. They agree to either indicate the CSR performance rating they are attributed by Ecovadis or provide information on the 10 key performance indicators for their particular product or service, and other CSR-related information, such as the existence of a CSR policy, their efforts to reduce their environmental impact or to employ people with disabilities, or the social and/or environmental benefit of their product or service.

Korian is committed to selecting suppliers who propose the most competitive product or service. The selection process involves the use of a table that compares supplier proposals on the basis of various objective criteria and now also the CSR indicators that are specified in the tender specifications. The selection criteria are weighted in accordance with the size of the contract and the general context and are used for the subsequent supplier evaluation.

In France, the Responsible Purchasing Policy states that the Group reserves the right to evaluate or audit supplier practices and to request documents that substantiate compliance with the principles and practices set forth in the policy. They may also be evaluated on the Ecovadis supplier CSR rating website. Suppliers are responsible for reporting the information on the procedures, tools and performance indicators that is required for this evaluation. If a supplier fails to comply with a given rule, it must agree to implement, in collaboration with Korian's staff, a continuous improvement plan to achieve compliance.

Since 2015, Korian has been purchasing the foodstuffs for its facilities in France from Sodexo, the world leader in Quality of Life Services. Sodexo's procurement policy is based on the principles of excellence, proximity, expertise and responsibility. A sustainable fishing policy has also been developed to ensure both the quality of fish products and the replenishment of natural resources. The very large majority of the products sourced are of French origin. In 2016, 100% of pork, poultry, deli products, butter, cream, milk, cheese and other dairy products that Sodexo purchased for Korian were of French origin and 98% of bread suppliers were located within a very short distance of the facility.

In Germany, suppliers must complete a self-assessment questionnaire and provide proof of any sustainable development certification they may have. The supplier self-assessment form provides information on CSR commitments, such as environmental protection guarantee certificates or the prohibition to use forced and child labour. Internal audits are conducted once a year. When suppliers make deliveries they are encouraged to collect their pallets to reduce waste and avoid unnecessary return trips to pick them up. Employees may also receive training in the environmentally friendly use of chemicals and other products.

In 2013, Korian set up an e-procurement platform in Italy to improve purchasing procedures. Every purchase on this platform is subjected to a formal approval process. In compliance with internal processes, a tender is systematically launched to select major suppliers. The tender process is conducted by a Purchasing Committee that includes employees from operational departments as well as buyers. Suppliers are selected on the basis of quantitative criteria (*e.g.* price and delivery time) and qualitative criteria (*e.g.* compliance with specifications and testing procedures). The Purchasing department monitors the quality of the products or services purchased throughout the contract by sending satisfaction questionnaires to the facilities.

3.7.5.2 Risk prevention

The Group takes many steps to reduce exposure to the risks that are inherent in the dependency, medico-social, post-acute and psychiatric care it provides. Facilities observe strict quality procedures to ensure the health and safety of their residents and patients. Korian also takes particular care to ensure their well-being and to provide proper care for elderly residents and patients who suffer from dementia. The Risk Management Policy is described in section 3.6 of this document.

3.7.6 NOTE ON THE METHODOLOGY USED

The content of this new chapter on corporate social responsibility is based on the guidelines specified in the Grenelle II Act (pursuant to article L. 225-102-1 of the French Commercial Code and Decree No. 2012-557 of 24 April 2012 on the obligation of companies to disclose labour-related and environmental information.

The tables below show where the regulatory information required under the Grenelle II Act may be found in this document.

Labour information		Section
Workforce	Total workforce and breakdown of employees by gender, age and geographical area	
	Recruitment and dismissals	
	Compensation and change	
Work organisation	Work time organisation	3.7.2.1
	Absenteeism	3.7.2.3
Employee relations	Organisation of industrial relations, in particular staff information and consultation procedures and negotiations	
	A summary of collective agreements signed by the Company and the impact of these agreements on its financial performance and on the working conditions of employees	3.7.2.4
Health and safety	Occupational health and safety conditions	3.7.2.3
	Occupational health and safety agreements signed with unions and staff representatives	3.7.2.4
	Work accidents, including their frequency and severity, and work-related illnesses	3.7.2.3
Training	Training policies	
	Total number of training hours	3.7.2.2
Equal treatment	The current policy and the measures taken to achieve gender equality	
	The current policy and the measures taken to employ disabled employees	
	The current policy and the measures taken to prevent discrimination	3.7.2.3
Promotion and observance of the principles of the ILO's fundamental conventions on:	Freedom of association and the right to collective bargaining	
	Elimination of discrimination in respect of employment and occupation	
	Elimination of all forms of forced and compulsory labour	
	Effective abolition of child labour	3.7.2.4

Environmental information		Section[1]
General environmental policy	The Company's system and procedure for addressing environmental issues and any efforts made to assess environmental performance or have it certified	
	Employee training and awareness-raising in the area of environmental protection	3.7.4.1
	Resources dedicated to the prevention of environmental and pollution risks	3.7.4.2
	Any provisions made to cover environmental risks, if providing this information does not materially compromise the Company's position in an ongoing dispute	3.7.4.1
Pollution	Measures to prevent, reduce or remedy air, water and soil pollution that has a serious impact on the environment	3.7.4.1
	Measures to prevent or reduce noise and other types of pollution or nuisance caused by the Company's activity	N/A
Circular economy	Measures to prevent, recycle, reuse or otherwise reclaim and dispose of waste	
	Measures to prevent food waste	3.7.4.4
	Water consumption and procurement in accordance with local constraints	3.7.4.3
	Consumption of raw materials and measures to use them more efficiently	N/A
	Energy consumption and measures to improve energy efficiency and promote the use of renewable energy sources	3.7.4.2
	Land use	N/A
Climate change	Significant GHG gas emissions generated by the Company's activity, and in particular by the use of the goods and services it provides	
	Adaptation to the consequences of climate change	3.7.4.2
Protecting biodiversity	Measures to protect or increase biodiversity	N/A

Social responsibility information		Section[1]
The impact of the Company's activity on:	Local employment and economic development	
	Local populations and neighbours	3.7.1.1
Relations with people and organisations who/that are concerned by or with the Company's activity	Communication with these people and organisations	
	Partnerships and corporate philanthropy	3.7.1.2
Outsourcing and suppliers	Provisions in the Company's purchasing policy that address social and environmental concerns	
	The proportion of work that is outsourced and taking social and environmental responsibility into account when dealing with contractors and vendors	3.7.5.1
Fair practices	Anti-corruption measures	
	Measures taken to promote the health and safety of consumers	3.6
Human rights	Measures taken to support human rights	N/A

(1) N/A : not applicable

The Group's guidelines have been translated and deployed in all four countries. This note on methodology describes the methods used to compile data on labour, environmental and social indicators.

The information provided in this report reflects Korian's determination to continuously improve the transparency and understanding of its CSR practices. Well aware of the importance of this information, considerable efforts have been made to encourage contributors and managers to observe reporting procedures and ensure that these data are reliable.

▸ REPORTING SCOPE AND REPORT CONSOLIDATION

All indicators apply to the Group's operations in Europe, which include Korian France, Curanum and Casa Reha[(1)] in Germany, SLG in Belgium (except for the Foyer de Lork group, which was acquired in 2016) and Korian in Italy. It should be noted that cooperatives in Italy were not included in the 2016 reporting scope.

Regarding environmental indicators, only facilities that could provide actual consumption data over the entire year were included. In the event that a facility lacks consumption data for three months out of twelve, it may be included in the scope by extrapolating from its average annual consumption. The number of beds reflects the number of facilities included in the dataset.

Korian has no facilities in France that are considered to be environmentally sensitive.

Italian cooperatives were excluded from the reporting scope.

▸ REPORTING PERIOD

Indicators are calculated over a 12-month period (from 1 January to 31 December 2016), using the figures available at 31 December 2016.

▸ DATA COLLECTION

The data within the specified scopes were collected directly from the relevant departments by the Group CSR Manager, who was recruited in 2015.

Regarding the quantitative data collected in Germany, Belgium and Italy, a "Reference Table" was prepared, translated into the three languages and sent to the correspondent in each country so that definitions and calculation methods could be harmonised. The quantitative data in the Reference Table was validated by the Finance department in each country before being compiled by the Group CSR Manager for inclusion in this chapter.

▸ EXTERNAL AUDIT

The CSR information provided was audited by our Company's Statutory auditor Mazars SAS, an Independent Third-Party Body and a member of the Mazars SA group. Detailed tests were carried out on the data that were considered to be most important.

▸ METHODOLOGICAL CLARIFICATIONS AND LIMITATIONS

It should be noted that some indicators are not used in Germany. These cases are indicated separately in the report.

▸ WORK ACCIDENTS

The accidents recorded are those that required time off the following day. The number of calendar days lost due to a work accident begins the day following the accident and includes employees employed under fixed-term and indefinite-term contracts in France, Belgium and Italy in 2016. This information is not available for Germany.

▸ ABSENTEEISM

The absenteeism rate is obtained by dividing the number of hours of absence (due to an ordinary or occupational illness or to a work or commuting accident) by the number of hours worked annually under an indefinite-term contract. The data of the Napoléon and Château Lormoy facilities were not available.

▸ ENERGY AND WATER CONSUMPTION

Each country has submitted its consumption data which are based on 2016 invoices, the information provided by service providers and meter readings at facilities.

(1) Only with respect to labour-related information.

The Group calculates its direct greenhouse gas emissions (from burning fuel oil and natural gas) and its indirect emissions associated with its procurement of electricity. The CO_2 equivalent in metric tons is calculated using the national or European averages(1) indicated in the table below:

CALCULATED GREENHOUSE GAS EMISSIONS

France	Natural gas	0.219 kgCO_2e/kWh
	Electricity	0.082 kg CO_2/kWh
	Fuel oil	0.324 kgCO_2/kWh
Germany	Natural gas	0.214 kgCO_2e/kWh
	Electricity	0.461 kgCO_2/kWh
	Fuel oil	0.324 kgCO_2/kWh
Belgium	Natural gas	0.214 kgCO_2e/kWh
	Electricity	0.22 kgCO_2/kWh
	Fuel oil	0.324 kgCO_2/kWh
Italy	Natural gas	0.214 kgCO_2e/kWh
	Electricity	0.406 kgCO_2/kWh
	Fuel oil	0.324 kgCO_2/kWh

Fuel oil consumption data are calculating using the formula 10 MWh PCI/cubic metre(2).

▸ WASTE MANAGEMENT

Only data on infectious medical waste is collected and reported. It is collected in all four countries.

▸ EXCLUSIONS

This registration document does not provide information on the consumption of raw materials. Since paper consumption is not considered to be material for the Korian group, it has not established a policy regarding this matter. The consumption of other more significant raw materials was also not monitored in 2016.

Information on land use, noise pollution, the preservation of biodiversity and actions to protect or promote human rights are not considered to be relevant given the Group's activity and are not included in this report. This exclusion will however be reviewed annually to take into account the Group's geographic locations and the general context.

(1) Source: The ADEME Resource Centre on Greenhouse Gas Emissions Assessment, 2016. For more information see **http://www.bilans-ges.ademe.fr**.
(2) Source: **http://www.renovationdurable.eu/**.

3.7.7 REPORT BY THE INDEPENDENT THIRD-PARTY BODY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION PROVIDED IN THE MANAGEMENT REPORT

▸ FOR THE YEAR ENDED 31 DECEMBER 2016

To the Shareholders,

In our capacity as an independent third-party body, a member of the Mazars network, the Statutory auditors of Korian accredited by COFRAC Inspection (No. 3-1058[1]), we present, pursuant to article L. 225-102-1 of the French Commercial Code, our report on the consolidated human resources, environmental and social information presented in the Company's management report for the year ended 31 December 2016 (hereinafter the "**CSR Information**").

What the Company is responsible for

The Company's Board of Directors is responsible for preparing a Management Report that includes the CSR information required under article R. 225-105-1 of the French Commercial Code, prepared in compliance with the Company's procedures (hereinafter the "**Guidelines**"), of which a summary is provided in the Management Report. This information is also available upon request at the Company's head office.

Our independence and quality control

Our independence is subject to regulatory texts, our professional code of ethics and the provisions of article L. 822-11 of the French Commercial Code. We have also implemented a quality control system that includes documented policies and procedures to ensure compliance with professional ethics, the rules and recommendations of *Compagnie nationale des commissaires aux comptes* (the French statutory auditing authority) that apply to this engagement, and the relevant statutory and regulatory requirements.

Our responsibility as the independent third-party body

It is our responsibility, in accordance with the work we have performed, to:

- attest whether or not the required CSR information is present in the management report, and if omitted, whether or not an appropriate explanation for such omission has been provided, pursuant to the third paragraph of article R. 225-105 of the French Commercial Code (Attestation of the presentation of the CSR information);
- provide a limited assurance opinion as to whether the CSR information, taken as a whole, is fairly presented, in all material aspects, in accordance with the Guidelines (Reasoned opinion on the fair presentation of the CSR information).

Our work was conducted by four people over a period of about eight weeks, between October 2016 and March 2017.

We have performed the work described below in accordance with the rules and recommendations of *Compagnie nationale des commissaires aux comptes* that apply to this work, with the Order of 13 May 2013, which sets forth the procedures to be adopted by independent third parties in carrying out their engagements, and with ISAE 3000[2], in respect of our reasoned opinion on truth and fairness.

I. Attestation of the presentation of the CSR information

We examined, on the basis of interviews with the managers of the relevant departments, the guidance provided on sustainable development, in relation to the consequences of the Company's activity on its employees and on the environment and its commitments to society and, where relevant, the resulting actions or programs.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

When certain consolidated information was lacking, we verified that explanations were provided in accordance with article R. 225-105 of paragraph 3 of the French Commercial Code.

We have verified that the CSR information covered the Company's consolidated scope, which includes the Company and its subsidiaries as defined in article L. 233-1 of the French Commercial Code and the companies it controls as defined in article L. 233-3 of said code, within the limitations specified in "3.7.6 Note on the methodology used" section of the management report.

Based on this work and given the limitations referred to above, we attest that the required CSR Information has been disclosed in the management report.

(1) The scope of which is available at **www.cofrac.fr**.
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

II. Opinion on the fairness of CSR Information

Nature and scope of our work

We conducted fifteen interviews with the people who prepared the CSR Information in the departments responsible for collecting the information and, in some cases, for internal control and risk management procedures, in order to:

- assess the appropriateness of the Guidelines, as to their relevance, completeness, reliability, neutrality and clarity, in comparison with the sector's best practices, where applicable;
- verify the implementation of a process for data collection, compilation, processing and verification that ensures the completeness and consistency of the CSR Information and understand the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls on the basis of the nature and significance of the CSR Information in light of the Company's characteristics, the human resources and environmental concerns of its activities, its sustainable development policy and best practices in its sector.

Regarding the CSR Information that we considered to be the most relevant(3):

- With respect to the parent entity and the Group Human Resources department, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies and actions), performed analytical procedures on the quantitative information, and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report.
- With respect to a representative sample of entities we selected(4) on the basis of their business activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and performed detail tests, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents.

The selected sample represents 68.1% of the headcount and from 58.8% to 66.4% of the quantitative environmental data reported.

We assessed the consistency of the remaining consolidated CSR Information on the basis of our understanding of the Company.

Lastly, we assessed whether or not explanations had been provided and their pertinence.

We believe that our sampling methods and sample sizes, which are based on our professional judgement, are sufficient to provide a basis for our limited assurance opinion. To provide a higher level of assurance we would have had to conduct more extensive procedures. Due to the use of sampling techniques and other limitations that are inherent to internal control and information systems, the risk of not detecting a material misstatement in the CSR information cannot be totally excluded.

Opinion

Based on the work we have performed, we have observed no material misstatement that leads us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Paris La Défense, 31 March 2017

The independent third party

Mazars SAS

Manuela Baudoin-Revert	Edwige Rey
Partner	*CSR & Sustainable Development Partner*

(3) **Human resources information:** *Headcount on the last day of the period by age and by sex, Number of dismissals, Number of training hours, Number of disabled workers, Absenteeism.*
Environmental information: *Energy consumption, Water consumption, Management of infectious medical waste, Waste disposal avoidance, recycling and disposal.*
Social information: *Number of employees who received "Benevolent Treatment" training and the results of the customer satisfaction survey.*

(4) *French and Belgian entities.*

3.8 Research and development

The Group does not undertake any systematic research and development work in connection with its elder care business activities and does not hold any significant patents relating to its business. However, the Group regularly carries out and/or participates in research and development projects, through new therapeutic approaches, innovative nutrition methods, the design and layout of spaces, automation and connected objects, and digital technologies. For example, in 2016, a co-development project was conducted with a French start-up with the objective of adapting an existing robot to assist residents of facilities in walking. A first prototype of the robot was tested in actual use conditions on long-term care nursing home residents. These tests validated the use scenarios envisaged, confirmed acceptance of the robot by residents and caregivers and the utility of the robot, and enabled proceeding to the mass-production phase.

The Group believes that the challenges presented by an ageing population require carefully thought-out approaches to improving the quality of life for the elderly. To this end, in April 2013, the Group created the Korian Ageing Well Institute, a non-profit organisation under the Act of 1901, to contribute to collective awareness and improve resources in this field.

3.8.1 KORIAN AGEING WELL INSTITUTE

The Group is closely involved in the Institute's three action fields, which are:

- academic research, to anticipate societal developments and advance attitudes on ageing;
- applied research, to continuously improve the everyday life of the elderly, their families and caregivers; and
- providing support to facilities in deploying innovative solutions.

The Institute performs its work through a multidisciplinary team consisting primarily of individuals from outside the Group, who combine their skills and share their knowledge for the purpose of exploring all aspects of happiness in ageing, changing attitudes and facilitating innovative initiatives.

The Institute also aims to examine specific solutions for the elderly and their family circle, while exploring the concept of ageing well.

3.8.2 THE WORK AND STUDIES OF THE KORIAN AGEING WELL INSTITUTE

In 2016, the Institute went forward with projects launched previously and continued to focus on studies and work intended to develop knowledge, support professionals in their work and improve the care provided to the elderly. The results of the study conducted in 2015 on the eating habits of the elderly at home were released in April 2016, and have been incorporated into Korian's catering policy.

Study on the impact of the use of the "flash activities trolley" for dealing with acute behavioural disorders

This study was conducted between June 2016 and March 2017 in connection with the development of non-drug therapies for seniors suffering from Alzheimer's and similar disorders. The objective of the "flash activities trolley", which was created by the Institute, is to divert attention away from a negative stimulus (that causes fear, stress or anxiety) and focus it on an enjoyable, recreational stimulus to address behavioural problems, once it has been determined that the cause of the behaviour is not somatic or when a rational explanation has no effect. It is similar to the continuously available emergency trolleys stationed in hospital corridors, and is equipped with materials for 11 flash activities to respond to emergency situations (agitation, wandering behaviour, aggression, violent opposition, delusional thinking, *etc.*). The "flash activities trolley" was deployed in 25 French long-term care nursing homes, and its acceptance by the caregiver teams and the impact of its use on residents was assessed. The results of this study will be available at year-end 2017.

Third European Barometer on Ageing Well

The third edition of the European Barometer on Ageing Well provides an exclusive perspective on "elderly people today" in four European countries (France, Germany, Belgium and Italy), as well as new data on the ideal "own home" concept in our society. It was carried out in partnership with Ipsos in the first quarter of 2016, over the internet, and surveyed over 8,000 persons (4,000 seniors over 65 and a parallel sample group of persons aged 15 to 64), who were questioned on a variety of topics, such as their well-being, their sense of usefulness, their relationships with others, their use of new technologies or their dependency planning.

Among other things, the results of this third edition of the European Barometer on Ageing Well show that there has been a sharp increase in the use of e-mail and social networks by persons over the age of 80 compared to the 2015 Barometer. It also showed that the concept of "own home" is more of a state of mind than an actual place, and that the factors that cause people to be attached to their homes are the freedom to live according to their habits and routines, without restriction and in safety.

Publications

In 2016, the Institute participated in the publication of several scientific articles:

- "Dementia training and representation for workers in nursing homes (long-term care facilities)", which appeared in *Soins Gérontologie,* No. 118, March/April 2016;

- "The right words for saying it", which appeared in *Neurologie-Psychiatrie-Gériatrie,* June 2016;
- "Internal and external evaluation of the satisfaction of residents in nursing homes (long-term care facilities)", which appeared in *Soins Gérontologie,* No. 120, July/August 2016;
- "Games and Alzheimer's: The recreational aspect in providing care for dementia", which appeared in *EMPAN,* No. 102, April 2016;
- "Information and communication technologies and the health of seniors", which appeared in *Soins Gérontologie,* September/October 2016;
- "Caregivers and residents, awareness-raising about flu vaccines", which appeared in *Soins Gérontologie,* November/December 2016.

The Institute also took part in scientific conferences, including:

- the French Geriatrics and Gerontology Conference, which was held in November 2016 in Paris, at which the Institute presented two posters ("Model and representation of pleasure in the elderly in Europe" and "The impact of treatments using information and communication technologies on seniors");
- 2nd Nursing Home Research International Working Group, which was held in Barcelona in June 2016, during which the Institute gave an oral presentation (When and why do people fall in Nursing Homes?);
- the Francophone meeting on Alzheimer's and similar syndromes, which was held in June 2016 in Lyon, at which the Institute presented a poster ("Impact of training on representations of dementia and Alzheimer's for workers in nursing homes (long-term care facilities)", and participated in a symposium ("Non-drug therapies in nursing homes (long-term care facilities): utopia or reality?").

3.9 Other financial information

3.9.1 INDIVIDUAL RESULTS AND OTHER DATA CONCERNING KORIAN

Type of indications/Periods	31.12.2016[1]	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Duration of the period	12 months	12 months	12 months	12 months	12 months
Financial position for the period					
a) Share capital	€400,890,210	€397,328,365	€395,187,615	€174,198,065	€170,204,140
b) Number of shares issued	80,178,042	79,465,673	79,037,523	34,839,613	34,040,828
Comprehensive income of actual operations					
a) Revenue excluding taxes	€69,034,532	€67,095,487	€40,942,258	€40,117,384	€36,031,309
b) Earnings before taxes, profit-sharing, amortisation/depreciation & provisions	€12,141,844	€54,353,380	€59,806,275	-€19,082,963	€20,438,967
c) Income tax	-€24,169,814	-€19,848,346	-€14,959,303	-€10,923,921	-€11,042,880
d) Earnings after taxes, but before amortisation/depreciation & provisions	€36,311,658	€74,201,726	€74,765,578	-€8,159,042	€31,481,847
e) Profits after taxes, profit-sharing and share plans, amortisation/depreciation and provisions	€21,871,487	€67,229,544	€74,260,803	€3,911,864	€24,887,516
f) Amount of profit distributed	€47,660,333	€47,679,404	€47,422,514	€20,903,798	€20,424,497
g) Employee profit-sharing	-	-	-	-	-
Earnings per share					
a) Earnings after taxes, but before amortisation/depreciation	€0.45	€0.93	€0.95	-€0.23	€0.92
b) Earnings after taxes, amortisation/ depreciation and provisions	€0.27	€0.85	€0.94	€0.11	€0.73
c) Dividend per share	€0.60	€0.60	€0.60	€0.30	€0.60
d) Other distributions	-	-	-	€0.30	-
Employees					
a) Headcount	369	337	298	305	326
b) Total payroll	€26,198,642	€21,813,403	€21,174,823	€19,742,098	€18,011,569
c) Sums paid as social benefits	€11,768,041	€11,053,571	€9,290,697	€8,124,830	€8,166,082

(1) The proposed distribution for financial year 2016 will be submitted to the Annual General Meeting scheduled for 22 June 2017.

3.9.2 ACTIVITY AND RESULTS OF THE COMPANY'S SUBSIDIARIES AND CONSOLIDATED COMPANIES

The subsidiaries are:

- companies operating long-term care nursing homes providing 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, up 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 fit back into his/her social and work environment;
- companies operating assisted living facilities offering the independent elderly 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 own the facilities' premises.

3.9.3 DIVIDENDS PAID OVER THE PAST THREE YEARS

				Revenue distributed per share	
Financial year in question (financial year distributed)	**Number of shares comprising the share capital**	**Number of shares receiving dividends**	**Dividend paid per share**	**Eligible for the 40% tax credit provided for in article 158, par. 3.2°, of the French General Tax Code**	**Ineligible for the 40% tax credit provided for in article 158, par. 3.2°, of the French General Tax Code**
2015 (2016)	79,468,673	79,433,889	€0.60	€0.60	-
2014 (2015)	79,042,523	78,957,257	€0.60	€0.60	-
2013 (2014)	78,390,873	78,360,041	€0.30*	€0.30	-

* *In addition to the dividend of €0.30 per share that was deducted from the distributable profit for financial year 2013, the Company distributed a sum of €0.30 per share deducted from the issue premium account, i.e. a total distribution of €0.60 per share for 2013.*

The payment of dividends or any other distribution depends on the Group's financial results, notably its net profit and its investment policy.

3.9.4 APPROPRIATION OF PROFIT FOR 2016

The profit for the financial year totalled €21,871,487.06. The General Meeting scheduled for 22 June 2017 will be asked to:

- appropriate €1,093,574.35 to the legal reserve fund.

The balance of the profit for the financial year in the amount of €20,777,912.71, plus retained earnings of €39,401,441.67, makes up the distributable profit for the financial year, *i.e.* the sum of €60,179,354.38. Therefore, the General Meeting of 22 June 2017 will be asked:

- to pay a dividend of €0.60 per share to the 80,204,403 Company shares, *i.e.* €48,122,641.80, taken entirely from the profit for the financial year; and
- to appropriate €12,056,712.58 to the retained earnings account.

3.9.5 LAVISH EXPENSES AND OVERHEADS TO BE REVERSED

Lavish expenses, as defined in article 39-4 of the French General Tax Code, totalled €185,647 for the Group, including €178,320 for the Company, and were primarily for non-deductible excess depreciation on leases of passenger cars.

3.9.6 SHARE BUYBACK PROGRAMME AND LIQUIDITY AGREEMENT

Share buyback programme

Pursuant to the 15th resolution approved by the Combined General Meeting of 23 June 2016, the Company renewed its share buyback programme.

The programme was established in accordance with article 241-1 *et seq.* of the AMF General Regulation and European Regulation (EC) No. 2273/2003 of 22 December 2003, as well as market practices approved by the AMF. The table below shows the terms and conditions of the new programme to buy back the Company's own shares.

Securities concerned	**Ordinary shares**
Maximum amount of share capital for which the purchase has been authorised by the General Meeting	10% of the number of shares comprising the Company's share capital (at any given time; this percentage applies to share capital adjusted to reflect equity transactions that may be carried out after the date of the aforementioned meeting). If the Company's shares are purchased to promote liquidity in accordance with the requirements of the AMF General Regulation, the number of shares taken into account to calculate the aforementioned 10% limit is the number of shares purchased, less the number of shares resold during the term of the authorisation, and the number of shares purchased with a view to retaining them and subsequently delivering them in connection with a merger, demerger or contribution of assets may not exceed 5% of its share capital.
Maximum purchase price	€50 (excluding costs) (or the equivalent amount on the same date in any other currency or monetary unit established by reference to several currencies).
Maximum amount of funds available for the purposes of this programme	€397,343,350 (excluding costs) (or the equivalent amount on the same date in any other currency or monetary unit established by reference to several currencies): • the allocation or sale of shares to employees under the Company's profit-sharing scheme or any employee savings plan as provided for by law, in particular article L. 3332-1 *et seq.* of the French Labour Code; and/or • a grant of free shares pursuant to article L. 225-197-1 *et seq.* of the French Commercial Code; and/or • a delivery of shares in connection with the exercise of rights attached to securities conferring equity rights by the redemption, conversion, exchange or presentation of a warrant or in any other manner; and/or • the cancellation of all or some of the securities thus purchased; and/or • a transfer of shares (in exchange, payment or otherwise) in connection with an acquisition, merger, demerger or capital contribution; and/or • a purchase of shares following a reverse stock split of the Company's shares to facilitate consolidation transactions and the management of fractional shares; and/or • stimulation of the secondary market or promoting the liquidity of the Company's shares by an investment services provider acting under the terms of a liquidity agreement that complies with the code of professional conduct recognised by the AMF; and/or • enabling the Company to trade in its own shares for any other purpose authorised, or to be authorised in the future, by the laws and regulations in force.
Buyback terms and conditions	Shares may be acquired, sold or transferred at any time except during a takeover bid, within the limits set by law and the regulations in force, on one or more occasions, by any means and on any market, including trading on regulated markets, a multilateral trading system or OTC markets, including block purchases or sales (with no limit on how much of the buyback programme can be carried out in this way), by public offerings to buy, sell or exchange shares, or through the use of options, derivatives or other future financial instruments traded on a regulated market, a multilateral trading system or OTC markets, or by delivering shares in connection with an issue of securities that confer equity rights in the Company by converting, exchanging, redeeming or exercising a warrant or by any other means, either directly or indirectly through an investment services provider.
Duration of programme	18 months from the Combined General Meeting of 23 June 2016, *i.e.* until 22 November 2017.

It should be noted that the Company has not used any derivatives in connection with this share buyback programme or the preceding programme, and that it has no open positions.

Liquidity agreement

The Company signed a new liquidity agreement with Natixis that took effect on 1 July 2015, in order to increase the liquidity of transactions and the regularity of trading in its shares (the "**Liquidity Agreement**"). As at 31 December 2016, the following number of shares and amount were allocated to the Liquidity Agreement:

- 33,872 Korian shares;
- €3,513,848.69.

3.9.7 SIGNIFICANT ACQUISITIONS OF EQUITY INVESTMENTS OR CONTROLLING INTERESTS

In accordance with article L. 233-6 of the French Commercial Code, significant equity investments and controlling interests acquired in other companies that have their registered offices in France and that were completed during the financial year ended 31 December 2016 are presented in Notes 2 and 5.7 of section 5.1 of this registration document.

3.10 Administrative and management bodies

The Company is a French *société anonyme* (limited company) with a Board of Directors. On 21 March 2012, the Board of Directors decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer. The decision became effective on 30 April 2012. On 18 November 2015, the Board of Directors voted to remove Yann Coléou from his office as Chief Executive Officer and to appoint Sophie Boissard as Chief Executive Officer, effective 26 January 2016. From 18 November 2015 to 26 January 2016, the offices of Chairman of the Board of Directors and Chief Executive Officer were combined and were temporarily held by Christian Chautard.

The Company's Board of Directors comprises 11 members, including the director representing the employees[1]: Christian Chautard (Chairman)[2], Jérôme Grivet, Predica (represented by Françoise Debrus), Investissements PSP (represented by Jérôme Bichut)[3], Malakoff Médéric Assurances (represented by Hugues du Jeu), Jean-Pierre Duprieu[4], Martin Hoyos, Anne Lalou, Guy de Panafieu, Catherine Soubie and Hafida Cola[5].

Jean-Claude Georges-François is the Board Observer.

3.10.1 PRESENTATION OF ADMINISTRATIVE AND MANAGEMENT BODIES



Sophie Boissard
Chief Executive Officer of Korian

Born on: 11 July 1970 in Paris

Nationality: French

Address:
21-25, rue Balzac, 75008 Paris

Start of term:
26 January 2016

End of term:
25 January 2021

BIOGRAPHY

Sophie Boissard, is a graduate of the *École normale supérieure* and the *École nationale d'administration*. As a State Councillor specialising in social protection issues, she held various positions in the public sector, in particular with the Employment and Social Affairs Ministry and the Economy and Finance Ministry. Thereafter, with the SNCF group, she developed and headed real estate value enhancement activities (Gares & Connexions, SNCF Immobilier, a branch dedicated to creating value in real estate and land assets). From 2012 to 2014, she was also responsible for the strategy and development of the SNCF Group. Since 26 January 2016, Sophie Boissard has been Chief Executive Officer of the Korian group.

As at the date of this Management Report, Sophie Boissard holds 388 Korian shares.

OTHER OFFICES IN THE GROUP

Chairman of the Curanum AG and Korian Management AG Supervisory boards, director of Segesta and SLG, Chairman of the Korian Ageing Well Institute and director of the KOR Foundation

OFFICES OUTSIDE THE GROUP*

Director: SANEF

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Chair: Groupe ICF Habitat, Espaces Ferroviaires

Director: Eurostar, Areva (listed company)

Member of the Supervisory board: Areva (listed company)

* *Sophie Boissard is in compliance with applicable laws on holding multiple corporate offices.*

(1) *At the conclusion of Annual General Meeting held on 23 June 2016, the date on which (i) the terms of office as directors of Batipart Invest, represented by Charles Ruggieri, and Jacques Ambonville expired, and (ii) Jean-Duprieu was appointed as director.*
(2) *Until 26 January 2016, the date on which Sophie Boissard took office as Chief Executive Officer, Christian Chautard temporarily held the positions of Chairman and Chief Executive Officer.*
(3) *At its meeting of 14 September 2016, the Board of Directors acknowledged the appointment of Jérôme Bichut as permanent representative of Investissements PSP, who replaced Niall Boland effective 2 August 2016.*
(4) *Director appointed by the Annual General Meeting held on 23 June 2016.*
(5) *Director representing the employees, appointed by the most representative trade union on 25 January 2016.*



Christian Chautard

Chairman of the Board of Directors and Member of the Investment Committee and Ethics and Quality Committee

Born on: 9 July 1948 in Valence (26)

Nationality: French

Address:
Zirkus-Krone-Straße 10, 80335 Munich, Germany

Date of appointment:
GM of 18 March 2014

End of term:
GM voting on the financial statements for financial year 2016

BIOGRAPHY

Christian Chautard began his career supervising operations for two leading groups in the metallurgy industry.

He then headed a commodities trading company with offices in New York, London and Paris.

In 1982 he began a career as a strategy, organisation and governance consultant in an international organisation advising executive officers of international groups. He has worked in Europe and in the United States, notably with Mercer, now Oliver Wyman.

He is also fully familiar with Germany and its business practices.

He was appointed Chairman of the Korian Supervisory board on 5 December 2011, and since then has successively held various management and director offices.

He studied at the *École polytechnique* and holds an MBA from INSEAD.

As at the date of this Management Report, Christian Chautard holds 1,191 Korian shares.

OFFICES OUTSIDE THE GROUP*

Chairman: Renovia

Director: Spigraph Group, Anthenor Holding Ltd

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Chairman & Chief Executive Officer: Korian

Chairman of the Supervisory board: Korian, Curanum AG (Germany), Korian Management AG (Germany)

Vice-chairman of the Board of Directors: Korian

Director: Medica, Marsh France, Segesta (Italy)

Member of the Supervisory board: Curanum AG (Germany), Korian Management AG (Germany)

Member of the Management Board: Korian Management AG (Germany)

Manager: Phönix (Germany)

* *Christian Chautard is in compliance with applicable laws on holding multiple corporate offices.*



Jérôme Grivet

Director and Chairman of the Investment Committee

Born on: 26 March 1962 in London, United Kingdom

Nationality: French

Address:
12, place des États-Unis, 92120 Montrouge

Date of appointment:
GM of 18 March 2014

End of term:
GM voting on the financial statements for financial year 2016

Main position held:

Deputy Chief Executive Officer responsible for Group Finances at Crédit Agricole SA

BIOGRAPHY

Jérôme Grivet has been Deputy Chief Executive Officer responsible for Group Finances at Crédit Agricole SA since May 2015.

He is a former Finance Inspector and studied at ENA and graduated from ESSEC and the *Institut d'études politiques* in Paris.

He began his career in business administration at IGF. He was then appointed European Affairs Advisor to the Prime Minister, Alain Juppé, before joining Crédit Lyonnais in 1998 as head of the finance and management control department of the commercial bank in France.

In 2001, he was appointed Chief Strategy Officer of Crédit Lyonnais. He then held the same position with Crédit Agricole SA.

After joining Calyon in 2004 as the head of Finance, the Corporate Secretariat and Strategy, he became its Deputy Chief Executive Officer in 2007.

From the end of 2010 to May 2015, he was Chief Executive Officer of Predica and Crédit Agricole Assurances.

As at the date of this Management Report, Jérôme Grivet holds 1 share in Korian.

OFFICES OUTSIDE THE GROUP*

Director: Nexity (listed company), CACEIS, Crédit Agricole Assurances, CACEIS Bank France (CACEIS BF)

Permanent representative of Predica, director: Foncière des Régions (listed company)

Member of the Supervisory board: Fonds de garantie des dépôts

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Chairman of the Board of Directors: Spirica, Dolcéa Vie, CA Life Greece (Greece)

Chief Executive Officer: Crédit Agricole Assurances, Predica

Chairman: Groupement Français des Bancassureurs, CA Assurances Italie Holding (Italy)

Vice-chairman: BES VIDA, Crédit Agricole Vita (Italy)

Director: CAAGIS, Pacifica, CA Indosuez Private Banking, Crédit Agricole Immobilier, LCL Obligation Euro, Icade (listed company)

Member of the Supervisory board: Korian

Board Observer: La Médicale de France, Aéroports de Paris, Crédit Agricole Immobilier

Permanent representative of Predica, director: La Médicale de France, Icade (listed company)

Permanent representative of Predica, Member of the Supervisory board: CAPE, CA Grands Crus

Permanent representative of Predica, Board Observer: Siparex Associés

Permanent representative of Predica, Chairman: Fonds Stratégique Participation

Permanent representative of Crédit Agricole Assurances, director: CACI

* *Jérôme Grivet is in compliance with applicable laws on holding multiple corporate offices.*



Predica
Permanent representative: Françoise Debrus
Director and Member of the Audit Committee and Compensation and Appointments Committee

Françoise Debrus

Born on: 19 April 1960 in Paris

Nationality: French

Address:
50-56, rue de la Procession, 75015 Paris

Date of appointment:
GM of 25 June 2015

End of term:
GM voting on the financial statements for financial year 2017

Predica Prévoyance Dialogue du Crédit Agricole (Predica)
A French *société anonyme*

Registered office:
50-56, rue de la Procession, 75015 Paris
Paris Trade and Companies Registry No. 334 028 123

Main position held:

Director of Investments with Predica

BIOGRAPHY

Françoise Debrus began her career with the Crédit Agricole group in 1987, and was appointed Chief Financial Officer of Caisse Régionale de l'Île-de-France in January 2005. She joined Crédit Agricole Assurances on 2 March 2009 as Director of Investments.

She is a graduate of the *École nationale du génie rural des eaux et des forêts* and the *Institut national agronomique Paris-Grignon.*

As at the date of this Management Report, Françoise Debrus holds 1,217 shares in Korian.

OFFICES HELD BY PREDICA*

OFFICES OUTSIDE THE GROUP

Chairman: Citadel, Citadel Holding

Director: OPCI B2 Hotel Invest, Fonds Nouvel Investissement 1, Fonds Nouvel Investissement 2, Fonds Stratégique de Participation, Foncière des Régions (listed company), Urbis Park, Altarea (listed company), AEW Immocommercial, CAA Commerces 2, CAAM Mone Cash, Eurosic (listed company), Frey (listed company), Gecina (listed company), La Médicale de France, Lesica, Messidor, Predica Bureaux, Predica Commerces, Predica Habitation, Previseo Obsèques, River Ouest, SANEF, CA Life Greece, Aéroports de Paris (listed company), Foncière Développement Logements (listed company), Patrimoine et Commerce, Louvresses Development, Générale de Santé (listed company)

Member of the Supervisory board: Immeo Wohnen GmbH, Interfimo, Foncière des Murs (listed company), CA Grands Crus, Effi-Invest I, Effi-Invest II, Ofelia, Sopresa, Unipierre Assurance

Co-manager: Predicare

Board Observer: Siparex Associés, Tivana France Holding

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Member of the Supervisory board: Lion SCPI

Director: Logistis, Crédit Agricole Immobilier Promotion, Dolcea Vie, Foncière Paris France, SCI Holding Dalhia, Cyrius Conseil

As at the date of this Management Report, Predica(1) holds 19,007,812 shares in Korian.

OFFICES HELD BY FRANÇOISE DEBRUS**

OFFICES OUTSIDE THE GROUP

Member of the Supervisory board: Foncière des Murs (listed company), Altarea (listed company)

Permanent representative of Predica, director: Eurosic (listed company), Aéroport de Paris (listed company)

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Permanent representative of Predica, director: Ramsay Santé, Ramsey Gds (listed company) Crédit Agricole Immo. Promotion, Foncière Paris France, Foncière des Régions

Permanent representative of Crédit Agricole Assurances, director: Générale de Santé (listed company)

Director: Foncière Développement Logements (listed company), Altarea (listed company), Beni Stabili (listed company-Italy)

(1) Controlled by Crédit Agricole, a limited company (société anonyme).
* *Predica complies with the requirements of the French Commercial Code and French Monetary and Financial Code on holding multiple corporate offices.*
** *Françoise Debrus is in compliance with applicable laws on holding multiple corporate offices.*



Investissements PSP
Permanent representative: Jérôme Bichut

Director, Member of the Investment Committee and Audit Committee

Jérôme Bichut

Born on: 29 January 1963 in Amiens, France

Nationality: Canadian

Address:
5044 avenue Ponsard, H3W2A7 Montreal, Quebec, Canada

Date of co-optation:
Board of Directors meeting of 15 July 2015

End of term:
GM voting on the financial statements for financial year 2016

Office d'Investissement des Régimes de Pensions du Secteur Public (Investissements PSP)

Simplified joint-stock company *(société par actions simplifiée)*

Registered office:

440 avenue Laurier Ouest, Bureau 200, K1R 7X6 Ottawa, Ontario, Canada

Quebec company number: 1163980601

Main position held

Managing Director, Public Equities, with Investissements PSP

BIOGRAPHY

Jérôme Bichut was born in 1963 and began his career in France in the investment sector before joining, in 1995, Caisse de Dépôt et Placement du Québec, which is based in Montreal, where he held the position of Portfolio Manager specialising in European equities.

He joined Investissements PSP in 2001, where he managed a portfolio of European equities, and then took over the International Equities Portfolios Department.

He received a degree in economics and finance from Panthéon-Sorbonne University and is a Chartered Financial Analyst (CFA).

As at the date of this Management Report, Jérôme Bichut does not hold any shares in Korian.

OFFICES HELD BY INVESTISSEMENTS PSP

Investissements PSP is a Canadian Crown Corporation subject to the Access to Information Act (the "Act"). The Act contains an exemption which allows Invetissements PSP to refuse to release its commercial information (such as the offices it holds in private companies) in response to a request therefore, provided such information is consistently treated as confidential.

Intentionally disclosing to the public, or treating as non-confidential, the offices held by Investissements PSP would deprive such information of legal protection.

As at the date of this Management Report, Investissements PSP holds 11,100,000 shares in Korian.

OFFICES HELD BY JÉRÔME BICHUT*

OFFICES OUTSIDE THE GROUP

N/A

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

N/A

* *Jérôme Bichut is in compliance with applicable laws on holding multiple corporate offices.*



Malakoff Médéric Assurances
Permanent representative: Hugues du Jeu
Director and Member of the Investment Committee

Hugues du Jeu

Born on: 17 October 1957 in Bourges (18)

Nationality: French

Address:
21, rue Laffitte, 75009 Paris

Date of appointment:
GM of 25 June 2015

End of term:
GM voting on the financial statements for financial year 2017

Malakoff Médéric Assurances

A French *société anonyme* (limited company)

Registered office:
21, rue Laffitte, 75009 Paris

Paris Trade and Companies Registry No. 401 678 180

Main position held

Deputy Chief Executive Officer – Finance, Technical, Strategic Partnerships and Legal Affairs – Transformation and Social Action Director

BIOGRAPHY

Hugues du Jeu has a degree in engineering from ENSTA. He is also a Maritime Engineer and an IAF-certified actuary.

He began his career overseeing marine operations at Entreprise d'Équipements Mécaniques et Hydrauliques from 1981 to 1984. From 1984 to 1998, he was an advisor for Jean Pierre Martichoux et Associés. In 1998, Hugues du Jeu joined Abeille Vie as Head of Management Resources, Head of Personal Insurance and Corporate Secretary.

In 2002, he joined the Médéric Group, where he subsequently held the positions of Head of Group Performance, Head of Supplementary Pensions, Head of Management and Customer Service and Executive responsible for the Malakoff-Médéric merger.

Hugues du Jeu is Finance, Technical, Strategic Partnerships and Legal Affairs – Transformation and Social Action Director.

He is Deputy Chief Executive Officer and Member of the Executive Committee of Malakoff Médéric.

As at the date of this Management Report, Hugues du Jeu holds 100 shares in Korian.

OFFICES HELD BY MALAKOFF MÉDÉRIC ASSURANCES*

OFFICES OUTSIDE THE GROUP

Director: Ignilife France SAS

Member of the Supervisory board: La Banque Postale Asset Management, Foncière Hospi Grand Ouest, Sycomore Factory

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Director: SCOR SE (listed company), Korian, Médéric Conseil, LVL Médical Groupe

Member of the Supervisory board: Quatrem, Quatrem Assurances Collectives, Korian

As at the date of this Management Report, Malakoff Médéric Assurances holds 5,203,892 shares in Korian.

OFFICES HELD BY HUGUES DU JEU**

OFFICES OUTSIDE THE GROUP

Chairman: Malakoff Médéric Épargne Entreprise, Bien-Être Assistance

Director: Quatrem, EAP France, La Banque Postale Assurance Santé, OPPCI Vivaldi

Deputy Chief Executive Officer: Auxia Assistance, Caisse Mutuelle d'Assurances sur la vie (CVAM), Quatrem, Auxia

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Chairman: Sévriéna 3, Malakoff Médéric Participations

Director: Médéric Épargne, Malakoff Médéric Assurances, Fédéris Gestion d'Actifs, Auxia, Auxia assistance

Member of the Supervisory board: Fédéris Gestion d'Actifs

Member of the Management Board: Saprem

Permanent representative of Malakoff Médéric Assurances, director: LVL Médical Groupe, Quatrem Assurances Collectives

Deputy Chief Executive Officer: SGAM Malakoff Médéric-LMG

* *Hugues du Jeu is in compliance with applicable laws on holding multiple corporate offices.*
** *Malakoff Médéric Assurances is in compliance with applicable laws on holding multiple corporate offices.*



Jean-Pierre Duprieu

Director, Member of the Compensation and Appointments Committee and Audit Committee and Chairman of the Ethics and Quality Committee

Born on: 13 April 1952 in Chartres (28)
Nationality: French
Address:
10, rue Danton, 75006 Paris

Date of appointment:
GM of 23 June 2016
End of term:
GM voting on the financial statements for financial year 2018

BIOGRAPHY

Jean-Pierre Duprieu is an agricultural engineer. He graduated from the *Institut national agronomique de Paris-Grignon* (AgroParisTech) with a specialisation in "food industry", and from the *Institut de contrôle de gestion de Paris* and the International Forum (advanced management programme in conjunction with Wharton University). He joined Air Liquide Group in 1976, where he has spent his entire career, and has held various commercial, operational and strategic positions.

For nearly ten years he headed the Europe, Middle East and Africa region, before taking over the Asia Pacific region in 2005 as a member of the Group Executive Committee based in Tokyo, Japan.

From the start of 2010 to the end of 2016, when he retired from Air Liquide Group, he oversaw the Europe region and Healthcare business, in addition to the Group's Purchasing and IT divisions. During that time he was Deputy Chief Executive Officer of the Group.

He also serves on Michelin's Supervisory board and is a member of its Audit Committee. In addition, on a voluntary basis, he is Chairman of the AgroParisTech Foundation and Chairman of the French Charity Accountability Association *(Comité de la Charte du Don en Confiance)*.

As at the date of this document, Jean-Pierre Duprieu holds 1,596 shares in Korian.

OFFICES OUTSIDE THE GROUP*

Director: Air Liquide Welding (ALW) SA

Member of the Supervisory board: Michelin (listed company)

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Director: Air Liquide Santé International

Chairman of the Board of Directors: Air Liquide Eastern Europe

Deputy CEO: L'Air Liquide SA (listed company)

* *Jean-Pierre Duprieu is in compliance with applicable laws on holding multiple corporate offices.*



Martin Hoyos

Director and Member of the Audit Committee and Ethics and Quality Committee

Born on: 27 October 1947 in Vienna, Austria
Nationality: Austrian
Address:
Belvederegasse 10, 1040 Vienna, Austria

Date of appointment:
GM of 18 March 2014
End of term:
GM voting on the financial statements for financial year 2016

BIOGRAPHY

After studying law, Martin Hoyos worked for the KPMG audit firm from 1971 to 2007 in Austria and Germany.

Currently, he is a member of the Supervisory boards of the Advanced Metallurgical Group, headquartered in Amsterdam, and of Koenig & Bauer AG, headquartered in Wurzburg, both of which are listed companies.

As at the date of this Management Report, Martin Hoyos does not hold any shares in Korian.

OFFICES OUTSIDE THE GROUP*

Member of the Supervisory board: Advanced Metallurgical Group (listed company – Netherlands), Koenig & Bauer AG (listed company – Germany)

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Member of the Supervisory board: Prinzhorm Holding (Austria), Curanum AG (Germany), KPMG AG Deutschland Wirtschaftsprüfungs (Germany), CAG Holding gmbH (Austria)

* *Martin Hoyos is in compliance with applicable laws on holding multiple corporate offices.*



Anne Lalou

Director and Chairperson of the Compensation and Appointments Committee

Born on: 6 December 1963 in Paris
Nationality: French
Address:
59, rue Nationale, 75013 Paris

Date of appointment:
GM of 23 June 2016
End of term:
GM voting on the financial statements for financial year 2018

Main position held
Director of the Web School Factory and Chairperson of Innovation Factory

BIOGRAPHY

Anne Lalou started her career as an authorised representative and then deputy head of the mergers and acquisitions department of Lazard in London and then Paris. She then became Head of Outlook and Development at Havas.

She was Chairperson and Chief Executive Officer of Havas Édition Électronique before joining Rothschild & Cie as a Manager.

In 2002 she joined Nexity, as Corporate Secretary and Director of Development before becoming Chief Executive Officer of Nexity Franchises in 2006 and then Deputy Chief Executive Officer of the Distribution division until 2011.

She took on the management of the Web School Factory in 2012 and Innovation Factory in 2013.

She is a graduate of the *École supérieure des sciences économiques et commerciales* (ESSEC).

As at the date of this Management Report, Anne Lalou holds 1,180 shares in Korian.

OFFICES OUTSIDE THE GROUP*

Member of the Supervisory board: Eurazeo (listed company), Natixis (listed company)
General Management: Web School Factory
Chairperson: Innovation Factory

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Chair: Nexity Solutions
Director: Medica, Kea & Partners
Member of the Supervisory board: Foncia Holding, Foncia Groupe (listed company)
General Management: Nexity Solutions

* *Anne Lalou is in compliance with applicable laws on holding multiple corporate offices.*



Guy de Panafieu

Director, Chairman of the Audit Committee and Member of the Compensation and Appointments Committee

Born on: 5 April 1943 in Paris
Nationality: French
Address:
56, rue Boileau, 75016 Paris

Date of appointment:
GM of 23 June 2016
End of term:
GM voting on the financial statements for financial year 2018

Main position held
Advisor to the *Chambre nationale des conseils en gestion de patrimoine*

BIOGRAPHY

Guy de Panafieu, a graduate of the *Institut d'études politiques de Paris,* and also holds an arts and economics degree and studied at the *École nationale d'administration.* Formerly a Finance Inspector, from 1968 to 1982 he held a variety of positions at the French Finance Ministry in foreign trade and international economic relations. He was technical advisor in international economic matters to the President of France from 1978 to 1981. He was Chairman of the Bull group from 1997 to 2001. He worked for the Lyonnaise des Eaux Group from 1983 to 1997 in various management roles, most recently as Vice-chairman and Chief Executive Officer. He is a Manager at Boileau Conseil and an advisor to the *Chambre nationale des conseils en gestion de patrimoine.*

As at the date of this Management Report, Guy de Panafieu holds 1,749 shares in Korian.

OFFICES OUTSIDE THE GROUP*

Director: SANEF
Member of the Supervisory board: Métropole Television (listed company)
Chairman: Boileau Conseil

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Director: Medica

* *Guy de Panafieu is in compliance with applicable laws on holding multiple corporate offices.*



Catherine Soubie

Director and Member of the Audit Committee and Investment Committee

Born on: 20 October 1965 in Lyon
Nationality: French
Address: 137, rue de l'Université, 75007 Paris

Date of appointment: GM of 25 June 2015
End of term: GM voting on the financial statements for financial year 2017

Main position held
Chief Executive Officer of Arfilia

BIOGRAPHY

Catherine Soubie is a graduate of the *École supérieure de commerce de Paris.* She began her career in 1989 with Lazard in London, before relocating to its Paris office, where she was Director of Financial Affairs. She then held a variety of positions at Morgan Stanley in Paris, notably Managing Director. From 2005 to 2010, she served as CEO of Rallye. In 2010, she joined Barclays as Managing Director, Head of Investment Banking for France, Belgium and Luxembourg.

Since September 2016, she has been Chief Executive Officer of Arfilia.

As at the date of this Management Report, Catherine Soubie holds 6,900 shares in Korian.

OFFICES OUTSIDE THE GROUP*

Chief Executive Officer: Arfilia SAS

Director: Foncière des Régions (listed company)

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Director: Medica

Managing Director – Head of Investment Banking (France, Belgium and Luxembourg): Barclays

* *Catherine Soubie is in compliance with applicable laws on holding multiple corporate offices.*



Hafida Cola

Director representing the employees and Member of the Ethics and Quality Committee

Born on: 20 December 1970 in Aït Brahim (Morocco)
Nationality: French
Address: 7, rue du Vieux-Tilleul, 25000 Besançon

Date of appointment: 25 January 2016
End of term: GM voting on the financial statements for financial year 2018

BIOGRAPHY

Hafida Cola is a graduate of the *École supérieure de vente* in Besançon. She began her career as a Medical Assistant, then from 2001, moved into a sales career in a ready-to-wear clothing company.

She joined Korian in 2004 as a multi-task assistant, then successively occupied the positions of Assistant for the Coordination France department and Project Coordination Manager. Since 2013, she has been the national coordinator for Coordination and Social Matters.

She has held several offices within the single personnel delegation (secretary, member of the Health and Safety Committee (CHSCT), and has been the staff representative on the Works Council and the Works Council representative, first on the Supervisory board and then on the Korian Board of Directors).

As at the date of this Management Report, Hafida Cola does not hold any shares in Korian.

OFFICES OUTSIDE THE GROUP*

N/A

* *Hafida Cola is in compliance with applicable laws on holding multiple corporate offices.*



Jean-Claude Georges-François
Board Observer

Born on: 6 June 1937 in Le Havre (76)
Nationality: French
Address: 10, avenue de l'Opéra, 75001 Paris

Date of appointment: GM of 18 March 2014
End of term: GM voting on the financial statements for financial year 2016

BIOGRAPHY

Jean-Claude Georges-François is a graduate of the *Institut d'études politiques de Paris*. He started out in administration and then progressed to management at Pont-à-Mousson from 1967 to 1986.

In 1986, he joined Usinor (now Arcelor) occupying executive positions in the fields of human resources, development and communication. He also served on the Executive Committee from 1987 to 2002.

From 2002 to 2004, he was an advisor to Francis Mer at the Ministry of Economy and Finance.

In 2004, he was appointed Chairman of Korian.

He is a Commander of the French *Légion d'honneur*.

As at the date of this Management Report, Jean-Claude Georges-François holds 734 shares in Korian.

OFFICES OUTSIDE THE GROUP*

Manager: JCGF Conseil, Clodapier SCI
Director: CMAV, Fédéris
Board Observer: Fédéris Épargne Salariale

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Chairman: Ingénieurs 2000
Chairman of the Supervisory board: Korian
Director: Batipart, Prévoyance et Réassurance
Member of the Supervisory board: SAPREM, Prévoyance Ré
Chairman of the Management Board: Korian
Legal representative of JCGF Conseil, Chairman: Batipart

* *Jean-Claude Georges-François is in compliance with applicable laws on holding multiple corporate offices.*

3.10.2 COMPENSATION OF ADMINISTRATIVE AND MANAGEMENT BODIES

Korian's compensation policy for its executive corporate officers is in compliance with the AFEP-MEDEF Corporate Governance Code for Listed Companies (November 2016 version) (the "**AFEP-MEDEF Code**"). In line with the recommendations of the AFEP-MEDEF Code, the compensation of executive corporate officers is set by the Board of Directors, pursuant to a proposal of the Compensation and Appointments Committee.

In accordance with the provisions of Act No. 2016-1691 of 9 December 2016 on transparency, fighting corruption and the modernisation of economic life (hereinafter "**Sapin II Act**"), the 2017 compensation policy for executive corporate officers will be submitted for a binding vote, and the individual compensation of executive corporate officers in 2016 will be submitted for a consultation of the shareholders, at the Company's Annual General Meeting to be held on 22 June 2017.

3.10.2.1 2017 compensation policy for executive corporate officers

Principles applicable to the compensation of executive corporate officers

The principles that govern how the compensation of executive corporate officers is fixed are established in accordance with the AFEP-MEDEF Code. Therefore, the Board of Directors and the Compensation and Appointments Committee:

- consider all components of their compensation in order to make a comprehensive assessment thereof (exhaustiveness principle);
- ensure that each component of their compensation is consistent with the Company's corporate interest (principle of balance between the components of compensation);
- assess their compensation based on the Company's reference market, as well as the responsibilities held, results obtained and work performed (comparability principle);
- determine their compensation in accordance with that of other executives and employees of the Company (consistency principle);
- propose simple, stable and transparent rules. The performance criteria used should correspond to the Company's objectives, and should be demanding and explicit and, to the extent possible, consistent over time (intelligible rules principle);
- strike a fair balance between, and take account of, the Company's corporate interest, market practices and the performances of the executives and other corporate stakeholders in setting the components of compensation (moderation principle).

The compensation policies for executive corporate officers, as presented in this section 3.10.2.1, apply, respectively, to Sophie Boissard, Chief Executive Officer, and Christian Chautard, Chairman of the Board of Directors. In the event of a change in the persons who hold corporate governance positions, the principles and criteria applied to determine, allocate and award the fixed, variable and extraordinary components of total compensation and the benefits of all types granted to new executive corporate officers will be established on a case-by-case basis by the Board of Directors, pursuant to a recommendation of the Compensation and Appointments Committee, in accordance with the AFEP-MEDEF Code.

Moreover, Korian's executive corporate officers have never been awarded hiring bonuses (golden hellos) upon joining the Company. Nevertheless, the Board of Directors reserves the right to award a hiring bonus to a new executive corporate officer in an amount to be determined based on the loss he/she sustains by prematurely leaving his/her current position.

2017 compensation policy for Sophie Boissard, Chief Executive Officer

The 2017 compensation policy for the Chief Executive Officer was established by the Board of Directors at its meetings of 28 November 2016 and 15 March 2017, pursuant to a proposal of the Compensation and Appointments Committee. For the most part, the 2017 compensation policy for the Chief Executive Officer is unchanged from the 2016 policy, which was adopted by the Board of Directors at its meetings of 18 November 2015 and 23 March 2016.

▸ FIXED COMPENSATION

Sophie Boissard receives annual gross fixed compensation of €450,000, which is paid monthly. This annual fixed compensation has not changed since she took office on 26 January 2016, and will be periodically reviewed based on market recommendations.

▸ VARIABLE COMPENSATION

Sophie Boissard receives annual variable compensation up to a maximum of 100% of her annual fixed compensation if performance conditions are met, and a maximum of 120% of her annual fixed compensation if performance conditions are exceeded, which is measured solely on the basis of quantifiable criteria.

Quantifiable criteria (EBITDA, operating cash flow) account for two-thirds of the performance conditions, and qualitative criteria account for one-third of performance conditions.

The maximum variable compensation, the allocation between quantifiable and qualitative criteria, and the quantifiable criteria applied have not changed since she took office on 26 January 2016. The quantifiable and qualitative criteria for 2017 were set by the Board of Directors at its meeting of 28 November 2016, pursuant to a proposal of the Compensation and Appointments Committee, based on financial objectives and priority projects identified by the Board, in particular in line with the five-year strategic plan. The degree to which the target quantifiable and qualitative criteria are met will be made public only in 2018, when the variable compensation for 2017 will have been determined, in order to protect the confidentiality of the Group's strategy. Payment of the variable components of compensation for 2017 is conditioned on the approval of the General Meeting that will vote on the financial statements for the financial year ending 31 December 2017, which will be held in 2018.

▸ EXTRAORDINARY COMPENSATION

At this time, it is not foreseen that Sophie Boissard will receive extraordinary compensation in 2017. In accordance with the recommendations of the Code AFEP-MEDEF Code, only very special circumstances may justify payment of extraordinary compensation.

▸ LONG-TERM COMPENSATION

Sophie Boissard will be a beneficiary of a long-term variable compensation mechanism that remunerates the Group's performance, based on the objectives of the five-year strategic plan. This long-term profit-sharing plan will be subject to stringent performance conditions, which are different from the performance conditions to be met for payment of her annual variable compensation, and which are measured over the 2017-2020 period. In addition, she will be required to be employed by the Company on 30 June 2020.

These performance conditions will be determined based on the level at which the following performance targets are met (which will be disclosed in 2020): (i) Group revenue earned in 2019, compared to target revenue, in accordance with the Korian 2020 plan ; (ii) EBITDA per share achieved in 2019, compared to target EBITDA, in accordance with the Korian 2020 plan (on the basis of the number of shares issued); and (iii) total shareholder return (TSR), compared to the SBF 120 index at 30 June 2020. TSR is calculated on the basis of the weighted average number of ordinary shares in circulation during the period.

To more closely align her interests with those of the shareholders, the long-term variable compensation mechanism will include an award of free shares governed by article L. 225-197-1 of the French Commercial Code, provided the General Meeting of shareholders to be held on 22 June 2017 votes in favour of a resolution authorising the Board of Directors to grant free shares to executive corporate officers and certain management employees who hold key positions within the Group. The Board of Directors will be entitled to change the legal form of the planned long-term variable compensation mechanism in the event of unfavourable regulatory amendments or restrictions imposed.

▸ BENEFITS

Sophie Boissard is covered by the Group "healthcare" and "disability, invalidity and death" plans that have been taken out for the benefit of salaried managers and that are currently in force within the Company, as well as civil liability insurance. In addition, she is entitled to unemployment insurance and a Company car, but she chose not to accept these benefits in 2016.

▸ SEVERANCE PAY

Sophie Boissard will receive severance pay in the event of the termination or non-renewal of her corporate office (except for gross negligence or wilful misconduct) due to a change in strategy or control, in which case payment will be conditioned on meeting performance criteria and will be in an amount equal to the Annual Base Compensation (as defined below), increased by 25% per year of service, but without exceeding twice the Annual Base Compensation, after deducting any amount owed as non-compete compensation, as described below, if the Company does not waive the benefit of the covenant not to compete.

Annual Base Compensation means the gross annual fixed and variable compensation received for the 12 months preceding the date on which her office is terminated or not renewed, excluding compensation received under the medium or long-term profit-sharing plans set up for the management teams and exceptional compensation that may be awarded from time to time by the Board of Directors on a discretionary basis.

A change of strategy is defined as a change in the Company's strategy that is the subject of the last financial communication made by the Chief Executive Officer or a significant transaction for the Group that does not fall within the scope of the last medium-term plan approved by the Board of Directors in agreement with the Chief Executive Officer.

A change of control is defined as a substantial acquisition of equity interests in the Company, accompanied by the appointment of a number of directors that may confer a decisive influence on the Board of Directors' decisions.

The performance conditions for the payment of severance pay have been set as follows:

- In the event of termination (except for gross negligence or wilful misconduct) due to a change of strategy or control between the 2016 closing date, no later than 31 March 2017, and the 2017 closing date, no later than 31 March 2018, performance will be measured by the achievement rate for objectives used to calculate the variable component of Sophie Boissard's annual compensation for 2016, as follows:
  - the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 < 40%: no severance pay will be owed;
  - 40% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 < 60%: severance pay equal to 50% of the Annual Base Compensation will be owed;
  - 60% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 < 100%: severance pay equal to 100% of the Annual Base Compensation will be owed.
- In the event of termination (except for gross negligence or wilful misconduct) due to a change of strategy or control between the 2017 closing date, no later than 31 March 2018 and the 2018 closing date, no later than 31 March 2019, performance will be measured by the average achievement rate for objectives used to calculate the variable component of Sophie Boissard's annual compensation for 2016 and 2017, as follows:
  - the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 and 2017 < 40%: no severance pay will be owed;
  - 40% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 and 2017 < 60%: severance pay equal to 50% of the Annual Base Compensation will be owed;
  - 60% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 and 2017 < 100%: severance pay equal to 100% of the Annual Base Compensation will be owed.
- In the event of termination (except for gross negligence or wilful misconduct) due to a change of strategy or control on or after the 2018 closing date, but no later than 31 March 2019, performance will be measured by the average achievement rate for objectives used to calculate the variable component of Sophie Boissard's annual compensation for the three financial years preceding her departure, as follows:
  - the achievement rate for objectives used to calculate the variable component of annual compensation for the three financial years preceding her departure < 40%: no severance pay will be owed;
  - 40% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for the three financial years preceding her departure < 60%: severance pay equal to 50% of the Annual Base Compensation will be owed;
  - 60% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for the three financial years preceding her departure < 100%: severance pay equal to 100% of the Annual Base Compensation will be owed.

This severance payment, which was approved in principle by the Board of Directors at its meeting of 18 November 2015, and whose performance criteria were established by the Board of Directors at its meeting of 23 March 2016, has not undergone any changes since then.

▸ NON-COMPETE COMPENSATION

Sophie Boissard is bound by a covenant not to compete which prohibits her from holding any corporate office, performing any executive function of any kind or providing any advisory services, for a period of two years as from the termination of her duties, for any business or company that competes with the Company and that specialises in long- and medium-term stays in long-term care nursing homes and assisted living facilities in all countries in which Korian does business at the time the covenant is implemented.

In consideration therefore Sophie Boissard is entitled to non-compete compensation equal to 50% of the gross annual fixed compensation received for the 12 months preceding the date on which the event triggering the departure occurred (date of notice of resignation from the Company, date of termination or non-renewal by the Board) (hereafter the "**Date of Termination**"), combined, if applicable, with severance pay, provided the sum of the two benefits does not exceed two years of annual fixed and variable compensation (otherwise, severance pay will be cut to reduce total compensation to this amount). Compensation received pursuant to the medium- or long-term profit-sharing plans for management teams and extraordinary compensation that may be awarded from time to time by the Board of Directors on a discretionary basis are not components of annual fixed and annual compensation, and are not included in the basis for calculating non-compete compensation.

The Company may waive the benefit of the covenant not to compete no later than 15 days from the Date of Termination.

This non-compete compensation which was approved in principle by the Board of Directors at its meeting of 18 November 2015, has not undergone any changes since then.

▸ **PROPOSED RESOLUTION SUBMITTED FOR A VOTE BY THE SHAREHOLDERS**

Fifth resolution

Approval of the principles and criteria applied to determine, allocate and award the components of the compensation of Sophie Boissard, in her capacity as the Company's Chief Executive Officer for financial year 2017

The shareholders convened for the General Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the Board of Directors' report prepared in accordance with article L. 225-37-2 of the French Commercial Code, approve all principles and criteria applied to determine, allocate and award the components of the compensation of Sophie Boissard for her position as the Company's Chief Executive Officer, for financial year 2017, as presented in section 3.10.2.1 of the Company's 2016 registration document and in the notice of meeting brochure.

2017 compensation policy for Christian Chautard, Chairman of the Board of Directors

The 2017 compensation policy for the Chairman of the Board of Directors was established by the Board of Directors at its meeting of 15 March 2017, pursuant to a proposal of the Compensation and Appointments Committee. For the most part, the 2017 compensation policy for the Chairman of the Board of Directors is unchanged from the 2016 policy, which was adopted by the Board of Directors at its meetings of 25 March and 18 November 2015. Christian Chautard does not receive any other type of compensation (variable compensation, long-term compensation, benefits, severance pay, non-compete compensation).

▸ **FIXED COMPENSATION**

Christian Chautard receives annual gross fixed compensation of €345,000, which is paid monthly. This annual fixed compensation has not changed since he took office on 25 March 2015.

▸ **EXTRAORDINARY COMPENSATION**

Christian Chautard does not receive any extraordinary compensation.

▸ **ATTENDANCE FEES**

Christian Chautard waived his right to receive attendance fees for his office as Chairman of the Board of Directors and as a member of certain specialised Board committees, during the remaining portion of his term of office as a director of the Company, as he had done in 2016.

▸ **PROPOSED RESOLUTION SUBMITTED FOR A VOTE BY THE SHAREHOLDERS**

Sixth resolution

Approval of the principles and criteria applied to determine, allocate and award the components of the compensation of Christian Chautard, in his capacity as Chairman of the Company's Board of Directors for financial year 2017

The shareholders convened for the General Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the Board of Directors' report prepared in accordance with article L. 225-37-2 of the French Commercial Code, approve all principles and criteria applied to determine, allocate and award the components of the compensation of Christian Chautard for his position as the Chairman of Company's Board of Directors, for financial year 2017, as presented in section 3.10.2.1 of the Company's 2016 registration document and in the notice of meeting brochure.

3.10.2.2 Compensation of executive corporate officers

As stated above, at its meeting of 18 November 2015, the Board of Directors removed Yann Coléou from his office as Chief Executive Officer and appointed Sophie Boissard as Chief Executive Officer starting 26 January 2016. Between these two dates, Christian Chautard temporarily held the offices of Chairman and Chief Executive Officer.

Compensation of Sophie Boissard, Chief Executive Officer since 26 January 2016

▸ **FIXED COMPENSATION**

Pursuant to a proposal of the Compensation and Appointments Committee, on 18 November 2015, the Board of Directors set the annual gross fixed compensation of Sophie Boissard at €450,000.

▸ **VARIABLE COMPENSATION**

Pursuant to a proposal of the Compensation and Appointments Committee, on 18 November 2015, the Board of Directors set the annual gross variable compensation of Sophie Boissard at a maximum of 100% of her annual fixed compensation if performance conditions are met, and a maximum of 120% of her annual gross fixed compensation if performance conditions are exceeded, which is measured solely on the basis of quantifiable criteria[(1)].

For 2016, pursuant to a proposal of the Compensation and Appointments Committee, on 23 March 2016, the Board of Directors applied the following quantifiable and qualitative criteria:

- quantifiable criteria (accounting for two-thirds of the variable compensation): EBITDA (one-third of variable compensation) and operating cash flow (one-third of variable compensation);
- qualitative criteria (accounting for one-third of variable compensation): improved governance and management of the Group, integration of acquisitions in Germany and the Korian 2020 strategic roadmap.

Taking into account the achievement rate for each of the performance criteria used to calculate the variable compensation to be paid for 2016, pursuant to a proposal of the Compensation and Appointments Committee, on 15 March 2017, the Board of Directors awarded Sophie Boissard the sum of €483,000 on these grounds. The table below shows the achievement rate for each of these performance criteria.

(1) Exceptionally, given the circumstances and, in particular, the difficulty in measuring Sophie Boissard's performance during her first year in office, it was decided that she would receive at least two-thirds of her annual gross fixed compensation (prorated to time), i.e. a gross amount of €300,000 for a full year, as variable compensation for the 2016 financial year.

Breakdown of the Chief Executive Officer's annual variable compensation(1)

			Minimum	Target	Maximum	Actual
Quantifiable objectives 67% of fixed compensation (target)	EBITDA(2)	as % of fixed compensation	0%	33%	43%	43%
		Indicator value ***(in € millions)***	395.3	407.5	419.7	€422.2
	Operating cash flow(3)	as % of fixed compensation	0%	33%	43%	43%
		Indicator value ***(in € millions)***	€95.7	€106.3	€116.9	€140.5
	Quantifiable Total		**0%**	**67%**	**87%**	**87%**
Qualitative objectives 33% of fixed compensation (target)	Improved governance and management of the Group	• Group Structure • Country Management	0%	33%	33%	28%
	Integration of acquisitions in Germany	• Management process and tools • Post-merger action plan				
	2020 Korian strategic roadmap	• Business line/geographic strategy • Growth/development				
	Qualitative Total		**0%**	**33%**	**33%**	**28%**
TOTAL VARIABLE COMPONENT *(AS % OF FIXED COMPENSATION)*			**0%**	**100%**	**120%**	**115%**

(1) The percentages in this table have been rounded to the nearest whole number.
*(2) 100% if 2016 EBITDA is at least €407.5 million ("**Target EBITDA**").*
0% if 2016 EBITDA is less than €395.3 million (97% of Target EBITDA) (linear variation of the bonus owed between 97% and 100% of the objective).
Bonus increased to 130% of the basis if 2016 EBITDA is greater than €419.7 million (103% of Target EBITDA) (linear variation of the bonus owed between 100% and 103% of the objective).
*(3) 100% payable if 2016 operating cash flow is at least €106.3 million ("**Target Operating Cash Flow**").*
0% if 2016 operating cash flow is less than €95.7 million (90% of Target Operating Cash Flow) (linear variation of the bonus owed between 90% and 100% of the objective).
Bonus increased to 130% of the basis if 2016 operating cash flow is greater than €116.9 million (110% of Target Operating Cash Flow) (linear variation of the bonus owed between 100% and 110% of the objective).

▸ LONG-TERM COMPENSATION

Pursuant to a proposal of the Compensation and Appointments Committee, on 14 September 2016, the Board of Directors approved setting up a long-term variable compensation mechanism to compensate performance as measured against the five-year strategic plan, in particular for Sophie Boissard in her capacity as Chief Executive Officer. This mechanism, which is in the form of an award of performance units, provides that she will be awarded 18,684 performance units, in accordance with the conditions described below.

- The number of performance units that will be ultimately granted on 30 June 2019 will depend on the level at which three separate performance targets are met (each of which confers the right to one-third of the total grant), and which are based on the level at which the revenue and EBITDA objectives of the five-year strategic plan are attained as at 31 December 2018, as well as the performance of the Korian share price compared to the performance of the SBF 120 index between 14 September 2016 and 30 June 2019:
  - if the revenue or EBITDA objectives of the five-year strategic plan are not met, no performance unit that could be potentially acquired under the relevant objective will be awarded. Only meeting the objectives confers the right to an actual award of a portion of the performance units that may be acquired under each of these objectives;
  - only a performance of the Korian share price that exceeds the performance of the SBF 120 index between 14 September 2016 and 30 June 2019 confers the right to an actual award of a portion of the performance units that may be acquired under this third objective;
  - the final award of 100% of the performance units requires that the objectives under each of the three performance conditions be exceeded.
- The benefit and payment of the performance units earned are conditioned on Sophie Boissard still being with the Company on 30 June 2019 (subject to the customary exceptions for death, retirement or disability).
- The value of a performance unit will be equal to the average closing price of the Korian share during the 20 trading days prior to 30 June 2019.
- The performance units will be paid after 30 June 2019, half in Korian shares and half in cash. However, the Board of Directors reserves the right to revise this allocation.
- The Korian shares received as payment for performance units will be freely negotiable, provided Sophie Boissard retains 25% of the Korian shares received as payment throughout the term of her office.
- The gross compensation paid pursuant to the performance units granted to Sophie Boissard may not exceed 100% of her annual gross fixed and variable compensation.

In addition, Sophie Boissard has made a formal undertaking not to use instruments to hedge her risk in connection with this grant.

In connection with the portion of the plan to which she is entitled, Sophie Boissard will incur an IFRS cost of around €282,920 (excluding social charges).

▸ BENEFITS

In addition to her compensation, Sophie Boissard is covered by the Group "healthcare" and "disability, invalidity and death" plans that have been taken out for the benefit of salaried managers and that are currently in force within the Company, as well as by a civil liability insurance policy. However, Sophie Boissard chose not to be covered by unemployment insurance or to have a Company car in 2016.

▸ SEVERANCE PAY

Pursuant to a proposal of the Compensation and Appointments Committee, on 18 November 2015, the Board of Directors approved an award of severance pay to Sophie Boissard in the event of the termination or non-renewal of her corporate office due to a change in strategy or control, the main characteristics of which are described in section 3.10.2.1 above.

In accordance with the "TEPA" Act (article L. 225-42-1 of the French Commercial Code), this severance pay for the Chief Executive Officer was approved by the adoption of the ninth resolution by the General Meeting of the Company's shareholders on 23 June 2016.

▸ NON-COMPETE COMPENSATION

Pursuant to a proposal of the Compensation and Appointments Committee, on 18 November 2015, the Board of Directors voted to impose a covenant not to compete on Sophie Boissard, the main characteristics of which are described in section 3.10.2.1 above.

In accordance with the "TEPA" Act (article L. 225-42-1 of the French Commercial Code), the consideration for this covenant not to compete was approved by the adoption of the ninth resolution by the General Meeting of the Company's shareholders on 23 June 2016.

Compensation of Christian Chautard, Chairman & Chief Executive Officer from 1 to 26 January 2016 and Chairman of the Board of Directors since 26 January 2016

▸ FIXED COMPENSATION

Pursuant to a proposal of the Compensation and Appointments Committee, on 25 March 2015, the Board of Directors decided to set Christian Chautard's annual gross fixed compensation for his office as Chairman of the Board at €345,000.

Pursuant to a proposal of the Compensation and Appointments Committee, at its meeting of 18 November 2015, the Board of Directors increased Christian Chautard's annual gross fixed compensation to €450,000 for the performance of his duties as Chairman and Chief Executive Officer, prorated over the interim period from 18 November 2015 to 26 January 2016[1].

▸ ATTENDANCE FEES

Christian Chautard waived his right to receive attendance fees for his office as Chairman of the Board of Directors and as a member of certain specialised Board committees, during the remaining portion of his term of office as a director of the Company. Christian Chautard deems that the annual gross fixed compensation for his position as Chairman covers inter alia the preparation, organisation and supervision of Board matters.

Furthermore, he waived his attendance fees for his positions as a member of the Supervisory boards of the Group's German companies[2].

Lastly, he has not received attendance fees for his positions as a director of the Belgian company Senior Living Group[3] or the Italian company, Segesta[4].

Compensation of Yann Coléou, former Chief Executive Officer[5]

▸ VARIABLE COMPENSATION

Pursuant to a proposal of the Compensation and Appointments Committee, at its meeting of 24 April 2014, the Board of Directors set the annual variable compensation of Yann Coléou, the former Chief Executive Officer, at a maximum of €500,000. In accordance with the recommendations of the AFEP-MEDEF Code, the amount thereof was determined each year by the Board pursuant to a proposal of the Compensation and Appointments Committee, based on quantifiable and qualitative criteria set at the beginning of the year.

For 2015, pursuant to a proposal of the Compensation and Appointments Committee, on 25 March 2015, the Board of Directors applied the following quantifiable and qualitative criteria:

- quantifiable criteria (accounting for 40% of variable compensation): EBITDA;
- qualitative criteria (accounting for 60% of variable compensation): definition and implementation of an organisation adapted to the ambitions of the Korian Group (organisation principle, people, management and information tools); measurement and monitoring of service quality.

At its meeting of 18 November 2015, the Board of Directors decided that the 2015 variable compensation of Yann Coléou, the former Chief Executive Officer, would be determined by the Board of Directors at its meeting of 23 March 2016, pursuant to a proposal of the Compensation and Appointments Committee, based on the quantifiable and qualitative criteria set by the Board of Directors on 25 March 2015.

Having observed that the quantifiable objective had not been met and that the qualitative objectives had only been partially met, on 23 March 2016, the Board of Directors, pursuant to a proposal of the Compensation and Appointments Committee, awarded Yann Coléou the sum of €105,863 as variable compensation for 2015.

(1) As of that date, Christian Chautard's annual gross fixed compensation returned to €345,000 for his position as Chairman of the Board.
(2) Christian Chautard held the office of Chairman of the Supervisory board of the German companies Curanum AG and Korian Management AG from 26 November 2015 to 26 February 2016.
(3) Christian Chautard held the position of director of Senior Living Group from 18 November 2015 to 26 February 2016.
(4) Christian Chautard held the position of director of Segesta from 17 April 2013 to 26 February 2016.
(5) At its meeting of 18 November 2015, the Board of Directors removed Yann Coléou, the Chief Executive Officer, from office, effective immediately.

3.10.2.3 Summary tables

Summary of compensation paid to executive corporate officers over the last two financial years

Breakdown of compensation, options and shares awarded to each executive corporate officer – Table 1[1]

	FY 2015	FY 2016
Sophie Boissard, Chief Executive Officer as from 26 January 2016		
Compensation owed for the financial year[2]	-	€903,000
Value of long-term compensation plans[3]	-	€282,920
TOTAL	**-**	**€1,185,920**
Christian Chautard, Chairman & CEO from 1 to 26 January 2016 and Chairman of the Board of Directors since 26 January 2016		
Compensation owed for the financial year[2]	€309,703	€352,000
Value of long-term compensation plans	-	-
TOTAL	**€309,703**	**€352,000**

(1) This table concerns only executive corporate officers who were in office in 2016. The components of the compensation received by Yann Coléou, the former Chief Executive Officer, are shown in the below (Table 1 bis).
(2) A breakdown of this compensation is presented in the table below summarising compensation paid to executive corporate officers (Table 2).
(3) A breakdown of this compensation is presented in the table summarising performance units awarded to the Chief Executive Officer.

Breakdown of compensation, options and shares awarded to each former executive corporate officer – Table 1 *bis*

	FY 2015[1]	FY 2016[2]
Yann Coléou, Chief Executive Officer from 1 January to 18 November 2015		
Compensation owed for the financial year[3]	€3,483,585	€105,863
Value of options awarded during the financial year	-	-
Value of performance shares awarded during the financial year	€561,268	-
Value of other long-term compensation plans	-	-
TOTAL	**€4,044,853**	**€105,863**

(1) This compensation is described is section 3.10.2 of the 2015 registration document filed with the AMF on 26 April 2016 under number D.16-0405.
(2) A breakdown of this compensation is presented in the table below summarising compensation paid to former executive corporate officers (Table 2 bis).
(3) A breakdown of these compensations is presented in the table below summarising compensations paid to former executive corporate officers (Table 2 bis), except for long-term remunerations payable for the 2015 fiscal year, as described in paragraph 3.10.2 of the 2015 registration document filed with the AMF on 26 April 2016 under number D.16-0405.

Breakdown of compensation paid to executive corporate officers – Table 2

	Year ended 31 December 2015		Year ended 31 December 2016	
	Amounts owed	**Amounts paid[1]**	**Amounts owed**	**Amounts paid[1]**
Sophie Boissard, Chief Executive Officer as from 26 January 2016				
Annual fixed compensation	-	-	€420,000	€420,000
Variable annual compensation[2]	-	-	€483,000	-
Extraordinary compensation	-	-	-	-
Attendance fees	-	-	-	-
Non-cash benefits[3]	-	-	€0	€0
TOTAL	**-**	**-**	**€903,000**	**€420,000**
Christian Chautard, Chairman & CEO from 1 to 26 January 2016 and Chairman of the Board since 26 January 2016[4]				
Annual fixed compensation	€277,972	€277,972	€352,000	€352,000
Variable annual compensation[2]	-	-	-	-
Extraordinary compensation	€3,208	-	-	€3,208[5]
Attendance fees	€28,523	€28,523	-	-
Non-cash benefits[3]	-	-	-	-
TOTAL	**€309,703**	**€306,495**	**€352,000**	**€355,208**

(1) Variable annual compensation paid for the previous financial year.
(2) A breakdown of the criteria applied to calculate the components of the annual variable compensation of executive corporate officers or the circumstances under which they were established (grounds for payment, awarding criteria, procedures for setting the amount) is provided in section 3.10.2.2.
(3) A breakdown of non-cash benefits received by each executive corporate officer is provided in section 3.10.2.2.
(4) Christian Chautard has been Chairman of the Board since 25 March 2015. However, from 18 November 2015 to 26 January 2016, Christian Chautard was the interim Chairman and Chief Executive Officer. Therefore, the compensation of Christian Chautard described in:
– the column of the table for the financial year ended 31 December 2015 concerns (i) the period between 25 March and 18 November 2015 during which he held the position of Chairman of the Board and (ii) the period between 18 November and 31 December 2015 during which he held the position of Chairman and Chief Executive Officer;
– the column of the table for the financial year ended 31 December 2016 concerns (i) the period between 1 to 26 January 2016 during which he held the position of Chairman and Chief Executive Officer and (ii) the period between 26 January to 31 December 2016 during which he held the position of Chairman of the Board.
(5) Extraordinary compensation paid for the special assistance provided in connection with the acquisition of the Casa Reha group in Germany, followed by the supervision and coordination of its integration, during the period from 2 to 18 November 2015.

Breakdown of compensation paid to former executive corporate officers – Table 2 *bis*

	Year ended 31 December 2015[1]		Year ended 31 December 2016	
	Amounts owed	**Amounts paid[2]**	**Amounts owed**	**Amounts paid[2]**
Yann Coléou, Chief Executive Officer from 1 January to 18 November 2015				
Annual fixed compensation	€485,833	€485,833	-	-
Variable annual compensation[3]	€105,863	€500,000	-	€105,863
Extraordinary compensation	€1,837,500	€1,837,500	-	-
Attendance fees	-	-	-	-
Non-cash benefits	€4,389	€4,389	-	-
TOTAL	**€2,433,585**	**€2,827,722**	**-**	**€105,863**

(1) This compensation is described is section 3.10.2 of the 2015 registration document filed with the AMF on 26 April 2016 under number D.16-0405.
(2) Variable annual compensation paid for the previous financial year.
(3) Details of the criteria applied to calculate the components of Yann Coléou's annual variable compensation and the circumstances under which they were established (grounds for payment, allocation criteria, procedures for setting the amount) are provided in section 3.10.2.1 of the 2015 registration document filed with the AMF on 26 April 2016 under number D.16-0405 in the case of annual variable compensation owed and paid for 2015, and in section 3.10.2.2 of this registration document in the case of annual variable compensation paid for 2016.

Summary of long-term compensation awarded to executive corporate officers

The Group did not award executive corporate officers any share subscription or purchase options or performance shares during financial year 2016. Furthermore, no corporate executive officer exercised any share subscription or purchase option, and no performance shares became available for any corporate executive officer, in financial year 2016.

Pursuant to a proposal of the Compensation and Appointments Committee, on 14 September 2016, the Board of Directors approved setting up a long-term variable compensation mechanism to compensate performance in connection with the five-year strategic plan for certain members of General Management, including the Chief Executive Officer. This plan takes the form of an award of performance units. Provided the conditions set out below are met, each unit confers the right to one Korian share (or its value in cash), in accordance with the following terms:

- the vesting period is from 14 September 2016 to 30 June 2019 (the "**Vesting Date**");
- the benefit and payment of the units earned are conditioned on the beneficiary still being an employee or corporate officer of a Korian group company on the Vesting Date (subject to the customary exceptions for death, retirement or disability);
- the number of units earned is determined for each beneficiary in accordance with the level at which each of the performance objectives based on 2018 revenue and 2018 EBITDA are attained as measured against the objectives of the five-year strategic plan, as well as the Korian share price compared to the performance of the SBF 120 index, and measured during financial years 2016, 2017 and 2018;
- the payment of units earned will be made by each beneficiary's employer in accordance with the following provisions:
  - 50% of the total value of units earned will be paid in existing Korian shares, the number of which will be determined based on the average closing price of the Korian share during the 20 trading days prior to the Vesting Date, and
  - 50% of the total value of the units earned will be paid in cash;
  - however, the Board of Directors reserves the right to revise this allocation for the payment of the Chief Executive Officer's units (as well as for the payment of the units of other beneficiaries who are members of General Management);
- at the end of this vesting period, the shares received as payment for units will be freely negotiable, provided the corporate officers of the Company and its affiliates retain 25% of the shares received as payment for performance units until they leave their positions;
- the total value of performance units may not exceed 100% of the annual gross fixed and variable compensation earned in the case of the performance units that may be earned by the Chief Executive Officer (150% of annual gross fixed compensation in the case of the performance units that may be earned by the other beneficiaries who are members of General Management);
- Korian at all times has the right to make payment for all or some units earned in cash, on the basis of a valuation of each unit equal to the average closing price of the Korian share during the 20 trading days prior to the Vesting Date.

The performance units plan has an IFRS cost of around €2.42 million (of which, €282,9 thousand for the portion of Sophie Boissard, the Chief Executive Officer) (excluding social charges).

The table below breaks down the performance units awarded to the only executive corporate officer concerned, Sophie Boissard, the Company's Chief Executive Officer.

Breakdown of performance units awarded to the Chief Executive Officer

Date of plan	Number of performance units awarded during the financial year	Value of performance units applying the method used for the consolidated financial statements	Acquisition date	Payment date	Performance conditions
14 September 2016	18,684	282,920	30 June 2019	Between 1 and 30 July 2019	EBITDA, revenue and performance of the Korian share price compared to the performance of the SBF 120 index

The table below provides a synopsis of the 2016 performance units plan.

"Information on performance units awarded in 2016"	Plan
Date of Board of Directors' meeting	14 September 2016
Total number of performance units awarded	146,358
of which, number awarded to Sophie Boissard, the Chief Executive Officer	18,684
Date performance units acquired	30 June 2019
Payment date	Between 1 and 30 July 2019
Performance conditions	EBITDA, revenue and performance of the Korian share price compared to the performance of the SBF 120 index
Total number of performance units cancelled or lapsed at 31 December 2016	n/a
Performance units remaining at 31 December 2016	146,358

The table below presents the information required by the recommendations of the AFEP-MEDEF Code about the existence for executive corporate officers, if applicable, (i) of an employment contract in addition to the corporate office held, (ii) supplementary pension schemes, (iii) commitments by the Company for benefits or payments due or likely to be due for the termination or change in the positions of executive corporate officers or thereafter and (iv) non-compete compensation.

Executive corporate directors	Employment contracts	Supplementary pension scheme	Termination or change-in-role benefits	Non-compete compensation
Sophie Boissard, Chief Executive Officer	NO	NO	YES	YES
Christian Chautard, Chairman of the Board	NO	NO	NO	NO

3.10.2.4 Components of 2016 compensation of executive corporate officers, subject to the consultation of shareholders (say on pay)

Components of compensation owed or awarded to Sophie Boissard, the Chief Executive Officer, from 26 January to 31 December 2016, subject to the consultation of shareholders

Compensation components	Amounts	Comments
Annual fixed compensation	€420,000	Pursuant to a proposal of the Appointments and Compensation Committee, on 18 November 2015, the Board of Directors voted to set Sophie Boissard's annual gross fixed compensation for her position as Chief Executive Officer at €450,000. Therefore, she received gross compensation of €420,000 for the period from 26 January to 31 December 2016.
Annual variable compensation	€483,000	Pursuant to a proposal of the Appointments and Compensation Committee, on 18 November 2015, the Board of Directors decided that the annual variable component of Sophie Boissard's compensation could be a maximum of 100% of her annual gross fixed compensation if performance conditions are met, and a maximum of 120% of her annual gross fixed compensation if performance conditions are exceeded, which is measured solely on the basis of quantifiable criteria. In accordance with the recommendations of the AFEP-MEDEF Code, its amount is set each year by the Board of Directors on the recommendation of the Appointments and Compensation Committee, based on quantifiable criteria (two-thirds) and qualitative criteria (one-third) at the beginning of the year. For 2016, pursuant to a proposal of the Appointments and Compensation Committee, on 25 March 2015, the Board of Directors applied the following quantifiable and qualitative criteria: • quantifiable criteria (accounting for two-thirds of the variable compensation): EBITDA (one-third of variable compensation) and operating cash flow (one-third of variable compensation); • qualitative criteria (accounting for one-third of variable compensation): improved governance and management of the Group, integration of acquisitions in Germany and the Korian 2020 strategic roadmap. Having observed that the quantifiable objectives had not been met and that the qualitative objectives had only been partially met, on 15 March 2017, the Board of Directors, pursuant to a proposal of the Appointments and Compensation Committee, awarded Sophie Boissard the sum of €483,000 as variable compensation for 2016.

Compensation components	Amounts	Comments

Long-term compensation	No payment
	
	18,684 performance units awarded for 2016
	
	Accounting value: €282,920
		Pursuant to a proposal of the Appointments and Compensation Committee, on 14 September 2016, the Board of Directors approved setting up a long-term variable compensation mechanism to compensate performance as measured against the five-year strategic plan, in particular for Sophie Boissard in her capacity as Chief Executive Officer. This mechanism, which is in the form of an award of performance units, provides that Sophie Boissard will be awarded 18,684 performance units, in accordance with the conditions described below.
		• The number of performance units that will be ultimately granted on 30 June 2019 will depend on the level at which three separate performance targets are met (each of which confers the right to one-third of the total grant), and which are based on the level at which the revenue and EBITDA objectives of the five-year strategic plan are attained as at 31 December 2018, as well as the performance of the Korian share price compared to the performance of the SBF 120 index between 14 September 2016 and 30 June 2019:
		  • if the revenue or EBITDA objectives of the five-year strategic plan are not met, no performance unit that could be potentially acquired under the relevant objective will be awarded. Only meeting the objectives confers the right to an actual award of a portion of the performance units that may be acquired under each of these objectives;
		  • only a performance of the Korian share price that exceeds the performance of the SBF 120 index between 14 September 2016 and 30 June 2019 confers the right to an actual award of a portion of the performance units that may be acquired under this third objective;
		  • the final award of 100% of the performance units requires that the objectives under each of the three performance conditions be exceeded.
		• The benefit and payment of the performance units earned are conditioned on Sophie Boissard still being with the Company on 30 June 2019 (subject to the customary exceptions for death, retirement or disability).
		• The value of a performance unit will be equal to the average closing price of the Korian share during the 20 trading days prior to 30 June 2019.
		• The performance units will be paid after 30 June 2019, half in Korian shares and half in cash. However, the Board of Directors reserves the right to revise this allocation.
		• The Korian shares received as payment for performance units will be freely negotiable, provided Sophie Boissard retains 25% of the Korian shares received as payment.
		• The gross compensation paid pursuant to the performance units granted to Sophie Boissard may not exceed 100% of her annual gross fixed and variable compensation.
		In addition, Sophie Boissard has made a formal undertaking not to use instruments to hedge her risk in connection with this grant.
		In connection with the portion of the plan to which she is entitled, Sophie Boissard will incur an IFRS cost of around €282,920 (excluding social charges).

Extraordinary compensation	n/a	Sophie Boissard has not been paid any extraordinary compensation.
Attendance fees	n/a	Sophie Boissard has not received any attendance fees.
Value of benefits of all types	n/a	Sophie Boissard did not wish to be provided with a Company car in 2016.
Severance pay	No payment	Pursuant to a proposal of the Appointments and Compensation Committee, on 18 November 2015, the Board of Directors, decided to award Sophie Boissard severance pay in the event her corporate office was terminated or not renewed (except for gross negligence or wilful misconduct) due to a change of strategy or control, in which case payment will be conditioned on meeting performance criteria and will be in an amount equal to the Annual Base Compensation (as defined below), increased by 25% per year of service, but without exceeding twice the Annual Base Compensation, after deducting any amount owed as non-compete compensation, as described below, if the Company does not waive the benefit of the covenant not to compete. Annual Base Compensation means the gross annual fixed and variable compensation received for the 12 months preceding the date on which her office is terminated or not renewed, excluding compensation received under the medium or long-term profit-sharing plans set up for the management teams and exceptional compensation that may be awarded from time to time by the Board of Directors on a discretionary basis.

Compensation components	Amounts	Comments
Severance pay	No payment	Pursuant to a proposal of the Appointments and Compensation Committee, on 23 March 2016, the Board of Directors set the performance conditions for the payment of severance pay as follows: In the event of termination (except for gross negligence or wilful misconduct) due to a change of strategy or control prior to the 2016 closing date, no later than 31 March 2017, performance will be measured as follows(1): • (i) in the event of a departure on or after 26 January 2017, EBITDA for the last 12 months preceding the departure adjusted for acquisitions made in 2016 ≥ 95% of 2015 EBITDA or (ii) in the event of a departure before 26 January 2017, EBITDA prorated to time since the appointment of Sophie Boissard, adjusted for the acquisitions made in 2016 ≥ 95% of 2015 EBITDA prorated to time: severance pay equal to 100% of the Annual Base Compensation; • in the event of departure before 26 January 2017, the fixed compensation taken into account to calculate the Annual Base Compensation will be €450,000; • the variable compensation taken into account to calculate the Annual Base Compensation will be the minimum variable compensation for 2016, *i.e.* two-thirds of the fixed compensation, prorated to time; • the 25% increase for each year in office will not apply. In the event of termination (except for gross negligence or wilful misconduct) due to a change of strategy or control between the 2016 closing date, no later than 31 March 2017, and the 2017 closing date, no later than 31 March 2018, performance will be measured by the achievement rate for objectives used to calculate the variable component of Sophie Boissard's annual compensation for 2016, as follows: • the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 < 40%: no severance pay will be owed; • 40% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 < 60%: severance pay equal to 50% of the Annual Base Compensation will be owed; • 60% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 < 100%: severance pay equal to 100% of the Annual Base Compensation will be owed. In the event of termination (except for gross negligence or wilful misconduct) due to a change of strategy or control between the 2017 closing date, no later than 31 March 2018, and the 2018 closing date, no later than 31 March 2019, performance will be measured by the average achievement rate for objectives used to calculate the variable component of Sophie Boissard's annual compensation for 2016 and 2017, as follows: • the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 and 2017 < 40%: no severance pay will be owed; • 40% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 and 2017 < 60%: severance pay equal to 50% of the Annual Base Compensation will be owed; • 60% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 and 2017 < 100%: severance pay equal to 100% of the Annual Base Compensation will be owed. In the event of termination (except for gross negligence or wilful misconduct) due to a change of strategy or control on or after the 2018 closing date, no later than 31 March 2019, performance will be measured by the average achievement rate for objectives used to calculate the variable component of Sophie Boissard's annual compensation for the three financial years preceding her departure, as follows: • the achievement rate for objectives used to calculate the variable component of annual compensation for the three financial years preceding her departure < 40%: no severance pay will be owed; • 40% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for the three financial years preceding her departure < 60%: severance pay equal to 50% of the Annual Base Compensation will be owed; • 60% ≤ the achievement rate for objectives used to calculate the variable component of annual compensation for the three financial years preceding her departure < 100%: severance pay equal to 100% of the Annual Base Compensation will be owed. In accordance with the "TEPA" Act (article L. 225-42-1 of the French Commercial Code), this severance pay for the Chief Executive Officer was approved by the adoption of the ninth resolution by the General Meeting of the Company's shareholders on 23 June 2016.

(1) No event of termination occurred by 15 March 2017, the 2016 closing date. Therefore, these calculation provisions are no longer applicable as of the date of this registration document.

Compensation components	Amounts	Comments
Non-compete compensation	No payment	Pursuant to a proposal of the Appointments and Compensation Committee, on 18 November 2015, the Board of Directors decided to impose a covenant not to compete on Sophie Boissard to prohibit her from holding any corporate office, performing any executive function of any kind or providing any advisory services, for a period of two years as from the termination of her duties, for any business or company that competes with the Company and that specialises in long- and medium-term stays, including long-term care nursing homes and assisted living facilities, in all countries in which Korian does business at the time the covenant is implemented. In consideration therefore Sophie Boissard is entitled to non-compete compensation equal to 50% of the gross annual fixed compensation received for the 12 months preceding the date on which the event triggering the departure occurred (date of notice of resignation from the Company, date of termination or non-renewal by the Board) (hereinafter the "Date of Termination"), combined, if applicable, with severance pay, provided the sum of the two benefits does not exceed two years of annual fixed and variable compensation (otherwise, severance pay will be cut to reduce total compensation to this amount). Compensation received pursuant to the medium- or long-term profit-sharing plans for management teams and extraordinary compensation that may be awarded from time to time by the Board of Directors on a discretionary basis are not components of annual fixed and annual compensation, and are not included in the basis for calculating non-compete compensation. The Company may waive the benefit of the covenant not to compete no later than 15 days from the Date of Termination. In accordance with the "TEPA" Act (article L. 225-42-1 of the French Commercial Code), the consideration for this covenant not to compete was approved by the adoption of the ninth resolution by the General Meeting of the Company's shareholders on 23 June 2016.
Group personal protection insurance and medical expenses plan	Yes	Sophie Boissard was been provided with social security plans equivalent to those applicable to salaried managers (illness and personal protection insurance).
Supplementary pension scheme	n/a	Sophie Boissard was not provided with any supplementary pension plan.

Components of compensation owed or awarded to Christian Chautard, interim Chairman and Chief Executive Officer from 1 January to 26 January 2016, then Chairman of the Board of Directors until 31 December 2016, subject to the consultation of shareholders

Compensation components	Amounts	Comments
Annual fixed compensation	€352,000	Pursuant to a proposal of the Appointments and Compensation Committee, at its meeting of 18 November 2015, the Board of Directors set Christian Chautard's annual gross fixed compensation at €450,000 for the performance of his duties as interim Chairman and Chief Executive Officer for the period from 18 November 2015 to 25 January 2016. Pursuant to a proposal of the Appointments and Compensation Committee on 19 March 2015, the Board of Directors decided, on 25 March 2015, to set Christian Chautard's gross fixed annual compensation for his duties as Chairman of the Board at €345,000. This fixed compensation remained unchanged at the end of the aforementioned interim period. Between 1 January and 31 December 2016, Christian Chautard thus received the gross sum of €352,000 for his duties as Chairman and Chief Executive Officer, and then as Chairman of the Board.
Annual variable compensation	n/a	Christian Chautard did not receive any variable annual compensation.
Long-term compensation	n/a	Christian Chautard did not receive any long-term compensation.
Extraordinary compensation	€3,208	Pursuant to a proposal of the Appointments and Compensation Committee, on 2 November 2015, the Board of Directors set at €70,000 the gross annual compensation to be paid to Christian Chautard for the performance of his assignment to provide special assistance for the acquisition of the Casa Reha group in Germany, and then to supervise and coordinate its integration into the Group. After Christian Chautard was temporarily appointed to hold both offices of Chairman and Chief Executive Officer, as an interim measure from 18 November 2015 to 26 January 2016, the Board of Directors, at its meeting of 18 November 2015, decided to suspend the payment of this compensation during the interim period. For this assignment for the period from 2 to 18 November 2015, Christian Chautard was owed compensation of €3,208, which he was paid in February 2016. As the reasons that had led to this assignment ceased to exist with the arrival of the new General Management, the assignment was terminated on 26 January 2016.
Attendance fees	n/a	Christian Chautard waived his right to receive attendance fees for his office as Chairman of the Board of Directors and as a member of certain specialised Board committees, during the remaining portion of his term of office as a director of the Company. Furthermore, he waived his attendance fees for his positions as a member of the Supervisory boards of the Group's German companies. Lastly, he has not received attendance fees for his positions as a director of the Belgian company Senior Living Group or of the Italian company, Segesta.
Value of benefits of all types	n/a	Christian Chautard did not receive any benefits in kind.
Severance pay	n/a	No agreement for severance pay has been made with Christian Chautard.
Non-compete compensation	n/a	No commitment has been made to pay non-compete compensation.
Group personal protection insurance and medical expenses plan	n/a	Christian Chautard has not been provided with any social security plan.
Supplementary pension plan	n/a	Christian Chautard has not been provided with any supplementary pension plan.

3.10.2.5 Compensation of directors

For 2016, an amount of €332,268 was paid as attendance fees to the members of the Board of Directors and the Board's specialised committees.

The members of the Board and the committees are also entitled to reimbursement, on production of receipts, of travel expenses incurred in attending Board and committee meetings. Directors, other than the Chairman of the Board, did not receive any other components of compensation for 2016.

The Board of Directors' meeting held at the conclusion of the General Meeting of 23 June 2016 adopted new Internal Regulations, which change the method for allocating the total amount of attendance fees to the directors. article 1.9 of the Internal Regulations provides for the following allocation:

Of the total annual amount of attendance fees of €400,000:

- the sum of €350,000 will be divided among the directors as a fixed payment and on the basis of their actual attendance at Board and committee meetings;
- the balance of €50,000 will be used to pay an additional attendance fee to non-resident independent directors.

The sum of €350,000 will be divided among the directors in accordance with the following rules:

- 45% of the above amount of attendance fees will be divided equally among Board members as a fixed payment, with the Chairman entitled to double fees and independent directors to sextuple fees;
- 30% of the above amount will be divided among Board members in proportion to the number of Board meetings they attend, with the Chairman entitled to double fees;
- 25% of the above amount will be divided among the members of the various committees in proportion to the number of committee meetings they attend, with the Chairman of each committee entitled to double fees.

A director who takes part in a Board or committee meeting *via* a telephone conference call will be entitled to only half fees.

If, exceptionally, a committee meeting is held (i) during a suspension of a Board of Directors' meeting, or (ii) immediately before, or (iii) immediately after a Board meeting, compensation will be paid only for the Board of Directors' meeting.

If more than one Board of Directors' meeting is held on the same day, in particular on the day of the Annual General Meeting, directors' attendance at such meetings will be counted as attendance of one meeting.

The provisions for calculating attendance fees in effect until 23 June 2016 are described on page 125 of the registration document filed with the AMF on 26 April 2016 under number D.16-0405.

The table below shows the attendance fees paid to the Company's directors for the last two financial years.

Attendance fees received by non-executive directors – Table 3

Non-executive directors	Attendance fees paid for 2015	Attendance fees paid for 2016
Christian Chautard	€28,523	-
Jérôme Grivet	€16,055	€21,160
Predica	€14,533	€21,866
PSP Investissements(1)	€7,621	€14,153
Malakoff Médéric Assurances	€13,555	€19,974
Jean-Pierre Duprieu(2)	-	€24,269
Martin Hoyos	€33,937	€48,419
Anne Lalou	€40,187	€42,978
Guy de Panafieu	€37,606	€50,875
Catherine Soubie	€34,834	€45,647
Hafida Cola(3)	-	€14,584
Batipart Invest(4)	€19,261	€8,004
Jacques Ambonville(4)	€37,062	€20,339
Jacques Bailet(5)(6)	-	-
MAAF Assurances(7)	€6,298	-
Amélie Nun(8)	€6,762	-
TOTAL	**€296,234**	**€332,268**

(1) Director since 15 July 2015.
(2) Director since 23 June 2016.
(3) Director since 25 January 2016.
(4) Directors whose terms of office expired on 23 June 2016.
(5) Director whose term of office ran until 25 March 2015.
(6) Jacques Bailet waived his attendance fees as Chairman of the Board and as a member of certain specialised Board committees.
(7) Director whose term of office ran until 15 July 2015.
(8) Director whose term of office ran from 16 January to 11 September 2015.

The attendance fees paid to directors for the period from 23 June (at the conclusion of the General Meeting) to 31 December 2016 are in accordance with the 10th resolution adopted by the General Meeting of shareholders held on 23 June 2016, which set the total annual amount of attendance fees at €400,000 as of the date of said meeting and for subsequent financial years, until otherwise decided. This new total amount is intended to encourage international applications for director positions, following a study of the level of attendance fees paid by companies comparable to Korian.

Attendance fees paid to directors from 1 January to 23 June 2016 (before the General Meeting) are in accordance with the 11th resolution adopted by the General Meeting of shareholders held on 26 June 2014, which set the total annual amount of attendance fees at a maximum of €300,000.

3.10.3 TRANSACTIONS CARRIED OUT BY THE ADMINISTRATIVE AND MANAGEMENT BODIES

Only the following corporate officers carried out transactions in Korian shares in 2016.

Corporate officers	Acquisitions	Price	Disposals	Price
Chief Executive Officer from 26 January to 31 December 2016 (transactions during this period)				
Sophie Boissard	388[1]	€26.92	-	-
Directors in office from 1 January to 31 December 2016 (transactions during this period)				
Malakoff Médéric Assurances	114,707	€26.62[2]	-	-
Hugues du Jeu	100	€29.67	-	-
Guy de Panafieu	39	€26.62[2]	-	-
Directors in office from 23 June to 31 December 2016 (transactions during this period)				
Jean-Pierre Duprieu	1,596	€24.64	-	-

(1) Including 8 shares obtaining by exercising the option for payment of dividends in shares.
(2) Obtained by exercising the option for payment of dividends in shares.

Between 1 January 2017 and the date of this Management report, the directors have not carried out any transactions in Korian shares.

3.10.4 CONFLICTS OF INTEREST – FAMILY TIES

Article 1.8 of the Internal Regulations of the Board of Directors sets out the procedure for managing potential conflicts of interest. In order to avoid the occurrence of such conflicts during meetings of the Board of Directors and/or of the Investment Committee, it establishes an upstream prevention process as from the time the agenda for Board and/or Committee meetings is made public.

Jean-Claude Georges-François, the Board Observer, is a director of the Caisse Mutuelle d'Assurance sur la Vie, an entity that belongs to the Malakoff Médéric group.

Anne Lalou is Chief Executive Officer of the Innovation Factory association and director of the Web School Factory. On 24 March 2015, the Company entered into a three-year[1] strategic partnership agreement with Innovation Factory enabling the Company and Innovation Factory to cooperate closely on the development of joint projects in the field of digital innovation, in particular in collaboration with the Web School Factory.

To the Company's knowledge and at the date of this registration document, there are no other potential conflicts of interests between the duties of the members of the management bodies to the Company and their private interests and/or any other duties, and in particular:

- no corporate officer has accepted any restriction on the disposal of his/her investment in the Company's share capital;
- no corporate officer has entered into any agreement with major shareholders, clients or suppliers with a view to being selected as a member of an administrative, management or supervisory body.

To the Company's knowledge and at the date of this registration document:

- there are no family links between Board members;
- none of the members of the Board of Directors has been convicted for fraud within the last five years;
- none of the members of the Board of Directors has been involved in a bankruptcy, receivership or liquidation within the last five years;
- none of the members of the Board of Directors has been charged with an offence or publicly sanctioned by a statutory or regulatory authority; and
- none of the members of the Board of Directors has been prohibited by a court within the last five years from acting as a member of an administrative, management or supervisory body of an issuer, or from involvement in the management or handling the business affairs of an issuer.

(1) The General Management does not anticipate renewing this agreement, which will expire in June 2017, as it now prefers working directly with start-up and industrial partners.

3.10.5 SUMMARY OF CURRENTLY VALID DELEGATIONS OF AUTHORITY AND DELEGATIONS OF AUTHORITY USED

On 23 June 2016, the Combined General Meeting delegated the following financial powers to the Board of Directors:

Type	Purpose
1) Share buyback programme **Term: 18 months** **Use: Not applicable**	Authorisation of a share buyback programme of up to 10% of the share capital, through trading orders, buybacks of blocks of shares and disposal, by any means, of the shares thus acquired. Possibility of reducing capital by cancelling shares thus acquired. Maximum purchase price ≤ €50 per share.
2) Delegation of authority to reduce share capital by cancelling treasury shares **Term: 18 months** **Use: Not applicable**	Delegation of authority to the Board of Directors to decide to reduce the Company's share capital by cancelling treasury shares (currently or in connection with the share buyback programme). Decrease limited to 10% of the Company's share capital in a 24-month period.
3) Delegation of authority to increase share capital with preferential subscription rights **Term: 26 months** **Use: Not applicable**	Delegation of authority to the Board of Directors to increase the share capital by issuing ordinary shares of the Company or transferable securities that confer equity rights in the Company (other than transferable securities that confer the right to preference shares) or that confer the right to a grant of debt securities, maintaining shareholders' preferential subscription rights, capped at a total nominal amount of €150 million(1) for equity securities and €1 billion for the issue of transferable securities representing debt securities and conferring equity rights (for example, bonds convertible into shares). Possibility of offering all or some of these transferable securities to the public.
4) Delegation of authority to issue securities to pay for contributions in kind **Term: 26 months** **Use: Not applicable**	Delegation of authority granted to the Board of Directors to pay for contributions in kind made to the Company. Payment by issuing shares in the Company and/or transferable securities conferring equity rights, up to the limit of 10% of the share capital.
5) Delegation of authority to increase the capital by capitalising reserves, profits, premiums and similar funds **Term: 26 months** **Use: Not applicable**	Authorisation granted to the Board of Directors to increase the share capital by capitalising all or part of the reserves, profits, premiums or other similar funds whose capitalisation is permissible. Nominal amount of the related capital increases: €20 million.
6) Delegation of authority to carry out capital increases for members of an employee savings plan **Term: 26 months** **Use: Not applicable**	Delegation of authority to the Board of Directors to carry out capital increases, up to a maximum nominal amount of €2 million, by issuing shares or transferable securities conferring equity rights, for members of a Company savings plan (legal obligation).

(1) Cap against which the delegation of authority described in row 4) of this table is set off.

On 25 June 2015, the Combined General Meeting delegated the following financial powers to the Board of Directors:

Type	Purpose
7) Authorisation to award free preference shares subject to performance conditions **Term: 38 months** **Use: Not applicable**	Authorisation granted to the Board to award free preference shares of the Company, as provided in article 225-197-1 *et seq.* of the French Commercial Code, subject to performance conditions, to employees and/or corporate officers of the Company and its subsidiaries, up to a maximum of 1% of the Company's share capital on the date the Board of Directors awards the preference shares (0.1% of the share capital for executive corporate officers). The shares will vest at the end of a minimum vesting period of two years with a minimum retention period of two years from the date the shares vest, or for some or all of the shares awarded, the minimum vesting period will be four years, in which case there is no minimum retention period. The Board of Directors has the right to choose between these two possibilities and to use them separately or combine them.

It is essential that the Board of Directors be delegated the financial powers enabling it to rapidly and easily obtain the financial resources required for the Group's development by issuing various types of securities in accordance with applicable regulations. Therefore, the General Meeting of 22 June 2017 will be asked:

- to renew delegations of financial authority described in sections 1), 2) and 6) of the first table above. The authorisation to award free preference shares subject to performance conditions, with a duration of 38 months, granted by the General Meeting of 25 June 2015 remains valid;
- to approve the following delegations of financial authority:

Type	Purpose
8) Power to increase the share capital, cancelling preferential subscription rights, through a public offering **Term: 14 months**	Power granted to the Board of Directors to increase the share capital by issuing ordinary shares of the Company or any other transferable securities conferring equity rights in the Company (other than transferable securities that confer rights to preference shares) or that confer the right to a grant of debt securities, cancelling shareholders' preferential subscription rights, carried out by a public offering (on a regulated market), capped at a total nominal amount of €150 million(1) for equity securities and €1 billion(1) for the issuance of debt securities conferring equity rights.
9) Power to increase the share capital, cancelling preferential subscription rights, through a private offering **Term: 14 months**	Power granted to the Board of Directors to increase the share capital by issuing ordinary shares of the Company or any other transferable securities conferring equity rights in the Company (other than transferable securities that confer rights to preference shares) or that confer the right to a grant of debt securities, cancelling shareholders' preferential subscription rights, carried out by a private placement (qualified investors or an investors' circle), capped at a total nominal amount of €150 million(1) for equity securities and €1 billion(1) for the issuance of debt securities conferring equity rights.
10) Power to increase the number of securities issued in connection with a capital increase in the event of "over-subscription". **Term: 14 months**	Power to be granted to the Board of Directors to increase the number of securities offered in connection with the capital increases covered by the powers summarised in row 3) of the first table and rows 8) and 9) of this table, within the limit of 15% of the initial issue.
11) Power to set the issue price for various types of securities issues **Term: 14 months**	Power granted to the Board of Directors to set the price of the issues carried out pursuant to the powers summarised in rows 8) and 9) of this table: (i) for ordinary shares, issue price ≥ the weighted average share price on the Euronext Paris regulated market on the last trading day before the price is set, less a maximum discount of 5% if necessary; (ii) for transferable securities conferring rights to capital other than ordinary shares, the issue price shall be the amount immediately received by the Company, plus, if applicable, the amount likely to be received at a later time by the Company *i.e.* for each ordinary share issued as a consequence of the issuance of these securities, at least equal to the amount stated in point (i) above, after adjustment, if applicable, to take into account the different vesting date. The maximum nominal amount of the capital increase is limited to 10% of the share capital per annum.
12) Authorisation to grant free shares subject to performance conditions **Term: 38 months**	Authorisation granted to the Board of Directors to award free shares, either existing or to be issued, subject to performance conditions, up to a maximum of 1% of the Company's share capital on the date of the Board of Directors' decision (0.1% of the share capital for executive corporate officers). The grant of shares to their beneficiaries will vest at the end of a minimum vesting period of three years, and the duration of the beneficiaries' obligation to retain the shares, if any, shall be set by the Board of Directors.

(1) Cap shared with the powers described in row 3) of the first table and row 12) of this table.

CHAPTER 4

Corporate governance and internal control

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4. Corporate governance and internal control

"Dear Shareholders,

Pursuant to article L. 225-37 of the French Commercial Code, in this report the Chairman of the Board of Directors reports on the composition of the said Board and on the application of the principle of balanced representation of women and men thereon, the conditions governing the preparation and organisation of its work, internal control and risk management procedures implemented within the Group, limitations on the powers of General Management, principles for determining the remuneration of corporate officers, procedures related to the participation of shareholders at General Meetings as well as the publication of information in accordance with article L. 225-100-3 of the French Commercial Code.

In terms of risk management and internal control systems, this report describes the internal control measures applied by the Company based, in particular, on the AMF reference framework published on 22 July 2010, as well as the guide on periodic information for companies listed on a regulated market (DOC-2016-05).

Lastly, the Company has also familiarised itself with AMF recommendation No. 2012-02 on corporate governance and compensation of company directors, with reference to the most recent version of the AFEP-MEDEF Code published in November 2015, which was updated on 25 January 2016 following publication of the AMF's annual report on this subject."

This report was submitted to the Audit Committee and approved by the Board of Directors at its meeting on 15 March 2017.

4.1 Report of the Chairman of the Board of Directors on corporate governance and internal control

4.1.1 CORPORATE GOVERNANCE

4.1.1.1 Implementation of the principles of the AFEP-MEDEF Code

In accordance with the law of 3 July 2008 transposing European Directive 2006/46/EC of 14 June 2006, it was decided that the principles set out in the November 2016 version of the AFEP-MEDEF Code would be the Corporate Governance Code to which the Company refers for the preparation of this report pursuant to article L. 225-37 of the French Commercial Code. The conditions governing the preparation and organisation of the work of the Board of Directors and the specialised Board committees are defined by law, the Company's articles of association and the Board's internal regulations.

In accordance with the "Comply or Explain" principle set out in article 225-37 of the French Commercial Code and article 27.1 of the AFEP-MEDEF Code, the Company deems that its practices comply with the recommendations of the AFEP-MEDEF Code, except where expressly indicated otherwise in this registration document. In accordance with the aforementioned provisions, the table below specifies the recommendations of the AFEP-MEDEF Code that were not applied by the Company and the reasons for this.

AFEP-MEDEF recommendations	Korian's explanation
Directors meet outside the presence of executive corporate officers	
10.3. It is recommended that a meeting be held each year outside the presence of executive corporate officers.	No Board of Directors' meeting was held outside the presence of the Chief Executive Officer, the Company's sole executive corporate officer. However, the Chief Executive Officer does not participate in the Board's deliberations concerning her.
Succession of corporate officers	
16.2.2. The Appointments and Compensation Committee establishes a succession plan for corporate officers.	Sophie Boissard took office as Chief Executive Officer on 26 January 2016 and, due to the large number of matters to be handled in 2016, the Appointments and Compensation Committee has not yet been able to prepare a succession plan for corporate officers. This issue will be added to the list of matters to be reviewed in 2017, so as to be able to make a proposal to the Board in due course, covering both long-term planning and unforeseeable events.
Participation of the director representing the employees in the work of the committee responsible for compensation	
17.1. It is advisable for one director representing the employees to be a member of the committee responsible for compensation.	The Board of Directors' internal regulations provide that the director representing the employees may attend meetings of the Compensation and Appointments Committee.
Shares held personally by directors	
19. Directors should be shareholders in their individual capacity and, in accordance with the provisions of the articles of association or internal regulations, they should own a minimum number of shares that is significant in light of the attendance fees awarded.	The majority of directors are Korian shareholders in their individual capacities, with the exception of the following persons: • Jérôme Bichut, who was appointed the permanent representative of Investissements PSP in August 2016; • Hafida Cola, who was appointed as director representing the employees on 25 January 2016 and who received attendance fees for the first time in 2016; • Martin Hoyos, who did not request reappointment when his term of office expires at the conclusion of the 2017 Annual General Meeting.
Obligation to retain shares	
22. §1. The Board of Directors should set a minimum number of shares that corporate officers should retain in registered form until they leave office. This decision should be reviewed each time their position is renewed.	As of this date, Sophie Boissard and Christian Chautard hold 388 and 1,191 Korian shares, respectively. Sophie Boissard holds her Korian shares in registered form, whereas Christian Chautard holds only some of his shares in registered form. The long-term profit-sharing plans that the Company has set up, and of which the Chief Executive Officer is a beneficiary, imposes such obligations. In 2017, Sophie Boissard will be entitled to a long-term variable compensation plan that aims to remunerate the performance of the Group, in line with the objectives of the five-year strategic plan. Therefore, the Board has determined that it is not necessary to set a minimum number of shares that corporate officers are required to hold in registered form until they leave office. This decision is reviewed each time their position is renewed.

4.1.1.2 Choice of a single-tier system of governance

At the General Meeting held on 21 March 2012, the shareholders decided to change the Company's governance to a single-tier system due to the need to deal with an economic and financial climate that had become particularly tumultuous and uncertain, demanding a more concentrated form of governance, thus enabling the Company to improve its ability to react to market volatility.

4.1.1.3 The Board of Directors

Article 11 of the Company's articles of association defines and specifies the conditions and procedures governing the composition and operation of the Board of Directors.

Key indicators

Key indicators	2016	2015
Number of meetings	8	8
Average attendance rate	84.78%	90.22%
Number of directors	10	11
Percentage of independent directors	50%	45.45%

Directors' individual attendance rates at Board meetings in 2016[1]	Average attendance rate
Christian Chautard (Chairman)	100.00%
Jérôme Grivet	75.00%[2]
Predica (Françoise Debrus)	87.50%
Investissements PSP (Jérôme Bichut)	62.50%[3]
Malakoff Médéric Assurances (Hugues du Jeu)	100.00%
Jean-Pierre Duprieu	66.67%[4]
Martin Hoyos	87.50%
Anne Lalou	62.50%[5]
Guy de Panafieu	100.00%
Catherine Soubie	87.50%
Hafida Cola[6]	85.71%
Batipart Invest (Charles Ruggieri)[7]	80.00%
Jacques Ambonville[7]	100.00%

(1) The Board of Directors met eight times in 2016. Directors' individual attendance rates are provided for the first time. Therefore, only figures for 2016 are presented.
(2) Jérôme Grivet attended six of eight Board meetings. He was unable to attend two meetings due to business commitments abroad.
(3) Investissements PSP attended five of eight Board meetings. On 21 January 2016, the Board held an extraordinary meeting on short notice, which Niall Boland, who at the time was the permanent representative of Investissements PSP, was unable to attend. He was also unable to attend the Board meeting that was convened on short notice and held just prior to the General Meeting of 23 June 2016, due to the timing of his arrival from Canada to attend the General Meeting. Jérôme Bichut has been unable to attend one Board meeting since his appointment as permanent representative of Investissements PSP on 2 August 2016 due to illness.
(4) Jean-Pierre Duprieu was appointed by the annual General Meeting held on 23 June 2016. He attended two of three Board meetings due to the fact that he had made prior commitments before his appointment and before the schedule of meetings was set.
(5) Anne Lalou attended five of eight Board meetings. The Board held extraordinary meetings on several occasions, and Anne Lalou was not available on the dates of those meetings due to unremunerated prior commitments to give public lectures on the digital sector and education or to award prizes.
(6) Director since 25 January 2016.
(7) Director whose term of office expired at the conclusion of the General Meeting held on 23 June 2016.

Composition of the Board of Directors

The table below summarises Board members' expertise and experience, as well as other criteria taken into consideration in assessing the balance of the Board's composition.

	Changes since 1 January 2016			Date of first appointment	Date of most recent appointment	Term of office expires
Directors	**Appointed / Co-opted**	**Reappointment**	**Departure**			
Chairman						
Christian Chautard	-	-	-	Supervisory Board meeting of 5 December 2011	GM of 18 March 2014	GM convened to vote on the 2016 financial statements
Institutional directors						
Jérôme Grivet	-	-	-	BoD meeting of 23 March 2011	GM of 18 March 2014	GM convened to vote on the 2016 financial statements
Predica - represented by Françoise Debrus	-	-	-	GM of 18 March 2014	GM of 25 June 2015	GM convened to vote on the 2017 financial statements
Investissements PSP - represented by Jérôme Bichut	-	-	-	BoD meeting of 15 July 2015	BoD meeting of 15 July 2015	GM convened to vote on the 2016 financial statements
Malakoff Médéric Assurances - represented by Hugues du Jeu	-	-	-	GM of 30 June 2009	GM of 25 June 2015	GM convened to vote on the 2017 financial statements
Independent directors						
Jean-Pierre Duprieu	GM of 23 June 2016	-	GM of 23 June 2016	GM of 23 June 2016	GM of 23 June 2016	GM convened to vote on the 2018 financial statements
Martin Hoyos	-	-	-	GM of 18 March 2014	GM of 18 March 2014	GM convened to vote on the 2016 financial statements
Anne Lalou	-	GM of 23 June 2016	-	GM of 18 March 2014	GM of 23 June 2016	GM convened to vote on the 2018 financial statements
Guy de Panafieu	-	GM of 23 June 2016	-	GM of 18 March 2014	GM of 23 June 2016	GM convened to vote on the 2018 financial statements
Catherine Soubie	-	-	-	GM of 18 March 2014	GM of 25 June 2015	GM convened to vote on the 2017 financial statements
Directors representing the employees						
Hafida Cola	25 January 2016	-	-	25 January 2016	25 January 2016	GM convened to vote on the 2018 financial statements

Summary

(1) A: Audit Committee; A/C: Appointments and Compensation Committee; I: Investment Committee; E/Q: Ethics and Quality Committee.

Committees[1]	Age	Sex	Nationality	Experience and expertise contributed to the Company	
				International experience	**Skills**
I E/Q	68	M	French	United States Germany	Strategy, organisation and governance In-depth knowledge of Germany and its business practices
I (Chair)	55	M	French	Greece Italy	Finance Investments Strategy
A A/C	57	F	French	Italy	Finance Investments
I A	54	M	French Canadian	Quebec (Canada)	Finance Portfolio management Management
I	59	M	French	-	Strategy, organisation and governance Management
A A/C E/Q (Chair)	64	M	French	Europe Africa Middle East Japan	Strategy, organisation and governance Management
A E/Q	69	M	Austrian	Austria Germany	Audit In-depth knowledge of Germany and its business practices
A/C (Chair)	53	F	French	England	Mergers and acquisitions Management and human resources Digital transformation and innovation
A (Chair) A/C	74	M	French	-	Finance Management General Management
A I	51	F	French	England Benelux	Mergers and acquisitions Finance Management
E/Q	46	F	French	-	Employee representation In-depth knowledge of the health sector
	Only one director is over the age of 70.	Currently, the Board of Directors comprises three women and seven men, *i.e.* 30% women.	The Board of Directors is international nature due to the different nationalities of its members and the diversity of their international experience (United States, Canada, Middle East, Japan, Africa, Europe, Germany, Austria, Italy, Benelux). The appointment of Jean-Pierre Duprieu adds to the Board's international nature due to his in-depth knowledge of business practices in Europe, Africa, the Middle East and Asia.	The diversity in terms of business sectors (finance, health, insurance, real estate, *etc.*) and areas of expertise (corporate consultancy, asset management, investments, supervision, management, *etc.*) provides the Board of Directors with a range of complementary skills.	

▸ BALANCED COMPOSITION

In accordance with the provisions of article 6.2 of the AFEP-MEDEF Code, each Board of Directors must consider the appropriate balance of its composition, particularly with regards to gender, nationality and diversity of skills, by taking appropriate measures to guarantee shareholders and the market that its work will be performed with the necessary independence and objectivity.

The Company's Board of Directors comprises 11 members, including the director representing the employees[1]: Christian Chautard (Chairman)[2], Jérôme Grivet, Predica (represented by Françoise Debrus), Investissements PSP (represented by Jérôme Bichut)[3], Malakoff Médéric Assurances (represented by Hugues du Jeu), Jean-Pierre Duprieu[4], Martin Hoyos, Anne Lalou, Guy de Panafieu, Catherine Soubie and Hafida Cola[5].

The Board of Directors is assisted in its work by an Observer, Jean-Claude Georges-François.

A summary of the professional background of each member of the Korian Board of Directors, the director representing employees and the Observer (including their terms of office and the number of Korian shares held by each individual) is presented in section 3.10.1 of this registration document, which highlights the diverse skills of its members.

These appointments reflect the Group's truly multinational dimension, a factor to which the Board of Directors pays particular attention when choosing candidates for director positions to be proposed to the shareholders for election.

Christian Chautard headed a commodities trading business with offices in New York, London and Paris, and then acted as a consultant in an international organisation in the fields of strategy, organisation and governance for international groups in Europe and the United States. He also has in-depth knowledge of Germany and its business practices. Jérôme Bichut holds dual French and Canadian nationality. He spent most of his career in Canada, with one of the largest institutional fund managers in Canada, based in Montreal, before joining Investissements PSP in 2001. Jean-Pierre Duprieu spent his entire career with an industrial French group with an international presence, where he headed the Europe, Africa and Middle East region, as well as the Asia Pacific region as a member of the Group Executive Committee based in Tokyo, Japan. Martin Hoyos holds Austrian nationality and has spent his career working in the audit field, particularly in Germany. Anne Lalou was an authorised representative and then deputy head of the mergers and acquisitions department of Lazard in London and then Paris. She then became Head of Outlook and Development at Havas. Guy de Panafieu held a variety of positions in foreign trade and international economic relations with the French Economy and Finance Ministry. He was also a technical advisor in international economic matters to the President of France. From 2010 to 2016, Catherine Soubie worked in the international field for Barclays investment bank, where she held the position of Head of Investment Banking for France, Belgium and Luxembourg.

At the next General Meeting scheduled for 22 June 2017, the Board of Directors will propose the election of candidates that would broaden its expertise by adding experience in the financial sector, the German real estate market and international economic expertise, as well as in-depth knowledge of the German health system and changes thereto and the field of e-medicine.

The composition of the Board of Directors complies with article 11.1.1 of the Company's articles of association, which states that at least two-thirds of the Board's members must be under the age of 70. To date, only one director, Guy de Panafieu, is over 70.

Law No. 2011-103 on the balanced representation of men and women on Boards of directors and Supervisory boards and gender equality in the workplace provides that the percentage of directors or Supervisory board members of each sex cannot be less than 20% at the conclusion of the first Ordinary General Meeting after 1 January 2014 and 40% at the conclusion of the first Ordinary General Meeting after 1 January 2017. The composition of the Board of Directors complies with this balanced representation principle because at least 20% of its members are women, *i.e.* Françoise Debrus (permanent representative of Predica), Anne Lalou and Catherine Soubie, resulting in a Board with three women and seven men (*i.e.* 30% women). At the next General Meeting scheduled for 22 June 2017, the Board of Directors will propose the election of women candidates in order to comply with the higher balanced representation threshold.

▸ INDEPENDENCE OF DIRECTORS

Article 8.3 of the AFEP-MEDEF Code states that *"half of the Board members of companies with widely dispersed share capital and no controlling shareholders must be independent directors. In controlled companies, the share of independent directors must be at least one-third. Directors who represent salaried shareholders and directors who represent employees are not counted in these percentages"*.

In accordance with article 8.4 of the AFEP-MEDEF Code, directors' independence is reviewed whenever directors are appointed, as well as annually for all directors, by the Board of Directors, after obtaining the opinion of the Appointments and Compensation Committee. The independence criteria the Board of Directors applies, which are set out below, are in line with the relevant provisions of the AFEP-MEDEF Code:

- the director is not an employee or executive corporate officer of the Company, an employee, executive corporate officer or director of a consolidated subsidiary of the Company, its parent company or a consolidated subsidiary of the parent company, and has not held such a position within the past five years;
- the director is not an executive corporate officer of a company in which the Company directly or indirectly is a director, or in which an employee appointed for such purpose or an executive corporate officer of the Company (currently or within the past five years) is a director;

(1) At the conclusion of the Annual General Meeting held on 23 June 2016, the date on which (i) the terms of office as directors of Batipart Invest, represented by Charles Ruggieri, and Jacques Ambonville expired, and (ii) Jean-Pierre Duprieu was appointed as director.

(2) Until 26 January 2016, the date on which Sophie Boissard took office as Chief Executive Officer, Christian Chautard temporarily held the positions of Chairman and Chief Executive Officer.

(3) At its meeting of 14 September 2016, the Board of Directors acknowledged the appointment of Jérôme Bichut as permanent representative of Investissements PSP, who replaced Niall Boland effective 2 August 2016.

(4) Director appointed by the Annual General Meeting held on 23 June 2016.

(5) Director representing the employees, appointed by the most representative trade union on 25 January 2016.

- the director is not a major customer, supplier, investment banker or commercial banker of the Company or its Group, and is not dependent on the Company or the Group for a material proportion of its business;
- the director does not have any close family ties with a corporate officer;
- the director has not been a Statutory auditor of the Company over the past five years;
- the director has not been a director of the Company for more than 12 years.

In addition, in the event that a director holds 10% or more of the Company's share capital or voting rights, or represents a legal entity holding such an interest, the Board of Directors will determine whether the independence criteria are met, taking into account the Company's shareholder structure and the existence of any potential conflict of interest.

In accordance with the recommendations of article 8.4 of the AFEP-MEDEF Code, pursuant to a proposal of the Appointments and Compensation Committee, the Board of Directors, at its meeting of 30 November 2016, reviewed the independence of directors, in particular:

- the independence of Catherine Soubie, who held management positions with Barclays Capital until August 2016. The Company does not have a business relationship with that investment bank;
- with regard to the independence of Anne Lalou, the Board of Directors satisfied itself that the three-year[1] strategic partnership agreement between Korian and Innovation Factory entered into on 24 March 2015, as outlined in section 3.10.4 of this registration document, did not call her independence in question. The Board determined that entering into that agreement, under which Anne Lalou obtains no economic rights, did not compromise her freedom of judgment and that she continued to meet all of the independence criteria set out in the AFEP-MEDEF Code. She is not an employee or an executive corporate officer of the Company or of a company in which the Company holds a directorship. In addition, although the Company has committed to paying Innovation Factory €100,000 per year, Anne Lalou cannot be considered to be a customer or supplier of the Company due to the fact that no commercial benefit is derived from the signature of the strategic partnership agreement and the not-for-profit nature of Innovation Factory. More generally, the Board decided that the relationship between the Company and Innovation Factory could not be considered a business relationship. Furthermore, the Board determined that, in any event, this type of agreement was not likely to compromise Anne Lalou's freedom of judgement and integrity. Lastly, since the position of Chairman of Innovation Factory held by Anne Lalou is unpaid, the strategic partnership agreement does not confer any economic interest on Anne Lalou.

Upon conclusion of this review, the Board decided that five of its members are independent: Jean-Pierre Duprieu, Martin Hoyos, Anne Lalou, Guy de Panafieu and Catherine Soubie, *i.e.* 50% of the directors are independent[2]. None of these five directors holds more than 10% of the Company's share capital or voting rights. The Chairman of the Board, Christian Chautard, is not considered to be an independent director. The Company is therefore in compliance with the recommendations of the AFEP-MEDEF Code.

Moreover, the Audit Committee, the Appointments and Compensation Committee and the Ethics and Quality Committee are chaired by independent directors (Guy de Panafieu, Anne Lalou and Jean-Pierre Duprieu respectively).

▸ EMPLOYEE REPRESENTATION

Article 11.4 of the Company's articles of association provides that, in accordance with article L. 225-27-1 *et seq.* of the French Commercial Code, the Board of Directors must have one or two directors representing employees (depending on whether the Board has more than twelve directors), who are to be appointed by the trade union that received the most votes in the first round of the elections provided for in articles L. 2122-1 and L. 2122-4 of the French Labour Code, within the Company and its direct or indirect subsidiaries, whose registered offices are located in France, or by each of the two trade unions that received the most votes in the first round of these elections if two directors are to be appointed.

Accordingly, on 25 January 2016, the most representative trade union within the Group appointed Hafida Cola as director representing the employees, replacing Amélie Nun (who had left the Company on 11 September 2015).

On 16 September 2015, pursuant to a proposal of the Appointments and Compensation Committee, the Board of Directors decided to set preparation time at 15 hours per meeting and that the director representing the employees would receive 20 hours of "employee director" training provided by the French Institute of Directors.

During that meeting, pursuant to a proposal of the Appointments and Compensation Committee, the Board of Directors also decided to amend the Board's internal regulations to provide for the option of inviting the director representing the employees to attend that committee's meetings in a non-voting capacity.

On 19 May 2016, the Board of Directors appointed Hafida Cola as member of the Ethics and Quality Committee for the duration of her term of office as director.

In addition, one central works council representative attends Board of Directors' meetings in a non-voting capacity.

▸ BOARD OBSERVER

Article 11.1.5 of the Company's articles of association defines and sets out the procedures for appointing a Board Observer, as well as his duties and powers. The Observer attends Board meetings in a non-voting capacity and provides general advice to directors, who are not bound by his advice or recommendations. The Observer is required to comply with the Board's internal regulations, as well as the obligations imposed on directors.

(1) The General Management does not anticipate renewing this agreement, which will expire in June 2017, as it now prefers working directly with start-up and industrial partners.

(2) In accordance with article 8.3 of the AFEP-MEDEF Code, the director representing the employees is not included for the purposes of calculating this percentage.

The Company's policy has been to not have a permanent Observer on the Board. However, since the increased free float following Korian's merger and takeover of Medica, having an Observer has offered balance and continuity. Therefore, on 18 March 2014, the General Meeting of shareholders voted to appoint Jean-Claude Georges-François as Board Observer in order to take advantage of his in-depth knowledge of the Group.

Furthermore, Guy de Panafieu, whose term as director was set to expire at the conclusion of the General Meeting convened to vote on the financial statements for the 2018 financial year and held in 2019, resigned early, effective 21 June 2017 at midnight, in order to enable a balanced renewal of the Board. Therefore, to take advantage, over the next two years, of his strategic and financial vision obtained through his presence at the time of Korian's merger and takeover of Medica and his experience as Chairman of the Audit Committee of Medica and then of Korian, the Board will propose that the Annual General Meeting to be held on 22 June 2017 appoint him to the position of Observer for a period of two years expiring at the conclusion of the General Meeting convened to vote on the financial statements for the 2018 financial year and held in 2019 (which coincides with the expiry date of this term of office as director)[1]. In addition, it should be noted that he has no particular relationship with the Company's executive corporate officers.

▸ DURATION OF DIRECTORS' TERMS OF OFFICE

In accordance with the recommendations of the AFEP-MEDEF Code, the articles of association provide that the term of office for the Company's directors is three years. The terms of office are staggered and one-third of the directors are renewed each year[2]. Furthermore, the duration of the term of office of the director(s) representing the employees is three years, expiring at the conclusion of the General Meeting of shareholders that votes on the financial statements for the previous year and that is held during the year in which his/her term expires.

The table below shows the duration of each director's term of office. However, it should be noted that:

- the terms of office of Anne Lalou and Guy de Panafieu, which expired at the conclusion of the General Meeting of 23 June 2016, were renewed by said meeting for another three years, expiring at the conclusion of the General Meeting that will be convened to vote on the financial statements for the financial year ending 31 December 2018;
- Batipart Invest and Jacques Ambonville, whose terms of office expired at the conclusion of the General Meeting held on 23 June 2016, did not request reappointment;
- at the General Meeting held on 23 June 2016, the Company's shareholders voted to appoint Jean-Pierre Duprieu as an independent director, replacing Jacques Ambonville, for a period of three years, which will expire at the conclusion of the General Meeting of shareholders convened to vote on the financial statements for the financial year ending on 31 December 2018;
- at the General Meeting held on 23 June 2016, the Company's shareholders voted to ratify the temporary appointment of Investissements PSP as director, to replace MAAF Assurances for the remaining period of its term of office, *i.e.* until the conclusion of the General Meeting convened to vote on the financial statements for the financial year ending 31 December 2016;
- at its meeting of 14 September 2016, the Board of Directors acknowledged the appointment of Jérôme Bichut as permanent representative of Investissements PSP, who replaced Niall Boland effective 2 August 2016.

In addition, pursuant to article 11.4 of the Company's articles of association, the term of office of the director representing the employees will expire at the conclusion of the Annual Ordinary General Meeting convened to approve the financial statements for the prior year, and held during the year in which the term of office expires. Consequently, the term of office of Hafida Cola, who was appointed as director representing the employees by the most representative trade union on 25 January 2016 effective as of that date, will expire at the conclusion of the Ordinary General Meeting that will vote on the financial statements for financial year 2018.

Directors whose term of office expires at the conclusion of the GM convened to vote on the 2016 financial statements[1]	Directors whose term of office expires at the conclusion of the GM convened to vote on the 2017 financial statements[2]	Directors whose term of office expires at the conclusion of the GM convened to vote on the 2018 financial statements[3]
Christian Chautard (Chairman)	Predica, represented by Françoise Debrus	Anne Lalou (independent director)
Jérôme Grivet	Malakoff Médéric Assurances, represented by Hugues du Jeu	Guy de Panafieu (independent director)
Investissements PSP, represented by Jérôme Bichut	Catherine Soubie (independent director)	Jean-Pierre Duprieu (independent director)
Martin Hoyos (independent director)		Hafida Cola (director representing the employees)

(1) These directors were appointed by the General Meeting of 18 March 2014, with the exception of Investissements PSP, which was co-opted by the Board of Directors on 15 July 2015, as a Company director to replace MAAF Assurances, represented by Sophie Beuvaden. This temporary appointment was ratified by the General Meeting of 23 June 2016.

(2) These directors were appointed by the General Meeting of 25 June 2015.

(3) These directors were appointed by the General Meeting of 23 June 2016, with the exception of Hafida Cola, who was appointed as director representing the employees by the most representative trade union on 25 January 2016.

(1) In its current form, article 11.1.5 of the articles of association provides that the Observer's term of office is three years. It will be proposed that the shareholders attending the Extraordinary General Meeting scheduled for 22 June 2017 reduce this time period to two years.

(2) This duration was chosen when the Company's articles of association were amended after the merger. Exceptionally, following a draw of lots held before a judicial officer, certain directors were appointed for a shorter period than the normal term of office specified in the Company's articles of association, solely for the purpose of implementing staggered terms of office and enabling renewal of one-third of the Board each year.

The terms of office as director of Christian Chautard, Jérôme Grivet, Martin Hoyos and Investissements PSP (represented by Jérôme Bichut) will expire at the conclusion of the General Meeting convened to vote on the financial statements for the financial year ended 31 December 2016 (which is scheduled for 22 June 2017). In addition, at the Board of Directors meeting held on 15 March 2017, Guy de Panafieu resigned as independent director effective 21 June 2017 at midnight, and Martin Hoyos informed the Board that he did wish to be reappointed to his position as independent director. Lastly, the term of office of Jean-Claude Georges-François, the Board Observer, will expire at the conclusion of the General Meeting convened to vote on the financial statements for the financial year ended 31 December 2016 (which is scheduled for 22 June 2017).

The General Meeting scheduled for 22 June 2017 will be requested:

- to renew the terms of office as director of Christian Chautard, Jérôme Grivet and Investissements PSP (represented by Jérôme Bichut);
- to appoint Markus Müschenich as independent director to replace Martin Hoyos[1];
- to ratify the temporary appointment by the Board of Directors, at its meeting of 15 March 2017, of Elisabeth T. Stheeman as independent director, as of midnight, 22 June to replace Guy de Panafieu for the remaining period of his term of office, *i.e.* until the conclusion of the General Meeting that will vote on the financial statements for the financial year ending 31 December 2018[2];
- to approve the candidacy of Guy de Panafieu to the position of Board Observer for a term of two years[3], which will expire at the conclusion of the General Meeting that will vote on the financial statements for the financial year ending 31 December 2018.

Approval of these proposals by the 2017 General Meeting will enable the Board to comply with the provisions of Law 2011-103 on the balanced representation of men and women on Boards of directors and Supervisory boards and gender equality in the workplace, as well as to broaden its expertise and the multi-national nature of its composition.

The role and duties of the Board of Directors

The Board of Directors determines the Company's business strategy and ensures that it is implemented. It handles all matters relating to the proper operation of the Company and deliberates on all business matters concerning it. In this respect, it carries out any checks that it may consider necessary, at any time of the year, and it is entitled to request any documents from the General Management that it may consider useful for the accomplishment of its duties. The Board reviews press releases and the presentations of annual and half-yearly results to the French Society of Financial Analysts (SFAF). In 2016, it also reviewed the disclosures about the five-year strategic plan. In general, this supervisory role may not result, under any circumstance, in the performance of management tasks, directly or indirectly, by the Board of Directors or its members.

The Board of Directors' internal regulations specify both the functioning of the Board and the rules of conduct to be observed by its members, with the aim of ensuring greater transparency and more effective corporate governance. By specifying the operating rules of the Board of Directors, the internal regulations also enable the Board to effectively perform its control duties, in accordance with the customary practice of financial marketplaces. Specifically, these regulations set forth:

- directors' duties and the ethical rules they must follow, in particular concerning the transparency of transactions involving the Company's shares, their obligations of loyalty, diligence and confidentiality, their responsibilities as insiders and their duty to avoid conflicts of interest;
- the frequency of meetings and meeting procedures, particularly with regard to the use of telecommunications and video-conferencing;
- the powers of the Board of Directors;
- the rules of operation applicable to Committees.

In accordance with the recommendations of the AFEP-MEDEF Code, the internal regulations are freely available for download from the Company's website (**www.korian.com**).

The Board of Directors meets as often as necessary, and at least once each quarter. Meetings may be convened by any means, including by ordinary post. Meetings of the Board of Directors may be held at the registered office or at any other place specified in the notice of meeting. They are chaired by the Chairman of the Board of Directors.

To facilitate Board meetings and thereby increase its efficiency, the internal regulations also stipulate that Board meetings may, under certain conditions, be held using means of telecommunications or video-conferencing tools to allow the participation of one or more members, with the exception of meetings convened to discuss certain matters for which the French Commercial Code prohibits the use of such tools.

In 2016, the Board of Directors performed all work for which it is responsible, specifically adopting decisions relating to the review and approval of the 2015 annual and consolidated financial statements, convening the annual General Meeting, reviewing the 2016 half-yearly financial statements, authorising related party agreements and commitments, authorising sureties, pledges and guarantees, deliberating on the budget, strategy, financing policy and growth of the Company, as well as on changes in governance, the independence of directors and the compensation of executive corporate officers. Board members' rate of attendance at meetings held in 2016 was 84.78%, a slight drop from previous year, when the attendance rate was 90.22%. Because the Board held emergency meetings on several occasions and Jean-Pierre Duprieu was appointed director after the schedule of meetings in 2017 had been set, certain directors were unable to attend all meetings due to pre-existing commitments.

(1) The detailed biography of Markus Müschenich, and the list of the offices he holds, will be included in the notice and information brochure for the General Meeting scheduled for 22 June 2017.
(2) The detailed biography of Elisabeth T. Stheeman, and the list of the offices she holds, will be included in the notice and information brochure for the General Meeting scheduled for 22 June 2017.
(3) Subject to the amendment of article 11.1.5 of the articles of association on the duration of the Board Observer's term of office.

Meetings are held and decisions are adopted in accordance with the majority and quorum requirements set by law. In the event of a tie vote, the Chairman does not have the casting vote.

Minutes of Board meetings are prepared and kept in accordance with the requirements of the laws and regulations in force. Copies or extracts are certified in accordance with the law.

Board of Directors' meetings held in the absence of executive corporate officers

General Management and, if applicable, directors, do not participate in the Board's deliberations concerning them (*e.g.* resolutions on the remuneration of corporate officers).

Chairman of the Board of Directors

In accordance with the law, the Company's articles of association provide that the Chairman of the Board of Directors organises and directs the work of the Board, reports thereon to General Meetings and implements its decisions. He ensures that the Company's bodies run smoothly and that the directors are able to perform their duties, in particular by creating a climate for discussions conducive to taking constructive decisions, and ensures that the Board devotes an appropriate amount of time to its duties.

The Chairman may convene the Board of Directors as often as necessary, and at least once per quarter. He sets the agenda for the meeting that he is chairing.

More specifically, the Chairman provides his assistance and expertise to General Management, without prejudice to his/her executive responsibilities and or the powers of the Board of Directors and its committees. Therefore, he may represent the Company in its high-level national and international relations, particularly with public authorities and with the Company's partners and strategic stakeholders. He may also be consulted by General Management about any significant events relating to Company strategy within the guidelines set by the Board of Directors, the organisation of the Company, major investment or divestment projects, major financial transactions, societal actions and the appointment of managers of the Company's key business activities and functions. He may also attend any meetings on these issues and, in any event, he is kept up to date by General Management of material events and situations relating to these issues.

Lastly, the Chairman may, on an *ad hoc* basis, be charged with specific tasks monitoring unusual transactions that impact the Group's structure or scope, for which the Chairman may receive extraordinary compensation. In 2016, the Chairman was not requested to perform any such specific tasks.

In performing his duties, the Chairman works in close collaboration with the Group's Chief Executive Officer and/or any other employee, each of whom is responsible, within his own remit, for the operational administration and management of the Group and the assignment in question.

As an exception to article 225-37 of the French Commercial Code, article 11.2.4 of the articles of association provides that *"in the event of a tie vote, the Chairman does not have the casting vote"*.

Evaluation of the Board of Directors

In accordance with the AFEP-MEDEF Code, article 1.6.6 of the Board of Directors' internal regulations provides that the Board will perform a yearly assessment of its own operation, which will then be discussed at a meeting. Moreover, the AFEP-MEDEF Code recommends that a formal evaluation be made every three years under the direction of the Appointments and Compensation Committee or an independent director, with the assistance of an external consultant.

At the end of 2015, as was the case the previous year, the evaluation of the Board of Directors was carried out by the corporate secretariat on the basis of an internal questionnaire, under the responsibility of the Appointments and Compensation Committee.

At its meeting of 15 March 2017, the Board noted that progress had been made in the following areas for improvement it had identified:

- the quality of the information about strategic objectives over a time frame of three to five years and the Group's digitisation;
- the diversity of nationalities of its members, the number of women members, the addition of specific expertise to the Board, in particular expertise in the management of companies that are similar in size or larger than the Company, the training provided to Board members when they take office and during their terms of office;
- the content of preparatory documentation and how far in advance of meetings it was provided, which was deemed too short a time, and the self-assessment of the Board, which could be performed by an outside third party every two or three years;
- providing specific information about the Group, in particular, brokers' reports, press articles and weekly operating and economic newsletters;
- information provided to the Board on measures to prevent risks and insider trading.

In late 2016, the Board's evaluation was conducted by an outside firm. The directors and the Observer were given a questionnaire to be used when conducting the individual interviews, which were held in late 2016 and early 2017 in the presence of a consultant from the firm. The findings of this outside evaluation – which shows that Board members have a generally positive opinion of the Board's composition, organisation and operation – were presented to the Board. The Board identified several areas for improvement of strategic importance for the Company and began to consider the various measures to be implemented in 2017 to make the necessary changes.

The next evaluation of the Board will be conducted at the end of 2017.

Integration process for directors

An integration process comprising site visits in each country where the Group does business is offered to each new director.

4.1.1.4 Specialised Board committees

The Board of Directors has four specialised committees: the Audit Committee, the Appointments and Compensation Committee, the Investment Committee and the Ethics and Quality Committee.

The members of these Committees are appointed by the Board of Directors, by a simple majority vote, pursuant to a proposal of the Appointments and Compensation Committee.

The replacement of two independent directors, Martin Hoyos and Guy de Panafieu, will impact the composition and Chairmanships of the Board's specialised committees. The new composition of these committees will comply with applicable laws and the recommendations of the AFEP MEDEF Code.

The Audit Committee

▸ KEY INDICATORS

Key indicators	2016	2015
Number of meetings	5	3
Average attendance rate	90%	91.67%
Number of directors	6(1)	4
Percentage of independent directors	66.66%	75%

(1) On 30 November 2016, the Board of Directors voted to change the composition of the Audit Committee by adding two new members, Jean-Pierre Duprieu and Investissements PSP (represented by Jérôme Bichut).

Directors' individual attendance rates at Audit Committee meetings in 2016(1)	Average attendance rate
Guy de Panafieu (Chair)	100%
Predica (Françoise Debrus)	80%
Martin Hoyos	80%
Catherine Soubie	100%

(1) The Audit Committee met five times in 2016. Directors' individual attendance rates are provided for the first time. Therefore, only figures for 2016 are presented.

▸ COMPOSITION OF THE AUDIT COMMITTEE

Following the decision adopted by the Board of Directors on 30 November 2016 to change the composition of the Audit Committee by adding two new members, pursuant to a proposal of the Appointments and Compensation Committee, the Audit Committee is comprised of Guy de Panafieu (Chairman), Martin Hoyos, Catherine Soubie, Jean-Pierre Duprieu, Predica (represented by Françoise Debrus) and Investissements PSP (represented by Jérôme Bichut). The Audit Committee includes no executive corporate officers, is chaired by an independent director and two-thirds of its members are independent directors who, given their past and/or current positions and financial or accounting expertise, are able to perform their duties. Therefore, the composition of the Audit Committee complies with the provisions of article L. 823-19 of the French Commercial Code, the recommendations of article 15.1 of the AFEP-MEDEF Code and article 4.1 of the Board of Directors' internal regulations. At the Board of Directors' meeting of 15 March 2017, Guy de Panafieu resigned from his position as director effective 21 June 2017 at midnight. Therefore, an independent director who is already a Board member will be appointed to chair this committee. Moreover, the Head of the Group Audit and Internal Control Department attends all committee meetings.

▸ POWERS OF THE AUDIT COMMITTEE

Pursuant to a proposal of the Appointments and Compensation Committee, the Board of Directors decided on 30 November 2016 to amend *inter alia* article 4.4 of the Board's internal regulations to take into account the entry into force of the European audit reform legislation. Accordingly, the Audit Committee is responsible for reviewing the Group's accounting principles and asset measurement procedures, the drafts of the Company's individual and consolidated financial statements before they are presented to the Board and the agreements and commitments between the Company and persons who hold a direct or indirect equity stake in the Company, for ensuring that rules are adopted to ensure the rotation of firms and key signatory partners in accordance with the law, for supervising the procedure for selecting the Company's Statutory auditors and submitting to the Board the results of this selection procedure, for monitoring the performance of the Statutory auditors' duties and reviewing H3C's observations, for preparing the Board's decisions with respect to internal audit oversight, for providing management control and verifying the information that will be provided to shareholders and the market and ensuring it is clear, and for reviewing risk levels and the procedures to prevent them, as well as significant off-balance sheet commitments. The Audit Committee is also responsible for approving authorised services provided by the Company's Statutory auditors, other than the certification of accounts. It reports on its work to the Board of Directors, provides any appropriate opinions and/or suggestions to the Board and brings to its attention any issues that require a Board decision.

Within the scope of these powers, it consults the Statutory auditors and the heads of the finance, accounting and treasury departments, and may consult outside experts whenever necessary.

As part of its remit to monitor the efficiency of internal control and risk management systems, the Audit Committee may consult internal audit and risk management officers. It is kept up to date regarding the internal audit programme and receives internal audit reports.

In connection with its duties to review the financial statements, the Statutory auditors submit to the Audit Committee the main points of the Statutory audit, in particular, audit adjustments and significant internal control weaknesses identified during the audit and the accounting options used. To assist in the performance of these duties, the finance director also makes a presentation describing the Company's exposure to risks and significant off-balance sheet commitments.

▸ MAIN WORK OF THE AUDIT COMMITTEE

The Audit Committee performed all work for which it is responsible, in particular evaluating the Group's financing and hedging policy, reviewing the consolidated and individual financial statements as at 31 December 2015 and the consolidated financial statements as at 30 June 2016, reviewing whether the term of office of Ernst & Young et Autres (which will expire at the conclusion of the General Meeting convened to vote on the financial statements for the financial year ending 31 December 2016, which is scheduled for 22 June 2017) should be renewed, and reviewing the Group's related party agreements and commitments. The Statutory auditors, who attend all Audit Committee meetings, present a report several times a year highlighting the major points of the Statutory audit findings and the accounting options used, as well as points to be monitored in connection with account closings. The deadlines for reviewing the financial statements are adequate and in line with the recommendation of article 15.3 of the AFEP-MEDEF Code.

The Appointments and Compensation Committee

▸ KEY INDICATORS

Key indicators	2016	2015
Number of meetings	4	7
Average attendance rate	94.44%	82.86%
Number of directors	4	5
Percentage of independent directors	75%	60%

Directors' individual attendance rates at Appointments and Compensation Committee meetings in 2016[1]	Average attendance rate
Anne Lalou (Chair)	100%
Predica (Françoise Debrus)	100%
Jean-Pierre Duprieu	100%
Guy de Panafieu	100%
Catherine Soubie	100%
Batipart Invest (Charles Ruggieri)[2]	50%

(1) The Appointments and Compensation Committee met four times in 2016. Director's individual attendance rates are provided for the first time. Therefore, only figures for 2016 are presented.

(2) The term of office of Batipart Invest expired at the conclusion of the General Meeting of 23 June 2016. Its representative attended one of two committee meetings. Because it did not request that its term of office be renewed, Batipart Invest did not deem it necessary to attend the Appointments and Compensation Committee that was held a few days before its term of office expired.

▸ COMPOSITION OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

Following the non-renewal of the term of office of Batipart Invest (represented by Charles Ruggieri) and the appointment of Jean-Pierre Duprieu, on 23 June 2016, as an Appointments and Compensation Committee member, the Appointments and Compensation Committee now comprises Anne Lalou (Chairman), Jean-Pierre Duprieu, Guy de Panafieu and Predica (represented by Françoise Debrus). The non-executive Chairman, Christian Chautard, attends the Committee's meetings, but is not a member. The Committee does not include any executive corporate officers, is chaired by an independent director and is composed primarily of independent members. Therefore, its composition complies with the recommendations of the AFEP-MEDEF Code (with the exception of the recommendation on the appointment of the director representing the employees as a member of this Committee[1]) as well as article 3.1 of the Board's internal regulations.

(1) However, the Board's internal regulations provide for the possibility of inviting the director who represents the employees to attend committee meetings in a non-voting capacity.

▸ POWERS OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

The Appointments and Compensation Committee is responsible for nominating candidates for independent directorships and for membership of the Audit Committee, the Investment Committee and the Ethics and Quality Committee. In addition, it provides an opinion on proposals for the appointments of the Chief Executive Officer and, if applicable, the Deputy Chief Executive Officers, makes proposals to the Board of Directors on the remuneration of corporate officers, the Chief Executive Officer and, if applicable, Deputy Chief Executive Officers, makes proposals to the Board on stock option plans, bonus share awards and any other plans for the benefit of employees and/or executive corporate officers of the Group, as well as on the rules for such plans and the implementation thereof. It periodically evaluates how effectively the Board of Directors functions and makes recommendations to improve the governance of the Board. It prepares a succession plan for executive corporate officers so that it may propose replacement solutions to the Board of Directors in the event of an unexpected vacancy.

▸ MAIN WORK OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

The Appointments and Compensation Committee performed all work for which it is responsible, in particular reviewing changes in the governance and composition of committees, the compensation of executive corporate officers and directors, and the profit-sharing plans for certain members of the General Management (including the Chief Executive Officer).

The Investment Committee

▸ KEY INDICATORS

Key indicators	2016	2015
Number of meetings	5	6
Average attendance rate	92.85%	89.19%
Number of directors	5	6
Percentage of independent directors	20%	16.66%

Directors' individual attendance rates at Investment Committee meetings in 2016[1]	Average attendance rate
Jérôme Grivet (Chair)	100%
Christian Chautard	100%
Investissements PSP (Jérôme Bichut)	80%
Malakoff Médéric Assurances (Hugues du Jeu)	100%
Catherine Soubie	100%
Batipart Invest (Charles Ruggieri)	66.67%[2]
Jacques Ambonville[3]	100%

(1) The Investment Committee met five times in 2016. Director's individual attendance rates are provided for the first time. Therefore, only figures for 2016 are presented.
(2) The term of office of Batipart Invest expired at the conclusion of the General Meeting of 23 June 2016. Its representative attended two of three committee meetings. Because it did not request that its term of office be renewed, Batipart Invest did not deem it necessary to attend the Investment Committee that was held a few days before its term of office expired.
(3) Director whose term of office expired on 23 June 2016.

▸ COMPOSITION OF THE INVESTMENT COMMITTEE

Following the non-renewal of the terms of office of Batipart Invest (represented by Charles Ruggieri) and Jacques Ambonville at the Annual General Meeting held on 23 June 2016, and the appointment of Catherine Soubie as an Investment Committee member on the same date, the Investment Committee is now composed of the following five members: Jérôme Grivet (Chairman), Christian Chautard, Catherine Soubie, Investissements PSP (represented by Jérôme Bichut) and Malakoff Médéric Assurances (represented by Hugues du Jeu).

▸ POWERS OF THE INVESTMENT COMMITTEE

Before any decision is adopted by the Chief Executive Officer and/or the Board of Directors, the Investment Committee is tasked with reviewing and issuing an opinion on any investment, acquisition, divestment or disposal made by the Company directly or indirectly if (a) the relevant transaction is for an amount over €15 million or (b) the relevant proposed transaction is (i) a transaction that is not in the medico-social or healthcare fields or (ii) involves an investment that would not confer control on the Company, either directly or through a company it controls.

▸ MAIN WORK OF THE INVESTMENT COMMITTEE

The Investment Committee performed all work for which it is responsible, in particular deliberating on various development projects (especially the Group's growth outlook, the acquisition of the Foyer de Lork group in Belgium and the disposal of the Centre Hospitalier des Courses in France).

The Ethics and Quality Committee

▸ KEY INDICATORS

	2016	2015
Number of meetings	2	2
Average attendance rate	100%	100%
Number of directors	4	3
Percentage of independent directors[1]	66.66%	66.66%

(1) Hafida Cola, the director representing the employees, is not counted for the purpose of calculating the percentage of independent directors.

Directors' individual attendance rates at Ethics and Quality Committee meetings in 2016[1]	Average attendance rate
Jean-Pierre Duprieu (Chair)	100%
Christian Chautard	100%
Martin Hoyos	100%
Hafida Cola	100%
Jacques Ambonville[2]	100%

(1) The Ethics and Quality Committee met twice in 2016. Director's individual attendance rates are provided for the first time. Therefore, only figures for 2016 are presented.
(2) Director whose term of office expired on 23 June 2016.

▸ COMPOSITION OF THE ETHICS AND QUALITY COMMITTEE

Following the appointment of Hafida Cola on 19 May 2016 as a member of the Ethics and Quality Committee, and the appointment of Jean-Pierre Duprieu on 23 June 2016 as Chairman of the Committee (replacing Jacques Ambonville, who did not request reappointment as director), the Committee is now composed of Jean-Pierre Duprieu (Chairman), Martin Hoyos, Christian Chautard and Hafida Cola. In accordance with article 5.1 of the Board's internal regulations, the Committee is chaired by an independent director and two-thirds of its members are independent directors[1].

▸ POWERS OF THE ETHICS AND QUALITY COMMITTEE

The Ethics and Quality Committee is responsible for validating and monitoring implementation of the Group's Ethics and Quality initiative; for evaluating crisis management and crisis reporting procedures and monitoring how serious events are handled; for validating the mapping of risks directly associated with Group businesses, as consolidated by Internal Audit, as well as the quality approach in Group subsidiaries; for reviewing the conclusions of quality audits conducted in subsidiaries so as to assess the level of control of quality procedures within the Group; and for making proposals to the Board on improvements or implementation of specific additional quality control procedures.

▸ MAIN WORK OF THE ETHICS AND QUALITY COMMITTEE

The Ethics and Quality Committee performed the work for which it is responsible, in particular monitoring implementation of the ethics, medical and quality initiative, as well as new crisis reporting procedures, and reviewing the 2015 results concerning risk management and the "Écout'client" unit.

4.1.1.5 General Management

Article 12 of the Company's articles of association defines and specifies the appointment procedures and functions of General Management, in accordance with legal requirements. The Board of Directors determines how General Management functions are to be performed, and appoints (and, if applicable, dismisses) the Chief Executive Officer.

As stated above, the Company has chosen to separate the functions of Chairman and Chief Executive Officer since 30 April 2012, the date on which Yann Coléou took office. Mr Coléou was dismissed by the Board of Directors on 18 November 2015, and the duties of his position were temporarily combined with the position held by Christian Chautard. Since 26 January 2016, the date on which Sophie Boissard took office as Chief Executive Officer, the offices of Chairman and Chief Executive Officer have once again been separate.

The Chief Executive Officer, Sophie Boissard – like Christian Chautard – does not have an employment contract with the Company or with any other Group company.

The Chief Executive Officer has the broadest possible powers to act in the name of the Company, in all circumstances, subject to the powers expressly conferred by law on General Meetings of shareholders and the powers reserved to the Board of Directors, within the limits of the Company's corporate purposes.

(1) Hafida Cola, the director representing the employees, is not counted for purposes of calculating the percentage of independent directors.

The Chief Executive Officer represents the Company in its dealings with third parties. The Company is bound by actions of the Chief Executive Officer that are not within the corporate purposes, unless it proves that the third party was aware, or under the circumstances could not have been unaware, that the action was not within the corporate purposes. However, publication of the articles of association is not itself sufficient proof thereof.

Article 11.3 of the Company's articles of association and article 1.4.2 of the internal regulations list the matters that must be submitted for prior approval to the Board of Directors, namely:

- the approval of the Company's strategic business plan and subsequent amendments thereto;
- approval of the annual budget;
- the disposal of properties with a value exceeding €15 million by the Company or any company it controls within the meaning of article L. 233-3 of the French Commercial Code;
- the full or partial sale of equity interests with a value exceeding €15 million by the Company or any company it controls within the meaning of article L. 233-3 of the French Commercial Code;
- obtaining loans with a value exceeding €50 million by the Company or a company it controls within the meaning of article L. 233-3 of the French Commercial Code;
- the acquisition of assets (such as companies or equity investments), with an enterprise value exceeding €15 million by the Company or any company it controls within the meaning of article L. 233-3 of the French Commercial Code.

Prior to her appointment, Sophie Boissard agreed to request the opinion of the Board if she were to consider holding any new position or corporate office in addition to her position as Chief Executive Officer of the Company, in accordance with article 18.2 of the AFEP-MEDEF Code. Accordingly, after having obtained the favourable opinion of the Appointments and Compensation Committee, at its meeting of 30 November 2016, the Board authorised Sophie Boissard to accept a position on the Supervisory Board of Allianz SE as from May 2017.

4.1.1.6 Principles and rules for determining the compensation and benefits of all types awarded to corporate officers

Principles for determining the compensation of corporate officers

Since the Company has formally adopted the AFEP-MEDEF recommendations concerning the remuneration of executive directors of listed companies, their remuneration is fixed taking into account the principles set out in those recommendations.

The principles and rules established by the Board of Directors for determining the remuneration of executive corporate officers are described in sections 3.10.2.1 and 3.10.2.2 of this registration document.

Policy on the payment of attendance fees

On 23 June 2016, the General Meeting set the annual budget for attendance fees at €400,000, until further decision. The procedure for calculating attendance fees is described in section 3.10.2.5 of this registration document(1).

In addition, upon the production of receipts, the directors and committee members are entitled to reimbursement of travel costs incurred to attend Board and committee meetings.

The General Meeting scheduled for 22 June 2017 will be requested to amend article 11.5 Company's articles of association to entitle the Board Observer(s) to receive compensation in consideration for their services, in accordance with terms to be decided by the Board of Directors, and deducted from the amount of attendance fees awarded to it by the General Meeting.

4.1.1.7 Specific provisions on shareholders' attendance of General Meetings

Article 15 of the Company's articles of association sets out the provisions governing shareholder attendance of General Meetings.

Shareholders' attendance of General Meetings is also governed by the statutes and regulations in force applicable to companies whose shares are admitted to trading on a regulated market.

At the conclusion of each General Meeting, the Company publishes the minutes of the meeting on its website, which includes, in particular, the results of the vote on each resolution submitted to the shareholders and the responses to shareholders' written questions.

4.1.1.8 Factors which may have an impact in the event of a takeover bid

In accordance with article 225-100-3 of the French Commercial Code, the following factors may have an impact in the event of a takeover bid.

- The capital structure and direct or indirect investments in the Company's capital of which the Company is aware in accordance with articles L. 233-7 and L. 233-12 of the French Commercial Code are described in section 7.2 of this registration document.
- Restrictions imposed by the Company's articles of association on voting rights and share transfers or contractual clauses brought to the Company's attention in accordance with article L. 233-11 of the French Commercial Code are described in section 7.1.5 of this registration document.
- Rules governing the appointment and replacement of members of the Board of Directors are outlined in section 7.1.2 of this registration document. The Company's articles of association may be amended in accordance with article L. 225-96 *et seq.* of the French Commercial Code.

(1) *The provisions for calculating attendance fees in effect until 23 June 2016 are described on page 125 of the 2015 registration document filed with the AMF on 26 April 2016 under number D.16-0405.*

- The powers of the Board of Directors are described in sections 4.1.1.3 and 7.1.2 of this registration document, as well as in section 3.9.6 on the implementation of the share buyback programme and the liquidity agreement.
- Agreements providing for benefits for executive corporate officers in the event their positions are terminated due to a takeover bid are shown in section 3.10.2 of this registration document.
- The financing contracts that entitle the Company's creditors to accelerate loans made to the Company in the event of a change of control of the Company are described in section 3.6.2 of this registration document.

4.1.2 INTERNAL CONTROL AND RISK MANAGEMENT

The main risks which, if realised, could have a material adverse impact on the Group, its business, financial position and earnings, as well as the main measures taken by the Group to limit exposure thereto, are described in section 3.6.1 of this registration document. Section 3.7.4 describes the strategy and measures implemented to reduce the environmental impact of our facilities. The information below does not set out all control procedures in place within the Group but highlights the key internal control procedures related to business activities or risks deemed to be material.

To prepare and write this report, and to define internal control, the Company used the recommendations of the AMF's reference framework (entitled "Reference Framework on risk management measures and internal control") (the "**Reference Framework**") and on the periodic information guide for companies listed on a regulated market (AMF Position-Recommendation DOC-2016-05).

Internal control definition and objectives

Internal control refers to all processes in place within the Group that contribute to the rigorous and effective management of its business activities and to controlling its risks.

More specifically, internal control has the following objectives:

- to ensure compliance with laws, regulations and the Group's values;
- to ensure the reliability and accuracy of accounting and financial information;
- to preserve the Group's assets and reputation;
- to monitor the achievement of goals;
- to prevent and detect fraud and irregularities.

The internal control system aims to provide reasonable assurance, though not an absolute guarantee, with regard to the achievement of these goals.

Internal control environment

It is based on a centralised organisation with a policy of delegating responsibility to operational and functional departments. In particular, the Group ensures:

- the clear communication of the Group's strategy and its operational goals;
- optimal guidance to assist individuals in their work, particularly through the dissemination of best practices;
- the competence of its employees and that they have the necessary resources to perform their work. To this end, the Human Resources Department provides evaluations, periodic monitoring and training in each country where the Group operates;
- that our procedures are monitored.

Scope of internal control

The internal control system is applied to Korian and to all its consolidated subsidiaries.

Monitoring systems are in place to ensure satisfactory operations control. These systems are described in detail in the section below on internal control systems.

Internal control players

Internal control system is implemented by the Board of Directors, the Chairman, the Group's General Management, the General Management of the countries where the Group operates, the operational and functional divisions and departments, and the Group's employees.

The main players that supervise the internal control system are listed below.

The Board of Directors

By exercising ongoing control over the General Management's management of the Company, the Board of Directors is the first actor of internal control at Korian.

The Chairman of the Board of Directors works in close collaboration with the Group's General Management and takes part in preparing the Company's strategic plan with the aim of facilitating communication and shared understanding between Management and the Board.

The Audit Committee, a specialised Board of Directors committee, is specifically in charge of monitoring the actions undertaken in terms of internal control and risk management. It reports to the Board of Directors. Its responsibilities are defined in the Board of Directors' internal regulations, and are described in section 4.1.1.4 of this registration document.

Group General Management

The Group's General Management establishes the guiding framework for the internal control system and ensures that it is implemented.

Group Finance Department

The Group Finance Department is responsible for the quality and accuracy of the accounting and financial information of the Company and its subsidiaries. To ensure more efficient output, the units within this Department have been divided into specialist teams according to their function:

- in each country, separate teams are responsible for the facilities' accounting and management control;
- at the Korian level:
  - a team based at the head office is responsible for accounting,
  - the Group's Financial Control Department analyses the results of the countries where the Group does business and of the holding companies,
  - the Group's consolidation operations are performed by a Paris-based team.

The Group Legal Affairs and Tax Department

The Group Legal Affairs and Tax Department is charged *inter alia* with protecting the Group's interests and ensuring the security of its operations by providing support, advice and expertise.

In particular, it is active in the following three areas, which contribute to the internal control process:

- conducting a regulatory watch focusing on applicable rules;
- selecting external legal advisors and overseeing their services and performance;
- editing international standards and frameworks for operational implementation in order to adapt them to the Group's activities.

In general, legal and tax risks are monitored internally, with the assistance of external advisors when necessary.

The Group Audit and Internal Control Department

The Group's internal audit charter defines the internal audit function's role, responsibilities, scope of action, audit approach and reporting methods. The internal audit department evaluates corporate governance and risk management and control procedures, as they are defined within Korian. Its proposals contribute to improving safety and optimising the organisation's overall performances.

Risk mapping is updated regularly and presented to the Board of Directors, the Audit Committee and the Ethics and Quality Committee. The work of the Internal audit function includes an assessment of some of these risks. The Audit and Internal Control Department ensures compliance with internal control procedures and checks the effectiveness of the internal control and risk management systems, both through audits by its team of internal auditors, and by supervising audits by the appropriate departments in each country (Quality Departments, Management Control Departments, Legal Departments, *etc.*). It also coordinates its work with that of the Statutory auditors with a view to improving efficiency.

The Audit and Internal Control Department, which reports hierarchically to the Group Finance Department and functionally to the Audit Committee, is involved in evaluating the Group's internal control and reports on its work to Group General Management and to the Audit Committee.

General Management in the countries where the Group operates

They are responsible for the application of the Group's procedures and compliance with budgets and growth objectives within their respective subsidiaries, assisted by their local finance departments.

The Finance Departments in the countries where the Group operates

These departments coordinate the finance process and control accounting and management data in the various subsidiaries of the Group.

The Quality Departments in the countries where the Group operates

These departments are important players in internal operational control. They are very closely involved in the risk management policy and our quality assurance process in the facilities.

Their duties are:

- ensuring the implementation of the quality management policy;
- providing assistance to the facilities' management teams to support them with the implementation and monitoring of their quality assurance process and risk management systems;
- ensuring regulatory compliance and keeping abreast of relevant documentation in the areas of quality and risk management as well as any changes to certification and assessment procedures;
- assisting with the development of tools for teaching, procedural monitoring, information gathering, assessments and performance indicators, in addition to procedures and protocols;
- performing reviews, risk analyses and monitoring the implementation of the Group's policies.

The Regulatory Departments in the countries where the Group operates

These departments ensure the conditions governing the existence and operation of facilities, particularly from their creation upon signature of the contract with the regulatory authorities.

Their work involves providing assistance and technical support to the facilities in their relations with the regulatory authorities as well as the monitoring of the contractual objectives defined with these authorities.

The Information Systems departments in the countries where the Group operates

Each country in which the Group operates has an Information Systems Department with the aim of safeguarding and, insofar as possible, preventing any management system failure, thereby ensuring business continuity. The work of these departments is coordinated at the Group level.

Each of these departments is an important player in internal control.

Internal control systems for accounting and financial information

The Group organises its work so as to increase the speed and reliability of the procedures followed to produce financial information.

Organisation of the accounting and financial functions

The accounting work for business activities based in France is organised around four platforms:

- three are responsible for facilities and are each under the responsibility of an Accounting Director who reports to the French Finance Department;
- the fourth is responsible for the Company and is overseen by an accounting manager who reports to the Group Finance Department.

For foreign subsidiaries, the accounting function is centralised at the level of the local parent company in each country. These subsidiaries receive regular visits from the Group's General Management and from the Group Finance Department.

A monthly report, with key performance indicators identical to those applied to the French subsidiaries, is in place for the subsidiaries in Germany, Belgium and Italy.

The main duties of Group Financial Control are to ensure the consistency of financial information produced and to assist General Management in managing the Group.

Monitoring and control of operational management in the countries where the Group operates

Operational reports and the budgeting process contribute to more robust internal control in relation to the processing of accounting and financial information. With the contribution of facility directors, this work is carried out by the individual countries' management controllers, who provide technical support and methodological assistance to the financial management of business operations.

This work is reviewed by the Group Finance Department to prepare the financial information to be published.

Budgets

The finance departments of each country assist the local operational departments in drawing up operating budgets for each facility. They are in charge of applying the guidelines provided by Group General Management and the Group Finance Department.

These budgets are then consolidated at the level of each country by including the budgets of the functional departments. Lastly, these budgets are consolidated at Group level.

Reports

The individual country finance departments produce a monthly report prepared by the local management control units, which is sent (*via* our Group information system) to the facility directors, the regional directors, the operations departments of each country, and the General Management of each country.

This report highlights key financial data such as revenue, occupancy rates, average accommodation price, changes to major expenditure items (particularly wages and salaries), changes to trade receivables, the cash flow situation, the monitoring of investments, *etc.*

It also includes budget control highlights: any significant variances are analysed and explained. Performance indicators are then produced summarising key information, which encourages a proactive response from decision-makers.

The Group Finance Department produces a consolidated monthly report based on the country-specific management control information input into the Group's information system. This report on business levels is reviewed monthly by the Group General Management. Corrective measures are implemented whenever necessary.

Financial statements and audits

The Group publishes half-yearly financial statements at 30 June (consolidated) and annual financial statements at 31 December (individual and consolidated), as well as quarterly figures. Each country's finance department prepares individual financial statements, using the various accounting platforms, for the companies in their respective countries.

The Group Finance Department also prepares the consolidated financial statements using consolidation software that uses the same structure of items for all consolidated entities, including foreign subsidiaries.

The Audit Committee reviews the financial statements and the accounting methods used to produce them. It also takes part in the internal control process in relation to the preparation of financial information.

As part of their statutory duties, the Statutory auditors conduct a full audit of the financial statements at the time of the annual closing and when the interim financial statements are produced. Pursuant to the applicable regulations, each legal entity must provide a letter from its legal representative confirming the quality, reliability and completeness of the information and documentation provided to the Statutory auditors.

Debt and cash management

Korian monitors the management of risks associated with its financing on an ongoing basis.

The Group General Management proposes a funding strategy to the Board of Directors, and new credit facilities, if required, receive the prior authorisation of the Board of Directors.

The Company's cash on hand can be made available to its subsidiaries by signing current account agreements or inter-company loan agreements, in particular, to finance the subsidiaries' growth operations.

Nevertheless, our foreign subsidiaries may from to time take out local bilateral loans. In this respect, any new loan requires the prior approval of the Group General Management and the Group Finance Department, as part of the governance framework.

As at 31 December 2016, the Company had several available credit facilities:

- a syndicated loan facility obtained from a banking pool for the Group's general needs;
- *Schuldschein* and Euro PP corporate bonds;
- issuing short-term negotiable securities (formerly commercial paper *(billets de trésorerie));*
- bilateral credit lines to fund the Group's real estate projects.

By renegotiating the syndicated loan in 2016, the Company was able to extend its maturity date, as described in section 3.1.2.1 of this registration document.

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

Lastly, the Group has a cash pool in France provided by its main banks.

Cash management for the foreign subsidiaries is managed by the finance department in each country and is overseen by the Group Finance Department.

Internal control procedures associated with growth transactions and commitments

All investment or divestment decisions are subject to the approval of an internal committee, the Group Investment and Commitment Committee, whose permanent members are the Group Chief Executive Officer, the Group Chief Financial Officer and the Group Development Director, as well as the General Management and Finance Department of each country in which the Group operates.

Furthermore, the Investment Committee, a specialised Board of Directors committee, is responsible for reviewing and issuing an opinion, prior to the Board of Directors' decision, on all significant investment and divestment transactions.

Internal control and information systems

An efficient IT organisation is indispensable to guarantee the relevance and reliability of published accounting and financial information. To that end, the Group continues to implement mechanisms that ensure the security of the information systems.

In order to evolve in a manner consistent with the Group's needs, regular modifications are made to existing applications or applications are changed. These changes ensure that information flows are better managed and more secure.

Operational risk management and internal control systems

Prevention of insurable risks

We have taken out insurance policies with leading insurance companies to cover *inter alia* the following risks: property damage and operating losses, as well as the financial consequences in the event our companies are held liable in connection with their activities in the four countries in which we operate.

Our policy is to adjust cover limits to the cost of rebuilding or replacing insured assets as new or, in the case of liability, based on an estimate of our specific risks and reasonably foreseeable risk levels in our business sector.

The Company's officers and directors liability policy also covers Germany, Belgium and Italy.

Ethics of care, prevention and management of business-related risks through the quality policy

The Group endeavours to increase the consistency of its ethics approach, to identify and prevent all levels of risk inherent in Group activities, as well as to improve the overall quality of its practices and services for persons in its care (residents and patients).

Our management policy focuses on quality and aims to provide care to residents and patients of optimal quality and safety. This approach is key to improving our processes and resolving potential issues.

Our policy is based on our intent to constantly implement best care practices and improved prior risk control by promoting preventive actions. This policy is approved and monitored by a specialised Board of Directors' committee, the Ethics and Quality Committee. To ensure the day-to-day implementation of the Group's ethical principles, a variety of training programmes, created by a dedicated department, is offered.

Details about the ethics policy can be found in section 3.7.3.1 of this registration document.

Prevention and management of risks associated with the Group' business

▸ RISK MANAGEMENT "GOVERNANCE"

To coordinate the Ethics, Medical and Quality policies, in 2016, the Group created a Group Medical, Ethics and Quality Department to formally establish a quality and operational risk management policy and define guidelines for the Group-wide medical policy, in compliance with ethical principles and standards and the laws of the countries in which the Group operates.

In France, in 2016, to replace the Ethics, Medical and Quality Department, two medical departments were created (one for the Seniors division and one for the Healthcare division), as well as a Quality and Risk Management Department, which includes a quality audit unit that aims to implement more robust operational internal controls by performing regular and/or targeted audits based on needs.

In Germany, the Ethics Committee is headed by the Quality Director. It comprises members from within and outside the Group (doctors, professors of medicine, the Human Resources Department, resident representatives).

In Belgium, the Quality Department is responsible for ethical issues, quality and risk management. It ensures proper implementation of the Group Ethics, Medical and Quality policy, in compliance with regulatory requirements, which aim to improve quality policies in long-term care nursing homes.

In Italy, an Ethics and Scientific Committee was formed with a view to preparing new strategies, developing new technologies and defining new projects in accordance with the Group Ethics, Medical and Quality policy.

▸ SERIOUS ADVERSE EVENTS (SAE) PROCEDURES

Section 3.6.1 of this registration document describes the preventive management of the Group's main risks. After-the-fact management techniques are applied to analyse risks after the occurrence of an adverse event. It enables not only handling problems, but also makes it possible to understand what happened and to devise future preventive actions.

For this purpose, the Group is extending the SAE-monitoring procedure to the entire scope of its operations. This process includes various classification levels: SAEs involving the health of persons, SAEs involving safety, SAEs involving the operation of facilities and SAEs that generate a genuine public and/or media threat to the Company.

In all countries where the Group operates, all serious events are reported by the facility director to his/her supervisor, who will determine with him/her the level at which the event should be handled. Depending on the level of seriousness, a local, regional, national or Group-wide crisis unit will be set up in accordance with the crisis management procedure. Each adverse event report is also input into a database that facilitates future risk prevention.

Externally, reports of such events is also supervised (transparently, and in partnership with supervisory authorities) in order to transmit appropriate information (event and precautionary measures in place and/ or planned).

In France, in connection with after-the-fact risk management, the Quality and Risk Management Department heads a feedback committee called K-REX, which meets regularly with the following departments: the Medical Departments, the Regulations Department, the Maintenance and Safety Department, the Human Resources Department, the Communications Department, the Legal Affairs Department, and the Operations Departments (with the systematic attendance of a Regional Director). At each meeting, a review is conducted of adverse events and claims, and an action plan is proposed to the two French Management Committees (Seniors division and Healthcare division).

▸ QUALITY POLICY

By creating a Group Medical, Ethics and Quality Department, Korian confirmed its overall quality approach for the entire scope of its operations with the aim of taking into account all risks inherent in its business.

In France, the quality assurance process is led by the Quality and Risk Management Department and aims to ensure the safety of medical care, the safety of persons and the quality of treatment and services provided. This Department provides facilities with functional assistance in the form of control actions, personalised support and aid if necessary.

All facilities are subject to an annual quality review of all their treatments and services. Depending on the results of this review, an action plan may be drawn up. A regional quality assurance team assists facilities with tasks such as the deployment of the quality-driven management process. This quality support is used to prepare external assessments of long-term care nursing homes and certification inspections for healthcare facilities (carried out by the HAS).

In addition, a "Quality Manual" sets out the Group's policy and the main tools and best practices available to the facilities. It is updated annually and, in particular, sets out the Group's CSR commitment, ethical approach and values.

In addition, occupational health and safety risks are carefully managed. The operational human resources managers update the Single Professional Risk Evaluation Document ("**DUERP**") to ensure regular monitoring of these risks.

Lastly, the Risk Coordination and Vigilance Committees ("**COVIRIS**") quickly handle any problems discovered and act to prevent any deterioration by organising overall risk management.

In Germany, the Quality Department is responsible for drafting and updating the quality manual, as well as the procedures applicable to all facilities. The manual contains the legal and regulatory requirements, as well as the internal standards drawn up by said department. The statutory and regulatory standards are validated by the *Medizinischer Dienst der Krankenversicherung* (MDK) departments, which are the authorities responsible for verifying the level of quality of services provided by facilities. At least once a year, the MDKs conduct a formal quality review of each facility.

In parallel, the Quality Department ensures proper application of the quality procedures in each facility. These regionally-based Total Quality Managers ("**TQMs**") supervise approximately ten facilities and conduct a comprehensive review of each facility at least once a year. The TQMs forward the reports of their internal reviews to each appropriate regional director. In addition, a quality dashboard is prepared and submitted to German General Management to enable it to monitor the continuous improvement of practices.

In Belgium, nursing and care homes are subject to federal and regional regulations, which were amended in 2014, and which are intended to strengthen quality policies. These regulations vary by region but, in general, nursing and care homes are required to adopt a quality policy and a quality of care programme, and to draft written procedures on hand-washing, isolating residents with infections and restraining measures.

In Italy, this department is responsible for drafting the "quality protocol" applicable to long-term care nursing homes and specialised clinics. The main duties of this department are to provide training to employees, to manage relations with certification bodies, and to furnish and deploy internal procedures. Each facility has a quality officer, who is a member of the facility's staff charged with implementing the procedures circulated by the central quality department.

The entire network is ISO 9001-2008 certified. The facilities have a Quality Management System (QMS) based on a quality manual, with procedures adapted to each type of facility (tailored on the basis of the regulations in each region), and the corresponding operating documentation is put online on the Intranet of the Italian group and the facilities' servers. As a result, each facility can submit its own reports *via* the shared platform, to which only the Quality Department has global access.

Each facility has a "Crisis Plan" manual that describes all procedures to be applied with respect to the main risks identified.

▸ LISTENING AND ASSESSMENT APPROACH

The "Écout'client" unit manages claims and complaints and helps the facilities to handle them. The unit consolidates and ensures the traceability of events and their handling.

Information about the process for listening to the concerns of residents and patients can be found in section 3.7.3.2 of this registration document.

A satisfaction survey of all Group employees is conducted every two years. The next survey will be conducted in May 2017.

The results of this survey are used in support of our human resources policies and to define action plans with the aim of deploying best practices in all Group entities.

All of these measures play a part in the Group's risk prevention policy.

Paris, 15 March 2017

Christian Chautard
Chairman of the Board of Directors

4.2 Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code, on the report of the Chairman of the Korian Board of Directors

▸ YEAR ENDED 31 DECEMBER 2016

To the Shareholders,

In our capacity as Statutory auditors of Korian and in accordance with article L. 225-235 of the French Commercial Code *(Code de commerce),* we hereby present our report on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial Code for the year ended 31 December 2016.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French Commercial Code and, in particular, on the corporate governance structure.

Our role is:

- to advise you of any observations we have made that are prompted by the information contained in the Chairman's report on internal control and risk management procedures in relation to the preparation and processing of accounting and financial information; and
- to certify that this report contains the other information required by article L. 225-37 of the French Commercial Code. However, it is not our role to verify the accuracy of such other information.

We conducted our work in accordance with the professional standards applicable in France.

Information on internal control and risk management procedures in relation to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the accuracy of the information provided in the Chairman's report on the internal control and risk management procedures in relation to the preparation and processing of accounting and financial information.

These procedures include:

- obtaining an understanding of the internal control and risk management procedures in relation to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, as well as of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures in relation to the preparation and processing of the accounting and financial information that we may have noted in the course of our work have been properly disclosed in the Chairman's report.

On the basis of our work, we have no observations to make on the information concerning the company's internal control and risk management procedures in relation to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with article L. 225-37 of the French Commercial Code.

Other information

We certify that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Commercial Code.

Courbevoie and Paris-La Défense, 31 March 2017

The Statutory auditors

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

CHAPTER 5

Consolidated financial statements for the year ended 31 December 2016

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5.1 Consolidated financial statements for the year ended 31 December 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

In thousands of euros	Notes	31.12.2016	31.12.2015
Goodwill	3.1	2,175,429	1,707,317
Intangible assets	3.1	1,717,635	1,700,952
Property, plant and equipment	3.1	1,670,218	1,295,551
Non-current financial assets	3.2	32,606	31,224
Deferred tax assets	4.5	182,506	148,890
Non-current assets		**5,778,393**	**4,883,933**
Inventories	3.3	9,707	8,170
Trade receivables and related accounts	3.4	168,241	154,228
Other receivables and current assets	3.5	224,575	199,545
Financial instruments	3.9	1,500	209
Cash and cash equivalents	3.6	309,875	518,833
Current assets		**713,897**	**880,986**
Assets held for sale		1,887	108
TOTAL ASSETS		**6,494,178**	**5,765,027**

Equity and liabilities

In thousands of euros	Notes	31.12.2016	31.12.2015
Share capital		400,890	397,328
Premiums		841,519	927,157
Consolidated earnings and retained earnings		780,605	598,242
Equity attributable to owners of the Group		**2,023,015**	**1,922,727**
Non-controlling interests		13,915	11,183
Total equity		**2,036,930**	**1,933,911**
Pension provisions	3.7	58,567	49,634
Deferred tax liabilities	4.5	673,084	690,750
Other provisions	3.8	140,200	69,265
Borrowings and financial liabilities	3.9	2,442,222	2,068,516
Non-current liabilities		**3,314,072**	**2,878,166**
Provisions for less than one year	3.8	13,555	12,717
Trade payables and related accounts	3.10	250,496	228,139
Other payables and accruals	3.10	678,039	597,030
Borrowings due within 1 year and bank overdrafts	3.9	183,014	95,183
Financial instruments	3.9	18,072	19,882
Current liabilities		**1,143,176**	**952,951**
Liabilities held for sale		0	0
TOTAL LIABILITIES		**6,494,178**	**5,765,027**

CONSOLIDATED INCOME STATEMENT

Comprehensive income

In thousands of euros	Notes	31.12.2016	31.12.2015
Annual revenue		**2,981,404**	**2,573,304**
Other revenue		5,482	5,950
Operating revenue		**2,986,886**	**2,579,254**
Purchases used in the business		236,467	212,357
Personnel expenses	4.1	1,504,582	1,267,256
External expenses	4.1	727,773	664,265
Income tax and other taxes		96,661	95,134
Depreciation and amortisation		155,954	123,829
Other operating revenues and expenses		823	112
Profit (loss) on acquisition and disposal of consolidated entities	4.3	-896	-1,048
Other operating income and expenses	4.3	-24,456	-36,515
Operating profit (loss)		**240,919**	**178,963**
Cost of net debt	4.4	-88,121	-53,245
Other financial items	4.4	-35,223	-11,706
Net financial income	**4.4**	**-123,344**	**-64,951**
Profit/(loss) before tax		**117,575**	**114,012**
Income tax	4.5	15,583	-53,042
Profit/(loss) of consolidated companies		**133,158**	**60,970**
Non-controlling interests		1,865	2,279
ATTRIBUTABLE TO OWNERS OF THE GROUP		**131,293**	**58,691**
Basic earnings (attrib. to Group owners) per share ***(in euros)***	4.6	1.65	0.74
Diluted earnings (attrib. to Group owners) per share ***(in euros)***	4.6	1.64	0.73
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP'S OWNERS		**131,293**	**58,691**
Recyclable items: impact of IAS 39 (measurement of hedging instruments and free share plan) net of tax		1,649	1,761
Non-recyclable items: impact of IAS 19 (actuarial gains and losses)		-2,186	2,420
Gains and losses recognised directly in equity (attributable to the Group's owners)		**-538**	**4,181**
Profit/(loss) and gains and losses recognised directly in equity (attributable to the Group's owners)		130,756	62,872
Net profit/(loss) and gains and losses recognised directly in equity (non-controlling interests)		1,864	2,293

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	31.12.2016	31.12.2015
Net profit/(loss)	**133,158**	**60,970**
Of which income tax expense	*-15,583*	*53,042*
Net depreciation, amortisation and provisions	160,464	146,142
Deferred taxes	-72,782	954
Gain or loss at fair value and non-cash items	-6,146	-786
Gain on disposal of assets	-98	1,824
Cash flow after cost of net debt	**214,597**	**209,105**
Elimination of acquisition costs of securities	521	5,020
Elimination of net interest paid	88,121	51,938
Cash flow before cost of net debt	**303,239**	**266,062**
Change in inventories	-604	-535
Change in trade receivables	-7,342	-7,235
Change in trade payables	17,734	-22,533
State: change in income tax	8,305	3,950
Change in other items	-13,934	5,265
Change in the working capital requirement	**4,159**	**-21,089**
Net cash generated from operations	**307,397**	**244,973**
Impact of changes in scope (acquisitions)	-392,416	-75,370
Impact of changes in scope (disposals)	2,579	3,697
Payment for property, plant and equipment and intangible assets	-159,555	-139,975
Payment for other financial investments	910	2,617
Proceeds from disposals of non-current assets (excluding securities)	39,821	15,535
Net cash from/(used in) investing activities	**-508,661**	**-193,496**
Net cash flow	**-201,264**	**51,477**
Treasury shares charged to equity	-29	-449
Increase in financial liabilities	200,446	503,006
Repayment of financial liabilities	-88,949	-183,774
Net interest paid	-97,179	-51,938
Dividends paid to shareholders of the parent	-28,724	-34,751
Dividends paid to non-controlling interests in the consolidated companies	-13	-2,380
Dividends payable		6
Net cash from/(used in) financing activities	**-14,449**	**229,719**
CHANGE IN CASH POSITION	**-215,713**	**281,197**
Cash and cash equivalents at start of period	509,974	228,778
Cash and cash equivalents at end of period	294,261	509,974
Marketable securities	91,532	9,577
Cash	218,343	509,256
Bank overdrafts and advances	-15,614	-8,859
CASH	**294,261**	**509,974**

CHANGES IN CONSOLIDATED EQUITY

In thousands of euros	Share capital	Premiums	Charged directly to equity	Consolidated earnings and retained earnings	Equity attributable to the Group's owners	Non-controlling interests	Total equity
At 31 December 2014	**395,187**	**916,934**	**246,942**	**345,018**	**1,904,081**	**-1,529**	**1,902,552**
Dividend distribution				-47,344	-47,344	-2,380	-49,724
Capital increase	2,141	10,224			12,365		12,365
Share-based payment							
Business combinations			-9,224		-9,224	11,677	2,453
Treasury shares			-222		-222		-222
Other changes				199	199	1,123	1,322
Net profit in 2015				*58,691*	*58,691*	*2,279*	*60,970*
Impact of IAS 19 (actuarial gains and losses)			2,420		2,420	14	2,434
Measurement of hedging derivatives net of tax			1,761		1,761		1,761
Comprehensive income			*4,181*	*58,691*	*62,872*	*2,293*	*65,165*
At 31 December 2015	**397,328**	**927,158**	**241,677**	**356,564**	**1,922,727**	**11,184**	**1,933,911**
Dividend distribution				-47,660	-47,660	-13	-47,673
Capital increase	3,562	15,362			18,924		18,924
Share-based payment							
Business combinations						101	101
Treasury shares			-29		-29		-29
Other changes		-101,000		96,836	-4,164	780	-3,384
Net profit in 2016				*131,293*	*131,293*	*1,865*	*133,157*
Impact of IAS 19 (actuarial gains and losses)			-2,186		-2,186	-1	-2,187
Measurement of hedging derivatives and free share plans (net of tax)			1,649	2,462	1,649 2,462		1,649 2,462
Comprehensive income			*-538*	*131,293*	*130,755*	*1,863*	*132,618*
AT 31 DECEMBER 2016	**400,890**	**841,520**	**241,110**	**539,494**	**2,023,014**	**13,914**	**2,036,930**

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

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

Pursuant to the Chief Executive Officer's decisions of 20 July 2016, the Company proceeded with the payment of a dividend of €0.60 per share, with the option of payment in shares (based on a share price of €26.62).

This option resulted in the issuance of 709,369 new shares, which were issued and admitted to trading on the Euronext Paris exchange on 20 July 2016. The shares shall carry dividend rights as of 1 January 2016 and enjoy the same rights as the outstanding ordinary shares. Following this transaction, the Company's share capital stood at €400,890,210 and was divided into 80,178,042 shares.

A total cash dividend of €28.8 million was paid to shareholders on 22 July 2016.

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. Any capital gains or losses or impairments therefore have no effect on the consolidated income.

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The consolidated financial statements for the year ended 31 December 2016 were approved by the Board of Directors on 15 March 2017 and were examined by the Audit Committee on 14 March 2017.

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

NOTE 1
Accounting policies

Declaration of compliance

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

The consolidated financial statements comprise the financial statements of Korian and its subsidiaries for the period between 1 January and 31 December 2016.

The 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 2015, with the exception of the following amendments to IFRS standards and interpretations that are compulsory as of 1 January 2016 and which the Group did not early adopt.

- Amendments resulting from the annual standards improvement processes for 2010-2012 and 2012-2014;
- Amendments to IAS 19 on "Employee Benefits": employee contributions to a defined benefits plan;
- Amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible non-current assets", to clarify acceptable depreciation and amortisation methods;
- Amendments to IAS 1 on "Presentation of Financial Statements: Disclosure initiative";
- Amendments to IFRS 11 on "Joint Arrangements", which deal with investments in joint operations and ventures;
- Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities: exemption from preparing consolidated accounts.

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

- Standards and amendments adopted by the European Union and which become compulsory after 31 December 2016:
  - IFRS 15 on "Revenue from contracts with customers", with amended application date, which will supersede IAS 11 and IAS 18,
  - IFRS 9 on "Financial Instruments", which will replace IAS 39 on financial instruments,
  - Amendments to IFRS 10 and IAS 28 on "Sales and contributions of assets between a group and its equity affiliates" (application is postponed indefinitely),
- Standards, amendments and interpretations not adopted by the European Union:
  - IFRS 16 "Leases", which introduces a new lease recognition model and will supersede IAS 17 and its related interpretations,
  - Amendments to IFRS 15: "Clarifications on IFRS 15",
  - Amendments to IAS 12 on "Income Taxes: the recognition of deferred tax assets on unrealised losses",
  - Amendments to IAS 7 "Statement of Cash Flows: Disclosure initiative",
  - Amendments to IFRS 2 "Classification and measurement of share based payment transactions",
  - Amendments resulting from the annual standards improvement processes for 2014-2016,
  - Amendments to IAS 40 on "Transfers of investment property",
  - IFRIC 22 on "Foreign currency transactions and advance consideration".

The impact of these standards and amendments is being assessed.

In late 2016 the Group began to assess the potential impact of IFRS 15 on its consolidated accounts. This assessment will continue in 2017.

Presentation of the financial statements

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

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

Current assets and liabilities are either:

- held for use or sale as part of the normal business cycle;
- cash, cash equivalents or bank overdrafts;
- 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 Group's consolidated financial statements include the financial statements of Korian and its subsidiaries for the period between 1 January and 31 December 2016.

Critical accounting estimates and judgements

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

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:

Goodwill, intangible assets and property, plant and equipment

- The values in use of intangible assets and plant, property and equipment are based on the Company's internal valuations and its medium-term business plan. The main valuation assumptions used (medium-term growth rate, discount rate, margin and perpetuity growth rate) were estimated by the Group.
- Liabilities related to commitments to purchase non-controlling interests are valued on the basis of information or situations existing at the date of preparation of the financial statements (medium-term business plan), which may prove to be different from actual outcomes.
- The accounting value of assets is reviewed annually, and whenever events or circumstances indicate that they may have been impaired. Such events and circumstances could stem from material adverse changes of a lasting nature affecting either the economic environment or the assumptions and objectives used at the balance sheet date.

Leases

- Each lease is reviewed. Leases are classified as operating leases when nothing suggests that "the large majority of the risks and rewards incidental to ownership of the leased asset is transferred to the lessee" and therefore that the Group is acting as if it were the owner of the leased property.

Employee benefits

- The discounted value of the liabilities associated with employee benefits is calculated using various 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 accounting value of these liabilities. Note 3.7 on "Employee Benefits" provides more information on this.

Financial instruments

- Derivative financial instruments are measured at fair value. Note 3.9 on "Funding and Derivative Financial Instruments" describes the measurement of these instruments.

Currency conversion methods

- Transactions in foreign currencies are translated into euros at the prevailing exchange rate at the transaction date.
- Balance sheet data are converted at the closing rate, and income statement data at the average rate. No transactions in foreign currencies were recorded in the consolidated financial statements for the year ended 31 December 2016. All subsidiaries are located in the euro zone.

Eliminated transactions

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

NOTE 2
Scope of consolidation

Accounting principles

Subsidiaries

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

- has the power, directly or indirectly, to 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 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 applies to no Group entity at 31 December 2016.

Associates

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

The Group's interests in associates are consolidated using the equity method. The financial statements of associates are included in the consolidated financial statements as of the date that a significant influence is established until the date when such influence is lost.

The accounting value of securities in associates on the balance sheet is their acquisition cost (including goodwill) plus or minus any change in the Group's share of the associate's net assets since the acquisition date. The income statement reflects the Group's share of the associate's earnings.

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

Business combinations

a) Business combinations

In accordance with IFRS 3R, business combinations are subject to the following acquisition 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 recorded in the consolidated income statement under "Gain/(Loss) on acquisition and disposal of consolidated entities".
- Any earn-out payments on business combinations are recognised at fair value at the acquisition date. After the acquisition date, contingent consideration is recognised at fair value at each balance sheet date. After a period of one year after the acquisition date, any change in fair value is recognised in profit or loss. Within this 1-year period, any changes in fair value explicitly linked to events subsequent to the acquisition date are also recognised in profit or loss. Other changes are charged to goodwill.

At the acquisition date, goodwill is the difference between:

- the fair value of the consideration transferred, plus the amount of non-controlling interests in the acquiree and, where a business combination takes place in several stages, the fair value at the acquisition date of the acquirer's previously held equity interest in the acquiree, which is recognised in profit or loss; 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", it is tested for impairment at least annually, and more frequently if there is evidence of impairment.

Testing procedures are described in section 3.1.

b) Commitments to purchase non-controlling interests entered into under business combinations

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

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

c) Acquisition of additional securities after exclusive control is obtained

When additional securities of an entity that is already under exclusive control are acquired, the difference between the purchase price of these securities and the proportion 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 securities in a controlled entity is presented in net cash flows from/(used in) financing activities.

d) 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 on disposal calculated on the entire investment at the date of the transaction.

The share previously held is remeasured at fair value through profit or loss when exclusive control is obtained.

e) Sale of securities without loss of exclusive control

In the event of a partial sale of securities 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 securities and the proportion of consolidated equity that these securities represent at the date of disposal is recognised in equity attributable to owners of the Company. The consolidated value of the subsidiary's identifiable assets and liabilities, including goodwill, is left unchanged.

f) Sale of securities with loss of exclusive control

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

Any residual interest is therefore remeasured at fair value through profit or loss when exclusive control is lost.

Change in the consolidation scope

At 31 December 2016, the scope of consolidation included, in addition to the parent company Korian SA, 444 fully consolidated companies (vs. 399 at 31 December 2015).

The following significant changes in scope occurred in 2016.

Changes in scope – France

- Acquisition, in January 2016, of two long-term care nursing homes in the departments of Essonne and Aude, representing a total capacity of 241 beds.
- Acquisition, in May 2016, of licences to operate 60 beds for the new long-term care nursing home in Saint-Germain-en-Laye. This new long-term care nursing home, which offers short-stay and long-stay accommodation, opened in October 2016 with a total capacity of 84 beds, including the initial 24.

Changes in scope – Germany

- Acquisition of Casa Reha, Germany's third largest operator of nursing homes, on 7 January 2016. Casa Reha's revenue for 2016 was €291.1 million.
- Opening, in March 2016, of a new facility in Saarland (50 assisted living beds).
- Opening in June 2016, of a new facility in Saxony, with 157 long-term care nursing home (LTCNH) beds.
- Opening, in October 2016, of a new facility in Bavaria, with 86 LTCNH beds.
- Opening, in October 2016, of a new facility in Brandenburg, with 117 LTCNH beds.
- Opening, in October 2016, of a new facility in Baden-Württemberg, with 100 LTCNH beds.
- Opening, in October, of a new facility in North Rhine-Westphalia, with 80 LTCNH beds.

Changes in scope – Belgium

- Opening, in April 2016, of 34 additional apartments in two assisted living facilities in Flanders.
- Opening, in April 2016, of a new facility in Flanders, with 120 LTCNH beds and 26 assisted living apartments.
- Extension of capacity, in May 2016, in a long-term nursing home in Flanders, with 28 long-term and 3 short-term care beds.
- Acquisition, on 19 August 2016, of the Belgian group Foyer de Lork, a leader in the long-term care nursing and assisted living sectors in Flanders, with 17 facilities and 1,466 beds.
- Acquisition, in October 2016, of a new facility in the Brussels-Capital region, with a capacity of 120 LTCNH beds.

Changes in scope – Italy

- Opening, in February 2016, of a new facility in Lombardy, with 116 LTCNH beds and 33 assisted living beds.
- Opening, in January 2016, of a new clinic in Sardinia (83 beds) subsequent to the closing of another clinic in Sardinia.
- Opening, in March 2016, of 20 additional beds in a clinic in Tuscany.
- Deconsolidation of a facility in Lombardy in July 2016 (285 nursing home beds).
- Deconsolidation of a facility in Liguria in November 2016 (80 nursing home beds).
- Deconsolidation of a facility in Bologna in September 2016 (100 nursing home beds).
- Deconsolidation of a facility in Piedmont in October 2016 (43 nursing home beds).

Material information on significant changes in scope

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

Acquisition price of subsidiaries [A]	**459,745**
Cash out/cash in [B]	459,745
Debt incurred [C]=[A]-[B]	**0**
Disposal price [D]	2,586
Cash acquired [E]	67,329
Cash disposed of [F]	7
IMPACT OF CHANGE IN SCOPE [G]=[E-F-B+D]	**-389,838**

b) Subsidiaries for which the allocation price has been definitively allocated

The Group definitively allocated the acquisition prices of the following facilities:

- France: HAD, Résidence Victor Hugo, SCI Falca;
- Germany: Casa Reha, Helvita, Hassloch, Sentivo;
- Italy: Bocchi.

c) Subsidiaries acquired during the year

The impacts on the consolidated statement of financial position of the subsidiaries acquired and of the definitive allocation of their acquisition prices over the year.

In thousands of euros	Assets contributed	Liabilities contributed
Goodwill	470,028	
Intangible assets	25,635	
Property, plant and equipment	366,211	
Non-current financial assets	2,361	
Deferred tax assets	40,058	
Non-current assets	**904,293**	
Inventories	916	
Trade receivables and related accounts	8,580	
Other receivables and current assets	43,808	
Current assets	**53,304**	
Non-controlling interests		**102**
Pension provisions		158
Deferred tax liabilities		60,916
Other provisions		76,855
Borrowings and financial liabilities		310,085
Non-current liabilities		**448,014**
Provisions for less than one year		115
Trade payables and related accounts		11,820
Other payables and accruals		79,566
Borrowings due within one year		17,060
Financial instruments		1,052
Current liabilities		**109,613**
ASSETS CONTRIBUTED	**957,597**	
LIABILITIES CONTRIBUTED		**557,729**
Net contribution	399,868	

d) Subsidiaries sold

The impacts on the consolidated statement of financial position of subsidiaries sold over the financial year are shown in the following table:

In thousands of euros	Assets sold	Liabilities sold
Goodwill		
Intangible assets	-1,494	
Property, plant and equipment	-200	
Non-current financial assets		
Deferred tax assets	-36	
Non-current assets	**-1,730**	
Inventories		
Trade receivables and related accounts	-99	
Other receivables and current assets	-745	
Current assets	**-845**	
Non-controlling interests		
Pension provisions		-17
Deferred tax liabilities		-631
Other provisions		-21
Borrowings and financial liabilities		
Non-current liabilities		**-669**
Provisions for less than one year		-9
Trade payables and related accounts		-404
Other payables and accruals		-121
Borrowings due within one year		0
Financial instruments		
Current liabilities		**-533**
ASSETS SOLD	**-2,574**	
LIABILITIES SOLD		**-1,202**
Net sold	-1,372	

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 presented within the sub-total of current assets and liabilities, on a separate line at the bottom of the balance sheet.

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

Discontinued operations

None.

Assets held for sale

As at 31 December 2016, there was one asset in the process of being disposed of in France that was classified as "held for sale".

NOTE 3
Notes on the statement of financial position

Note 3.1 Goodwill, intangible assets and plant, property and equipment

Goodwill

In thousands of euros	31.12.2016	31.12.2015
Gross goodwill at start of period	**1,707,317**	**1,617,589**
Change in consolidation scope	488,426	57,873
Definitive allocation of goodwill	-20,314	25,835
Contingent consideration		6,020
Gross goodwill at end of period	**2,175,429**	**1,707,317**
Amount of impairment at start of period		
Impairment during the year		
Amount of impairment at end of period		
Net goodwill at start of period	**1,707,317**	**1,617,589**
NET GOODWILL AT END OF PERIOD	**2,175,429**	**1,707,317**

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

Impairment tests performed on the goodwill resulted in the recording of no impairment.

Impairment tests were performed using the method described in the section entitled "Impairment of intangible assets, plant, property and equipment, and goodwill" in Note 3.

Change in goodwill

In thousands of euros	Group	France	Germany	Belgium	Italy
Net goodwill at start of period	**1,707,317**	**1,173,781**	**248,711**	**113,427**	**171,398**
Change in consolidation scope	488,426	12,970	424,543	50,913	
Definitive allocation of goodwill	-20,314	-4,030	-6,629	-4,208	-5,447
NET GOODWILL AT END OF PERIOD	**2,175,429**	**1,182,721**	**666,624**	**160,132**	**165,951**

Pursuant to IFRS 3R, the identifiable assets and liabilities of entities acquired in the second half of 2015 (see Note 2) and of the Casa Reha group, were recognised at their fair value at the date that control was acquired.

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

Intangible non-current assets

Measurement of intangible non-current assets

Intangible non-current assets are recorded at their acquisition cost. Operating licences acquired through business combinations are measured at fair value at the acquisition date, on the basis of a revenue multiple.

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

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

Germany does not have a system of administrative licences allowing holders to operate facilities, which are primarily subject to technical standards. Operating rights accordingly do not meet the definition of an identifiable intangible asset. However, prices are set by supervisory authorities, and business growth depends on relations with them.

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

In Italy, national regulations impose minimum structural requirements. Each region transposes these regulations into local rules. Italian facilities are inspected by their supervisory authorities, under agreements with these authorities.

In thousands of euros	Licences	Other	Total
Gross amount at start of period	**1,603,635**	**181,517**	**1,785,151**
Change in consolidation scope	11,343	15,908	27,251
Disposals		-475	-475
Acquisitions	600	14,602	15,202
Transfers	1,964	-2,351	-387
Gross amount at end of period	**1,617,541**	**209,201**	**1,826,742**
Cumulative amortisation at start of period	**3,755**	**80,445**	**84,200**
Change in consolidation scope		3,118	3,118
Disposals		-679	-679
Amortisation and impairment		22,753	22,753
Transfers		-284	-284
Cumulative amortisation at end of period	**3,755**	**105,353**	**109,108**
Net carrying amount at start of period	**1,599,880**	**101,071**	**1,700,951**
NET CARRYING AMOUNT AT END OF PERIOD	**1,613,787**	**103,848**	**1,717,635**

The valuations of licences are shown in the following table.

In thousands of euros	France	Belgium	Italy	Total
Gross value at start of period	**1,265,414**	**146,636**	**191,585**	**1,603,635**
Impairment	3,755			3,755
Net carrying amount at start of period	**1,261,659**	**146,636**	**191,585**	**1,599,880**
Gross amount at end of period	1,271,801	151,482	194,258	1,617,541
Impairment	3,755			3,755
NET CARRYING AMOUNT AT END OF PERIOD	**1,268,046**	**151,482**	**194,258**	**1,613,787**

No single licence represents a significant amount for the Group.

Impairment tests on licences resulted in the recording of no impairment.

Impairment tests were performed using the method described in the section entitled "Impairment of intangible assets, plant, property and equipment, and goodwill" in Note 3.

Plant, property and equipment

a) Measurement of plant, property and equipment

Plant, property and equipment are initially measured at acquisition cost. Plant, property and equipment acquired as part of a business combination are measured at fair value at the acquisition date.

At each balance sheet date, the purchase cost is reduced by the accumulated depreciation and any provisions for impairment that may have been recorded using the method described in the section entitled "Impairment of intangible assets, plant, property and equipment, and goodwill" of Note 3.

b) Component approach

A main component of a non-current asset that has a useful life that is shorter than that of the asset itself must be identified so that it may be depreciated over its specific useful life.

When a component is replaced, the expense corresponding to the new component is capitalised, provided that future economic benefits are still expected to be derived from the main asset.

c) Finance leases

Plant, property and equipment acquired under finance leases, which transfer most of the risks and rewards incidental to ownership of the leased asset to the Group, are recognised as assets on the balance sheet at the lesser of the fair value of the leased asset or the present value of minimum lease payments. The corresponding liability is recorded in financial liabilities.

Lease payments are apportioned between the financial expense and the amortisation of the outstanding liability so as to obtain a constant periodic rate of interest on the balance owed on the liability.

Assets that are leased under a finance lease are depreciated over their useful lives in accordance with the rules applied by the Group (see the section on the depreciation of plant, property and equipment). If an indication of impairment is observed, these assets are subjected to an impairment test using the method described in the section entitled "Impairment of intangible assets, plant, property and equipment, and goodwill" of Note 3.

Sale-and-leaseback transactions, which involve selling an asset and immediately leasing it back under a lease contract, require the following additional treatment: the capital gain is recorded in deferred revenue to be allocated to future profit or loss, over the term of the lease.

Leases where the lessor retains most of the risks and rewards of owning the asset are classified as operating leases. Payments made under operating leases are expensed using the straight-line method over the term of the lease.

d) Maintenance and repair costs

Maintenance costs of a recurring nature or that do not meet the criteria of the component approach are expensed when incurred.

e) Work carried out on leased buildings

Work carried out on buildings under operating leases is the subject of a depreciation schedule for each component over the property's useful life.

f) Depreciation of plant, property and equipment

Depreciation of plant, property and equipment is calculated using the straight-line method over the useful lives set out below. Land is not depreciated. Useful lives are indicated in the table below.

Category	Useful life	Method
Structure	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 3 years	Straight line
Transport equipment	5 years	Straight line

g) Investment subsidies

Investment subsidies are deducted from the gross carrying amount of the corresponding investment. They are reversed when the investment is depreciated.

h) Borrowing costs

Pursuant to IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.

The capitalised borrowing rate corresponds to the average cost of the Group's debt after hedging.

Borrowing costs for 2016 totalled €814 thousand.

5. Consolidated financial statements for the year ended 31 December 2016

In thousands of euros	Land	Buildings	Plant and machinery	Other	In construction & advance payments	Total
Gross amount at start of period	**148,276**	**1,240,210**	**286,936**	**420,598**	**46,084**	**2,142,105**
Change in consolidation scope	3,315	360,915	46,399	18,932	31	429,591
Disposals	-382	-24,275	-9,369	-7,809	-37	-41,871
Acquisitions	7,508	59,348	26,530	31,986	34,526	159,898
Transfers	-2,675	25,948	-666	13,795	-21,303	15,099
Gross amount at end of period	**156,042**	**1,662,146**	**349,830**	**477,502**	**59,302**	**2,704,823**
Cumulative amortisation at start of period	**4,817**	**391,387**	**209,909**	**240,439**	**1**	**846,553**
Change in consolidation scope	39	21,284	29,680	12,578		63,581
Additions	525	70,294	27,692	30,820	1,464	130,796
Disposals		-10,900	-5,324	-7,035	-489	-23,747
Other	-2,829	20,331	-3,955	3,874	0	17,422
Cumulative amortisation at end of period	**2,553**	**492,396**	**258,003**	**280,676**	**976**	**1,034,604**
Net carrying amount at start of period	**143,459**	**848,823**	**77,028**	**180,159**	**46,084**	**1,295,552**
NET CARRYING AMOUNT AT END OF PERIOD	**153,489**	**1,169,750**	**91,828**	**196,825**	**58,326**	**1,670,219**

The main changes in 2016 are attributable to:

- Changes in the scope of consolidation, resulting from the acquisition of new German companies (as described in Note 2) including, the valuation of financial leases at €288.3 million;
- Acquisitions:
  - France: €89.5 million,
  - Germany: €33.5 million,
  - Belgium: €22.8 million,
  - Italy: €14.1 million.

The gross value of plant, property and equipment held under finance leases was €980,125 thousand at 31 December 2016; the net value was €724,455 thousand (see Note 5.3).

Impairment of intangible assets, plant, property and equipment, and goodwill

The accounting value is reviewed to identify potential impairment:

- for non-amortisable intangible non-current assets (operating licences) and goodwill: at each balance sheet date, or more frequently if there are indications of impairment;
- for all other assets: whenever indications of impairment are identified.

Two types of impairment indicators may trigger impairment testing:

- external indicators (*e.g.* market value and significant changes in the business environment);
- internal indicators (*e.g.* a decrease in the occupancy rate, a change in regulations, asset obsolescence and weaker-than-expected performance).

Depending on the type of asset, impairment testing is performed either on cash-generating units (CGU) or on a group of CGU (goodwill).

A CGU is a uniform group of assets that generates cash more or less independently of other CGU.

The recoverable amount of a CGU is the greater of the fair value less exit costs and the value in use.

The fair value of a CGU is measured using observed recent market data.

The value in use used by the Group is the value of the future economic benefits expected from the use and disposal of the CGU. It is estimated based on the discounted future cash flows of the CGU or group of CGUs in question.

Cash flows are determined on the basis of the economic assumptions and projected operating conditions decided by the Group's Management and in accordance with the following principles:

- Pre-tax cash flows are based on the annual budget, which is prepared by the Management Control department using the previous year's figures and is approved by the Board of Directors.
- The discount rate is determined from the Group's weighted average cost of capital.

- The average discount rates are 6% for France, 5.7% for Germany, 6.2% for Belgium and 7.2% for Italy.
- The enterprise value is calculated by summing discounted normative cash flows to infinity at the perpetuity growth rate. This growth rate is consistent with the growth potential of the markets in which the Group operates and with its competitive position in these markets.
- The average growth rate used is 1.75%.
- The five-year business plan selected for this purpose reflects the Korian 2020 strategic plan.

First-level impairment testing

For intangible assets and plant, property and equipment, a CGU is a nursing home or clinic, which is the smallest level at which assets can be tested for impairment. The purpose of first-level testing is to check that the recoverable value of the CGU (which is the greatest of its useful value and its fair value) is at least equal to its net accounting value.

The first-level tests conducted for the period resulted in the recognition of no impairment.

Second-level impairment testing

The second-level of impairment testing, which includes goodwill, is conducted on a group of CGUs that constitute the Group's operating segments, *i.e.* France, Germany, Belgium and Italy. The purpose of second-level testing is to check that the recoverable amount of each segment is at least equal to the Group's consolidated net assets (including goodwill) for that segment.

If any impairment is identified, it is first applied to goodwill (as this impairment is irreversible) and if goodwill is insufficient, then to the value of the licences and plant, property and equipment.

No need to impair goodwill was identified.

At a perpetuity growth rate of 1.5% and a discount rate of 6.5% for the French CGU, the recoverable value of the assets tested exceeds the net accounting value and no impairment is necessary.

At a perpetuity growth rate of 1.5% and a discount rate of 7.9% for the Italian CGU, the recoverable value of the assets tested exceeds the net accounting value and no impairment is necessary.

For the German and Belgian CGUs, no reasonable change in the discount rate or the perpetuity growth rate would make the recoverable amount of the assets tested less than the net accounting value.

Note 3.2 Financial assets

Financial assets comprise:

- Non-current financial assets: investments in unconsolidated companies, related receivables, and any loans for construction, guarantees or security deposits granted;
- Current financial assets, which include short-term financial derivative instruments and cash and cash equivalents (marketable securities).

Initial measurement

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

Classification and measurement at the balance sheet date

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

Category	Valuation	Recognition of changes in value
Financial assets measured at fair value	Fair value	Profit/(loss)
Loans and receivables	Amortised cost	Reference
Available-for-sale assets	**General principle:** fair value, **Exception:** amortised cost for equity instruments for which the fair value cannot be reliably estimated (notably shares not listed on an active market)	Own capital (except for significant or lasting loss of value recognised in profit or loss)

Financial assets for which changes in fair value are recognised in profit or loss

This asset class includes:

- assets held for trading, *i.e.* acquired by the Company to obtain short-term gains;
- derivative instruments that are not expressly designated as hedging instruments.

Marketable securities (*e.g.* shares or units in mutual funds) are measured at fair value at the balance sheet date, and changes in fair value are recorded under net financial income. Fair value is determined mostly on the basis of quoted market prices.

Loans and receivables

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

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

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

Available-for-sale assets

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

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

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

Cash and cash equivalents

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

Cash and cash equivalents consist of immediately available liquid assets (cash at bank and in hand) and short-term, highly liquid investments that are readily convertible into known amounts of cash and 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).

Non-current financial assets

Change

In thousands of euros	Gross amount	Impairment	Net amount
Carrying amount at start of period	**32,458**	**1,234**	**31,224**
Additions	2,782		2,782
Repayments	-3,229	-2	-3,227
Change in consolidation scope	2,604		2,604
Other movements	-777		-777
CARRYING AMOUNT AT END OF PERIOD	**33,838**	**1,233**	**32,606**

Analysis

Available-for-sale securities		**31.12.2016**			**31.12.2015**
Company	**% interest**	**Gross amount**	**Impairment**	**Net amount**	**Net amount**
SCI Le Perreux	22%	61		61	61
Furtado Gestion	0.02%	248	248		
NJ Start		610	610		
Eternus		99	99		
Demeure Saint-Émilion	5%	105	105		
Bretagne Retraite		215		215	215
TOTAL AVAILABLE-FOR-SALE SECURITIES		**1,338**	**1,062**	**276**	**276**

Other non-current financial assets	**31.12.2016**	**31.12.2015**
Security deposits	31,313	29,369
Loans		
Other non-current securities	1,016	1,578
Total other non-current financial assets	**32,330**	**30,948**
Available-for-sale securities	276	276
TOTAL NON-CURRENT FINANCIAL ASSETS	**32,606**	**31,224**

Categories of financial assets

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

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

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

						Fair value measurement		
In thousands of euros	2016	Financial assets available for sale	Financial assets at fair value through profit & loss	Loans and receivables	Cash flow hedging derivatives	Level 1: Active markets	Level 2: Observable data	Level 3: Non-observable data
Non-current assets								
Available-for-sale securities	276	276						276
Other non-current assets	32,330			32,330				
Non-current financial assets	**32,606**	**276**		**32,330**				**276**
Current assets								
Trade receivables and related accounts	**168,241**			**168,241**				
Other receivables	223,388			223,388				
Deposits and guarantees	1,186			1,186				
Other receivables and current financial assets	**224,575**			**224,575**				
Derivative instruments	**1,500**				**1,500**		**1,500**	
Marketable securities	91,532		91,532			91,532		
Cash	218,343		218,343					
Cash and cash equivalents	**309,875**		**309,875**			**91,532**		

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

Transfer and use of financial assets

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

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

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

The total amount of receivables assigned and derecognised in 2016 was €120,631 thousand.

The disposal of these receivables in 2016 resulted in a loss of -€1,106 thousand.

Breakdown of assignments of receivables over the year	2016	1st quarter 2016	2nd quarter 2016	3rd quarter 2016	4th quarter 2016
Assigned receivables	120,005	27,036	33,151	27,727	32,091
Amounts received	121,737	28,090	33,221	27,488	32,938
Commissions for management and collection of assigned receivables	-514	-119	-149	-116	-130
Related financial expense	-592	-160	-173	-124	-135
Gain/(loss) on assignment	**-1,106**	**-279**	**-322**	**-240**	**-265**
NET CASH RECEIVED	**120,631**	**27,811**	**32,899**	**27,248**	**32,673**

Note 3.3 Inventories

Inventories are valued at the lesser 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.

In thousands of euros	31.12.2016	31.12.2015
Gross amount	9,707	8,170
NET AMOUNT	**9,707**	**8,170**

Note 3.4 Trade receivables

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

Impairment is recognised when there are indicators of impairment (namely the existence of defaults on payments) depending on the age of receivables. The assessment of the amount to be impaired is based on historical default data.

The following impairment rates are applied to all Group receivables.

	From 6 to 12 months	From 1 to 2 years	From 2 to 4 years	More than 4 years
Private residents	50%	100%	100%	100%
Social Security Fund			100%	100%
Mutual insurers		50%	100%	100%
Other public agencies			100%	100%
Aienda Sanitoria Locale (ASL) Italy			60%	100%
Italian municipalities		60%	100%	100%

In thousands of euros	31.12.2016	31.12.2015
Gross amount	201,201	185,223
Impairment	-32,960	-30,994
NET AMOUNT	**168,241**	**154,228**

The impairment of trade receivables using the statistical method is broken down in the table below:

In thousands of euros	Not due at 31.12.2016	Due at 31.12.2016					Total due at 31.12.2016
31.12.2016		**From 0 to 6 months**	**From 6 to 12 months**	**From 1 to 2 years**	**From 2 to 4 years**	**More than 4 years**	
France							
Trade receivables	24,575	35,106	8,578	8,358	5,847	17	82,480
Impairment of trade receivables			-1,817	-5,535	-5,847	-17	-13,217
Net value of trade receivables – France	**24,575**	**35,106**	**6,761**	**2,822**	**-**	**-**	**69,264**
Germany							
Trade receivables	12,146	10,721	2,250	2,956	1,092	723	29,889
Impairment of trade receivables	-	-79	-755	-1,511	-587	-672	-3,604
Net value of trade receivables – Germany	**12,146**	**10,642**	**1,495**	**1,445**	**505**	**51**	**26,285**
Italy							
Trade receivables	29,413	3,851	1,845	1,729	2,874	10,684	50,395
Impairment of trade receivables	-	-55	-646	-1,187	-2,675	-10,632	-15,195
Net value of trade receivables – Italy	**29,413**	**3,796**	**1,199**	**542**	**199**	**52**	**35,200**
Belgium							
Trade receivables	33,732	3,533	433	228	511	-	38,436
Impairment of trade receivables	-	-244	-272	-74	-354	-	-944
Net value of trade receivables – Belgium	**33,732**	**3,289**	**160**	**154**	**157**	**-**	**37,492**
NET VALUE OF TRADE RECEIVABLES	**99,866**	**52,832**	**9,616**	**4,963**	**860**	**103**	**168,240**

The Group also has €63.5 million in security deposits that cover a portion of its Group trade receivables. The quantitative and qualitative analysis revealed no significant residual collection risk.

In thousands of euros	Not due at 31.12.2015	Due at 31.12.2015					Total due at 31.12.2015
31.12.2015		**From 0 to 6 months**	**From 6 to 12 months**	**From 1 to 2 years**	**From 2 to 4 years**	**More than 4 years**	
France							
Trade receivables	18,303	46,079	7,426	8,007	5,138	-	84,953
Impairment of trade receivables	-	-	-1,742	-5,683	-5,138	-	-12,562
Net value of trade receivables – France	**18,303**	**46,079**	**5,684**	**2,324**	**-**	**-**	**72,391**
Germany							
Trade receivables	5,154	12,886	1,416	1,004	475	129	21,064
Impairment of trade receivables	-	-738	-251	-737	-475	-129	-2,329
Net value of trade receivables – Germany	**5,154**	**12,148**	**1,165**	**267**	**-**	**-**	**18,735**
Italy							
Trade receivables	25,682	8,498	1,422	2,736	2,161	10,644	51,143
Impairment of trade receivables	-	-	-1,212	-1,794	-1,720	-10,644	-15,370
Net value of trade receivables – Italy	**25,682**	**8,498**	**210**	**942**	**441**		**35,773**
Belgium							
Trade receivables	25,058	2,505	444	53	-	-	28,060
Impairment of trade receivables	-	-691	-24	-19	-	-	-733
Net value of trade receivables – Belgium	**25,058**	**1,815**	**420**	**34**	**-**	**-**	**27,327**
NET VALUE OF TRADE RECEIVABLES	**74,197**	**68,541**	**7,479**	**3,568**	**441**	**-**	**154,228**

Note 3.5 Other receivables and current assets

Other receivables and current assets consist of the following:

In thousands of euros	31.12.2016	31.12.2015
Tax receivables	112,526	99,925
Social security receivables	12,230	12,844
Advances and down payments	4,259	3,919
Prepaid expenses	22,983	24,429
Other debtors	71,391	57,185
Value of other receivables	**223,388**	**198,303**

In thousands of euros	31.12.2016	31.12.2015
Deposits and guarantees	1,184	1,239
Other financial assets	3	4
Value of other current financial assets	**1,186**	**1,242**
TOTAL OTHER CURRENT FINANCIAL ASSETS (NET)	**224,575**	**199,545**

"Other receivables" consists mainly of accrued income and other receivables.

Note 3.6 Cash and cash equivalents

In thousands of euros	31.12.2016	31.12.2015
Marketable securities	91,532	9,577
Cash	218,343	509,256
TOTAL	**309,875**	**518,833**

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

Note 3.7 Employee benefits

The Group's obligation in respect of defined benefit plans is limited to the contributions it pays into the plan. These contributions are expensed in the period in which they are incurred. Where applicable, a provision is recorded for contributions that remain to be paid for the period.

In the case of a defined benefit plan (post-employment benefits and other long-term benefits), the Group makes a provision on the balance sheet that represents its obligation at the date the financial statements were issued. The Group's obligation is measured at each balance sheet date using the projected unit credit method in accordance with IAS 19 (each period of service entitling to an additional unit of benefit and each of these units being measured separately to obtain the overall obligation to employees), and using actuarial assumptions that are periodically reviewed.

In some cases, some of the Group's obligations may be covered by external funds. In these cases, the corresponding provision is the difference between the value of the calculated obligation and the value of these assets at the date the financial statements were issued.

Except for the discount rate, the actuarial assumptions (*i.e.* employee turnover, mortality, wage and salary growth, and retirement age) vary in accordance with the demographic and economic conditions of the country in which the benefits plan is established.

Since the countries in which the Group operates are all in the euro zone, the Group uses a single discount rate at each balance sheet date. This rate is based on the rate paid by AA-rated corporate bonds with a maturity of at least 10 years (source: iBoxx index).

There are three components to the cost of a post-employment benefit plan:

- The employee's cost of service is recognised in profit and loss. It includes the cost of services rendered during the period, the cost of past services resulting from an amendment to or reduction in the plan, and which is recognised in profit and loss in the period in which it was incurred, and any gains or losses upon settlement.
- The financial component (the net interest expense) is recognised in financial income and is the result of the accretion of the obligations, net of the expected return on the hedging assets, which is measured using the same discount rate that is used to measure the obligations.
- Actuarial gains and losses are recognised as non-recyclable items of comprehensive income, and represent the increase or decrease in obligations and hedging assets resulting from a change in actuarial assumptions and from experience adjustments, which account for the difference between the expected outcome of certain actuarial assumptions used for prior measurements and the observed outcome.

The accounting treatment of long-term benefit plans is identical to that of post-employment benefits, except for the effects of remeasurement, which are recognised in profit and loss and included in the financial component.

In France

a) Lump-sum retirement benefits

Lump-sum retirement benefits are defined post-employment benefits and are subject to the national collective bargaining agreement for the private hospital sector. When employees retire, the Company pays them a lump-sum benefit, the amount of which depends on their final salary and the number of years they have worked for the Company.

b) Long-service awards and bonuses

In some cases, the collective bargaining agreements of the Group's French companies may provide for the payment of a bonus when a long-service award is granted or simply the payment of a long-service bonus. These benefits are treated as long-term benefits under IAS 19.

c) Supplementary pension plans

The Group has not granted employees any supplementary pension plans in addition to the minimum statutory pension.

In Germany

Company collective bargaining agreements provide for the granting of long-service bonuses. These benefits are treated as long-term benefits under IAS 19.

In Belgium

The Group does not have any material retirement commitments under Belgian law.

In Italy

The TFR *(Trattamento di Fine Rapporto)* plan is a defined benefits plan that is subject to article 2120 of the Italian Civil Code. Under this plan, each period of work entitles the employee to a payment that is not paid directly to the employee or the employee's beneficiary except under certain circumstances (when leaving the employer, upon death or when making certain property investments). In some cases, the TFR plan may be outsourced to a third party (under a defined contributions plan) or is borne directly by the employer (under a defined post-employment benefits plan).

5. Consolidated financial statements for the year ended 31 December 2016

2016 *In thousands of euros*	France Lump-sum retirement benefits	France Long-service bonuses & awards	Italy TFR	Germany Long-service bonuses & pensions	Total
A. Reconciliation of the provision					
Provision at 31.12.2015	**36,011**	**2,016**	**11,253**	**354**	**49,634**
Current service cost	4,573	256	502	0	5,331
Net interest expense	690	38	228	0	956
Benefits paid	-1,609	-185	-735	0	-2,529
Actuarial gains/(losses)	1,517	153	642	0	2,313
Reclassifications	0	0	0	-354	-354
Scheme amendment	0	0	0	3,080	3,080
Change in consolidation scope	152	0	-17	0	136
PROVISION AT 31.12.2016	**41,335**	**2,278**	**11,874**	**3,080**	**58,567**
B. Accounting expense for 2016					
Current service cost	4,573	256	502	0	5,331
Curtailment gain	-1,180	0	0	0	-1,180
Net interest expense	690	38	228	0	956
Past service cost(1)	0	0	0	3,080	3,080
Actuarial gains/(losses)	0	153	0	0	153
EXPENSE RECOGNISED	**4,083**	**447**	**730**	**3,080**	**8,340**
C. Reconciliation of obligations for 2016					
Obligation at 31.12.2015	**36,969**	**2,016**	**11,253**	**354**	**50,592**
Current service cost	4,573	256	502	0	5,331
Interest expense	701	38	228	0	967
Benefits paid	-1,609	-185	-735	0	-2,529
Actuarial gains/(losses)	1,125	153	642	0	1,921
Reclassifications	0	0	0	-354	-354
Scheme amendment	0	0	0	3,080	3,080
Change in consolidation scope	152	0	-17	0	136
OBLIGATION AT 31.12.2016	**41,912**	**2,278**	**11,874**	**3,080**	**59,144**
D. Reconciliation of hedging assets for 2016					
Market value of hedging assets at 31.12.15	**-957**	**0**	**0**	**0**	**-957**
Return on hedging assets (interest income)	-11	0	0	0	-11
Benefits paid by the hedge fund	0	0	0	0	0
Actuarial gains/(losses)	392	0	0	0	392
MARKET VALUE OF HEDGING ASSETS AT 31.12.16	**-577**	**0**	**0**	**0**	**-577**
E. Reconciliation of the financial position at 31.12.2016					
Obligation at 31.12.2016	41,912	2,278	11,874	3,080	59,144
Market value of hedging assets at 31.12.16	-577	0	0	0	-577
PROVISION AT 31.12.2016	**41,335**	**2,278**	**11,874**	**3,080**	**58,567**
F. Main assumptions					
Discount rate	1.45%	1.45%	1.45%	1.45%	
Salary growth rate	2.00%	N/A	2.00%	2.00%	
Mortality table	TPGHF05/TPGH05		ISTAT 2013	Destatis 13/15	
Retirement age of *"cadres"*					
• Born in 1950 and before:	63.0	63.0	66.7	67.0	
• Born in 1951 and after:	64.0	64.0	66.7	67.0	
Retirement age of *"non-cadres"*					
• Born in 1950 and before:	60.0	60.0	66.7	67.0	
• Born between 1951 and 1952:	61.0	61.0	66.7	67.0	
• Born in 1953 and after:	62.0	62.0	66.7	67.0	
Type of retirement	voluntary	voluntary	voluntary	voluntary	
G. Additional information					
Median age of beneficiary employees	42.5	42.5	45.5	43.3	
Obligation if a 0.5% increase in the discount rate	39,130	2,204	11,096	3,026	55,456
Obligation if a 0.5% decrease in the discount rate	43,690	2,357	12,693	3,136	61,876

(1) Newly consolidated entities held at the start of the period and scheme amendments.

2015 *In thousands of euros*	France Lump-sum retirement benefits	France Long-service bonuses & awards	Italy TFR	Germany Long-service bonuses & pensions	Total
A. Reconciliation of the provision					
Provision at 31.12.2014	**36,867**	**133**	**8,788**	**364**	**46,152**
Current service cost	5,630	293	96	0	6,018
Net interest expense	479	67	418	0	964
Benefits paid	-1,098	-151	0	-10	-1,259
Actuarial gains/(losses)	-5,944	-730	1,042	0	-5,632
Reclassifications	0	636	0	0	636
Scheme amendment	0	1,188	0	0	1,188
Change in consolidation scope	76	582	909	0	1,567
PROVISION AT 31.12.2015	**36,011**	**2,016**	**11,253**	**354**	**49,634**
B. Accounting expense for 2015					
Current service cost	5,630	293	96	0	6,018
Curtailment gain	0	0	0	0	0
Net interest expense	479	67	418	0	964
Past service cost(1)	0	1,770	0	0	1,770
Actuarial gains/(losses)	-1,247	-730	0	0	-1,977
EXPENSE RECOGNISED	**4,863**	**1,399**	**514**	**0**	**6,775**
C. Reconciliation of obligations for 2015					
Obligation at 31.12.2014	**37,824**	**133**	**8,788**	**364**	**47,109**
Current service cost	5,630	293	96	0	6,018
Interest expense	480	67	418	0	965
Benefits paid	-1,098	-151	0	-10	-1,259
Actuarial gains/(losses)	-5,944	-730	1,042	0	-5,632
Reclassifications	0	636	0	0	636
Scheme amendment	0	1,188	0	0	1,188
Change in consolidation scope	76	582	909	0	1,567
OBLIGATION AT 31.12.2015	**36,969**	**2,016**	**11,253**	**354**	**50,592**
D. Reconciliation of hedging assets for 2015					
Market value of hedging assets at 31.12.2014	**-957**	**0**	**0**	**0**	**-957**
Return on hedging assets (interest income)	0	0	0	0	0
Benefits paid by hedge funds	0	0	0	0	0
Actuarial gains/(losses)	0	0	0	0	0
MARKET VALUE OF HEDGING ASSETS AT 31.12.2015	**-957**	**0**	**0**	**0**	**-957**
E. Reconciliation of the financial position at 31.12.2015					
Obligation at 31.12.2015	36,969	2,016	11,253	354	50,592
Market value of hedging assets at 31.12.2015	-957	0	0	0	-957
PROVISION AT 31.12.2015	**36,011**	**2,016**	**11,253**	**354**	**49,634**

(1) Newly consolidated entities held at the start of the period and scheme amendments.

Share-based payments

Share-based payment transactions are treated in accordance with IFRS 2, whether settled in shares or cash.

Pursuant to this standard, share subscription and purchase options and performance units and shares granted to employees are valued at their fair value, which must be recognised in profit and loss over the vesting period, with a corresponding increase in equity.

Cash-settled transactions are measured at their fair value, which is recognised in profit and loss with a corresponding adjustment to the liability incurred. This liability is remeasured at each balance sheet date until settlement.

The valuation models used to determine the fair value of options and rights are based on the terms of the plan, the market data available at the grant date and the assumptions selected by the Group's management.

The 2014 Free Shares Plan

On 10 September 2014, with the authorisation granted by the General Meeting of 26 June 2014, the Board of Directors approved a free shares plan for certain members of General Management. This plan provides for the granting of up to 153,030 shares in the Company, subject to the achievement of performance conditions in respect of the market share price, EBITDA and revenue.

For French tax residents, the allocation of free shares will vest and the ownership of said shares will be transferred to the beneficiaries on 31 March 2017, subject to continued employment. These beneficiaries will not be allowed to transfer the shares received under this plan until 31 March 2019.

At 31 December 2016, 80,301 free shares were available for allocation, following the departure of certain beneficiaries in 2015 and 2016.

Given these departures, the IFRS cost of the free share plan is approximately €1,287 thousand (excluding social security charges) at 31 December 2016 and will result in a maximum dilution of 0.10%.

The 2015 Free Shares Plan

On 16 September 2015, with the authorisation granted by the General Meeting of 26 June 2014, the Board of Directors approved a free shares plan for certain members of General Management. This plan provides for the granting of up to 103,305 Company shares, subject to the achievement of the same performance conditions as the free shares plan of 10 September 2014. In accordance with the powers delegated by the Board of Directors, the Chief Executive Officer, after selecting the beneficiaries, noted that 90,649 shares in the Company were to be granted under this plan.

For French tax residents, the granting of free shares will vest and the ownership of said shares will be transferred to the beneficiaries on 31 March 2018, subject to their continued employment. These beneficiaries will not be allowed to sell or otherwise transfer the shares received under this plan until 31 March 2020.

Subsequent to the departure of certain beneficiaries in 2016, there were 33,391 free shares available for granting at 31 December 2016.

Given these departures, the IFRS cost of the free share plan is €749 thousand (excluding social security charges) and will result in a maximum dilution of 0.05%. After adjusting for the employee turnover rate, the IFRS cost is €674 thousand.

The 2016 Performance Units Plan

On 14 September 2016, on the recommendation of the Appointments and Compensation Committee, the Board of Directors approved a long-term variable compensation plan for the benefit of certain members of General Management, including the Chief Executive Officer, to reward them for achieving the objectives of the strategic five-year plan. Under this plan "performance units" are granted, with one performance unit entitling its beneficiary to one Korian share (or its value in cash), subject to the terms and conditions indicated below.

- The vesting period is from 14 September 2016 to 30 June 2019 (the "Vesting Date").
- The entitlement to and the payment of the vested performance units is subject to the condition that the beneficiary is still a salaried employee or officer of a Korian group company on the Vesting Date (with the usual exemptions in the event of death, retirement or disability).
- For each beneficiary, the number of units vested will depend on the extent to which are achieved the five-year strategic plan's performance targets for revenue and EBITDA for 2018, and on Korian's share price in 2016, 2017 and 2018 in comparison with the performance of the SBF 120 index.
- The units will be redeemed by each beneficiary's employer as follows:
  - 50% of the total value of the vested units will be redeemed in Korian shares, the number of which will be determined on the basis of the average closing share price over the 20 trading days preceding the Vesting Date.
  - The remaining 50% of the total value of the vested units will be redeemed in cash.
  - It is understood that the Board of Directors reserves the right to modify the above 50/50 proportion in respect of the units granted to the Chief Executive Officer, who may in turn modify this proportion in respect of the units granted to the other beneficiaries who are members of General Management.
- Upon completion of the vesting period, the shares received in payment of the units may be sold or otherwise transferred, subject to the obligation that the executive directors of the Company and of related companies have to keep 25% of the shares they receive in payment for the performance units throughout the term of their office.

- The total value of the vested performance units cannot exceed 100% of the annual gross fixed and variable remuneration (in respect of those granted to the Chief Executive Officer) and 150% of the annual gross fixed and variable remuneration (in respect of the other beneficiaries who are members of General Management).
- Korian reserves the right to redeem all or some of the vested units in cash, at a unitary value that is equivalent to the average closing share price over the 20 trading days preceding the Vesting Date.

The IFRS cost of the Performance Unit Plan is approximately €2.42 million (excluding social security charges).

In thousands of euros	Free shares plan 2014	Free shares plan 2015	Performance units plan 2016	Total
A. Plan characteristics				
Type of options/shares	Free	Free	Free	
Conditions	With condition	With condition	With condition	
Vesting date	31.03.2017	31.03.2018	30.06.2019	
Accounting expense for 2016 excluding social security charges	350	216	261	828
B. IFRS 2 measurement				
Share price on the grant date	27.15	30.00	31.70	
Expected volatility	22.3%	24.6%	29.8%	
Annual dividend	0.54	0.60	0.60	
Risk-free interest rate	0.2%	0.1%	-0.6%	
IFRS 2 FAIR VALUE OF PLAN EXCLUDING SOCIAL SECURITY CHARGES(1)	**1,287**	**674**	**2,419**	**4,379**
Equity settled component	*1,287*	*674*	*1,210*	
Cash settled component	*0*	*0*	*1,210*	

(1) Adjusted to account for beneficiaries who leave the Company during the vesting period.

On the dates the plans were granted, the expected volatility of Korian's share price was estimated on the basis of its historic volatility over the same period as that of the plans.

Note 3.8 Other provisions

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

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

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

A provision is made for disputes (*e.g.* employee industrial tribunals, tax audits, commercial disputes, *etc.*) if the Group has an obligation to a third party at the balance sheet date. The amount of the provision is the best estimate of the foreseeable liability.

Non-current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at start of period	**7,208**	**20,778**	**41,279**	**69,265**
Additions	3,596	2,906	21,209	27,710
Used	-2,638	-3,922	-21,173	-27,733
Reversals	-2,171	-497	-3,245	-5,913
Change in consolidation scope	59,098	754	15,299	75,152
Reclassifications	8,708	-9,217	2,229	1,720
BALANCE AT END OF PERIOD	**73,800**	**10,801**	**55,599**	**140,200**

Current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at start of period	**1,880**	**6,073**	**4,764**	**12,717**
Additions		3,500	2,536	6,036
Used	-326	-1,080	-2,673	-4,078
Reversals				
Change in consolidation scope				
Reclassifications	-1,013	2,635	-2,742	-1,120
BALANCE AT END OF PERIOD	**542**	**11,128**	**1,885**	**13,555**

Main risks and disputes

Risks relating to operating disputes ("Other" column)

Provisions for operating disputes mainly have to do with healthcare funding (the "care allowance").

Care allowances received under tripartite agreements are a component of revenue. When filing use-of-funds statements, surplus care allowances are allocated to the compensation reserve, which constitutes income for the Company. The Group recognises all income in use-of-funds statements as revenue and makes a provision for these surpluses to cover the risk that supervisory authorities may reallocate funding.

A €4.5 million provision net of reversals was made for this risk for 2016.

Tax disputes

Provisions for tax disputes are made to cover the risk of tax adjustments and of tax liabilities that are disputed. The provisions made represent the best estimate of these risks at 31 December 2016.

Employee-related disputes

The provisions made cover employment tribunal disputes and termination benefits. No single dispute constitutes a material amount.

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, earnings or financial position for which a provision has not been made.

Note 3.9 Funding and financial instruments

Net indebtedness (current and non-current)

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

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

Borrowings are broken down into:

- current liabilities, which are due within 12 months of the balance sheet date; and
- non-current liabilities, which are due in more than 12 months.

	31.12.2016	31.12.2015
Loans from credit institutions	1,427,625	1,532,901
Real estate debt	735,675	535,138
Employee profit sharing	41	31
Other financial liabilities	278,881	447
Non-current financial liabilities	**2,442,222**	**2,068,517**
Short-term loans from credit institutions	53,889	15,294
Short-term real estate debt	102,260	62,263
Bank overdrafts and advances	15,614	8,859
Other short-term financial liabilities	11,252	8,767
Short-term financial liabilities	**183,014**	**95,182**
FINANCIAL LIABILITIES (A)	**2,625,236**	**2,163,700**
Marketable securities	91,532	9,577
Cash	218,343	509,256
Assets held for sale		
Cash (B)	**309,875**	**518,833**
Cash provided as collateral (C)		
NET DEBT (A) - (B) - (C)	**2,315,361**	**1,644,866**

Breakdown of borrowings by interest rate category

In thousands of euros		31.12.2016	31.12.2015
Fixed rate	48%	1,258,346	895,557
Variable rate	52%	1,366,890	1,268,142
TOTAL		**2,625,236**	**2,163,699**

At 31 December 2016, most of the Group's indebtedness was at variable interest rates. The Group uses standard derivative instruments (interest rate swaps, caps, floors, *etc.*) to hedge against changes in interest rates.

Seventy-eight percent of variable-rate borrowings were thus hedged at 31 December 2016.

Debt secured with collateral, a mortgage or lease accounted for 15.6% of gross borrowings.

Change in borrowings[1]

In thousands of euros	31.12.2015	New	Loans repaid	Change in scope	Other	31.12.2016	Current	Non-current
Non- current	2,145,596	197,164	-56,409	41,586	-8,489	2,319,449	156,149	2,163,300
Employee profit sharing	31	10				41		41
Loans and other borrowings	9,213	23,969	-32,540	279,170	10,322	290,133	11,252	278,881
TOTAL BORROWINGS	**2,154,841**	**221,142**	**-88,949**	**320,756**	**1,833**	**2,609,623**	**167,401**	**2,442,222**
Of which non-current	2,068,517	98,164	-7,620	303,696	-20,534	2,442,222		
Of which current	86,324	122,979	-81,329	17,060	22,367	167,401		

(1) Excluding bank overdrafts and advances.

Breakdown of borrowings by maturity

In thousands of euros	31.12.2016	31.12.2015
< 1 year	183,014	95,183
1 to 5 years	1,612,998	1,178,314
More than 5 years	829,224	890,202
TOTAL	**2,625,236**	**2,163,699**

Change in the Group's indebtedness as at 31 December 2016

At 31 December 2016, the Group's net indebtedness was €2,315 million, up €670 million from 2015. Net financial debt stood at €1,477 million and real estate debt at €838 million, which was €241 million more than the previous year. This increase is mainly attributable to the recognition under finance leases of some rents paid by acquisitions in Germany in 2016 and is partially offset by scheduled repayments. This gives Korian a net debt to EBITDA ratio of 3.9 when real estate debt is excluded, which is well below the 4.5 limit authorised at 31 December 2016 under the financial covenants.

The syndicated loan and the *Schuldschein* and Euro PP bonds are subject to financial covenants. Banks and bond-holders are informed of the observance of the covenant criteria respectively semi-annually and annually.

During the year, Korian renegotiated the terms of the syndicated loan it had initially signed on 12 March 2014. It now comprises the following two tranches maturing in July 2021:

- a fully drawn €650 million term tranche;
- a revolving credit tranche of €650 million, for the Group's general funding purposes.

Korian also continued to diversify its sources of funding by:

- issuing two variable-rate *Schuldschein* (a German private placement) on 20 January 2016, for a total amount of €41.5 million, with tranches maturing in five and six years; and
- setting up a programme to issue commercial paper *(titres négociables à court terme,* formerly *billets de trésorerie)* in the first half of 2016. At 31 December 2016, €50 million of these securities had been issued of a total of €300 million.

At 31 December 2016, the Group's gross borrowings excluding bank overdrafts and advances consisted of:

- €650 million in loans from credit institutions, consisting of €650 million available on a revolving credit facility;
- €838 million in real estate debt, consisting mainly of operating and finance leases with long maturities;
- €1,021 million in bonds placed with private investors;
- €50 million in commercial paper;
- €58 million in other borrowings.

The Group had €294 million in net cash at the end of the year.

Sensitivity analysis of financial expenses

When hedging instruments are taken into account, at the balance sheet date financial expenses would increase by the following amounts in response to a 0.5% change in market interest rates over one year:

- A 0.5% increase (50 basis points) would increase the Group's financial expense by €0.8 million.
- A 0.5% decrease (50 basis points) would increase the Group's financial expense by €0.7 million;

Hedging instruments

Derivative financial 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 financial derivatives are measured at fair value, which is determined by using valuation models incorporating 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. It is recognised in profit or loss when the hedged item itself is recognised in profit or loss. 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.

At 31 December 2016, the market value of the instruments entered into to hedge interest rate risk was -€16,572 thousand.

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

	Impact on equity of change in fair value	Impact of hedging on profit or loss	Impact of undocumented items on profit or loss	Impact of financial instruments balanced in cash on profit or loss
Financial instruments eligible for hedge accounting	1,795	1,070		
Financial instruments not eligible for hedge accounting			-31	
Financial instruments balanced in cash				-6,987
TOTAL	**1,795**	**1,070**	**-31**	**-6,987**

Assets	31.12.2015	Newly consolidated entities	Deconsolidated entities	Change	31.12.2016
Interest rate swaps				1,500	1,500
Options	209			-209	
Total hedging instruments	**209**			**1,291**	**1,500**
Total financial instruments	**209**			**1,291**	**1,500**

Liabilities	31.12.2015	Newly consolidated entities	Deconsolidated entities	Change	31.12.2016
Interest rate swaps	18,751			-2,907	15,844
Options	638			-185	453
Total hedging instruments	**19,389**			**-3,092**	**16,297**
Interest rate swaps	493	1,052		230	1,775
Options					
Total ineligible financial instruments	**493**	**1,052**		**230**	**1,775**
Total financial instruments	**19,882**	**1,052**		**-2,862**	**18,072**
NET TOTAL	**19,673**	**1,052**		**-4,153**	**16,572**

Categories of financial liabilities

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

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

- level 1: 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.

			Financial liabilities at fair value through P&L			Fair value measurement		
In thousands of euros	2016	Financial liabilities at amortised cost	Fair value hedging derivatives	Derivatives not eligible for hedge accounting	Cash flow hedging derivatives	Level 1: Active markets	Level 2: Observable data	Level 3: Non-observable data
Non-current liabilities								
Loans from credit institutions	1,427,625	1,427,625						
Funding of real estate debt	735,675	735,675						
Employee profit sharing	41	41						
Other financial liabilities	278,881	278,881						
Borrowings	**2,442,222**	**2,442,222**						
Current liabilities								
Loans from credit institutions	53,889	53,889						
Funding of real estate debt	102,260	102,260						
Bank overdrafts and advances	15,614	15,614						
Other financial liabilities	11,252	11,252						
Loans < 1 year and bank overdrafts	**183,014**	**183,014**						
Derivative instruments	**18,072**			**1,775**	**16,297**		**18,072**	
Trade payables and related accounts	**250,496**	**250,496**						
Commitment to buy out non-controlling interests	1,109	1,109						
Residents' deposits	63,471	63,471						
Other liabilities	613,458	613,458						
Other payables and accruals	**678,039**	**678,039**						

The accounting value of financial liabilities represents their fair value.

Note 3.10 Trade payables, other payables and accruals

Trade and other payables are recorded at historical cost (representing the amortised cost).

Trade payables and related accounts	31.12.2016	31.12.2015
Trade payables	250,496	228,139
TOTAL	**250,496**	**228,139**

Other payables and accruals	31.12.2016	31.12.2015
Residents' deposits	63,471	58,911
Commitment to buy out non-controlling interests	1,109	1,109
Suppliers of non-current assets	51,158	30,888
Advances and down payments on orders	8,125	8,030
Tax liabilities	105,693	85,311
Social security liabilities	233,586	200,549
Dividends payable	25	12
Other liabilities	132,020	161,273
Deferred income	82,851	50,947
TOTAL	**678,039**	**597,030**

Other liabilities include €115.3 million in unfavourable contracts, which were valued when allocating the acquisition prices for the acquired entities.

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NOTE 4
Notes on the income statement

Note 4.1 Calculation of operating income

The income statement is presented by type of expense.

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

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

Employee profit sharing is included in personnel expenses.

Revenue

Revenue consists primarily of the income received from accommodation and care services, regardless of the payer.

It is recognised as services are provided.

Personnel expenses

In thousands of euros	31.12.2016	31.12.2015
Wages and salaries	1,127,019	925,753
Social security charges	382,169	330,095
Employee profit sharing	9,716	11,308
Other personnel expenses	-14,321	101
PERSONNEL EXPENSES	**1,504,582**	**1,267,256**

External expenses

External expenses totalled €727,773 thousand in 2016 and included €374,973 thousand in property and equipment leasing expenses. In 2015, external expenses amounted to €664,265 thousand and included €338,201 thousand in property and equipment leasing expenses.

External expenses in Italy totalled €179,286 thousand. This includes payroll expenses invoiced by cooperatives.

Note 4.2 Operating segments

Operating segments

IFRS 8 requires the reporting of information on the Group's various components which are considered to be operating segments. This information is reviewed and measured by the Group's Management.

These operating segments 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 segments and when assessing their results.

Operating segments are presented by geographic region, *i.e.* France, Germany, Belgium and Italy.

The Korian group is organised 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 31.12.2016 *In thousands of euros*	**Total of all activities**	**France**	**Germany**	**Belgium**	**Italy**
Revenue and other income	**2,986,886**	**1,572,467**	**852,305**	**259,426**	**302,688**
EBITDAR(1)	**797,199**	**427,989**	**230,233**	**69,500**	**69,477**
	26.7%	*27.2%*	*27.0%*	*26.8%*	*23.0%*
Transition from EBITDAR to operating income at 31 December 2016:					
EBITDAR	**797,199**				
Head office EBITDAR					
External rents	374,973				
Depreciation, amortisation and provisions	155,954				
Gain/(loss) on disposal of consolidated entities	-896				
Other operating income and expenses	-24,456				
EBIT (operating income)	**240,919**				

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

Operating segments at 31.12.2015 *In thousands of euros*	**Total of all activities**	**France**	**Germany**	**Belgium**	**Italy**
Revenue and other income	**2,579,254**	**1,535,861**	**519,001**	**218,341**	**306,051**
EBITDAR(1)	**680,233**	**410,099**	**144,198**	**55,371**	**70,566**
	26.4%	*26.7%*	*27.8%*	*25.4%*	*23.1%*
Transition from EBITDAR to operating income at 31 December 2015:					
EBITDAR	**680,233**				
Head office EBITDAR	-1,676				
External rents	338,201				
Depreciation, amortisation and provisions	123,829				
Gain/(loss) on disposal of consolidated entities	-1,048				
Other operating income and expenses	-36,515				
EBIT (operating income)	**178,963**				

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

Note 4.3 "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 communication 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 and substantial and unusual impairment of non-current intangible assets and of plant, property and equipment;
- certain restructuring or merger expenses, consisting solely of restructuring costs that, because of their unusual nature and size, would distort earnings before interest and taxes (EBIT);
- other operating income and expenses such as substantial provisions to cover disputes.

Profit (loss) on the acquisition and disposal of consolidated entities

In thousands of euros	31.12.2016	31.12.2015
Securities purchase costs	-2,202	-5,146
Proceeds from sale of consolidated entities	1,306	4,098
PROFIT (LOSS) ON ACQUISITION AND DISPOSAL OF CONSOLIDATED ENTITIES	**-896**	**-1,048**

Other operating income and expenses

In thousands of euros	31.12.2016	31.12.2015
Share of gain on sale and leaseback	3,837	3,835
Gain/(loss) on disposal of non-current assets	-640	-1,851
Impairment of operating licenses		-3,753
Other operating income/expenses	-27,653	-34,746
TOTAL INCOME (EXPENSES)	**-24,456**	**-36,515**

The net balance of other operating income and expenses was -€27.7 million and consisted of:

- -€7 million from the sale of facilities (mainly Centre Hospitalier des Courses);
- -€3 million in severance payments;
- -€10 million in Germany for employment contingencies and disputes for which provisions were made, most of which are subsequent to investigations by supervisory authorities relative to periods prior to 2016;
- -€7 million in "support expenses" arising from the integration of Casa Reha.

Note 4.4 Net financial income

Net financial income consists of two main components: the gross borrowing cost and other financial income and expenses.

The gross borrowing cost is the interest expense on bank and bond debt and on finance leases.

The other financial income and expenses consist mainly of the cost of the Group's hedges, amortised capitalised issuance expenses, the amortised expense of the renegotiation and restructuring of debt and of hedging instruments, bank charges and commissions (including factoring expenses) and the financial cost of employee benefits.

In thousands of euros	31.12.2016	31.12.2015
Cost of gross debt	**-88,577**	**-53,264**
Income from cash and cash equivalents	456	19
Cost of net debt	**-88,121**	**-53,245**
Cost of hedging	-7,428	-6,404
Bank fees and commissions	-6,339	-2,710
Impact of restructuring and hedging	-6,987	
Capitalised financial expenses	-12,491	-4,964
Other financial expenses	-5,080	-1,109
Other financial income	3,103	3,481
Other financial items	**-35,223**	**-11,706**
NET FINANCIAL INCOME	**-123,344**	**-64,951**

Note 4.5 Income tax

Deferred taxes are recorded, using the balance sheet liability method, on temporary differences between the tax base of assets and liabilities and their carrying value existing at the balance sheet date, and on tax losses. No deferred tax liabilities are recognised on goodwill.

Deferred tax assets are recorded when it is likely that the Group will generate future taxable income against which unused tax losses can be offset.

Most of the Group's deferred taxes arise from the recognition of operating licences (intangible non-current assets) acquired during business combinations.

Deferred tax assets and liabilities are measured at the income tax rate that is expected in the year when the asset is to be realised or the liability is to be settled, on the basis of the applicable tax regulations and using the tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred taxes are calculated for each entity. They are offset when the tax is payable to the same tax authority and relates to the same taxable entity, *i.e.* tax consolidation group.

Deferred and current taxes are recognised as income or expense in profit or loss, unless they relate to a transaction or event that is recognised directly in equity.

Deferred taxes are presented on the balance sheet under specific headings under non-current assets and non-current liabilities.

Deferred taxes are measured at the tax rates that were enacted as of the balance sheet date. At 31 December 2016, the temporary differences of French entities that will reverse after 31 December 2019 were recognised at a rate of 28.9%, which was enacted by the French National Assembly for 2020. The income tax rate used for the three years from 2017 to 2019 is 34.43% (which is the corporate tax rate of 31.13% plus an additional contribution of 3.3%) as for 2016.

The tax rates used outside of France are: 15.83% in Germany (or 30% depending on the Company), 31.40% in Italy and 33.99% in Belgium.

Since the Group considers that the French corporate value added tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE) component of the economic territorial contribution (*contribution économique territoriale* – CET) meets the definition of an income tax under IAS 12, it recognises it as such in the consolidated financial statements in respect of the French subsidiaries.

Accrued income of €30,767 thousand from the competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE) was recognised and will be deducted from personnel expenses.

Income taxes

In thousands of euros	31.12.2016	31.12.2015
Current tax	-57,579	-51,212
Deferred tax	73,162	-1,829
INCOME TAX EXPENSE/(INCOME)	**15,583**	**-53,042**

In accordance with IFRS rules, the income tax expense for 2016 includes €18,080 thousand for the CVAE.

Reconciliation between the actual and the theoretical income tax expense

In thousands of euros	31.12.2016	31.12.2015
Profit/(loss) attributable to owners of the Group	131,293	58,691
Non-controlling interests	1,865	2,279
Income tax expense	-15,583	53,042
Profit/(loss) before tax	**117,575**	**114,012**
Theoretical tax rate	34.43%	34.43%
Theoretical income tax expense	**40,481**	**39,254**
Permanent differences	10,971	2,153
Impact of non-deductible financial expenses	6,011	3,539
Tax losses for the year not activated	2,632	2,893
Use of tax losses not activated	-1,248	-841
Adjustment of prior-year deferred taxes	-625	5,091
Tax at the reduced rate	-310	-1,400
Income tax of foreign companies	-45	
Impact of CVAE net of tax in France	11,855	11,178
Impact of CICE in France	-10,595	-10,161
Impact of IRAP in Italy	734	1,524
Impact of the exceptional contribution		498
Difference between parent Group and subsidiary tax rates	-899	-688
Reassessment of the recoverability of tax losses	8,682	
Impact of the change of the French corporate tax rate in 2020	-83,229	
ACTUAL TAX EXPENSE	**-15,583**	**53,042**
Effective tax rate	*-13.25%*	*46.52%*

Permanent differences

In thousands of euros	31.12.2016	31.12.2015
Other non-deductible and non-taxable income and expense	10,634	1,948
Share of costs and expenses	337	-375
Other tax adjustments		580
TOTAL	**10,971**	**2,153**

Net change in deferred taxes

In thousands of euros	31.12.2016	31.12.2015
Balance at start of period	**541,861**	**548,792**
Expense/(income)	-73,162	1,829
Change in consolidation scope	20,447	-9,694
Charged to equity	1,051	1,795
Other changes	380	-861
BALANCE AT END OF PERIOD	**490,578**	**541,861**

Breakdown of deferred taxes

In thousands of euros	31.12.2016	31.12.2015
Intangible assets	462,185	532,822
Property, plant and equipment	166,712	94,190
Temporary differences on CVAE	7,119	7,285
Financial instruments	-5,409	-5,559
Tax loss carry-forwards	-4,103	-14,329
Pension provisions	-13,100	-12,947
Other provisions	-2,743	-33,053
Other temporary differences	-17,182	-17,697
Other assets / other liabilities	-102,902	-8,850
TOTAL	**490,578**	**541,861**

Note 4.6 Earnings per share

Net earnings per share are calculated by dividing the Group's consolidated profit or loss for the year by the weighted average number of shares outstanding during the year.

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

	31.12.2016	31.12.2015
Net profit/(loss) attributable to owners of the Group ***(in thousands of euros)***	131,293	58,691
Weighted average number of shares ***(in thousands)***	79,787	79,787
EARNINGS PER SHARE *(in euros)*	**1.65**	**0.74**
Net profit/(loss) attributable to owners of the Group ***(in thousands of euros)***	131,293	58,691
Weighted average number of shares ***(in thousands)***	79,787	79,787
Adjustments for stock options	142	142
Average number of shares used to calculate diluted earnings per share	79,929	79,929
DILUTED EARNINGS PER SHARE *(in euros)*	**1.64**	**0.73**

NOTE 5
Additional information

Note 5.1 Related-party transactions

Korian's policy for the compensation of its executive directors is compliant with the AFEP-MEDEF Corporate Governance Code for Listed Companies (November 2016 version) (the "**AFEP-MEDEF Code**"). In compliance with the AFEP-MEDEF Code, the compensation of executive directors is determined the Board of Directors on the recommendation of the Appointments and Compensation Committee.

In euros	31 December 2016 Amounts paid	31 December 2015 Amounts paid
Chief Executive Officer as of 26 January 2016		
Fixed annual compensation	420,000	
Variable annual compensation		
Exceptional compensation		
Benefits in kind		
TOTAL	**420,000**	
Chief Executive Officer from 1 January to 18 November 2015		
Fixed annual compensation		485,833
Variable annual compensation(1)	105,863	500,000
Variable multi-annual compensation		1,050,000
Exceptional compensation		1,837,500
Benefits in kind		4,389
TOTAL	**105,863**	**3,877,722**
Chairman of the Board of Directors from 25 March to 18 November 2015, then from 26 January 2016, Chief Executive Officer from 18 November 2015 to 26 January 2016		
Fixed annual compensation	352,000	277,972
Variable annual compensation		
Exceptional compensation	3,208	
Attendance fees		28,523
TOTAL	**355,208**	**306,495**
Chairman of the Board of Directors from 18 March 2014 to 25 March 2015		
Fixed annual compensation		80,942
Variable annual compensation		
Exceptional compensation		525,000
Benefits in kind		806
TOTAL		**606,748**

(1) For the year ended 31 December 2016, this is the variable annual compensation paid for the previous year.

Note 5.2 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 5.3 Lease commitments

Finance leases

In thousands of euros	31.12.2016	31.12.2015
Net carrying amount of assets held under finance leases	**724,455**	**470,042**
Leasing commitments by term:		
• less than 1 year	50,197	38,058
• from 1 to 5 years	231,153	144,986
• more than 5 years	437,511	285,121
TOTAL COMMITMENTS	**718,861**	**468,165**

Operating leases

In thousands of euros	31.12.2016	31.12.2015
Minimum non-cancellable lease payments due:		
• less than 1 year	373,326	341,036
• from 1 to 5 years	1,286,953	1,197,286
• more than 5 years	2,134,343	1,942,480
TOTAL COMMITMENTS	**3,794,622**	**3,480,801**

Note 5.4 Dividends approved and proposed

	Per share *(in euros)*	Total *(in thousands of euros)*
Total payout in 2016 (for fiscal 2015)	0.60	47,660
DIVIDENDS PROPOSED TO THE 2017 GENERAL MEETING (FOR FISCAL 2016)	**0.60**	**48,107**

Note 5.5 Statutory auditors' fees

Pursuant to decree No. 2008-1487 of 30 December 2008, the following table presents the Statutory auditor fees for the 2016 fiscal year for all consolidated companies.

	Mazars				Ernst & Young			
	Amount (net of tax)		%		Amount (net of tax)		%	
In thousands of euros	2016	2015	2016	2015	2016	2015	2016	2015
Statutory auditor								
Certification, review of individual and consolidated financial statements:								
Issuer	261	430	16%	26%	261	430	17%	31%
Fully consolidated companies	1,043	1,143	65%	69%	1,263	907	83%	65%
Sub-total	**1,304**	**1,573**	**81%**	**95%**	**1,524**	**1,337**	**100%**	**96%**
Other services	313	81	19%	5%	3	55	0%	4%
Sub-total	**313**	**81**	**19%**	**5%**	**3**	**55**	**0%**	**4%**
TOTAL	**1,617**	**1,654**	**100%**	**100%**	**1,527**	**1,392**	**100%**	**100%**

Note 5.6 Post balance sheet events

Since 1 January 2017, the Group has completed the following transactions.

Business development transactions

In France

In January 2017, a specialised clinic with a capacity of 105 beds opened in the department of Yvelines. It replaces two other specialised clinics.

In February 2017, a hospital facility in the department of Yvelines with a capacity of 71 beds was deconsolidated.

In Belgium

In January 2017, Korian acquired a long-term care nursing home in Flanders, with 62 beds, and after acquiring the Foyer de Lork group acquired OTV, which provides home-care services in Flanders and also has 135 LTCNH and assisted-living beds.

Also in January 2017, Korian opened a facility in Flanders with 122 LTCNH beds.

In Italy

In January 2017, Korian acquired a long-term care nursing home in Liguria, with 120 beds, and a specialised clinic in Apulia, with 120 beds.

Note 5.7 The Group's consolidated entities

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
KORIAN SA					Parent Company	21-25, rue Balzac – 75008 Paris
MEDI'DEP FONCIER	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
SOCIÉTÉ IMMOBILIÈRE JANIN	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN SANTÉ	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
ABILONE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SCI KORIAN IMMOBILIER	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
JONGKIND	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SANTÉ-MARKETING ET STRATÉGIE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LA MOULINIÈRE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN PARTENAIRE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SCI LA SOURCE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
PRIVATEL	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
HOLDING HOSPITALIÈRE DE TOURAINE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LE NORD COTENTIN	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CENTRE WILLIAM HARVEY	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
HOLDING AUSTRUY BUREL	99.2	99.2	99.2	99.2	IG	Allée de Roncevaux – 31240 L'Union
PB EXPANSION	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
REACTI MALT	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SOGEMARE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LA BASTIDE DE LA TOURNE	100.0	100.0	99.9	99.9	IG	Zone Industrielle – 25870 Devecey
LE CHÂTEAU	57.8	57.8	57.8	57.8	IG	Zone Industrielle – 25870 Devecey
RÉSIDENCE FRONTENAC	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN LE BASTION	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
RÉSIDENCE PÉRIER	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
PÉRIER RETRAITE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
VEPEZA	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
LA REINE MATHILDE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
RÉSIDENCE LES AJONCS	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN MAS DE LAUZE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SCI BADERA	62.0	62.0	62.0	62.0	IG	Zone Industrielle – 25870 Devecey
VILLA BONTEMPS	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
SOCIÉTÉ D'EXPLOITATION HOME SAINT-GABRIEL	99.2	99.2	99.2	99.2	IG	Zone Industrielle – 25870 Devecey
LES ISSAMBRES	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
ACCUEIL MEUNIÈRES	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
CHAMTOU	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SOCIÉTÉ GÉRONTOLOGIE DU CENTRE OUEST – SGCO	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SOCIÉTÉ HOSPITALIÈRE DE TOURAINE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN VILLA D'ALBON	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SCI LE TEILLEUL	60.0	60.0	60.0	60.0	IG	Zone Industrielle – 25870 Devecey
KORIAN LE DIAMANT	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
COMPAGNIE FONCIÈRE VERMEILLE	59.2	59.2	59.2	59.2	IG	Zone Industrielle – 25870 Devecey
BELLECOMBE	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
KORIAN LES ARCADES	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
RÉSIDENCE MAGENTA	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
VILLA SAINT-DOMINIQUE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LE CLOS CLÉMENT 77	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN BRUNE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN LES LILAS	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SAINT CYR GESTION	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
REANOTEL	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN FLORIAN CARNOT	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
MEUDON TYBILLES	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LES LIERRES GESTION	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey

5. Consolidated financial statements for the year ended 31 December 2016

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
RÉSIDENCE LES ACACIAS	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
L'AIR DU TEMPS RÉSIDENCES STRASBOURG ROBERTSAU	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LES HAUTS D'ANDILLY	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
ATRIA	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LES BÉGONIAS	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LA REINE BLANCHE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LES BLÉS D'OR	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LES TEMPS BLEUS	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
CARLOUP SANTÉ	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LE CASTELLI	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LES FONTAINES	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
ISÈRE SANTÉ	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LAFFITTE SANTÉ	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
S.C.I. LE MAIL IMMOBILIER	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LE MAIL SANTÉ	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
MASSENET SANTÉ	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
MEDOTELS	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
RÉSIDENCE FRÉDÉRIC MISTRAL	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN CLOS DES VIGNES	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN LA VILLA PAPYRI	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN VILLA D'AZON	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN LES CASSISSINES	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN VILLA SPINALE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN L'ASTRÉE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN LA FONTANIÈRE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
GEM VIE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SOCIÉTÉ D'ÉTUDES ET DE RÉALISATIONS POUR LE NOUVEL ÂGE SERENA	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
KORIAN AU FIL DU TEMPS	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN PLAISANCE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN SAVERNE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN VAL DES SOURCES	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN VILL'ALIZÉ	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN L'ESCONDA	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LE PETIT CASTEL	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
PÉROU	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LES PINS BLEUS	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
RÉSIDENCE DE PONTLIEUE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
HOMÈRE HÔTELLERIE MÉDICALISÉE RETRAITE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
LA SAISON DORÉE	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
SAINT FRANÇOIS DE SALES	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
VILLANDIÈRES NÎMES	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
CLINIQUE DE SOINS DE SUITE ET RÉADAPTATION CHÂTEAU DE GLETEINS	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
LA PINÈDE	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CHÂTEAU DE LA VERNÈDE	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
KORIAN LES OLIVIERS	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CENTRE DE RÉADAPTATION FONCTIONNELLE DE CAEN	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CLINIQUE CARDIOLOGIQUE DE GASVILLE	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CENTRE DE REPOS ET DE CONVALESCENCE L'AQUITANIA	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CLINIQUE DE MÉDECINE PHYSIQUE ET DE RÉADAPTATION FONCTIONNELLE "LES GRANDS CHÊNES"	100.0	100.0	100.0	100.0	IG	40-52, rue Stéhélin – 33200 Bordeaux
LES FLOTS	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
LATITUDE	100.0	100.0	100.0	100.0	IG	40, rue Stéhélin – 33200 Bordeaux
PS3	100.0	100.0	100.0	100.0	IG	40-52, rue Stéhélin – 33200 Bordeaux
IMMO 2	100.0	100.0	100.0	100.0	IG	40-52, rue Stéhélin – 33200 Bordeaux
LE BELVÉDÈRE-PLAGE	100.0	100.0	100.0	100.0	IG	Quartier de l'Océan – 40530 Labenne

5. Consolidated financial statements for the year ended 31 December 2016

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
LE BELVÉDÈRE	100.0	100.0	100.0	100.0	IG	Quartier de l'Océan – 40530 Labenne
CENTRE MÉDICAL INFANTILE MONTPRIBAT	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CENTRE DE RÉÉDUCATION FONCTIONNELLE DE SIOUVILLE	99.8	99.8	99.8	99.8	IG	Allée de Roncevaux – 31240 L'Union
CLINIQUE NAPOLÉON	100.0	100.0	100.0	100.0	IG	Allée de Christus – 40990 Saint-Paul-lès-Dax
SCI NAPOLÉON	100.0	100.0	100.0	100.0	IG	Allée de Christus – 40990 Saint-Paul-lès-Dax
LE MONT-BLANC	99.2	99.2	99.2	99.2	IG	Allée de Roncevaux – 31240 L'Union
CLINIQUE DU CANAL DE L'OURCQ	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
KORIAN LA GUYONNE	0.0	0.0	99.9	99.9	Merger with Société nouvelle de la Clinique du Mesnil	Allée de Roncevaux – 31240 L'Union
HAD YVELINES SUD	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
SOCIÉTÉ NOUVELLE DE LA CLINIQUE DU MESNIL	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CENTRE DE SOINS DE SUITE DE SARTROUVILLE	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
LES TROIS TOURS	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
OREGON	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
SOCIÉTÉ D'EXPLOITATION DE LA CLINIQUE MÉDICALE SAINT-COME À JUVISY	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CLINIQUE DE SACLAS	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CLINIQUE DE SOINS DE SUITE DE NOISY-LE-SEC	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CLINIQUE DE LIVRY-SULLY	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
SOCIÉTÉ D'EXPLOITATION DE LA CLINIQUE DU PERREUX	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
NEWCO BEZONS	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
CLINIQUE DE CONVALESCENCE DU CHÂTEAU DE CLAVETTE	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
SÉRIENCE SOINS DE SUITE ET DE RÉADAPTATION	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
SARL DE BIOUX SANTÉ	100.0	100.0	100.0	100.0	IG	2, rue du 8-Mai-1945 – 71850 Charnay-lès-Mâcon
THALATTA	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'Union
RÉSIDENCE LES AINÉS DU LAURAGAIS	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
GRAND'MAISON	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN PASTORIA	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
MEDICA FRANCE	100.0	100.0	100.0	100.0	IG	21-25, rue Balzac – 75008 Paris
CLINIQUE DE SANTÉ MENTALE SOLISANA	100.0	100.0	100.0	100.0	IG	1, chemin du Liebenberg – 68500 Guebwiller
CLINIQUE DU VAL DE SEINE	99.9	99.9	99.9	99.9	IG	Le Clos de la Tour – Chemin du cœur volant – 78430 Louveciennes
KORIAN GLANUM	100.0	100.0	100.0	100.0	IG	1, avenue Renée-de-la-Comble, quartier de l'Argelier – 13210 Saint-Rémy-de-Provence
CLINIQUE DU MONT VENTOUX	100.0	100.0	100.0	100.0	IG	Avenue J.-H.-Fabre – 84200 Carpentras
CLINIQUE DE SANTÉ MENTALE DU GOLFE	100.0	100.0	100.0	100.0	IG	Rue du Gaou – 83310 Cogolin
CLINIQUE ALMA SANTÉ	100.0	100.0	100.0	100.0	IG	165, rue Francis-Laur – 42210 Montrond-les-Bains
CLINIQUE DU CHÂTEAU DE MORNAY	100.0	100.0	100.0	100.0	IG	Château de Mornay – 17330 Saint-Pierre-de-l'Isle
CLINIQUE SAINTE COLOMBE	100.0	100.0	100.0	100.0	IG	10, rue de l'Abbaye – 89100 Saint-Denis-les-Sens
CLINIQUE LA CONDAMINE	100.0	100.0	100.0	100.0	IG	Domaine de la Condamine – 07330 Thueyts
CLINIQUE DE SANTÉ MENTALE VILLA BLEUE	100.0	100.0	100.0	100.0	IG	Route de Champagnières – 16200 Jarnac
KORIAN LE MAS BLANC	100.0	100.0	100.0	100.0	IG	Route de Champagnières – 16200 Jarnac
CLINIQUE MONTJOY	100.0	100.0	100.0	100.0	IG	52, route de Grenoble – 05100 Briançon
CLINIQUE DE SANTÉ MENTALE DE PIETAT	100.0	100.0	100.0	100.0	IG	Hameau de Piétat – 65690 Barbazan-Debat
CLINIQUE DE SANTÉ MENTALE SAINT-MAURICE	100.0	100.0	100.0	100.0	IG	49, route de Limoges – 87340 La Jonchère-Saint-Maurice
CLINIQUE LA PALOUMÈRE	100.0	100.0	100.0	100.0	IG	Cap du Bosc – 47160 Caubeyres
KORIAN LA BRESSANE	100.0	100.0	100.0	100.0	IG	Le Bourg – 71480 Varennes-Saint-Sauveur
KORIAN LE TINAILLER	100.0	100.0	100.0	100.0	IG	Rue des Lombards – 71870 Hurigny
CLINIQUE LE CLOS DE BEAUREGARD	100.0	100.0	100.0	100.0	IG	Beauregard Chadrac – 43000 Chadrac
KORIAN LE HAUT LIGNON	100.0	100.0	100.0	100.0	IG	Chemin des Airelles – 43400 Le Chambon-sur-Lignon
CLINIQUE LES BRUYÈRES	100.0	100.0	100.0	100.0	IG	Château de Letrette – 69620 Letra

5. Consolidated financial statements for the year ended 31 December 2016

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
LES JARDINS D'HESTIA	99.9	99.9	99.9	99.9	IG	Chemin des Pierres-Blanches, lieudit Le Crest – 69290 Grezieu-la-Varenne
KORIAN LA CÔTE PAVÉE	100.0	100.0	100.0	100.0	IG	3, rue Xavier-Darasse – 31500 Toulouse
KORIAN TAMIAS	91.8	91.8	91.8	91.8	IG	18, rue de Boussy – 91480 Quincy-sous-Sénart
KORIAN LES ROSES	91.8	91.8	91.8	91.8	IG	95, avenue des Prés-Saint-Martin – 77340 Pontault-Combault
KORIAN LES PINS VERTS	100.0	100.0	100.0	100.0	IG	35, rue Émile-Eudes – 11100 Narbonne
GASTON DE FOIX	100.0	100.0	100.0	100.0	IG	Faubourg du Cardinal-d'Este – 09270 Mazères
SNC TOPAZE	0.0	0.0	100.0	100.0	Full transfer of assets (TUP) to SA MEDICA FRANCE	21-25, rue Balzac – 75008 Paris
RÉSIDENCE DE CHAINTREAUVILLE	96.0	96.0	96.0	96.0	IG	1 *bis,* rue de Chaintreauville – 77140 Saint-Pierre-lès-Nemours
DLS GESTION	100.0	100.0	96.7	96.7	IG	Rue Alphonse-Daudet – lieudit Les Marais – 13310 Saint-Martin-de-Crau
LA FONTAINE BAZEILLE	100.0	100.0	100.0	100.0	IG	Lieudit Baronnes Nord – 47200 Sainte-Bazeille
KORIAN VAL D'OISE	100.0	100.0	100.0	100.0	IG	4, rue de l'Hôtel-Dieu – 95750 Chars
LES TERRASSES DU XX^{ème}	100.0	100.0	100.0	100.0	IG	5, rue de l'Indre – 75020 Paris
RÉSIDENCE LES MATHURINS	100.0	100.0	100.0	100.0	IG	2, rue des Mathurins – 92220 Bagneux
LE VAL D'ESSONNE	100.0	100.0	100.0	100.0	IG	1, allée du Val-d'Essonne – 78310 Maurepas
MAISON DE RETRAITE LES GARDIOLES	100.0	100.0	100.0	100.0	IG	Rue de Devois – 34980 Saint-Gély-du-Fesc
LA PAQUERIE	100.0	100.0	100.0	100.0	IG	17, impasse des Aurengues – 13013 Marseille
LA COLOMBE	100.0	100.0	100.0	100.0	IG	18, rue des Fauvettes – 34770 Gigean
LES TAMARIS	100.0	100.0	100.0	100.0	IG	32, boulevard du Général-de-Gaulle – 34410 Sérignan
KORIAN LA VILLA MOZART	100.0	100.0	100.0	100.0	IG	5, rue Georges-Bataille – 34410 Sérignan
KORIAN LA SAULX	100.0	100.0	100.0	100.0	IG	1, allée de la Saulx – 54520 Laxou
KORIAN LE BOURGENAY	100.0	100.0	100.0	100.0	IG	Rue du Chenal – 85100 Les Sables-d'Olonne
KORIAN GERLAND	100.0	100.0	100.0	100.0	IG	6, rue Ravier – 69007 Lyon
KORIAN BOLLÉE CHANZY	100.0	100.0	100.0	100.0	IG	1/3, rue Chanzy – 72000 Le Mans

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
LE MOLE D'ANGOULINS	100.0	100.0	100.0	100.0	IG	15 *bis,* route de la Douane – 17690 Angoulins-sur-Mer
KORIAN GEORGES MORCHAIN	100.0	100.0	100.0	100.0	IG	Rue du Comte-d'Artois – 59554 Neuville-Saint-Rémy
KORIAN LE DOMAINE	100.0	100.0	100.0	100.0	IG	2, rue de la Verrière – 10200 Soulaines-Dhuys
DOMAINE DES TROIS-CHEMINS	100.0	100.0	100.0	100.0	IG	2, rue de la Gruche – 86120 Les Trois-Moutiers
LE MONT SOLEIL	100.0	100.0	100.0	100.0	IG	Chemin de la Barque – 05190 Espinasse
RÉSIDENCE BELLEVUE	100.0	100.0	100.0	100.0	IG	Rue Bellevue – 47120 Duras
RÉSIDENCE AGAPANTHE	100.0	100.0	100.0	100.0	IG	1, rue Georges-Bizet – 86000 Poitiers
RÉSIDENCE LA GRANDE PRAIRIE	100.0	100.0	100.0	100.0	IG	2, rue de la Croix-Blanche, ZI de la Croix-Blanche – 60290 Monchy-Saint-Éloi
KORIAN LA SEILLONE	100.0	100.0	100.0	100.0	IG	260, route de Toulouse – 31130 Pin-Balma
LE HAMEAU DE PRAYSSAS	100.0	100.0	100.0	100.0	IG	Lieu-dit la Bichette – 47360 Prayssas
LE HAMEAU DE LA SOURCE	100.0	100.0	100.0	100.0	IG	33, rue Claudius-Thirard – 69190 Saint-Fons
RÉSIDENCE CLAUDE-DEBUSSY	100.0	100.0	100.0	100.0	IG	44 b, avenue Claude-Debussy – 13470 Carnoux-en-Provence
KORIAN BLEU D'AZUR	100.0	100.0	100.0	100.0	IG	148, avenue Michel-Jourdan – 06150 Cannes-La Bocca
MAISON DE RETRAITE LE CHALET	100.0	100.0	100.0	100.0	IG	7, route de l'Aurignolle – 33830 Belin-Beliet
KORIAN LA RIVIÈRE BLEUE	100.0	100.0	100.0	100.0	IG	Maison de retraite « Les Tilleuls » – 80930 Ercheu
DU CHÂTEAU	100.0	100.0	100.0	100.0	IG	Les Landes – 45240 La Ferté-Saint-Aubin
KORIAN VAL AUX FLEURS	100.0	100.0	100.0	100.0	IG	67, Grande-Rue – 27730 Bueil
RÉSIDENCE DE L'ABBAYE	100.0	100.0	100.0	100.0	IG	82, rue de l'Abbaye – 59730 Solesmes
LA VALLÉE BLEUE	100.0	100.0	100.0	100.0	IG	Avenue de la République – 18200 Saint-Amand-Montrond
KORIAN LE CAP SICIE	100.0	100.0	100.0	100.0	IG	Chemin des Barelles – 83500 La Seyne-sur-Mer
KORIAN LE GATINAIS	100.0	100.0	100.0	100.0	IG	Rue de la Ferté-Alais dit la Brenée – 91720 Maisse
LA DÉTENTE	100.0	100.0	100.0	100.0	IG	5-7, rue du Limonet – 77400 Dampmart
SAINT-FRANÇOIS DU LAS	100.0	100.0	100.0	100.0	IG	Rue David, Quartier Valbertrand – 83200 Toulon

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
MAISON DE RETRAITE LES ALYSSES	100.0	100.0	100.0	100.0	IG	124, rue de la 4e-Division-d'Infanterie-Coloniale – 60130 Lieuvillers
LA VILLA DU CHÊNE D'OR	100.0	100.0	100.0	100.0	IG	Bois Gast, rue du Général-de-Gaulle – 53960 Bonchamp-les-Laval
KORIAN LES MOUSSIÈRES	100.0	100.0	100.0	100.0	IG	Lieudit Le Bourg – 69700 Échalas
LE DOMAINE DE COLLONGUES	100.0	100.0	100.0	100.0	IG	Domaine des Collongues – 13100 Saint-Marc-Jaumegarde
KORIAN LES CLÉMATITES	100.0	100.0	100.0	100.0	IG	Route d'Aspremont – 06690 Tourrette-Levens
KORIAN MAISON DES AULNES	100.0	100.0	100.0	100.0	IG	Chemin de la Cartonnerie – 88100 Saint-Marguerite
KORIAN SAINT-BRUNO	100.0	100.0	100.0	100.0	IG	66, route de la Treille, Camoins-les-Bains – 13011 Marseille
L'AMARYLLIS	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
LES DOYENNES (LE PLATANE DU GRAND PARC)	100.0	0.0	100.0	0.0	IG	11, rue Charles-Gille – 37000 Tours
LES DOYENNES (LA DOYENNE DE LANGON)	100.0	0.0	100.0	0.0	IG	11, rue Charles-Gille – 37000 Tours
LA LOUISIANE	100.0	100.0	100.0	100.0	IG	33, rue Eugénie – 83400 Hyères
LES PALMIERS	100.0	100.0	100.0	100.0	IG	Quartier Bourgogne – Ceyreste – 13600 La Ciotat
LUBÉRON SANTÉ	100.0	100.0	100.0	100.0	IG	Route de Lacoste – 84560 Menerbes
INVAMURS	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
INSTITUT DES BONNES PRATIQUES	100.0	100.0	100.0	100.0	IG	11-13, rue Charles Gille – 37000 Tours
SOCEFI	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
JPC CONSULTANT	0.0	0.0	100.0	100.0	Full transfer of assets (TUP) to SA MEDICA FRANCE	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
FINANCIÈRE DE LETRETTE	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
GROUPE PASTHIER	0.0	0.0	100.0	100.0	Full transfer of assets (TUP) to SA MEDICA FRANCE	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
PASTHIER PROMOTION	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
LA PINÈDE 2	0.0	0.0	100.0	100.0	Full transfer of assets (TUP) to SA MEDICA FRANCE	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI CHAMBÉRY JORCIN	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI BRUAY-SUR-ESCAUT	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI DE SAINT-GEORGES-DE-DIDONNE	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI DE LAXOU-MAXÉVILLE	51.0	51.0	51.0	51.0	IG	Allée de la Saulx – 54250 Laxou
SCI DES SABLES	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI DE LYON-GERLAND	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI DE SAINT-MALO	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI DU MANS	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI D'ARS-EN-RÉ	100.0	100.0	100.0	100.0	IG	21 *bis,* avenue d'Antioche – 17590 Ars-en-Ré
SCI PIERRE DEBOURNOU	99.8	99.8	99.8	99.8	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI DE LA RUE BICHAT	100.0	100.0	100.0	100.0	IG	Rue Bichat – 51000 Châlons-en-Champagne
SCI CENTRE DE CONVALESCENCE DE NEUVILLE	100.0	100.0	100.0	100.0	IG	150, place des Chamoinesses – 01400 Neuville-les-Dames

5. Consolidated financial statements for the year ended 31 December 2016

Consolidated financial statements for the year ended 31 December 2016

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
SCI CENTRE MÉDICAL DES ALPILLES	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI VALMAS	100.0	100.0	100.0	100.0	IG	Rue Montaigne – 42210 Montrond-les-Bains
SCI ALMA SANTÉ	100.0	100.0	100.0	100.0	IG	165, rue Francis-Laur – 42210 Montrond-les-Bains
SCI SAINT-MAURICE	100.0	100.0	100.0	100.0	IG	Route de Guéret – 87340 La Jonchère-Saint-Maurice
SCI LA PALOUMÈRE	100.0	100.0	100.0	100.0	IG	Cap du Bosc – 47160 Caubeyres
SCI LA VARENNE	100.0	100.0	100.0	100.0	IG	Le Bourg – 71480 Varennes-Saint-Sauveur
SCI LA ROSERAIE	100.0	100.0	100.0	100.0	IG	Rue des Lombards – 71870 Hurigny
SOCIÉTÉ CIVILE IMMOBILIÈRE DE MONTVERT	100.0	100.0	100.0	100.0	IG	46, route du Moutou – 31180 Castelmaurou
SCICV BAZEILLE DÉVELOPPEMENT	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI SUO TEMPORE	0.0	0.0	100.0	100.0	Full transfer of assets (TUP) to SAS JPC CONSUL-TANT	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI LES TROIS CHEMINS	100.0	100.0	100.0	100.0	IG	2, rue de la Gruche – 86120 Les Trois-Moutiers
DU PRÉ DE LA GANNE	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SCI SYR IMMOBILIER	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
LE BOIS DU CHEVREUIL	100.0	100.0	100.0	100.0	IG	33830 Belin-Beliet
ALEXMAR	100.0	100.0	100.0	100.0	IG	Rue David, Quartier Valbertrand – 83200 Toulon
SNC SOCIÉTÉ IMMOBILIÈRE DE DINARD	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
MS FRANCE	60.0	60.0	60.0	60.0	IG	Immeuble Ellipse – 41, avenue Gambetta, La Défense 5 – 92400 Courbevoie
SCI FALCA	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey
KORIAN JARDINS D'HUGO	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 Devecey

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
LE CLOS DE L'ORCHIDÉE	100.0	100.0	0.0	0.0	IG	Le Rubis, 165, avenue Galilée, parc de la Duranne III – 13857 Aix-en-Provence
SOCIÉTÉ DU CHÂTEAU DE LORMOY	100.0	100.0	0.0	0.0	IG	Zone Industrielle – 25870 Devecey
CASA REHA HOLDING GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
CASA REHA BETRIEBS- UND BETEILIGUNGSGESELLSCHAFT MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
PROVITA HEIMBETRIEBSGESELLSCHAFT MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SENIORENHEIM LEHNDORFER HOF GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SENIOREN DSC GMBH DIENSTLEISTUNGS- UND SERVICE CENTER	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
HAUS ALTKÖNIG HEIMBETRIEBSGESELLSCHAFT MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
CASA REHA HEIMBETRIEBSGESELLSCHAFT MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SENIORENRESIDENZ AM ERLENHOFSEE BETRIEBSGESELLSCHAFT MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SENIORENPFLEGEHEIM GMBH BAD NEUSTADT A.D. SAALE	100.0	75.0	0.0	0.0	IG	Waldweg 2 – 97616 Bad Neustadt A.D. Saale
F & B SENIOREN-CENTER GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
S & K TEXTIL SENIOREN DIENSTLEISTUNGS-CENTER GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
NON-FOOD HANDELSGESELLSCHAFT KARLSRUHE FÜR SENIORENBEDARF MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
CASA REHA ALTENPFLEGEHEIM GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
CASA REHA VIII IMMOBILIENVERWALTUNG SGESELLSCHAFT OBJEKT LOLLAR MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
CASA REHA IX IMMOBILIEN BETEILIGUNGSGESELLSCHAFT OBJEKT LOLLAR MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
CASA REHA VIII IMMOBILIENGESELLSCHAFT OBJEKT LOLLAR MBH & CO. KG	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
XXIV. CASA REHA IMMOBILIENVERWALTUN GSGESELLSCHAFT MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
XXVIII. CASA REHA IMMOBILIENVERWALTU NGSGESELLSCHAFT MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
XX. CASA REHA VERWALTUNGS- UND IMMOBILIENERWERBS GMBH & CO. KG	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
CASA REHA SENIORENPFLEGEHEIM GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT BETRIEBS- UND BETEILIGUNGS GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT BARBARAHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT CHARLOTTENHOF BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel

5. Consolidated financial statements for the year ended 31 December 2016

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
SOZIALKONZEPT CHRISTINENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT DOROTHEENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT HERMINENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT LORETTAHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT MARIETTENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT CÄCILIENHOF BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT FRIEDERIKENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT HELENENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT LUISENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT MAGDALENENHOF BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT MARIENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT IM ROSENPARK GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT SCHULZE-KATHRINHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT SOPHIENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT KATHARINENHOF BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
GO DRACHENFELSSEE 506. V V GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
GO DRACHENFELSSEE 510. V V GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
ALTER EGO SIEBENUNDVIERZIGSTE BETEILIGUNGSGESELLSCHAFT MBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOTEC GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIALKONZEPT BETEILIGUNGS GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SERVEX DIENSTLEISTUNGS GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel
SOZIAL SERVICE EINRICHTUNGS- UND GESCHÄFTSBESORGUNGS GMBH	100.0	100.0	0.0	0.0	IG	Gablonzer Straße 35 – 61440 Oberursel

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
AFARIA GRUNDSTÜCKSVERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT LOLLAR KG WIESBADEN	10.0	94.0	0.0	0.0	IG	Wilhelm-Theodor-Römheld-Straße 30 – 55130 Mainz
ASTELLA GRUNDSTÜCKSVERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG WIESBADEN	10.0	94.0	0.0	0.0	IG	Wilhelm-Theodor-Römheld-Straße 30 – 55130 Mainz
APARMA GRUNDSTÜCKSVERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG WIESBADEN	10.0	94.0	0.0	0.0	IG	Wilhelm-Theodor-Römheld-Straße 30 – 55130 Mainz
KORIAN MANAGEMENT AG	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
KORIAN MANAGEMENT AG SALZBURG	100.0	100.0	0.0	0.0	IG	Hellbrunnerstraße 9 a – Ö-5020 Salzburg
KORIAN MANAGEMENT GRUNDBESITZ GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
CURANUM AG	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
CURANUM VERWALTUNGS- UND BETEILIGUNGS-	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
CURANUM HOLDING GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
CURANUM BETRIEBS GMBH WEST	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
KORIAN AKADEMIE GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
GAP MEDIA SERVICE GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SERVICE GESELLSCHAFT WEST GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
CURANUM DIENSTLEISTUNG GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
CURANUM BETRIEBS GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
ALTENHEIM BETRIEBSGESELLSCHAFT WEST GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
CURANUM FRANZISKUSHAUS GMBH	100.0	100.0	100.0	100.0	IG	Hagenstraße 16-18 – 45894 Gelsenkirchen
CURANUM BETRIEBS GMBH MITTE	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
DOC ORANGE GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
BAD SCHWARTAUER AVG ALTENHEIM-VERMIETUNG	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
RIAG SENIORENZENTRUM "ZWEITE"	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
RIAG SENIORENZENTRUM "ERSTE"	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
RIAG SENIORENZENTRUM	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
CURANUM LIESBORN GMBH & CO. KG	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
KORIAN MANAGEMENT VERWALTUNG GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX – HAUS SILBERDISTEL – ALTEN- U. PFLEGEHEIM GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX – HAUS ROGGENBERG – PFLEGEHEIM GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München

5. Consolidated financial statements for the year ended 31 December 2016

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
PHÖNIX – HAUS KARWENDEL – ALTEN- UND PFLEGEHEIM GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-HAUS ROSMARIN SENIOREN- UND PFLEGEZENTRUM GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SENIORENWOHNANLAGE OETTINGEN GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
ALTEN-PFLEGEHEIM VEITSBRONN GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHONIX SENIORENRESIDENZ ELSTERTALBLICK GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX SOZIALZENTRUM IM LERCHENFELD GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX SOZIALZENTRUM WINDSBACH GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM IM BRÜHL GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM TAUNUSBLICK GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-HAUS AM STEINSGRABEN SENIOREN- UND PFLEGEZENTRUM GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM ULMENHOF GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX – HAUS SONNENGARTEN WOHN- UND PFLEGEZENTRUM GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX – SENIORENZENTRUM GRAF TILLY GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM HERZOG ALBRECHT GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENRESIDENZ AM TEICHBERG GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SENIORENRESIDENZ DETTELBACH GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SENIOREN- UND FACHPFLEGEZENTRUM GMBH (GRETEL-EGNER-HAUS)	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SOLIDARIA SENIORENRESIDENZEN GGMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX SENIORENZENTRUM SCHÖNBLICK GMBH	60.0	60.0	60.0	60.0	IG	Alte Ziegelei 1 – 97999 Igersheim
PHÖNIX – SENIORENZENTRUM HESSENALLEE GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM FRONMÜLLERSTRAßE GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM GARTENSTADT GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM AM BODENSEERING GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM ST. HEDWIG GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM NEUPERLACH GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM AHORNHOF GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM AM MUPPBERG GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM MAINPARKSEE GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
PHÖNIX-SENIORENZENTRUM AM SCHLOSSTEICH GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM ZWEI LINDEN GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM WEIDENPESCH GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM EVERGREEN MAXHÜTTE GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-SENIORENZENTRUM EVERGREEN GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-LEBENSZENTREN GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SERVAS GMBH – SERVICELEISTUNGEN FÜR DEN ALTENHILFESEKTOR	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
PHÖNIX-AMBULANTE INTENSIVE PFLEGE GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
WBW GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
LEOS GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
GERICARE GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SOTERIA MANAGEMENTGESELLSCHAFT MIT BESCHRÄNKTER HAFTUNG	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
KLINIK AM STEIN PROJEKTENTWICKLUNGSGESELLSCHAFT MBH & CO. KG	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
KLINIK AM STEIN VERWALTUNGS GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
EVERGREEN HOLDING GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
EVERGREEN PFLEGE- UND BETREUUNGSZENTRUM BERGNEUSTADT GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
EVERGREEN PFLEGE- UND BETREUUNGSZENTRUM BUTZBACH GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
EVERGREEN PFLEGE- UND BETREUUNGSZENTRUM LANDSCHEID GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
EVERGREEN PFLEGEZENTRUM AM ALTEN POSTSTADION GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
EVERGREEN PFLEGE- UND BETREUUNGSZENTRUM RECKLINGHAUSEN GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
EVERGREEN PFLEGE- UND BETREUUNGSZENTRUM SAARBURG GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
EVERGREEN PFLEGE- UND BETREUUNGSZENTRUM PADERBORN GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
BLITZ 07-712 GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
HELVITA SENIORENZENTREN GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
ALPHEIDE-SENIORENZENTRUM GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SENIOREN-DOMIZIL FAMILIE WOHNSIEDLER GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München

5. Consolidated financial statements for the year ended 31 December 2016

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
HAUS AMSELHOF SENIORENRESIDENZ GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
HELVITA WIRTSCHAFTSDIENSTE GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SENIORENPFLEGE HAßLOCH GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
KORIAN DIENSTLEISTUNGS GMBH & CO. KG	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SENTIVO GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SENTIVO SOLINGEN GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SENTIVO MÖNCHENGLADBACH GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SENTIVO RHÖNDORF GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
SENTIVO EITORF GMBH	100.0	100.0	100.0	100.0	IG	Zirkus-Krone-Straße 10 – 80335 München
ZONNEWEELDE	100.0	100.0	100.0	100.0	IG	Lange Dreef 50 – 2820 Bonheiden
RUSTOORD DE VLAAMSE ARDENNEN	100.0	100.0	100.0	100.0	IG	Kromstraat 5 – 9667 Horebeke
PSYCHOGERIATRISCH CENTRUM	100.0	100.0	100.0	100.0	IG	Gentsesteenweg 1050 – 1082 Brussel
RESIDENTIE MILSENHOF	100.0	100.0	100.0	100.0	IG	Onze-Lieve-Vrouwekerkhof 11 – 2800 Mechelen
ANEMOON	100.0	100.0	100.0	100.0	IG	Schipstraat 33 – 2870 Puurs
ANICIUS DIENSTENCHEQUEBEDRIJF VZW	100.0	100.0	0.0	0.0	IG	Aniciusplein 9 – 3700 Tongeren
SENIORENRESIDENTIE AURORA	100.0	100.0	0.0	0.0	IG	Acaciastraat 6A – 2440 Geel
BERCKENBOSCH NV	100.0	100.0	0.0	0.0	IG	Acaciastraat 6A – 2440 Geel
BEERZELFLATS VZW	100.0	100.0	0.0	0.0	IG	Mechelbaan 53 – 2580 Beerzel
RESIDENTIE SPORENPARK	100.0	100.0	100.0	100.0	IG	Terrilpark 1 – 3580 Beringen
RESIDENTIE BONEPUT	100.0	100.0	100.0	100.0	IG	Boneputstraat 5 – 3960 Bree
RESIDENTIE BRUGGENPARK	100.0	100.0	100.0	100.0	IG	Bruggenhoek 36 – 9620 Zottegem
SINT-LAMBERTUS'BUREN	100.0	100.0	100.0	100.0	IG	Dorpsstraat 70 – 3545 Zelem/Halen
RÉSIDENCE LES CHEVEUX D'ARGENT	100.0	100.0	100.0	100.0	IG	Avenue Fernand Jérôme 38 – 4845 Jalhay
CORDIA HOLDING	100.0	100.0	100.0	100.0	IG	Satenrozen 1B – 2550 Kontich
PROCURAS	100.0	100.0	100.0	100.0	IG	Dorpsstraat 70 – 3545 Zelem/Halen
RVT DELLEBRON	100.0	100.0	100.0	100.0	IG	Mountstraat 21 – 3470 Kortenaken
DEZE HAARD IS GOUD WAARD	100.0	100.0	100.0	100.0	IG	Pastorijweg 2 – 9450 Denderhoutem

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
HOME EKSTERVELD	100.0	100.0	100.0	100.0	IG	Putsesteenweg 271 – 2820 Bonheinden
ENNEA RUSTOORD	100.0	100.0	100.0	100.0	IG	Lepelhoekstraat 19 – 9100 Sint-Niklaas
RÉSIDENCE EXCLUSIV	100.0	100.0	100.0	100.0	IG	J.B. Desmethstraat 50 – 1140 Evere
FOYER DE LORK VZW	100.0	100.0	0.0	0.0	IG	Acaciastraat 6A – 2440 Geel
GOLDEN MORGEN	100.0	100.0	100.0	100.0	IG	Kettenisser Strasse 68 – 4711 Lontzen
GP2 BVBA	100.0	100.0	0.0	0.0	IG	Pollenusstraat 32 – 3510 Kermt
OP HAANVEN	100.0	100.0	100.0	100.0	IG	Oude Geelsebaan 33 – 2431 Veerle-Laakdal
HELIANTHUS	100.0	100.0	100.0	100.0	IG	Brusselsesteenweg 322a – 9090 Melle
RUSTOORD 'T HOGE	100.0	100.0	100.0	100.0	IG	t Hoge 57 – 8500 Kortrijk
TUINEN VAN HERINNERING VZW	100.0	100.0	0.0	0.0	IG	Lenniksebaan 792 – 1070 Brussel
RESIDENTIE SINT-JOZEF	100.0	100.0	100.0	100.0	IG	Hemelstraat 22 – 2018 Antwerpen
KEMPENS WOONERF 60+	100.0	100.0	100.0	100.0	IG	Kwademeer 10 – 2480 Dessel
RESIDENTIE HET PRIEELSHOF	100.0	100.0	100.0	100.0	IG	Dokter Prieelslaan 24 – 9340 Oordegem-Lede
MALJUNA PERLO	100.0	100.0	100.0	100.0	IG	Satenrozen 1B – 2550 Kontich
SINT- LENAARTSHOF	100.0	100.0	100.0	100.0	IG	Vaartkant Links 27 – 2960 Brecht
MAASMEANDER	100.0	100.0	100.0	100.0	IG	Dr Haubenlaan 6 – 3630 Maasmechelen
SENIORIE DE MARETAK	100.0	100.0	100.0	100.0	IG	Ziekenhuislaan 10 – 1500 Halle
RÉSIDENCE MELOPEE	100.0	100.0	100.0	100.0	IG	Mélopéestraat 50 – 1080 Brussel
DE NOOTELAER	100.0	100.0	100.0	100.0	IG	Papestraat 4 – 3140 Keerbergen
NEVERLAND VZW	100.0	100.0	0.0	0.0	IG	Acaciastraat 6A – 2440 Geel
PRODINVEST BVBA	100.0	100.0	0.0	0.0	IG	Pollenusstraat 32 – 3510 Kermt
FOYER GROEP COMM VA	100.0	100.0	0.0	0.0	IG	Acaciastraat 6A – 2440 Geel
FDL GROUP COMM VA	100.0	100.0	0.0	0.0	IG	Acaciastraat 6A – 2440 Geel
RESIDENTIE HET PRIEELSHOF	100.0	100.0	100.0	100.0	IG	Dokter Prieelslaan 24 – 9340 Oordegem-Lede
TEN PRINS	100.0	100.0	100.0	100.0	IG	Prins van Luiklaan 38 – 1070 Anderlecht
RÉSIDENCE L'AIR DU TEMPS	100.0	100.0	100.0	100.0	IG	Rue des Haïsses 60 – 4032 Chenee
RÉSIDENCE BETHANIE	100.0	100.0	100.0	100.0	IG	Chaussée de Waterloo 146 – 5002 Namur Saint-Servais

5. Consolidated financial statements for the year ended 31 December 2016

Consolidated financial statements for the year ended 31 December 2016

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
RESIDENTIE EDELWEIS	100.0	100.0	100.0	100.0	IG	Liersesteenweg 165-171 – 3130 Begijnendijk
RÉSIDENCE AUX DEUX PARCS	100.0	100.0	100.0	100.0	IG	Duysburghstraat 21 – 1020 Jette
MRS LE RICHEMONT	100.0	100.0	100.0	100.0	IG	Rue L'Enclos 13 – 5537 Bioul-Anhee
RESIDENTIE KASTEELHOF	100.0	100.0	100.0	100.0	IG	Steenweg van Aalst 110 – 9200 Dendermonde
RÉSIDENCE LE PROGRES	100.0	100.0	100.0	100.0	IG	Chaussée de Jolimont 88 – 7100 La Louvière-Haine-Saint-Paul
ROOIERHEIDE NV	100.0	100.0	0.0	0.0	IG	Acaciastraat 6A – 2440 Geel
RESIDENTIE ROMANA	100.0	100.0	100.0	100.0	IG	Romeinsesteenweg 743 – 1000 Brussel
RESIDENTIE PALOKE	100.0	100.0	100.0	100.0	IG	Palokestraat 40 – 1080 Sint-Jans-Molenbeek
HOME RÉSIDENCE DU PLATEAU	100.0	100.0	100.0	100.0	IG	Chaussée d'Ottembourg 221 – 1300 Wavre
RESIDENTIE PRINSENPARK	100.0	100.0	100.0	100.0	IG	D'Ierdstraat 11 – 3600 Genk
RÉSIDENCE LA PASSERINETTE	100.0	100.0	100.0	100.0	IG	Rue des Deux Tilleuls 69 – 4630 Soumagne
RÉSIDENCE RY DU CHEVREUIL	100.0	100.0	100.0	100.0	IG	Rue de Rhion 4 – 5310 Eghezee
RÉSIDENCE SEIGNEURIE DU VAL	100.0	100.0	100.0	100.0	IG	Rue du Congo 52 – 7700 Moeskroen
RESIDENTIE VAERENHOF	100.0	100.0	100.0	100.0	IG	Satenrozen 1B – 2550 Kontich
VINKENBOSCH	100.0	100.0	100.0	100.0	IG	Lindekensveldstraat 56 – 3510 Kermt
RÉSIDENCE AU BON VIEUX TEMPS	100.0	100.0	100.0	100.0	IG	Rue de Corbais 14 – 1435 Mt.-Saint-Guibert
RESIDENTIE ENNEA SERVICEFLATS	100.0	100.0	100.0	100.0	IG	Regentiestraat 54 – 9100 Sint-Niklaas
SL FINANCE	100.0	100.0	100.0	100.0	IG	Satenrozen 1B – 2550 Kontich
SENIOR LIVING GROUP NV	100.0	100.0	100.0	100.0	IG	Satenrozen 1B – 2550 Kontich
SL INVEST	100.0	100.0	100.0	100.0	IG	Satenrozen 1B – 2550 Kontich
SL IMMO	100.0	100.0	100.0	100.0	IG	Satenrozen 1B – 2550 Kontich
ZONNETIJ	100.0	100.0	100.0	100.0	IG	Leugstraat 11 – 2630 Aartselaar
DE VAEREN	100.0	100.0	100.0	100.0	IG	Eikenstraat 219 – 2840 REET
WIJGMAALBROEK	100.0	100.0	100.0	100.0	IG	Remy Alloingstraat 19 – 3018 Wijgmaal
ZONNEWENDE	100.0	100.0	100.0	100.0	IG	Boomsesteenweg 15 – 2630 Aartselaar
WIELANT-FUTURO	100.0	100.0	100.0	100.0	IG	Schellebellestraat 8 – 8570 Anzegem (W Vl)
SEGESTA SPA	100.0	100.0	100.0	100.0	IG	Viale Cassala 16 – 20143 Milano

	31/12/2016		31/12/2015			
Company Name	**% Control**	**% Interests**	**% Control**	**% Interests**	**Method**	**Head Office**
SEGESTA2000 SRL	100.0	100.0	100.0	100.0	IG	Viale Cassala 16 – 20143 Milano
SEGESTA GESTIONI SRL	100.0	100.0	100.0	100.0	IG	Viale Cassala 16 – 20143 Milano
MOSAICO HOME CARE SRL	100.0	100.0	100.0	100.0	IG	Viale Cassala 16 – 20143 Milano
VILLA DELLE TERME SPA	100.0	100.0	100.0	100.0	IG	Via Marconi 4 – 50131 Firenze
SEGESTA LATINA SPA	100.0	100.0	100.0	100.0	IG	Via Bernardino Telesio 4 – 00195 Roma
CRCT IL GBBIANO SRL	100.0	100.0	100.0	100.0	IG	Viale Cassala 16 – 20143 Milano
SEGESTA MEDITERRANEA SRL	100.0	100.0	100.0	100.0	IG	Via Cacudi 35/37 – 70132 Bari
VILLA SAN CLEMENTE SRL	100.0	100.0	100.0	100.0	IG	Viale Cassala 16 – 20143 Milano
ELIA DOMUS SRL	100.0	100.0	100.0	100.0	IG	Via Cacudi 35/37 – 70132 Bari
AUREA SALUS SRL	100.0	100.0	100.0	100.0	IG	Via Cacudi 35/37 – 70132 Bari
KINETIKA SARDEGNA SRL	100.0	100.0	100.0	100.0	IG	Viale Marconi 160 – 09045 Quartu Sant'Elena (CA)
VITTORIA SRL	70.0	70.0	65.0	65.0	IG	Via Francesco Lonati 3 – 25124 Brescia
DR.ALBERTO BOCCHI SPA	100.0	100.0	100.0	100.0	IG	Via Bellavista 16 – 31020 Tarzo (TV)
PLATINUM SPA	100.0	100.0	100.0	100.0	IG	Viale Cassala 16 – 20143 Milano
CARE SERVICE SPA	100.0	100.0	100.0	100.0	IG	Viale Cassala 16 – 20143 Milano
IL CILIEGIO SRL	75.0	75.0	75.0	75.0	IG	Viale Cassala 16 – 20143 Milano
RESIDENZA FORMIGINE SRL	75.0	75.0	75.0	75.0	IG	Viale Cassala 16 – 20143 Milano
IL FAGGIO SRL	100.0	100.0	100.0	100.0	IG	Viale Cassala 16 – 20143 Milano
CROCE DI MALTA SRL	100.0	100.0	100.0	100.0	IG	Viale Cassala 16 – 20143 Milano

Pursuant to Paragraph 325 of the German Commercial Code *(Handelsgesetzbuch),* all German subsidiaries listed above and included in the consolidated statement of the financial position are exempt from the publication of the consolidated and corporate statement of the financial position for the 2016 financial year under Paragraphs 364, 3 HGB and 264 b of said Code.

5.2 Statutory auditors' report on the consolidated financial statements

▸ YEAR ENDED 31 DECEMBER 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your General shareholders' meetings, we hereby present our report for the year ended 31 December 2016 on:

- the audit of Korian's consolidated financial statements, which are appended to this report;
- the justification for our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. On the basis of our audit, it is our role to express an opinion on these consolidated financial statements.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we carry out adequate checks so as to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit consists of examining, on a test basis or using other selective methods, the information in support of the amounts and disclosures in the consolidated financial statements. It also consists of assessing the accounting policies followed and significant estimates used, as well as evaluating the overall presentation of the financial statements. We consider that the information that we have collected is sufficient and appropriate as a basis for our opinion.

We certify that, in light of the IFRS accounting framework as adopted in the European Union, the consolidated financial statements are true and accurate and give a fair view of the Company's assets and liabilities and financial position, as well as the results of the whole comprised of the persons and entities within the consolidation scope.

II. Justification for our assessments

Pursuant to the provisions of article L. 823-9 of the French Commercial Code regarding the justification for our assessments, we hereby inform you of the following facts:

- Goodwill and operating licences are recognised in accordance with the accounting rules and methods described in notes 2 and 3.1 to the consolidated financial statements. We have verified the appropriate nature of these methods and the information provided in the notes to the consolidated financial statements and we are satisfied as to their proper application.
- Goodwill and intangible assets with an indefinite lifetime are tested for impairment in accordance with the methods described in note 3.1 to the consolidated financial statements. We reviewed the procedures for implementing these impairment tests, the cash flow forecasts and assumptions used, as well as the procedures used by Management to approve these estimates, reviewed the calculations performed by the Group, and verified that notes 3.1 to the consolidated financial statements disclose appropriate information.
- Note 3.9 to the consolidated financial statements states that the Group uses derivative financial instruments to hedge against interest rate risk. These financial instruments are recognised at their fair value, which is determined using measurement techniques based on market parameters. We evaluated the data and assumptions on which these estimates are based, reviewed the experts' calculations, and the documentation available on the derivative financial instruments designated as cash flow hedging instruments.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

In accordance with the auditing standards applicable in France, we have also performed the specific verification required by law of the information about the Group presented in the management report.

We have no observation to make as to its accuracy or consistency with the consolidated financial statements.

Courbevoie and Paris-La Défense, 31 March 2017

The Statutory auditors

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

CHAPTER 6

Annual financial statements at 31 December 2016

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6.1 Annual financial statements at 31 December 2016

Separate financial statements (unless otherwise indicated all amounts are expressed in thousands of euros).

STATEMENT OF FINANCIAL POSITION

Assets

	31.12.2016	31.12.2015
Intangible assets	8,897	272,318
Property, plant and equipment	5,656	3,228
Non-current financial assets	2,861,033	2,199,671
Of which equity interests	*2,246,397*	*1,982,734*
Total non-current assets	**2,875,587**	**2,475,218**
Progress payments and instalments to suppliers	3	1
Trade receivables	66,361	12,905
Other receivables	562,099	553,540
Cash	52,075	386,611
Marketable securities	85,911	1,067
Prepaid expenses	2,589	8,438
Total current assets	**769,037**	**962,562**
Debt issuance costs/Bond redemption premiums	14,917	13,019
TOTAL ASSETS	**3,659,541**	**3,450,799**

Equity and liabilities

	31.12.2016	31.12.2015
Share capital	400,890	397,328
Share premium	942,519	927,157
Legal reserve	27,255	23,894
Retained earnings	39,401	23,194
Other reserves	128,516	128,516
Profit/(Loss)	21,871	67,230
Regulated provisions	2,417	2,412
Net assets	**1,562,871**	**1,569,730**
Provisions for risks and expenses	2,194	2,470
Other bonds	1,028,633	986,852
Loans from credit institutions	764,191	621,473
Sundry loans and other liabilities	246,248	237,700
Trade payables	26,772	9,253
Tax and social security liabilities	18,204	15,104
Suppliers of non-current assets	1,682	1,414
Other liabilities	7,293	4,496
Total operating liabilities	**2,095,217**	**1,878,764**
Deferred income	1,453	2,305
TOTAL EQUITY AND LIABILITIES	**3,659,541**	**3,450,799**

INCOME STATEMENT

	31.12.2016	31.12.2015
Operating income		
Sales of goods		
Revenue	**69,035**	**67,095**
Capitalised production (long-term inventory)	1,008	833
Operating subsidies	0	0
Reversals of provisions and reinvoiced expenses	13,008	4,417
Other income	100	98
Total	**83,150**	**72,444**
Goods purchased for resale		0
Other purchases and external expenses	59,722	47,875
Taxes and duties	2,343	2,807
Wages	26,199	21,813
Social security charges	11,768	11,054
Depreciation, amortisation and provisions		
• depreciation and amortisation on non-current assets	14,585	7,846
• on current assets	0	1,831
• provisions for risks and expenses	1,428	420
Others charges	769	620
Total operating expenses	**116,815**	**94,268**
OPERATING RESULTS	**-33,665**	**-21,824**
Financial income	89,685	118,695
Financial expenses	58,181	47,572
NET FINANCIAL RESULT	**31,505**	**71,123**
Net profit/(loss) from continuing operations	-2,161	49,299
Non-recurring income	139	3,968
Non-recurring expenses	277	5,886
NON-RECURRING PROFIT/(LOSS)	**-138**	**-1,918**
Income tax	-24,170	-19,848
NET ACCOUNTING PROFIT/(LOSS)	**21,871**	**67,230**

NOTES TO THE INDIVIDUAL COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2016

Accounting rules and methods

The financial statements were prepared in compliance with the Regulation No. 2014-03 of the French Accounting Standards Authority (ANC), the French General Chart of Accounts and any subsequent rules and regulations in effect. The general accounting conventions of the French General Chart of Accounts were observed, in accordance with the principle of conservatism and on the basis of the following assumptions:

- going concern;
- independence of accounting periods;
- consistency of accounting methods accounting periods;
- observance of general rules for preparing and presenting accounting financial statements.

The basic valuation method used is the historical cost method.

The main accounting methods used are described below.

Main accounting methods

Intangible assets

Non-current assets are carried at their acquisition cost, which is the purchase price plus any costs that can be directly attributed to the acquisition. Software licenses are capitalised and amortised over a period of five years. Purchased software is capitalised and amortised over a period of three years, while stand-alone applications developed internally are capitalised and amortised over a period of five years.

A merger or a complete transfer of assets and liabilities at the net accounting value may result in the recognition of a technical merger loss when the unrealised capital gains on the contributed assets are less than the unrecognised liabilities.

Until 31 December 2015, this technical merger loss was included in business goodwill.

Pursuant to ANC Regulation No. 2015-06, which applies to fiscal periods starting or after 1 January 2016, this technical merger loss must be recorded on the absorbing entity's statement of financial position on the corresponding types of underlying assets to which it was allotted, in proportion to the unrealised capital gains, which must be estimated using a reliable method.

It must then be either depreciated, amortised or impaired using the same methods that apply to its corresponding underlying assets.

When these assets are sold, the proportion of the technical merger loss that was allotted to the asset must be removed from the balance sheet. The net accounting value of this proportion is expensed and is used to calculate the capital gain or loss on the sale of the asset. This change in the accounting method is applied prospectively.

The Company's technical merger loss on 1 January 2016 was entirely allocated to equity interests.

Property, plant and equipment

Property, plant and equipment are carried at their acquisition cost, which includes the purchase price and any directly attributable costs.

Depreciation of all Group PPE is calculated on a straight-line basis over the following expected useful lives.

- Building fixtures (varies depending on components) 7 to 50 years;
- Industrial equipment 5 years;
- Furniture and office equipment 10 years;
- IT equipment 3 years.

Equity investments and other long-term investments

Equity investments are measured at their acquisition cost plus any incidental expenses, which are depreciated over an accelerated depreciation period of five years. If this value is greater than their value in use or their market value, a provision for impairment is recognised for the difference.

The value in use of the equity interests is estimated using the Company's forecasts, which are based on the subsidiary's prospects and financial structure at the balance sheet date. The following is assumed:

- The value in use of each subsidiary's equity is the difference between the subsidiary's enterprise value and its net debt on the balance sheet date. The enterprise value is calculated using a discounted cash flow model.
- On the basis of the data observed in year Y, the Management Control department prepares the budget for year Y+1 from which the pre-tax cash flows are obtained. This budget is approved by the Board of Directors. These cash flows are projected over the period from 2018 to 2021 inclusive. The cash flow in 2021 is the subsidiary's estimated normative cash flow and is discounted to infinity at a perpetual growth rate of 1.75%. This growth rate is consistent with the growth potential of the markets in which the Group operates and its competitive position in these markets.
- The discount rate is the Company's estimated weighted cost of capital for each country (6% for France, 5.7% for Germany, 6.2% for Belgium and 7.2% for Italy).

The estimation of Korian's equity interests did not result in an increase or decrease in the provision on these interests at 31 December 2016.

Receivables

Receivables are measured at their nominal value. Where necessary, an impairment provision is recorded to account for past or potential collection difficulties.

This item includes receivables on the Group's current accounts, which pursuant to article 39-1-3° of the French General Tax Code are subject to 2.03% interest compounded daily.

Marketable securities

Marketable securities are valued at the lower of their acquisition cost or market value. Treasury shares are recognised at acquisition cost. An impairment provision is recognised when the market value is less than the acquisition cost.

Cash

Cash consists of bank balances.

In the last quarter of 2007, a cash pooling agreement was agreed between the Company and most of the Korian group's French subsidiaries at that time. Other Group companies obtain financing from Korian through loans or current accounts.

Currency risk

All payments are made within the Eurozone.

Interest rate risk

Most of the Company's borrowings are at a variable rate and interest-rate risk is hedged using derivative instruments.

Bond issuance and borrowing costs

Bond issuance and borrowing costs are recorded under external expenses and are amortised over the life of the bond.

Key events during the year

Change in internal governance and in the composition of the Board of Directors

Change in internal governance

On 26 February 2016, Laurent Lemaire took office as Group Chief Finance Officer, thereby replacing Jean-Brieuc Le Tinier who resigned his position on 31 December 2015(1).

In addition, the Chief Executive Officer created a General Management Committee to replace the former Group Executive Committee, which comprises the following persons:

- Didier Armaingaud, who was appointed Group Medical, Ethical and Quality Director on 1 June 2016;
- Bart Bots, Chief Executive Officer of Korian Belgium;
- Rémi Boyer, who was appointed Group Human Resources Director on 1 September 2016;
- Frédéric Durousseau, who was appointed Group Real Estate and Development Officer on 10 October 2016;
- Cécile Jolly, who was appointed Group Communications, Marketing and Digital Director in June 2016;
- Laurent Lemaire, who was appointed Group Chief Financial Officer on 26 February 2016;
- Nicolas Mérigot, who was appointed Executive Vice President of the Healthcare Division in France, on 19 October 2016;
- Charles-Antoine Pinel, who was appointed Executive Vice President of the Seniors Division in France, on 19 October 2016;
- Mariuccia Rossini, Chief Executive Officer of Korian Italy;
- Ralf Stiller, Chief Executive Officer of Korian Germany.

Changes in the composition of the Board of Directors

At its meeting of 19 May 2016, the Board of Directors acknowledged the decision of Batipart Invest and Jacques Ambonville not to seek the renewal of their respective terms of office.

At the Combined General Meeting held on 23 June 2016, the Company's shareholders decided to:

- renew the terms of office of the independent directors Anne Lalou and Guy de Panafieu for a period of three years, which will expire at the conclusion of the General Meeting of shareholders convened to vote on the financial statements for the financial year ending 31 December 2018;
- appoint Jean-Pierre Duprieu as an independent director for a period of three years, which will expire at the conclusion of the General Meeting of shareholders convened to vote on the financial statements for the financial year ending 31 December 2018;
- ratify the temporary appointment of Investissements PSP as director, to replace MAAF Assurances for the remaining period of its term of office, *i.e.* until the conclusion of the General Meeting convened to vote on the financial statements for the financial year ending 31 December 2016.

Furthermore, at its meeting of 14 September 2016, the Board of Directors acknowledged the appointment of Jérôme Bichut as permanent representative of Investissements PSP, who replaced Niall Boland effective 2 August 2016.

In accordance with article 11.4 of the articles of association, on 25 January 2016, Hafida Cola was appointed by the most representative trade union as the director representing the employees, thereby replacing Amélie Nun.

Therefore, the Board of Directors comprises 11 members, including the director representing the employees: Christian Chautard (Chairman), Jérôme Grivet, Predica (represented by Françoise Debrus), Investissements PSP (represented by Jérôme Bichut), Malakoff Médéric Assurances (represented by Hugues du Jeu), Jean-Pierre Duprieu, Martin Hoyos, Anne Lalou, Guy de Panafieu, Catherine Soubie and Hafida Cola.

Jean-Claude Georges-François is the Board Observer.

(1) Between 18 November 2015 and 26 February 2016, Didier Laurens, Investor Relations and Finance Director, acted as temporary Chief Finance Officer.

Change in General Management

At its meeting of 18 November 2015, the Company's Board of Directors voted unanimously to appoint Sophie Boissard as Chief Executive Officer to replace Yann Coléou, and she took office on 26 January 2016.

At the request of the Board of Directors, Christian Chautard held the office of Chairman and Chief Executive Officer on a temporary basis, between 18 November 2015 and 26 January 2016, the date on which the Company's governance reverted to separate chairmanship and General Management.

Change in financial structure

Issues of a *Schuldschein* in the German private offering market

On 20 January 2016, Korian issued a €41.5 million variable-rate *Schuldschein* with an average maturity of 6.4 years. This followed the issuance, on 15 December 2015, of a €185.5 million fixed and variable rate *Schuldschein* with an average maturity of 6.1 years.

Refinancing of the syndicated loan agreement

Given the favourable borrowing conditions, on 21 July 2016 Korian refinanced its syndicated loan agreement of 12 March 2014.

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

- a term loan tranche of €650 million that has been fully drawn down;
- a €650 million revolving tranche.

The covenant debt ratio (= net debt - real estate debt) / (EDITDA – 6.5% of real estate debt) must not exceed 4.5 on 31 December and 4.75 at 30 June, throughout the term of the loan. This financing requires no collateral.

Issuance of short-term negotiable debt securities

In order to diversify its financial resources and fund its cash requirements, in the first half of 2016, Korian set up a programme to issue €300 million in short-term negotiable debt securities *(titres négociables à court terme,* formerly *billets de trésorerie),* which will mature in one year or less. At 31 December 2016, €50 million of these securities had been issued.

Increase in share capital and dividend payment in newly issued shares

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

Subsequent to the Chief Executive Officer's decision of 20 July 2016, the Company distributed a dividend of €0.60 per share, with an option to be paid in shares at a share price of €26.62.

This option resulted in the issuance of 709,369 new shares on 20 July 2016, which were admitted to trading on the Euronext Paris exchange on 20 July 2016. These shares shall carry dividend rights as of 1 January 2016 and enjoy the same rights as the outstanding ordinary shares. Following this transaction, the Company's share capital stood at €400,890,210 and consisted of 80,178,042 shares.

The dividend paid in cash totalled €28.8 million and was paid out on 22 July 2016.

Equity investments

The various restructuring operations had no material impact on the gross value of equity interests.

Main items on the Statement of Financial Position and the Income Statement

Non-current assets, depreciation and amortisation

Non-current assets	31.12.2015	Acquisitions	Disposals	31.12.2016
Concessions, patents and similar rights	26,646	3,522		30,168
Non-current assets in progress	1,785	357	-126	2,016
Business goodwill (technical merger loss)	263,589		-263,589	0
General fittings	1,939	174		2,113
Office and IT equipment	9,978	3,401		13,380
Equity interests and related loans and receivables	1,986,765	263,589	74	2,250,428
Other non-current financial assets	216,937	462,192	-64,492	614,637
TOTAL	**2,507,639**	**733,236**	**-328,134**	**2,912,741**

Depreciation and amortisation	31.12.2015	Additions	Reversals	31.12.2016
Concessions, patents and similar rights	19,702	3,585		23,287
General fittings	564	127		692
Office and IT equipment	8,125	1,024		9,149
TOTAL	**28,391**	**4,737**	**0**	**33,127**

Provisions	31.12.2015	Additions	Reversals	31.12.2016
On equity interests	4,031			4,031
On the technical merger loss	-			-
On borrowings	-			-
TOTAL	**4,031**	**0**	**0**	**4,031**

Depreciation and amortisation expenses were recognised under operating expenses. Adjustments to provisions on equity investments were recognised under financial income.

"Other plant, property and equipment in progress" mainly correspond to capitalised production and service provider costs for the development and roll-out of internal software packages and software (€307 thousand).

Equity interests

Korian is the Group's parent company. It holds the shares of the companies listed in the table below (amounts are in euros).

Equity interests	Nb. of shares owned	Nb. of shares issued	% of interest	Gross value of shares	Net value of shares	Share capital	Annual profit/loss	Net assets excluding share capital	Dividends received by Korian SA	Loans and advances granted by Korian SA
CENTRE DE RÉADAPTATION FONCTIONNELLE DE CAEN	3,700	3,700	100.00%	5,880,337	5,880,337	37,000	174,454	384,194	400,000	0
CENTRE DE RÉÉDUCATION FONCTIONNELLE DE SIOUVILLE	70	6,000	1.17%	537,749	297,869	96,000	697,146	1,653,616	42,000	0
CENTRE DE REPOS ET DE CONVALESCENCE L'AQUITANIA	639	1,000	63.90%	967,416	967,416	40,000	-101,761	50,899		0
CENTRE DE SOINS DE SUITE DE SARTROUVILLE	3,700	3,700	100.00%	11,319,598	11,319,598	37,000	1,044,438	1,927,327	1,000,000	0
CENTRE MÉDICAL INFANTILE MONTPRIBAT	2,505	2,505	100.00%	9,439,236	8,380,265	38,188	220,196	235,491		1,014,869
CENTRE WILLIAM HARVEY	4,000	4,000	100.00%	18,425,595	18,425,595	308,000	1,107,500	2,016,051	3,600,000	0
CLINIQUE CARDIOLOGIQUE DE GASVILLE	2,500	2,500	100.00%	4,492,333	3,626,610	37,500	-215,178	-666,209		787,878
CLINIQUE DE LIVRY-SULLY	3,500	3,500	100.00%	10,488,743	10,488,743	140,000	846,140	2,000,125	2,100,000	0
CLINIQUE DE SACLAS	1,000	1,000	100.00%	14,811,686	14,811,686	701,000	1,188,334	2,305,612	4,500,000	0
CLINIQUE DE SOINS DE SUITE ET RÉADAPTATION CHÂTEAU DE GLETEINS	6,250	6,250	100.00%	7,078,053	7,078,053	100,000	255,163	75,146		0
CLINIQUE DU CANAL DE L'OURCQ	3,700	3,700	100.00%	987,533	950,533	37,000	-632,105	-8,288,770		9,507,565
FURTADO GESTION	2	10,420	0.02%	248,200	0	NC	NC	NC		0
GRAND'MAISON	2,500	2,500	100.00%	7,138,789	7,138,789	38,112	499,533	1,960,250		0
HAD YVELINES SUD	3,700	3,700	100.00%	7,162,403	7,162,403	37,000	419,305	691,417	250,000	0
HOLDING AB	20,018	20,177	99.21%	3,967,264	3,967,264	403,540	1,148,226	5,957,306	772,206	0
HOLDING HOSPITALIÈRE DE TOURAINE	2,520	2,520	100.00%	1,551,438	1,551,438	40,320	758,118	-82,050		2,616,710
KORIAN BRUNE	500	500	100.00%	17,902,471	17,902,471	38,500	1,146,117	8,022,700		0
CURANUM AG	121,478	121,478	100.00%	237,404,144	237,404,144	121,478	3,430,502	134,593,879		612
KORIAN FLORIAN CARNOT	8,500	8,500	100.00%	12,798,013	12,798,013	136,000	853,143	5,203,995		0
KORIAN IMMOBILIER	200	200	100.00%	3,203	3,203	3,049	-1,581,465	-1,188,478		90,556,856
KORIAN LES ARCADES	504	504	100.00%	14,953,525	14,953,525	40,320	942,204	5,292,344		0
KORIAN LES LILAS	504	504	100.00%	11,415,426	11,415,426	40,320	470,746	4,989,253		0
KORIAN LES OLIVIERS	1,000	1,000	100.00%	11,528,595	11,528,595	304,898	1,160,054	2,208,741	2,000,000	0
KORIAN MANAGEMENT AG	70,100	70,100	100.00%	800,275	800,275	120,000	-48,392	364,054		0
KORIAN PARTENAIRE	500	500	100.00%	5,000	0	5,000	-11,785	-54,565		44,049
KORIAN SANTÉ	4,000	4,000	100.00%	8,000,920	8,000,920	60,980	2,827,810	-2,192,013		31,315,825
LA BASTIDE DE LA TOURNE	2,500	2,500	100.00%	12,681,612	12,681,612	38,112	793,920	3,535,997		0
LA MOULINIÈRE	100	100	100.00%	1,996,919	420,864	76,225	1,094	345,736		0
LA PINÈDE	100	200	50.00%	2,855,691	2,855,691	38,250	834,742	1,948,452		0
LE CLOS CLÉMENT 77	2,500	2,500	100.00%	4,609,661	4,609,661	38,112	338,889	1,801,068		0
LE MONT BLANC	30	60,000	0.05%	1,906	1,906	960,000	-819,617	-8,036,627		8,629,904
LE NORD COTENTIN	15,000	15,000	100.00%	10,637,761	10,637,761	915,000	3,773,619	4,158,144	800,000	0
LES BÉGONIAS	24,301	28,568	85.06%	122,291,549	122,291,549	1,057,016	5,623,366	27,304,228	16,269,463	2,054,110
LES ISSAMBRES	63,282	63,282	100.00%	2,495,000	2,495,000	964,728	518,983	2,740,845		0

Equity interests	Nb. of shares owned	Nb. of shares issued	% of interest	Gross value of shares	Net value of shares	Share capital	Annual profit/loss	Net assets excluding share capital	Dividends received by Korian SA	Loans and advances granted by Korian SA
LES TROIS TOURS	1,606	5,606	28.65%	3,481,187	3,481,187	85,463	2,090,330	3,174,727	1,461,042	0
LES LIERRES GESTION	40,000	40,000	100.00%	5,114,002	5,114,002	448,000	445,540	781,016		0
MEDICA FRANCE	3,353,685	3,353,685	100.00%	1,005,896,274	1,005,896,274	50,976,012	24,264,967	132,792,878	3,500,000	134,578,103
MEDI'DEP FONCIER	500	500	100.00%	2,875,031	2,875,031	7,500	1,817,458	2,819,425	1,200,000	0
MEDOTELS	73,763	73,763	100.00%	149,254,403	149,254,403	1,124,886	26,437,611	124,459,722	21,000,000	91,905,967
NEWCO BEZONS	6,966	6,966	100.00%	8,160,371	8,160,371	111,456	527,179	985,372	1,500,000	0
PRIVATEL	23,400	23,400	100.00%	7,419,922	7,419,922	356,731	-531,087	-1,538,862		17,221,081
RÉSIDENCE MAGENTA	500	500	100.00%	18,272,719	18,272,719	40,000	1,310,929	8,088,097		0
SAINT-CYR GESTION	76,004	76,004	100.00%	2,233,644	2,233,644	2,147,040	542,144	205,684		0
SCI LE TEILLEUL	1,650,000	2,750,000	60.00%	1,650,000	1,650,000	2,750,000	-75,012	-118,327		4,294,708
SCI PERREUX	0	0	NC	60,980	60,980	NC	NC	NC	44,816	0
SEGESTA	5,265,567	5,265,567	100.00%	285,511,361	285,511,361	5,265,567	46,374,603	164,629,400		18,817,409
SENIOR LIVING GROUP	4,738	4,738	100.00%	138,942,728	138,942,728	25,595,679	7,882,895	35,955,504		0
CLINIQUE DE SOINS DE SUITE DE NOISY-LE-SEC	2,500	2,500	100.00%	8,217,301	8,217,301	38,112	560,633	1,097,056	1,200,000	0
SOCIÉTÉ D'EXPLOITATION DE LA CLINIQUE DU PERREUX	2,500	2,500	100.00%	15,259,708	15,259,708	38,112	1,667,707	2,614,421	2,500,000	0
SOCIÉTÉ GÉRONTOLOGIQUE DU CENTRE OUEST – SGCO	128	2,500	5.12%	34,140	34,140	38,112	455,309	921,944	10,240	0
SOCIÉTÉ HOSPITALIÈRE DE TOURAINE	1,310	3,899	33.60%	2,736,389	2,736,389	58,485	548,886	1,760,950	352,783	0
SOCIÉTÉ NOUVELLE DE LA CLINIQUE DU MESNIL	1,693	1,693	100.00%	18,403,555	18,403,555	131,100	-113,677	2,479,919	556,305	968,369

Receivables maturity schedule

Statement of receivables	Total	Due in < 1 year	Due in > 1 year
Loans and receivables related to equity interests	614,479		614,479
Other non-current financial assets	158		158
Other accounts receivable	66,361	66,361	
Personnel and related accounts	5	5	
Social security and other welfare organisations	77	77	
Government and local authorities			
• Income tax	34,428	34,428	
• Value-added tax	3,798	3,798	
• Other	617	617	
Group and associates	521,023	521,023	
Sundry debtors	2,150	833	1,317
Prepaid expenses	2,589	1,609	980
TOTAL	**1,245,685**	**628,751**	**616,934**

Marketable securities and cash

Available cash in bank was stated at its nominal value.

Korian's treasury shares are valued using the weighted average price method. See the table below.

In euros	Number	Amount
Balance at 31.12.2015	**32,936**	**1,066,680**
2016 Purchases	1,041,709	29,592,020
2016 Sales	1,040,773	29,562,539
2016 Net gain/(loss) on disposal		*185,045*
BALANCE AT 31.12.2016	**33,872**	**911,117**

Prepaid expenses

Prepaid expenses are shown in the table below.

Expenses	2016	2015
Maintenance	459	188
Swap cash payments and interest expense on derivative instruments	1,010	7,984
Other	529	267
Rent	591	
TOTAL	**2,589**	**8,438**

Deferred income

Deferred income is shown in the table below.

Income	2016	2015
Management commissions	1,441	2,274
Work and project management	12	30
TOTAL	**1,453**	**2,305**

Accrued income and expenses

Accrued income or expense	Income	Expense
Accrued interest on loans	10,475	2,318
Accrued interest on bonds		8,133
Accrued interest on swaps		1,072
Suppliers, invoices not yet received		6,567
Non-Group trade receivables, invoices to be issued	3,367	
Group trade receivables, invoices to be issued	1,537	
Social security liabilities	1	6,760
Social security contributions on social security liabilities		1,893
Accrued income/expenses – Government	130	270
Accrued interest on current accounts	10,614	4,052
Accrued bank interest	30	26
TOTAL	**26,154**	**31,089**

Changes in shareholders' equity

Statement of changes in equity

Changes in shareholders' equity	In thousands of euros
At start of year	**1,569,730**
Capital increase	3,562
Additional paid-in capital	15,362
Legal reserve	3,361
Other reserves	0
Retained earnings	16,208
2015 dividends paid	-67,230
2016 profit/(loss)	21,871
Regulated provisions	6
AT YEAR END	**1,562,870**

Shareholders were able to choose between receiving the dividend payment of €0.60 per share in cash or in new shares in the Company, at an issue price of €26.62 per share. On 22 July 2016, Korian's share capital was increased by a par value of €3,561,845, through the issuance of 709,369 shares.

Following this transaction, Korian's share capital was €400,890,210 and consisted of 80,178,042 fully paid up shares, all of the same class and with a par value of €5 each.

The 'Regulated provisions' cover accelerated depreciation on share buyback costs.

Korian's shareholding structure at 31 December 2016

Shareholders	Number of shares	% of capital	% of voting rights
Predica	19,007,812	23.71%	23.71%
Investissements PSP	11,100,000	13.84%	13.84%
Malakoff Médéric Assurances	5,203,892	6.49%	6.49%
Groupe Batipart	180,021	0.22%	0.22%
ACM Vie	535,165	0.67%	0.67%
Free float	44,151,152	55.07%	55.07%
TOTAL	**80,178,042**	**100.00%**	**100.00%**

Provisions for risks and expenses

Provisions for risks and expenses are shown in the table below.

	31.12.2015	Increases	Reversals		31.12.2016
In thousands of euros			Used	Not used	
Provisions for risks and expenses					
Other provisions for risks and expenses	2,032	3	-1,299		736
Provisions for wage-related claims and disputes	438	1,420	-363	-38	1,457
TOTAL	**2,470**	**1,423**	**-1,661**	**-38**	**2,194**

The provision for wage-related claims and disputes pertains mainly to remuneration-related restructuring costs and labour disputes.

Financial liabilities

Amounts owed to credit institutions

	2016	2015
Bank overdrafts	26	24
Total	**26**	**24**
Bank loans		
• < 1 year	49,568	9,542
• > 1 year	662,280	611,850
Accrued interest	2,318	58
Total bank loans	**714,165**	**621,450**
Issuance of short-term negotiable debt securities	**50,000**	**0**
TOTAL BANK DEBT	**764,191**	**621,473**

On 31 December 2016, Korian's gross borrowings consisted of:

- €650 million under the syndicated loan (the second revolving tranche will be made available on 31 December 2016);
- €61.8 million of medium-term borrowings;
- accrued interest of €2,318 thousand;
- €50 million in short-term negotiable debt securities (previously *billets de trésorerie*).

Liabilities maturity schedule

Statement of debt and liabilities	Total	< 1 year	> 1 year and < 5 years	> 5 years
Other bonds	1,028,633	8,133	391,500	629,000
Loans and other borrowings	714,191	51,911	662,280	
Sundry loans and other financial liabilities	50,000	50,000		
Trade payables and related accounts	26,772	26,772		
Personnel and related accounts	5,709	5,709		
Social security contributions, other social contributions	4,575	4,575		
Gov.: VAT	6,952	6,952		
Gov.: other taxes	968	968		
Suppliers of non-current assets	1,682	1,682		
Group and associates	246,248	246,248		
Other liabilities	7,293	60		7,233
Deferred income	1,453	12	1,441	
TOTAL	**2,094,476**	**403,022**	**1,055,221**	**636,233**

Breakdown of affiliated company Statement of Financial Position and Income Statement items

Item	Amount for affiliated companies	Amount for equity interests
Loans	614,478	
Gross equity interests	2,250,118	309
Debit balance current accounts	521,020	
Credit balance current accounts	245,118	
Financial expenses	4,052	
Financial income	87,209	45

Revenue

Revenue is broken down in the following table.

	2016	2015
Subsidiary management fees	48,704	48,372
Project management assistance for subsidiaries	0	1,676
Reinvoiced employee expenses	3,554	2,054
Other reinvoiced items	1,788	2,014
Service agreements	14,702	12,687
Reinvoiced property rental expenses	287	292
TOTAL	**69,035**	**67,095**

In 2016, Korian generated revenue of €64,713 thousand in France and €4,322 thousand abroad.

Transferred operating expenses

These expenses totalled €12,567 thousand.

They include:

- reimbursement of training costs (€148 thousand);
- reimbursement of sick pay and benefits in kind (€470 thousand);
- income from equity interests (€76 thousand);
- the cost of bond issuance and expenses related to loans from credit institutions (€11,873 thousand).

Operating expenses

Purchases and external expenses

The most significant purchases and external expenses are shown in the following table.

Expense	2016	2015
Purchases to reinvoice	1,769	1,771
Subcontracting	1,306	1,195
Real property Leases	2,548	2,804
Equipment rental expenses	1,240	1,196
Maintenance	2,512	1,885
Temporary employee expenses	167	286
Technical assistance services	13,089	17,312
Administrative fees	12,691	8,979
Travel expenses	2,744	2,614
Telecommunications	1,025	1,062
Banking services	15,160	4,715
Recruitment costs	566	722
Others charges	4,905	3,335
TOTAL	**59,722**	**47,875**

Taxes

See the table below.

Expense	2016	2015
Taxes and duties on compensation	1,256	1,638
Corporate value-added tax/Corporate real estate contribution	426	450
Real estate tax	273	233
Non-recoverable VAT	248	250
Vehicle tax	68	68
Organic	58	129
Other taxes	13	39
TOTAL	**2,343**	**2,807**

Wages and social security contributions

See the table below.

Type of expense	2016	2015
Salaries and remunerations	26,199	21,813
Social security charges	11,768	11,054
TOTAL	**37,967**	**32,867**

Financial income and expenses

See the table below.

Financial income or expense	2016		2015	
	Income	Expense	Income	Expense
Financial income from equity interests	65,059		100,841	
Interest on current accounts	10,614	4,052	11,564	4,464
Interest on borrowings		39,702		30,539
Cost of financial instruments		13,614		10,253
Income from loans	11,581		4,056	
Provisions	1,264	126	1,010	1,944
Other	1,168	687	1,224	372
TOTAL	**89,685**	**58,181**	**118,695**	**47,572**

Non-recurring income and expenses

See the table below.

Non-recurring income or expense	Income	Expense
Disposal of property, plant and equipment	0	138
Tax accelerated depreciation	0	6
Sundry non-recurring income	139	0
Sundry non-recurring expenses	0	133
TOTAL	**139**	**277**

Off-balance sheet commitments

Joint and several guarantees on rental payments

Since the Group's creation, the leases between Korian's subsidiaries and institutional lessors have been secured by a surety or a rental guarantee by Korian.

Under the finance lease transactions carried out since December 2009, Korian has stood surety for the lease commitments of its subsidiaries.

Commitments given

To relieve its subsidiary Curanum of its obligation to publish its financial statements in Germany, Korian provides it with an annual "letter of support".

Disputes

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

Pension commitments

The estimated current value of the Company's pension commitments to all of its employees is based on the following assumptions:

- calculation method used: projected credit unit;
- female mortality table: TPGF05;
- male mortality table: TPGH05;
- discount rate: 1.45%;
- collective bargaining agreement: CCU (private healthcare);
- retirement age: 60 to 64 years;
- retirement is at the employee's initiative.

Severance payments at 31 December 2016 amounted to €1,271 thousand and were not provisioned in the individual company financial statements.

Derivative financial instruments (at fair value)

The Company uses derivative financial instruments (swaps and caps) to hedge the interest rate risk associated with its variable-rate financing.

The fair value of these instruments is shown in the table below.

In millions of euros	Value at 31.12.2016	Nominal
Swap	-16.43	710.0
Cap	0.84	352.5

The swaps entered into when absorbing Medica are recognised as liabilities and have an after-tax value of €618 thousand.

Asset and liability guarantees received

In accordance with its usual practice, the Group has obtained guarantees on the liabilities of all of its acquisitions.

Asset and liability guarantees given

When selling companies outside of the Group, Korian has granted guarantees on tax, tax-related, customs duties and social security liabilities that cover the entire period during which these liabilities may be claimed. Guarantees on all other liabilities are valid for 18 months after the transfer of title.

Bank guarantees given

On 21 July 2016, Korian refinanced its syndicated loan agreement. Under this new syndicated loan agreement, compliance with the debt ratio (net debt - real estate debt) / (EDITDA – 6.5% of real estate debt) must be tested Group-wide on a semi-annual basis. The debt ratio thus calculated must not exceed 4.5 on 31 December and 4.75 at 30 June, throughout the term of the loan.

Bank guarantees received

Korian holds a €976 thousand independent bank guarantee payable on first demand.

Repurchase commitments

Korian has agreed to buyback equity interests in Seniors Santé group subsidiaries at the seller's request:

- Block 3: purchase of an additional 20% when approval is obtained from the safety commission.

Share-based payments

The 2014 Free Shares Plan

On 10 September 2014, the Board of Directors approved, with the authorisation of the Annual General Meeting of 26 June 2014, a free shares plan for certain members of General Management. This plan provides for the granting of up to 153,030 shares in the Company, subject to the achievement of performance targets based on the market share price, EBITDA and revenue.

For plan beneficiaries who are French tax residents, the granting of these shares will vest and title to these shares will be transferred on 31 March 2017, subject to continued employment. Beneficiaries will also not be authorised to dispose of the shares thus received until 31 March 2019.

At 31 December 2016, there were 80,301 free shares available under this plan, subsequent to the departure of certain beneficiaries.

When these departures are taken into consideration, the cost of the free share plan pursuant to IFRS standards is about €1,287 thousand (excluding social security charges) on 31 December 2016 and the resulting dilution will not exceed 0.10%.

The 2015 Free Shares Plan

On 16 September 2015, the Board of Directors approved, with the authorisation of the Annual General Meeting of 26 June 2014, a free shares plan for certain members of General Management. This plan provides for the granting of up to 103,305 Company shares, subject to the achievement of the same performance targets as the Free Shares Plan of 10 September 2014. Under the authority granted by the Board of Directors, the Chief Executive Officer, after selecting the beneficiaries, determined that there were a total of 90,649 shares to be granted under this plan.

For plan beneficiaries who are French tax residents, the granting of these shares will vest and title to these shares will be transferred on 31 March 2018, subject to continued employment. Beneficiaries will also not be authorised to dispose of the shares thus received until 31 March 2020.

At 31 December 2016, there were 33,391 free shares available under this plan, subsequent to the departure of certain beneficiaries.

When these departures are taken into consideration, the cost of the free share plan pursuant to IFRS standards is about €749 thousand (excluding social security charges) on 31 December 2016 and the resulting dilution will not exceed 0.05%. The IFRS cost after discounting the turnover rate was €674 thousand.

Other information

Average workforce

The average workforce over the year was 369 employees. For more information see the table below.

Type of employee	2016	2015
Managerial staff	268	240
Other employees	101	97
TOTAL	**369**	**337**

Compensation paid to executive bodies

The following compensation was paid to the executive bodies for fiscal 2016:

- 2016 Fixed compensation: €1,949 thousand;
- Variable compensation: €498 thousand;
- Company car allowance: €39 thousand.

Compensation paid to management bodies

Management bodies received the following compensation in 2016:

- 2016 Fixed compensation: €332 thousand.

For their services in 2016, €332,268 in attendance fees were paid to the members of Board of Directors and of the Board's special committees, except for the Board's Chair, who waived the attendance fees to which he was entitled as Chair and as a member of various special committees.

The members of the Board and the committees are also entitled to reimbursement, upon presentation of vouchers, of travel expenses incurred in attending Board and committee meetings. Directors other than the Chairman of the Board received no other compensation for 2016.

The Board of Directors' meeting held at the conclusion of the General Meeting of 23 June 2016 adopted new Internal Regulations, which change the method for allocating the total amount of attendance fees to the directors. article 1.9 of the Internal Regulations provides for the following allocation:

Of the total annual amount of attendance fees of €400,000:

- the sum of €350,000 will be divided among the directors as a fixed payment and on the basis of their actual attendance at Board and committee meetings;
- the balance of €50,000 will be used to pay an additional attendance fee to non-resident independent directors.

The sum of €350,000 will be divided among the directors in accordance with the following rules:

- 45% of the above amount of attendance fees will be divided equally among Board members as a fixed payment, with the Chairman entitled to double fees and independent directors to sextuple fees;
- 30% of the above amount will be divided among Board members in proportion to the number of Board meetings they attend, with the Chairman entitled to double fees;
- 25% of the above amount will be divided among the members of the various committees in proportion to the number of committee meetings they attend, with the Chairman of each committee entitled to double fees.

A director who takes part in a Board or committee meeting *via* a telephone conference call will be entitled to only half fees.

If, exceptionally, a committee meeting is held (i) during a suspension of a Board of Directors' meeting, or (ii) immediately before, or (iii) immediately after a Board meeting, compensation will be paid only for the Board of Directors' meeting.

The attendance fees paid to directors for the period from 23 June (at the conclusion of the General Meeting) to 31 December 2016 are in accordance with the 10th resolution adopted by the General Meeting of shareholders held on 23 June 2016, which set the total annual amount of attendance fees at €400,000 as of the date of said meeting and for subsequent financial years, until otherwise decided. This new total amount is intended to encourage international applications for director positions, following a study of the level of attendance fees paid by companies comparable to Korian.

Attendance fees paid to directors from 1 January to 23 June 2016 (before the General Meeting) are in accordance with the 11th resolution adopted by the General Meeting of shareholders held on 26 June 2014, which set the total annual amount of attendance fees at a maximum of €300,000.

Tax consolidation

In the absence of a tax consolidation agreement, income tax expense is borne by the subsidiaries. The annual tax savings achieved through the consolidated tax group, resulting from the various tax deficits, adjustments, dividend and other tax credits, is retained by the parent company Korian and is treated as an immediate gain for the fiscal year.

When a subsidiary returns to profitability, the parent company Korian will bear a corresponding income tax expense for that year.

The Korian consolidated tax group comprised 126 companies in 2016 (including Korian).

In the absence of a tax consolidation agreement, the Group's net income tax expense for 2016 would have been €28,294 thousand.

The tax consolidation regime generated a tax profit of €24,421 thousand for the parent company.

The consolidated tax group's ordinary taxable income for 2016 was €11,321 thousand.

The Group received €23,820 thousand in CICE tax credits for 2016.

The Group also received €456 thousand in tax credits for its patronage and apprenticeship initiatives.

Taxes

	Before tax	Tax	After tax
Net profit/(loss) from continuing operations	-2,161	0	-2,161
Non-recurring profit/(loss)	-138	0	-138
Impact of tax consolidation and tax credits		-24,170	-24,170
Accounting profit/(loss)	-2,298	-24,170	21,871

Increases and decreases in future tax liabilities

Increases

• Reallocation of tax deficits to subsidiaries	€61,771,813
• For a future tax expense	€21,268,035

Decreases

• Organic	€89,966
• For a future tax reduction of	€30,872

6.2 Statutory auditors' report on the annual financial statements

▸ YEAR ENDED 31 DECEMBER 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meetings of shareholders, we hereby present our report for the year ended 31 December 2016 on:

- the audit of Korian's annual financial statements, which are appended to this report;
- the justification of our assessments;
- the specific verifications and information required by law.

The annual financial statements have been approved by the Board of Directors. On the basis of our audit, our role is to express an opinion on these financial statements.

I. Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we carry out adequate checks so as to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit consists of examining, on a test basis or using other selective methods, the information in support of the amounts and disclosures in the annual financial statements. It also consists of assessing the accounting policies followed and significant estimates used, as well as evaluating the overall presentation of the financial statements. We consider that the information that we have collected is sufficient and appropriate as a basis for our opinion.

We certify that, in light of French accounting rules and policies, the annual financial statements are true and accurate and give a fair view of the results of the operations during the past financial year, as well as of the Company's financial position and assets and liabilities at the end of such financial year.

Without calling into question the opinion expressed above, we draw your attention to the section entitled "Technical loss and application from 1 January 2016 of the provisions of Regulation No. 2015-06 of 23 November 2015" of the note entitled "Accounting principles and policies", which discusses the impact of the first-time application of French Accounting Standards Authority (ANC) Regulation 2015-06 on the recognition of technical losses generated by mergers.

II. Justification for our assessments

In accordance with article L. 823-9 of the French Commercial Code on the justification for our assessments, we draw your attention to the following matters:

Equity investments are recognised at their acquisition cost, and impairment thereof is calculated on the basis of their value in use or market value in accordance with the procedures described in the notes entitled "Main methods used in relation to intangible assets" and "Main methods used in relation to equity investments and other long-term investments" in the notes to the annual financial statements.

Our work consisted in assessing the data and assumptions used as the basis for these estimates, especially the forecast cash flows, reviewing the calculations made by the company and analysing the procedure used by Management to approve these estimates. We verified that the notes entitled "Main methods used in relation to intangible assets" and "Main methods used in relation to equity investments and other long-term investments" in the notes to the annual financial statements disclose appropriate information.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. Specific verifications and information

In accordance with the auditing standards applicable in France, we have also performed the specific verification required by law.

We have no observations to make regarding the truthfulness of the information contained in the Board of Directors' management report and in the documents sent to the shareholders regarding the Company's financial position and the annual financial statements, or its consistency with said financial statements.

Concerning the information provided pursuant to article 225-102-1 of the French Commercial Code on the compensation and benefits paid to corporate officers, as well as commitments made to them, we have verified its consistency with the financial statements, or with the figures used to prepare the financial statements and, where applicable, with the information obtained by your company from companies that control it or are controlled by it. Based on this work, we certify the accuracy and truthfulness of this information.

In accordance with the law, we have verified that the required information concerning the acquisition of equity investments and controlling interests, as well as the identities of the holders of equity rights and voting rights, have been disclosed to you in the management report.

Courbevoie and Paris-La Défense, 31 March 2017

The Statutory Auditors

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

6.3 Statutory auditors' special report on related party agreements and commitments

▸ GENERAL MEETING CONVENED TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

To the Shareholders,

In our capacity as the statutory auditors of your company, we hereby present our report on related party agreements and commitments.

It is our duty to inform you, on the basis of the information that has been provided to us, about the characteristics and material terms of agreements and commitments that have been reported to us or that we discovered in performing our assignment, as well as the grounds showing that they are in the company's interest. However, it is not our role to comment on whether these agreements are beneficial or appropriate, or to ascertain whether any other agreements exist. Pursuant to article R. 225-31 of the French Commercial Code, it is your responsibility to determine whether entering into these agreements and commitments was beneficial, with a view to approving them.

In addition, if applicable, it is our duty to provide you with the information required by article R. 225-31 of the French Commercial Code on the performance, during the past financial year, of agreements and commitments already approved by a General Meeting.

We have performed the work that we deemed necessary in accordance with the professional guidelines of the French National Board of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relevant to this assignment. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the General Meeting

We inform you that we have not been apprised of any agreement that has been authorised during the past financial year that must be submitted for approval to the General Meeting pursuant to the provisions of article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by a General Meeting

In accordance with article R. 225-30 of the French Commercial Code, we have been informed that the performance of the following agreements and commitments, which were approved by General Meetings held in prior years, continued during the year.

1. With Mr Christian Chautard, director and Chairman of the Board of Directors

▸ NATURE AND PURPOSE

At its meeting on 2 November 2015, your Board of Directors authorised the award of exceptional remuneration to Mr Christian Chautard for his special assistance in connection with the acquisition of the German group Casa Reha and, thereafter, his supervision and coordination of the integration thereof.

▸ TERMS AND CONDITIONS

For this assistance, he was paid a gross annual compensation of €70,000 for the period from 2 November 2015 to 30 June 2016. This compensation was suspended between 18 November 2015 and 26 January 2016, and was terminated on 27 January 2016 when Sophie Boissard took office.

In 2016, your company paid the sum of €3,200, which was the amount of compensation owed at year-end 2015.

▸ GROUNDS JUSTIFYING THE BENEFIT TO THE COMPANY

Christian Chautard has the capacity and experience needed to perform an assignment of this kind. He is bi-cultural and speaks fluent German. He also has extensive business experience in that country including, in particular, the assignment to monitor the performance of the Curanum public offering and prepare for the integration of the German entities Phönix and Curanum. He was then in charge of completing the integration after the public offering, as well as implementing the synergies and growth plans for the German entities. This work was entrusted to him by the Board of Directors at its meeting of 5 December 2012 and ended in March 2015.

2. With Sophie Boissard, Chief Executive Officer

▸ NATURE AND PURPOSE

At its meeting on 18 November 2015, your Board of Directors authorised the award of a severance payment, non-compete compensation and the benefit of group insurance coverage and unemployment insurance to Sophie Boissard.

▸ TERMS AND CONDITIONS

The following are the main terms and conditions:

- Severance pay in the event of the termination or non-renewal of her corporate office (except for gross negligence or wilful misconduct) due to a change in strategy or control, in which case payment will be conditioned on meeting performance criteria and will be in an amount equal to the annual base compensation, increased by 25% per year of service, but without exceeding more than twice the annual base compensation, after deducting any amount owed as non-compete compensation, if the Company does not waive the benefit of the covenant not to compete;
- Non-compete compensation amounting to 50% of the fixed annual gross remuneration received during the twelve months prior to the date on which the event triggering departure occurs, which can be combined, if applicable, with the severance payment, although the two combined payments may not exceed two years of fixed and variable annual remuneration (otherwise, severance pay will be cut to reduce total compensation to this amount);
- Coverage under the group "healthcare" and "disability, invalidity and death" plans taken out for the benefit of salaried managers in force within the company;
- Unemployment insurance, such as a GSC policy, covering the risk of removal from office, as well as payment of the costs of this insurance.

▸ GROUNDS JUSTIFYING THE BENEFIT TO THE COMPANY

As Chief Executive Officer, Sophie Boissard has strategic functions within your company.

Courbevoie and Paris-La Défense, 31 March 2017

The Statutory Auditors

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

CHAPTER 7

Information on the Company and the share capital

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7.1 Memorandum and articles of association

The information below describes the Company's operating procedures, which were unchanged in 2016.

The Company's articles of association have been updated to reflect the decisions adopted by General Management on 20 July 2016, confirming the capital increase following the exercise, by certain shareholders, of the option for payment of the dividend in shares and, on 31 March 2017, confirming the capital increase following the acquisition of free shares by certain members of General Management.

7.1.1 CORPORATE PURPOSES

Article 3 of the articles of association states that Korian's corporate purposes are:

- *"all management, management consultancy and ownership activities relating to companies specialised in the healthcare and elder care sector, specifically in nursing homes for dependent elderly persons, post-acute care and rehabilitation facilities, psychiatric clinics, home care for dependent elderly persons and, more generally, dependency care and services for elderly persons; and*
- *more generally, the acquisition of equity interests, by any means, in all existing or future companies, businesses or enterprises, and all financial, commercial, industrial, real and personal property transactions that may be directly or indirectly related to any of the purposes specified above, or any similar or related purpose that may promote the development of the Company's assets".*

7.1.2 ADMINISTRATIVE AND MANAGEMENT BODIES

Articles 11 to 13 of the articles of association concern the Board of Directors and General Management, as well as their compensation.

Article 11. Board of Directors

"The Company is governed by a Board of Directors comprised of a minimum of three (3) members and a maximum of eighteen (18) members, subject to the exceptions provided for by law in the event of a merger".

11.1 Appointment – Dismissal – Resignation of members of the Board of Directors

11.1.1 APPOINTMENT

"The members of the Board of Directors, who may be individuals or legal entities, and who may but need not be shareholders, shall be elected by an Ordinary General Meeting of shareholders. In the event of a merger or demerger, directors may be appointed by an Extraordinary General Meeting.

Appointment to the Board of Directors is subject to conditions laid down by law relating to the holding of multiple directorships. An individual may not be appointed as a director if he/she is subject to restrictions resulting from the incompatibilities, disqualification or prohibitions laid down by the statutes or regulations in force. Any director who infringes the above limitations must, within three (3) months following his/her appointment, resign from his/her other directorship(s). Failing this, at the expiry of this period, the director shall be deemed to have resigned from his/her new directorship.

At least two-thirds of the members of the Board of Directors must be under the age of seventy (70).

If this proportion is breached, the situation must be rectified no later than by the conclusion of the next Ordinary General Meeting. The situation may be rectified by voluntary resignations and, if necessary, the co-opting of new directors or, failing this, by automatic retirements that will take effect at the conclusion of the next Ordinary General Meeting, which shall make the necessary new appointment(s). The oldest director(s) on the date the percentage is exceeded shall be deemed to retire automatically.

If a legal entity is appointed as a member of the Board of Directors, it shall designate a permanent representative, who shall be subject to the same requirements and obligations, and shall incur the same civil and criminal liability, as if he/she were a member of the Board of Directors in a personal capacity, without prejudice to the joint liability of the legal entity that he/she represents. Permanent representatives shall be subject to the same age requirements as individual members of the Board of Directors.

If the legal entity dismisses its representative, it shall appoint a replacement at the same time. The term of office of a permanent representative designated by a legal entity appointed to the Board of Directors shall be of the same duration as the term of office of the legal entity. If the legal entity dismisses its permanent representative, it shall promptly inform the Company of such dismissal, by registered letter, and provide the name of its new permanent representative. The foregoing also applies in the event of the permanent representative's death or resignation.

The appointment and termination of the office of the permanent representative are subject to the same publication requirements as if he/she were a member of the Board of Directors in a personal capacity."

11.1.2 TERM OF OFFICE – REAPPOINTMENT

"Directors shall be appointed by an Ordinary General Meeting of shareholders for a term of three (3) years and, thereafter, one-third of the Board shall be elected each year. Exceptionally, in order to allow a staggered renewal of the directors' appointments, the General Meeting may appoint one or more directors for a term of one (1) or two (2) years.

The term of office of a director shall expire at the end of the Annual ordinary General Meeting of shareholders convened to approve the financial statements for the past year that is held during the year in which the term of office expires.

Upon the expiry of their terms of office, directors may be re-elected".

11.1.3 RESIGNATION – VACANCY

"If a member of the Board of Directors resigns or dies while in office, he/she may be replaced by co-option, provided the number of members of the Board of Directors remaining in office does not fall below the legal minimum.

If, owing to the foregoing events, the number of directors falls below the number required by the articles of association without falling below the legal minimum, the Board of Directors shall make the necessary temporary appointments to restore its full complement within three (3) months from the date on which the vacancy occurs.

The appointments made by the Board of Directors pursuant to these provisions are subject to ratification by the next Annual ordinary General Meeting. Failing ratification, the decisions made and acts carried out previously by the Board of Directors nevertheless remain valid.

A director appointed to replace another director shall only hold the position during the remaining portion of his/her predecessor's term of office.

If the Board of Directors fails to make the required appointments, or if a General Meeting is not convened, any interested party may request that the courts appoint a representative charged with convening a General Meeting in order to make the necessary appointments or ratify the appointments at issue. This representative shall be appointed by the President of the Commercial Court (tribunal de commerce), ruling pursuant to an ex parte petition.

If the number of directors falls below the legal minimum, the remaining directors shall immediately convene an Ordinary General Meeting with a view to restoring the full complement of the Board of Directors".

11.1.4 DISMISSAL

"The members of the Board of Directors may be dismissed by an Ordinary General Meeting at any time".

11.1.5 BOARD OBSERVERS

"The Board of Directors may be assisted in its work by between one (1) and three (3) observers appointed by an Ordinary General Meeting of shareholders for a period of three (3) years.

These observers may be individuals or legal entities, and may but are not required to be shareholders. Observers attend meetings of the Board of Directors without voting rights and provide general advice to the directors, who are not required to follow their opinions or recommendations. The observers are bound by the same confidentiality obligations as directors, and may be dismissed at any time by an Ordinary General Meeting".

11.2 Organisation and deliberations of the Board of Directors

11.2.1 CHAIRMAN – VICE-CHAIRMAN

"The Board of Directors shall elect a Chairman from among its members, who must be an individual under the age of seventy-five (75).

The term of office of the Chairman shall be three (3) years but may in no event exceed his/her term of office as director. The Chairman may be re-elected.

The Chairman of the Board of Directors organises and directs the business of the Board, reports thereon to General Meetings and implements its decisions. He/she shall ensure that the Company's bodies run smoothly and that its directors are able to perform their duties.

The Board of Directors shall determine the compensation paid to the Chairman.

The Chairman may be dismissed by the Board of Directors at any time. If the Chairman is dismissed, he/she retains his/her position as director.

The Board of Directors shall also elect a Vice-chairman from among its members, who must be an individual under the age of seventy-five (75). The term of office of the Vice-chairman shall be three (3) years but may in no event exceed his/her term of office as director. The Vice-chairman may be re-elected. The Vice-chairman may be dismissed by the Board of Directors at any time. If the Vice-chairman is dismissed, he/she retains his/her position as director.

The Vice-chairman's duties also include chairing meetings of the Board of Directors and organising and directing its business if the Chairman is absent or unable to perform".

11.2.2 SECRETARY

"The Board of Directors shall appoint a secretary, who may but need not be a Board member, and who shall be responsible for keeping the Board of Directors' registers and documents up to date, or causing them to be kept up to date".

11.2.3 MEETINGS OF THE BOARD OF DIRECTORS

"The Chairman or Vice-chairman may convene the Board of Directors as often as necessary, but at least once per quarter. The agenda shall be set by the person who convenes the meeting. However, the Chairman or Vice-chairman, as applicable, may add any item to the agenda he/she deems necessary.

The meetings of the Board of Directors shall be held either at the Company's head office or in any other location that may be specified by the Chairman or Vice-chairman.

The notice informing the members of the Board of Directors of the meeting may be sent by any means, including by letter, fax or e-mail, five (5) business days in advance, or less in the event of an emergency. Regular meetings to be held on specific dates shall be set at the start of each year according to a schedule drawn up by the Board of Directors and recorded in the minutes of the meeting held for this purpose. This schedule precludes the need for any notice of meeting to be given, provided the date, time or location decided for a meeting are not changed.

Directors representing at least one-third (1/3) of the members of the Board may request the Chairman or Vice-chairman to convene a Board of Directors meeting to consider a specific agenda.

The Chief Executive Officer may also request the Chairman or Vice-chairman to convene a meeting of the Board of Directors to consider a specific agenda.

Meetings of the Board of Directors may be held by videoconference, in accordance with the requirements and procedures laid down by the statutes, regulations and rules of procedure of the Board of Directors. Meetings may also be held using means of telecommunications that enable identifying directors and allowing them to participate, in accordance with the requirements and procedures laid down by the statutes, regulations and rules of procedure of the Board of Directors".

11.2.4 QUORUM – MAJORITY

"The Board of Directors may deliberate validly only if at least half of its members are present. Decisions shall be adopted by a majority vote of the members present or represented, with each director having one vote. In the event of a tie vote, the Chairman does not have the casting vote.

Directors who attend Board of Directors meetings via videoconference or means of telecommunications shall be counted when calculating the quorum and majority, except for decisions for which the French Commercial Code does not allow this procedure".

11.2.5 REPRESENTATION – CHAIRMAN – MEETING SECRETARY

"Any member of the Board of Directors may grant, by letter, telegram, mandate, e-mail or any other written document, a proxy to any other member of the Board of Directors, conferring on such member the power to represent him/her at a Board of Directors meeting.

Each member of the Board of Directors may hold only one proxy per meeting, granted in accordance with the provisions of the previous paragraph. These provisions apply to the permanent representative of a legal entity that is a member of the Board of Directors.

Meetings shall be called to order and chaired by the Chairman of the Board of Directors, or the Vice-chairman if the Chairman is absent or unable to perform.

If the Chairman and Vice-chairman are absent or unable to perform, the Board of Directors shall designate one of its members who is present to chair the meeting. If the permanent secretary is absent, the Board of Directors may appoint, at each meeting, any individual to perform this role".

11.2.6 ATTENDANCE REGISTER – MINUTES OF DELIBERATIONS

"An attendance register shall be kept, which shall be signed by the members of the Board of Directors who attend the Board of Directors meeting, and which shall state the names of the directors present, represented or deemed to be present (i.e. who take part in the meeting via videoconference or means of telecommunications).

The minutes shall be prepared and kept in accordance with the requirements laid down by the regulations in force. Copies and excerpts from the minutes of meetings shall be validly certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officers or a representative duly authorised for this purpose.

If the Company is liquidated, these copies and excerpts shall be validly certified by a single liquidator".

11.3 Powers of the Board of Directors

"Pursuant to its general powers, the Board of Directors shall determine the Company's business strategy and ensure that it is implemented. Within the limits of the corporate purposes, and subject to the powers expressly granted by law to Shareholders' meetings, the Board of Directors shall examine all issues in relation to the proper operation of the Company and, by its decisions, shall resolve matters concerning it.

In addition to the powers defined by law, the Board of Directors shall make decisions concerning inter alia:

1. *the approval of the Company's strategic business plan and subsequent amendments thereto;*
2. *the approval of the annual budget;*
3. *the disposal of properties with a value greater than fifteen (15) million euros;*
4. *the full or partial sale of equity interests with a value greater than fifteen (15) million euros;*
5. *obtaining loans for an amount greater than fifty (50) million euros;*
6. *acquiring assets (such as companies or equity investments), with an enterprise value greater than fifteen (15) million euros.*

The Board of Directors shall perform the checks and verifications it deems necessary.

The relocation of the head office within the same "department" (French administrative region) or to a neighbouring department may be decided by the Board of Directors, subject to ratification by the next Ordinary General Meeting.

The Board of Directors shall draw up rules of procedure that resolve, in addition to these articles of association, issues relating to its meetings and deliberations, as well as any internal limitations on the powers of the Chief Executive Officer and Deputy Chief Executive Officers.

Each director shall, in a timely manner, receive all necessary information pertaining to the decisions to be adopted. In addition, each director is entitled to request that he/she be provided with all information necessary to be fully informed of the Company's business operations".

11.4 Directors representing employees

"In accordance with article L. 225-27-1 et seq. of the French Commercial Code, the Board of Directors shall have one or two directors representing employees:

- *if only one director is to be appointed, he/she shall be chosen by the trade union that received the highest number of votes in the first round of the elections referred to in articles L. 2122-1 and L. 2122-4 of the French Labour Code within the Company and its direct or indirect subsidiaries headquartered in France;*
- *if two directors are to be appointed, they shall be chosen by each of the two trade unions that received the highest number of votes in the first round of the elections referred to in articles L. 2122-1 and L. 2122-4 of the French Labour Code within the Company and its direct or indirect subsidiaries headquartered in France.*

The term of office of the director(s) representing employees shall be three (3) years. When their terms of office expire, renewal of the director(s) representing employees requires that the conditions laid down in article L. 225-27-1 of the French Commercial Code continue to be met.

Within six (6) months of an amendment to the articles of association, or when the terms of office of the director(s) representing employees expire, the relevant trade union(s) will be requested, in a letter that is hand-delivered in exchange for a signed receipt or in a registered letter with acknowledgement of receipt, to appoint a director representing employees who meets the conditions required by law, in particular the conditions laid down in article L. 225-28, paragraph 1, and article L. 225-30 of the French Commercial Code.

Within fifteen (15) days, the trade union shall provide the Chairman of the Board of Directors with the name and position of the director representing employees, by registered letter with acknowledgement of receipt."

The duties of directors appointed pursuant to article L. 225-27-1 of the French Commercial Code shall expire at the conclusion of the Annual ordinary General Meeting of shareholders that voted on the financial statements for the prior year, and that is held in the year in which their terms of office expire.

Termination of the employment contract also terminates the terms of office of directors appointed pursuant to article L. 225-27-1 of the French Commercial Code.

Directors appointed pursuant to article L. 225-27-1 of the French Commercial Code may be dismissed for misconduct in the performance of their duties, in accordance with the conditions of article L. 225-32 of the French Commercial Code.

In the event the seat of a director representing employees appointed pursuant to this article becomes vacant due to death, resignation, dismissal, termination of the employment contract or any other reason, the vacancy shall be filled in accordance with the same requirements. The term of office of the director thus appointed shall expire on the normal expiry date of the terms of office of the other directors appointed pursuant to article L. 225-27-1 of the French Commercial Code."

Article 12. General Management

12.1 Choice of methods for performing general management functions

"The Company's general management functions shall be performed, under his/her responsibility, by either the Chairman of the Board of Directors or another individual, who may but need not be a director, appointed by the Board of Directors, with the title of Chief Executive Officer.

The choice of methods for performing general management functions shall be made by the Board of Directors at its meeting held to appoint the Chairman. This decision shall be adopted by a majority vote of the directors present, represented or deemed to be present. The shareholders and third parties shall be notified in accordance with regulatory requirements.

If the Company's general management functions are performed by the Chairman of the Board of Directors, the provisions of these articles of association concerning the Chief Executive Officer shall apply to him/her".

12.2 Appointment – Dismissal – Resignation of the Chief Executive Officer

"No person may be appointed Chief Executive Officer – or remain in that position – if as a result of a conviction that has become final, he/she has been prohibited from directing, managing or controlling, in any capacity, a commercial or industrial undertaking or commercial company.

The Chief Executive Officer shall be appointed by the Board of Directors, which shall set his/her compensation, the duration of his/her term of office and, if applicable, the limitations on his/her powers applicable internally, other than those laid down by these articles of association. The Chief Executive Officer shall be no older than sixty-five (65). The Chief Executive Officer shall be considered to have automatically resigned at the conclusion of the first meeting of the Board of Directors held after he/she reaches this age limit. The Chief Executive Officer may be re-appointed.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If the dismissal is decided without just cause, the Chief Executive Officer may be entitled to damages, unless the Chief Executive Officer combines his/her position with that of Chairman of the Board of Directors".

12.3 Powers of the Chief Executive Officer

"Subject to the powers expressly granted by law to Shareholders' meetings, as well as the powers conferred by law and the articles of association on the Board of Directors with respect to decisions concerning the Company and the companies it controls within the meaning of article L. 233-3 of the French Commercial Code, and within the limits of the corporate purposes, the Chief Executive Officer shall have the broadest possible power to act in all circumstances in the name of the Company.

The Chief Executive Officer shall be responsible for the general management of the Company and for representing it in its relations with third parties. The Company shall be bound by actions of the Chief Executive Officer that do not fall within the corporate purposes, unless it proves that the third party was aware that the action exceeded the corporate purposes or, in view of the circumstances, could not have been unaware thereof. However, mere publication of the articles of association is not in itself sufficient proof thereof.

Any limitations on the powers of the Chief Executive Officer are not binding on third parties".

12.4 Deputy Chief Executive Officers

"No person may be appointed Deputy Chief Executive Officer – or remain in that position – if as a result of a conviction that has become final, he/she has been prohibited from directing, managing or controlling, in any capacity, a commercial or industrial undertaking or commercial company.

Pursuant to a proposal of the Chief Executive Officer, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer and holding the title of Deputy Chief Executive Officer. They may not exceed five (5) in number.

Deputy Chief Executive Officers shall be appointed by the Board of Directors, which shall set their compensation, the duration of their terms of office and, if applicable, the limitations on their powers applicable internally, other than those laid down by these articles of association. The term of office of a Deputy Chief Executive Officer may not exceed that of the Chief Executive Officer. Deputy Chief Executive Officers may be re-appointed.

Deputy Chief Executive Officers shall be no older than sixty-five (65). Deputy Chief Executive Officers shall be considered to have automatically resigned at the conclusion of the first meeting of the Board of Directors held after they reach this age limit.

Unless decided otherwise by the Board of Directors, if the Chief Executive Officer is unable to act, the Deputy Chief Executive Officer(s) shall retain their positions and powers until the appointment of a new Chief Executive Officer.

Pursuant to a proposal of the Chief Executive Officer, Deputy Chief Executive Officers be dismissed at any time by the Board of Directors. Deputy Chief Executive Officers dismissed without just cause may be entitled to damages.

Vis-à-vis third parties, each Deputy Chief Executive Officer has the same powers as the Chief Executive Officer and is responsible for the general management of the Company and for representing it in its relations with third parties.

The Company shall be bound by actions of any Deputy Chief Executive Officer that do not fall within the corporate purposes, unless it proves that the third party was aware that the action exceeded the corporate purposes or, in view of the circumstances, could not have been unaware thereof. However, mere publication of the articles of association is not in itself sufficient proof thereof.

Any limitations on the powers of the Deputy Chief Executive Officers are not binding on third parties".

Article 13. Compensation paid to members of the Board of Directors and General Management

"An Ordinary General Meeting may award directors, as compensation for their activity, an annual fixed sum of attendance fees, which the meeting shall establish without being bound by previous decisions. This sum shall be recognised in the accounts as operating expenses.

The Board of Directors shall, at its own discretion, distribute among its members the total amount awarded to it as attendance fees. It may also award a greater amount to members of the Board of Directors who serve on committees than the amount awarded to other directors. The Board of Directors may also award extraordinary compensation for specific duties or assignments its members may be appointed to perform. This compensation, which shall also be recognised as operating expenses, is subject to the special procedure applicable to related party agreements.

The number of members of the Board of Directors who hold employment contracts with the Company may not exceed one-third of the members in office. However, the directors elected by the employees are not counted when determining this number.

The compensation paid to the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer(s) shall be set by the Board of Directors in accordance with the provision of these articles of association. Such compensation may be fixed or variable based on the criteria decided by the Board of Directors, or both fixed and variable.

Commitments may be made to the Chairman, the Chief Executive Officer or the Deputy Chief Executive Officers with respect to compensation, allowance or benefits payable or potentially payable due to the termination or a change in their position, or following such termination or change. In such case, these commitments shall be subject to the approval procedure for related party agreements".

7.1.3 RIGHTS PERTAINING TO EACH SHARE

Articles 7 and 9 of the Company's articles of association set out the rights pertaining to each share.

Article 7. Shares

"Shares may be held in registered or bearer form at the discretion of the shareholder. Title to shares, whether in registered or bearer form, is acquired by their registration on the shareholders' accounts in accordance with requirements and in the manner prescribed by the statutes and regulations in force.

*However, any shareholder, whether an individual or a legal entity, who owns, directly or through the entities it controls within the meaning of article L. 233-3 of the French Commercial Code, a percentage of the shares or voting rights of the Company equal to at least one-twentieth (5%) of the share capital or voting rights (a "***Relevant Shareholder***") must hold all shares that he/she/it owns in registered form and ensure that the entities he/she/it controls within the meaning of article L. 233-3 of the French Commercial Code also hold the shares they own in registered form.*

Any Relevant Shareholder who fails to comply with this requirement may be penalised in accordance with the provisions of the applicable statutes and regulations.

The Company is authorised to assert, at any time, the statutes and regulations in force with respect to the identification of holders of securities that confer, immediately or in the future, voting rights at the Company's Shareholders' meetings, and the disclosure of all information relating to such holders. Failure of the holders of the securities or their intermediaries to comply with their obligation to disclose the information referred to above may, in accordance with statutory and regulatory requirements, result in the suspension or withdrawal of the voting rights and dividend rights pertaining to the shares".

Article 9.Rights pertaining to shares

"Each share confers the right to a share of the Company's assets, profits and liquidation surplus in proportion to the number of existing shares.

All shares that comprise or may comprise the share capital shall always be treated equally regarding tax liabilities. Consequently, all taxes and other assessments, which upon reimbursement of the capital of such shares, may, for whatever reason, be owed for certain shares only, during the existence of the Company or upon its liquidation, shall be divided among all shares which make up the share capital at the time of such reimbursement(s), in such a manner that all current or future shares confer on their owners, taking into account, if applicable, the nominal and non-reimbursed value of the shares and the rights of shares of different classes, the same actual rights and give them the right to receive the same net amount.

Voting rights pertaining to equity shares are proportional to the percentage of the share capital they represent, with the same nominal value. Each share entitles the holder to one (1) vote. This ratio of one (1) vote per share shall apply notwithstanding any non-mandatory legislative or regulatory amendment to the contrary (in particular, an automatic grant of double voting rights in certain situations). No double voting rights are granted in application of the last paragraph of article L. 225-123 of the French Commercial Code.

The subscription right pertaining to shares shall be held by the legal owner, unless otherwise agreed by the parties.

Ownership of a share shall be deemed acceptance of the Company's articles of association, the decisions of General Meetings, and the decisions of the Board of Directors acting pursuant to authority delegated by the General Meetings.

Whenever it is necessary to hold several shares to exercise any right, single shares or less than the requisite number of shares shall not confer any rights on the holders thereof against the Company, and the shareholders shall in such case make personal arrangements to pool the necessary number of shares."

7.1.4 CONVENING ANNUAL AND EXTRAORDINARY GENERAL MEETINGS OF SHAREHOLDERS AND CONDITIONS FOR ATTENDANCE

Article 15.1 of the Company's articles of association sets out the provisions for convening Annual and Extraordinary general meetings of shareholders and the conditions for attending such meetings.

"General Meetings shall be convened and deliberate in accordance with the requirements laid down by the law.

Meetings shall be held at the head office or any other location specified in the notice of meeting.

All shareholders are entitled to attend General Meetings and to take part in deliberations, either personally or by proxy in accordance with statutory and regulatory requirements, merely by proving, in accordance with applicable statutory and regulatory requirements, their identity and the registration of the shares in the name of the shareholder or of an intermediary registered on his/her/its behalf.

In addition, any shareholder may, if the Board of Directors allows when convening a General Meeting, take part in the meeting via videoconference and vote by any means of telecommunication or remote transmission, including the Internet, in accordance with the requirements prescribed by the laws applicable at the time such methods are used. This decision shall be indicated in the notice of meeting.

Shareholders may vote by post in accordance with the requirements and procedures prescribed by the statutes and regulations. Any shareholder may submit, in paper format or, upon the decision of the Board of Directors, electronically, proxy forms and postal voting forms before all General Meetings. Shareholders who, within the required time limit, use the electronic voting form provided on the website set up by the organiser of the meeting shall be counted as shareholders present or represented. Shareholders may complete and sign the electronic voting form directly on the website, using any method approved by the Board of Directors and that complies with the requirements set out in the first sentence of the second paragraph of article 1316-4 of the French Civil Code and articles R. 225-77 and R. 225-79 of the French Commercial Code and, more generally, by the statutes and regulations in force, which may include, for example, a login code and a password. A proxy or vote thus cast before the meeting using these electronic means, and the acknowledgement of receipt delivered, will be deemed irrevocable, legally-binding written documents. In the event shares are transferred before the third (3rd) business day prior to the meeting by midnight Paris time, the Company will invalidate or modify, as applicable, the proxy or vote submitted before such date and time.

Meetings shall be chaired by the Chairman of the Board of Directors or, in his/her absence, by the Vice-chairman or, in his/her absence, by a member of the Board of Directors specially appointed for this purpose by the Board. Failing this, the meeting shall elects its own Chairman.

The duties of scrutineer shall be performed by the two members of the meeting with the highest number of votes who accept said duties.

The officers shall appoint the secretary, who need not be a shareholder.

An attendance sheet shall be drawn up in accordance with the requirements prescribed by the statutes and regulations. Copies and excerpts of the minutes of meetings shall be validly certified by the Chairman of the Board of Directors or the Secretary of the meeting".

7.1.5 THRESHOLD-CROSSING DISCLOSURES

Article 8 of the Company's articles of association deals with threshold-crossing disclosures.

"Shares may be freely traded and transferred.

Any individual or legal entity acting alone or in concert with others, who acquires or relinquishes, directly or indirectly, at least two-hundredths (0.5%) of the share capital or voting rights of the Company, or a multiple of this percentage, is required to notify the Company by registered letter with acknowledgement of receipt, addressed to the Company's head office, within four (4) days of each threshold being crossed, and to state the number of shares and voting rights held (alone, directly or indirectly, or in concert with others), as well as (a) the number of shares held conferring future equity rights and the number of voting rights pertaining thereto, (b) the shares and voting rights already issued that this person may acquire, pursuant to an agreement or a financial instrument and (c) all information required by article L. 233-7 of the French Commercial Code. Investment fund management companies are required to provide this information for all shares in the Company held by the funds they manage.

If they are not properly disclosed in accordance with the conditions set forth above, any shares in excess of the fraction that should have been disclosed shall be, subject to the conditions and limits laid down by law, deprived of voting rights in all Shareholders' meetings for a period of two (2) years from the date on which the failure to make this disclosure is rectified.

This penalty will only be applied at the request of one or more shareholders holding at least two-hundredths (0.5%) of the Company's share capital or voting rights, as recorded in the minutes of a General Meeting".

7.2 Composition and allocation of share capital

At 31 December 2016, Korian's share capital was divided into 80,178,042 shares with a nominal value of €5 each. All shares are fully paid up.

Each share carries one vote at General Meetings of shareholders. In accordance with article 9 of the Company's articles of association, no shares hold double voting rights.

Changes in the allocation of the Company's share capital between 31 December 2014 and 31 December 2016 are shown in the table below.

	31 December 2016			31 December 2015			31 December 2014		
Shareholders	**Number of shares**	**% of share capital**	**% of voting rights**	**Number of shares**	**% of share capital**	**% of voting rights**	**Number of shares**	**% of share capital**	**% of voting rights**
Predica	19,007,812	23.71%	23.71%	19,007,812	23.92%	23.92%	19,007,813	24.05%	24.05%
Investissements PSP	11,100,000	13.84%	13.84%	11,100,000	13.97%	13.97%	-	-	-
Malakoff Médéric group	5,203,892	6.49%	6.49%	5,089,185	6.40%	6.40%	5,089,185	6.44%	6.44%
Covéa group(1)	-	-	-	-	-	-	9,505,065	12.03%	12.03%
Batipart group	180,021	0.22%	0.22%	180,021	0.23%	0.23%	4,544,903	5.75%	5.75%
ACM VIE group	535,165	0.67%	0.67%	535,165	0.67%	0.67%	3,972,498	5.03%	5.03%
Free float	44,151,152	55.07%	55.07%	43,553,490	54.81%	54.81%	36,918,059	46.71%	46.71%
TOTAL	**80,178,042(2)**	**100.00%**	**100.00%**	**79,465,673**	**100.00%**	**100.00%**	**79,037,523**	**100.00%**	**100.00%**

(1) On 10 July 2015, the Covéa group held 4.78% of the Company's share capital and voting rights. Since 5 October 2015, the Covéa group no longer holds any Korian shares.

(2) Pursuant to the decisions adopted by the Board of Directors at its meeting of 21 January 2016 and the Chief Executive Officer on 20 July 2016, respectively, and (i) following the exercise of 3,000 share subscription options in 2015, in accordance with the provisions of article L. 225-178, paragraph 3, of the French Commercial Code, and (ii) following the issue, on 20 July 2016, of 709,369 new shares in connection with the payment of a share dividend, the share capital was increased by the amount of €3,561,845, by issuing 712,369 shares with a nominal value of €5 each, thereby increasing the share capital from €397,328,365 to €400,890,210, divided into 80,178,042 shares with a nominal value of €5 each.

To the Company's knowledge, no other shareholder held more than 5% of the share capital or voting rights during the period from 31 December 2014 to 31 December 2016.

In accordance with the provisions of article L. 225-197-1, paragraph 4, of the French Commercial Code, following the final award, on 31 March 2017, of 26,361 shares to certain members of General Management (free share plan approved by the Board of Directors on 10 September 2014), on 31 March 2017, the Chief Executive Officer acknowledged that the Company's share capital had been increased by €131,805, from €400,890,210 to €401,022,015 (divided into 80,203,283 shares), by issuing 26,361 new shares with a nominal value of €5 each.

Moreover, in accordance with article 8 of the Company's articles of association, in addition to the statutory or regulatory obligations to disclose threshold-crossings, any individual or legal entity acting alone or in concert with others, who holds or comes to hold, directly or indirectly, a number of shares representing 0.5% of the share capital or voting rights is required to notify the Company by registered letter with acknowledgement of receipt, within four days from the date of the negotiation or conclusion of any agreement that results in this threshold being crossed, and regardless of the date the shares are registered on an account, if applicable, the total number of shares in the Company, or the number of voting rights, it holds directly or indirectly, as well as the total number of securities that confer future equity rights and the voting rights potentially pertaining thereto.

This notification must be renewed in accordance with the above requirements each time the threshold of 0.5% is crossed, whether upward or downward.

If they are not properly disclosed in accordance with the conditions set forth above, any shares in excess of the fraction that should have been disclosed shall be deprived of voting rights in all Shareholders' meetings for a period of two years from the date on which the failure to make this disclosure is rectified. This penalty will only be applied at the request of one or more shareholders holding at least 0.5% of the Company's share capital, as in the minutes of a General Meeting.

In addition, the Company's group employee shareholding plans held 126,783 Korian shares at 31 December 2016.

In financial year 2016, no shareholders filed threshold-crossing declarations with the AMF.

Threshold-crossing declarations filed by the Company's shareholders and declarations filed by the corporate officers in connection with transactions carried out in the Company's shares are available on the AMF's website (**www.amf-france.org**).

CHAPTER 8

Persons responsible for the registration document

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8.2 DECLARATION OF THE RESPONSIBLE PERSON 236

8.3 ENTITIES RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS 236

8. Persons responsible for the registration document

Person responsible for the information provided

8.1 Person responsible for the information provided

Person responsible for the registration document: Sophie Boissard, Chief Executive Officer.

8.2 Declaration of the responsible person

I certify that, having taken all reasonable care to ensure that such is the case, the information contained in this registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the Company's assets, financial position and earnings, as well as those of its consolidated subsidiaries, and that the management report included in this registration document provides a fair view of the development of the business, earnings and financial position of the Company and all of its consolidated subsidiaries, and a description of the main risks and uncertainties that they face.

I have received an audit completion letter from the Statutory auditors, in which they state that they have verified information relating to the financial position and the financial statements in this registration document, and have reviewed this document in full.

Paris, 26 April 2017

Sophie Boissard

Chief Executive Officer

8.3 Entities responsible for auditing the financial statements

Statutory auditors are selected by the Board of Directors on the recommendation of the Audit Committee, which is responsible for ensuring compliance with the rules requiring the rotation of firms and key signatory partners, in accordance with applicable statutes and regulations.

APPOINTED STATUTORY AUDITORS

Name	Date reappointed	Date appointment ends
Mazars Tour Exaltis 61, rue Henri-Regnault 92400 Courbevoie	25 June 2015	Annual General Meeting voting on the financial statements for the year ending 31 December 2020
Ernst & Young et Autres Tour First 1, place des Saisons 92037 Paris La Défense	23 June 2011	Annual General Meeting voting on the financial statements for the year ending 31 December 2016

ALTERNATE STATUTORY AUDITORS

Name	Date reappointed	Date appointment ends
Mazars alternate **Cyrille Brouard** Tour Exaltis 61, rue Henri-Regnault 92400 Courbevoie	25 June 2015	Annual General Meeting voting on the financial statements for the year ending 31 December 2020
Ernst & Young alternate **Auditex** Tour Ernst & Young Faubourg de l'Arche 92037 Paris La Défense	23 June 2011	Annual General Meeting voting on the financial statements for the year ending 31 December 2016

The appointments of Ernst & Young et Autres and Auditex, respectively the appointed and alternate Statutory auditors, will expire at the conclusion of the next Annual General Meeting. Therefore, at that General Meeting, which will be held on 22 June 2017, the shareholders will be requested to reappoint Ernst & Young et Autres for a term of six financial years, *i.e.* until the Annual General Meeting convened to vote on the financial statements for the financial year ending 31 December 2022. Article L. 823-1, paragraph 2, of the French Commercial Code, which codified the "Sapin 2 Act", eliminated the requirement to appoint an alternate Statutory auditor if the appointed Statutory auditor is not an individual or a sole proprietorship. Therefore, on 15 March 2017, the Board of Directors decided not to reappoint Auditex as alternate Statutory auditor.

In addition, Mazars and Ernst & Young et Autres are in compliance with the laws on the rotation of signatory partners (article L. 822-14 of the French Commercial Code and article 17 of Regulation (EU) No. 537/2014) because:

- Manuela Baudoin-Revert, Mazars' signatory partner, certified the Company's financial statements for the first time for the financial year ended 31 December 2013;
- Sophie Duval, Ernst & Young et Autres' signatory partner, certified the Company's financial statements for the first time for the financial year ended 31 December 2014, at the conclusion of a three-year period during which the financial statements were certified by Benoît Gillet.

CHAPTER 9

Historical financial information and documents available to the public

9.1 HISTORICAL FINANCIAL INFORMATION 240

9.2 DOCUMENTS AVAILABLE TO THE PUBLIC 240

9.1 Historical financial information

Pursuant to article 28 of European Commission Regulation (EC) No. 809/2004, the following information is included by reference in this registration document:

- the key figures given on page 4, and the consolidated financial statements and corresponding Statutory auditors' reports as presented on pages 151 to 204 of the 2015 registration document filed with the AMF on 26 April 2016 under No. D.16-0405;
- the key figures given on page 4 and 5, and the consolidated financial statements and corresponding Statutory auditors' reports as presented on pages 165 to 225 of the 2014 registration document, filed with the AMF on 28 April 2015 under No. D.15-0417.

9.2 Documents available to the public

Copies of this document can be obtained free of charge from the Company and on the AMF's website (**http://www.amf-france.org**).

During the period this registration document is valid, the Company's articles of association, its corporate and consolidated financial statements and its press releases are available on the Company's website (**http://www.korian.com/Investisseurs/Investisseurs**).

The legal and financial documents relating to the Company that are required to be made available to shareholders pursuant to applicable regulations can be studied at the Company's head office.

CHAPTER 10
Glossary

The table below contains the definitions of the terms and acronyms specific to the medico-social and post-acute and psychiatric sectors that are used in this registration document.

Terms and acronyms	Definition
Belgian federal food chain safety agency (AFSCA)	A Belgian organisation whose main role is to ensure food chain safety and the quality of food in order to protect the health of humans, animals and plants. To do so, the AFSCA devotes considerable energy to preventing and managing crises and endeavours to respond appropriately and efficiently to events that threaten the food chain.
French national agency for the assessment of the quality of social and medical-social facilities and services (ANESM)	A French organisation whose purpose is to develop a culture of welfare within facilities and medico-social services that care for vulnerable people (particularly the elderly). The ANESM provides referrals, procedures and recommendations concerning professional good practice. The ANESM assesses their implementation and submits the results to a supervisory authority.
Regional health agency (ARS)	A public administrative body of the French government responsible for implementing health policy in a region.
Personal independence allowance (PIA)	An allowance granted in France to persons aged 60 and older who require help to accomplish essentials activities of daily life.
Regional units for the prevention of nosocomial infections (ARLIN)	In France, healthcare structures specialised in the prevention of nosocomial infections.
Feedback order (RETEX order)	A French order on quality management and medicinal treatment in post-acute and psychiatric care facilities.
***Azienda Sanitaria Locale* (ASL)**	In the Italian healthcare system, a regional public authority which manages, under a single budget, all healthcare operators, from hospitals to home care.
Care Practices, Ethics and Care for all (BEST)	Method of medical care combining comforting gestures and soothing words to improve care and the quality of daily life for persons with illnesses. This method is taught to Korian employees in France as part of their specific training, and has been developed since January 2011.
Day care centre (CSJ)	Term used in Belgium to refer to, or used in connection with, centres located in Care Homes or Nursing and Care Homes that host, during the day, persons over the age of 60 who are experiencing loss of independence, for care and, if necessary, therapeutic and social welfare treatment.
Post-acute and rehabilitation care clinics (SSR clinics)	Clinics in which patients are hospitalised for the medium- or long-term and provide re-education, rehabilitation and reinsertion for patients following an acute episode of chronic illness, an accident or post-operative trauma.
Healthcare Risk Management and Supervision Committee (COVIRIS)	A French committee that coordinates all existing risks management systems, identifies risks in advance and after the fact, and analyses them, defines action priorities and monitors their implementation, assesses their efficiency and raises awareness among the facility's professionals.
French Accreditation Committee (COFRAC)	An organisation whose purpose is to provide accreditation to private organisations or laboratories supervised by the public authority.

10. Glossary

Terms and acronyms	Definition
Municipal Security Commission (CCS)	In France, Municipal Security Commissions are research, control and information bodies that assist mayors in the implementation of police and surveillance measures required to guard against fire and panic in public access buildings. Their purpose is to address shortcomings in regulations, any faults or failings in terms of safety, and any factors conducive to the spread of fire and/or liable to make it difficult or impossible for emergency services to intervene.
User Relations Commission (CDU)	Formerly known as the User Relations and Dependency Care Quality Commission (CRUQPC). A French authority whose main purpose is to monitor respect for users' rights and facilitate their processes so that they can express their difficulties.
Facility Medical Commission (CME)	In France, this commission is established as an authority that includes, in each healthcare facility, representatives from the medical, pharmaceutical and dental community.
Multi-year Targets and Resource Contracts (MYTRC)	A contract in France by which a healthcare facility commits to the public authorities to carry out an action plan for a multi-year period, based on its positioning in regional medical care services as well as on key drivers for improving its performance. This contract also defines the financial resources which will be allocated to the facility to accomplish the tasks assigned to it.
Unified collective bargaining agreement (CCU)	An agreement in France pertaining to working conditions and social guarantees, signed between the employee representatives and employers' organisations.
Social Life Committee (CVS)	Framework through which residents and families are invited to participate in the life of the facility.
Medical waste from activities with risk of infection (DASRI)	Waste from healthcare activities which could present infectious, chemical, toxic and radioactive risks and which must be controlled in order to protect hospitalised patients, healthcare staff and persons who remove the waste, as well as the environment.
Ethical, Medical and Quality Department (DEMQ)	A department that draws up a French facility's medical policy, after consulting with the facility's medical board, and submits it to the relevant authorities. It manages several processes (cross-entity programmes, clinic itineraries, *etc.*) aimed at improving clinical organisation and facilitating patients' care pathways in France.
Departmental Directorate for the Protection of Populations (DDPP)	A French organisation that groups together veterinary services and competition regulation, consumption control and fraud prevention services. Its primary purpose is to implement public protection policies.
Information Systems Department (DSI)	A Group department that establishes and approves major changes in the Group's information system and necessary technological changes. It also assesses and recommends investments and inspects efficiency and risk management associated with the information system. Each country in which the Group operates also has a DSI.
Professional Risk Evaluation Document (DUERP)	In France, a mandatory document for all companies, regardless of their workforce and business sector. This document is prepared by the employer. It lists the risks that exist within the Company and must be updated annually and each time a change is made to the working conditions. This document must be made available to the CHSCT (Committee for Health, Security, and Working Conditions), staff representatives, company employees and during work inspections.
Asbestos technical report (DTA)	In France, a file compiled by property owners who sell communal residential buildings that were built before the use of asbestos was banned in the construction sector (*i.e.* prior to 1 July 1997). It contains the result of the inspection for the potential presence of asbestos in the communal areas of buildings where materials containing asbestos are tested, their deterioration is noted, and if there are known risks, it indicates the measures that are to be taken immediately by the owner of the building to ensure the full elimination and removal of the asbestos.
Long-term care nursing home (LTCNH)	A medical facility authorised by the French government to receive dependent elderly persons, which has a care team responsible for providing the required medical care to each resident according to his/her personal situation.
Public access buildings (PAB)	In France, public or private places open to customers or users, which are subject to specific regulations, in contrast to public or private places receiving employees (regular employees or state employees) which are, themselves, protected by regulations pertaining to health and safety at work.

Terms and acronyms	Definition
Draft Estimates of Income and Expenditure (DEIE)	System used to estimate foreseeable receipts and expenses of public and private health facilities.
Serious Adverse Events (SAE)	Events liable to cause dysfunctions or that undermine the principle of best care practices. They are qualified as "serious" if they cause hospitalisation or lead to prolonged hospitalisation, an inability to leave the unit or a life-threatening risk.
French Private Hospitals Federation (FHP)	A French organisation which brings together nearly 1,250 private healthcare facilities in France, organised into regional unions and unions by speciality. It consults with the public authorities on major issues that involve the future of the healthcare system.
French federation of non-profit private hospitals and healthcare facilities (FEHAP)	A French benchmark federation in the non-profit post-acute and psychiatric, social and medical-social sectors, which groups together over 3,200 healthcare facilities and care services.
Strategic Manpower and Skills Requirement Planning (GPEC)	A method that aims to better anticipate the impacts of economic, technological, social and demographic changes on employment.
Iso-Resource Groups (IRG)	A French national indicator developed to ascertain a person's level of dependency. It classifies individuals into six groups, according to their level of dependence.
French National Authority for Health (HAS)	A public, scientific and independent organisation, tasked with improving medical quality in France.
Hospital Home Care (HHC)	Full-time hospitalisation where treatment is performed in the patient's home.
Hazard analysis critical control point (HACCP)	A method for identifying and analysing critical points in the catering process.
INAMI	In Belgium, the *Institut National d'Assurance Maladie Invalidité* (Belgian national medical insurance association) is a public social security body that organises, manages and monitors mandatory healthcare insurance and payments.
State-Accredited Nurses (IDE)	In France, nurses who have obtained State-accredited diplomas.
State-Accredited Nursing Coordinators (IDEC)	In France, State-Accredited Nursing Coordinators play the role of hands-on managers.
Katz (index)	In Belgium, the Katz scale is the basis for assessing the physical and psychological independence of each resident and governs the day rates allocated for medical and other care by RIZIV-INAMI.
Hospital, patients, health and territories law (HPST)	French Act of 21 July 2009 (and its implementing decree of 26 July 2010) whose purpose is to implement graded and high-quality medical care services, accessible to all, that satisfy all healthcare needs.
Home care (MAD)	Term designating all personalised resources implemented to enable elderly persons who have lost their independence to continue to live in their own home under suitable conditions.
Care home (MR)	Term used in Belgium to refer to public or private facilities approved by the regional (Flemish, Brussels or Walloon) governments, offering collective housing and services for people over 60.
Care home for the elderly (MRPA)	A term used in Belgium to refer to (nursing) beds in care homes reserved for the elderly.
Nursing and care home (MRS)	Term used in Belgium to refer to (care) beds housed in care homes. These beds are reserved for highly dependent people who do not require acute care, but for whom a higher level of care is provided.
Medicine-surgery-obstetrics (MCO)	Acronym used to define facilities providing acute care.
***Medizinischer Dienst der Kranlenversicherung* (MDK)**	In the German healthcare system, a regional health insurance service which regulates care services and controls the quality of care at the facility level.
Plan for the improvement of the quality of professional practices (MOBIQUAL)	A French national action plan whose goal is to promote improvement in the quality of professional practices, medical care and assistance to disabled and elderly persons in healthcare facilities and at home. For this purpose, kits are used to verify that the best practices developed under this action plan are properly implemented.
Patto di Salute	In the Italian healthcare system, this document officially organises the transfer of the MCO's regional budgets towards medium and long-term stays, with detailed targets of bed closures by region.

10. Glossary

Terms and acronyms	Definition
Elderly persons who risk losing their independence (PAERPA)	A programme that is part of the National Health Strategy, which aims to implement a set of smooth and identified healthcare measures for persons over the age of 75. In particular, it endeavours, to the extent possible, to keep seniors at home, and to improve, in all ways, social and medical care provided, in particular by improving coordination between actors and by significantly changing the communications methods between them.
Pflegeheime	A German term for long-term care nursing homes.
Pflegekasse	A branch of German Social Security that ensures the financing of dependency care.
***Residenze sanitarie per anziani* (RSA)**	An Italian term for long-term care nursing homes.
Corporate social responsibility (CSR)	The incorporation of social, societal, environmental and governance issues into the Company's policies and activities and its interactions with all stakeholders.
Safety and Maintenance Managers (SMM)	In France, managers, who are present in all French regions, and who are primarily tasked with implementing and monitoring safety standards, as well as with monitoring maintenance. In coordination with the technical managers in each facility, they ensure best practices are implemented and monitor them.
Regional healthcare organisation plans (SROS-PRS)	Outline plans in France designed to comprehensively organise, qualitatively and quantitatively, public health, by seeking to respond to patients' needs and healthcare planning requirements at the regional and, at times, the departmental level.
European Disability Employment Week (EDEW)	An event created by the Association for the Social and Professional Integration of Persons with Disabilities (LADAPT), which puts job applicants with disabilities in contact with employers. This event also seeks to raise awareness in the general population about disabilities.
Home nursing services (HNS)	Social and medico-social bodies that provide nursing services in the patient's everyday environment (home, long-term care nursing home or collective housing) so as to shorten, or if possible avoid, hospital stays.
Quality Management System (SGQ)	Term used in Italy to refer to the reporting system set up by facilities that have ISO 9001-2008 certification, based on a quality manual, appropriate procedures for each type of facility, and a reporting platform accessible over an intranet by the Group's Quality Department in Italy.
Total quality manager (TQM)	Term used in Germany to refer to staff responsible for ensuring the proper application of the quality manual setting out legal and regulatory requirements, as well as internal standards for each facility, regarding medical care and relations with residents.
Repetitive strain injury (RSI)	Conditions that affect structures in the area of the joints (muscles, tendons, nerves, ligaments, synovial bursa, joint capsules, blood vessels, *etc.*).
Validation of prior experience (VAE)	A French system that allows a person to obtain all or part of a certification (diploma, professional credentials or certificates of professional qualification) based on salaried or non-salaried work experience (retailer, employee of a retailer, freelancer, farmer or craftsman, *etc.*) and/or unpaid experience (union, charity work) and/or volunteer experience. This experience, which must be related to the certification sought, is approved by a board of examiners.

CHAPTER 11

Cross-reference table

The following cross-reference table identifies the main information required under Annex I of European Regulation No. 809/2004 and refers to the corresponding sections of this document.

European Commission Regulation (EC) No. 809/2004 of 29 April 2004 – Annex I		Reference Paragraphs (pages)
Chapter 1: Person responsible		
1.1	The person responsible for the information provided in this registration document	8.1 (236)
1.2	Statement of the person responsible	8.2 (236)
Chapter 2: Statutory auditors		
2.1	Identity of the Statutory auditors	8.3 (236 & 237)
2.2	Resignation or new appointment of a Statutory auditor	8.3 (236 & 237)
Chapter 3: Selected financial information		
3.1	Number of beds and facilities operated	1.3 (8 & 9) / 2.1 (14)
3.2	Key operating figures	1.1 (6 & 7)
Chapter 4: Risk factors		**3.6 (46 & f.)**
Chapter 5: Information concerning the issuer		
5.1	History and development of the Company	1.3 (8 & 9) / 3.1 (36 & f.) / 3.4 (45)
5.2	Investments	3.9.7 (90) / 5.1 Notes 2 (150 & f.), 3.1 (155 & f.), 3.2 (159 & f.) & 5.6 (183)
Chapter 6: Overview of the Group's business		
6.1	The Group's main business activities	2.1 (14)
6.2	The Group's main markets	2.2 to 2.5 (14 & f.)
6.3	Extraordinary factors in the business environment	N/A
6.4	Key patents, licenses and industrial contracts	N/A
6.5	Competitive environment and the Korian group's position in its market	2.2 to 2.5 (14 & f.)
Chapter 7: Organisational Structure		
7.1	Issuer's position within the Group	1.4 (11 & 12)
7.2	Subsidiaries	5.1 Note 5.7 (184 & f.)
Chapter 8: Properties owned		**1.3 (8) 3.6.2 (51)**
Chapter 9: Operating and financial review		
9.1	Financial position of the Korian group	3.3 (40 & f.)
9.2	Operating profit/loss	3.3 (40 & f.) / 5.1 (145)
Chapter 10: Cash and share capital		
10.1	Share capital	5.1 (144 to 147) Notes 2 (152 to 154) & 5.6 (183) / 6.1 (206, 210, 214, 220 & 221)
10.2	Cash flow	5.1 (146)
10.3	Borrowing terms and financing structure	5.1 Note 3.9 (171 to 173) / 6.1 (216)
10.4	Restrictions on the use of capital	5.1 Note 3.9 (171 to 173) / 6.1 (216)
10.5	Expected sources of funding	N/A

11. Cross-reference table

European Commission Regulation (EC) No. 809/2004 of 29 April 2004 – Annex I	Reference Paragraphs (pages)
Chapter 11: Research and development	**3.8 (85 & 86)**
Chapter 12: Information on trends	**2.2 (14 & f.) / 3.5 (45)**
Chapter 13: Earnings forecast or estimate	**N/A**
Chapter 14: Management and supervisory bodies	
14.1 Composition of the management and supervisory bodies and of General Management	3.10 (90 & f.) / 4.1 (121 & f.)
14.2 Conflicts of interest within management and supervisory bodies and General Management	3.10.4 (115)
Chapter 15: Compensation and benefits	
15.1 Amount of compensation paid	3.10.2 (98 & f.)
15.2 Total amount provisioned or otherwise recognised	5.1 Notes 3.7 (165 & f.) & 3.8 (169 & 170)
Chapter 16: Operation of management and administrative bodies	
16.1 Terms of office of members of the management and administrative bodies	3.10.1 (90 & f.)
16.2 Service contracts between members of a management body or of the Board of Directors of the Company or of one of its subsidiaries	3.10.2 (98 & f.) / 5.1 Note 5.1 (181)
16.3 Specialised committees formed by the Board of Directors	4.1.1.4 (131 & f.)
16.4 Corporate governance principles	4.1 (121 & f.)
Chapter 17: Employees	
17.1 Number of employees	3.7.2 (57) / 3.9.1 (87)
17.2 Profit-sharing and stock options of corporate officers	3.7.2 (57) / 3.10.2 (99 ; 102 ; 104 to 107 ; 108 & f.) / 5.1 Note 3.7 (168 & 169)
17.3 Employee profit-sharing	5.1 Note 4.1 (175)
Chapter 18: Major shareholders	
18.1 The Company's shareholding structure	6.1 (215) / 7.2 (234)
18.2 Voting rights	6.1 (215) / 7.2 (234)
18.3 Control of the Company	6.1 (215) / 7.2 (234)
18.4 Agreement that may result in a change in control of the Company	N/A
Chapter 19: Related party transactions	**5.1 Note 5.1 (181) / 6.1 (217)**
Chapter 20: Financial information	
20.1 Historical financial information	1.1 (6 & 7) / 3.9 (87) / 9.1 (240)
20.2 Pro forma financial information	N/A
20.3 Financial statements	5.1 (144 & f.) / 6.1 (206 & f.)
20.4 Auditing of historical annual financial information	5.2 (204) / 6.2 (222) / 9.1 (240)
20.5 Date of most recent historical financial information	5.1 (144) / 9.1 (240)
20.6 Interim and other financial information	N/A
20.7 Dividend policy	3.9.3 (88) / 3.9.4 (88)
20.8 Legal and arbitration proceedings	3.6.2 (52) / 5.1 Notes 3.8 (169 & 170) & 5.2 (181) / 6.1 (216 & 219)
20.9 Significant change in financial or trading position	N/A
Chapter 21: Additional information	
21.1 Share capital	6.1 (215) / 7.2 (234)
21.1.1 Amount of share capital subscribed, number of authorised shares, number of fully paid-up and not fully paid-up shares issued, share par value, number of outstanding shares	6.1 (215) / 7.2 (234)
21.1.2 Shares not representing share capital	N/A
21.1.3 Shares held by the issuer or its subsidiaries	3.9.6 (89)
21.1.4 Convertible or exchangeable securities or securities with warrants	N/A

European Commission Regulation (EC) No. 809/2004 of 29 April 2004 – Annex I	Reference Paragraphs (pages)
21.1.5 Terms and conditions of any right of acquisition and/or any obligation regarding subscribed share capital that has not been paid up, or of any arrangement to increase share capital	N/A
21.1.6 Share capital of group members subject to an option or a conditional or unconditional agreement providing for such an option	N/A
21.1.7 History of changes in share capital	7.2 (234)
21.2 Articles of association and bylaws	1.3 (8) / 7.1 (228)
Chapter 22: Material contracts	**N/A**
Chapter 23: Third-party information, statements by experts and any declarations of interest	**N/A**
Chapter 24: Documents on display	**9.2 (240)**
Chapter 25: Information on holdings	
25.1 Equity investments	3.9.7 (90) / 5.1 Notes 2 (150 & f.) & 5.7 (184 & f.)
25.2 Disposals of equity interests	3.9.7 (90) / 5.1 Notes 2 (150 & f.) & 5.7 (184 & f.)
25.3 Revenue and earnings of Korian and its subsidiaries	6.1 (212 & f.)

Designed and published by

Ruban Blanc



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