2017 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 2018, 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

Sophie Boissard
Chief Executive Officer
of the Korian group

Customer attentiveness and service, strengthening our core competencies, growth and performance, were the watchwords for the men and women of the Korian group in 2017.

In keeping with our Korian 2020 strategic plan, we pursued our active growth strategy and exceeded our objective of 2,500 new beds for 2017, with a total of 3,150. This growth was achieved through selective acquisitions in Belgium and Italy and the opening of new facilities, mainly in Germany and France. Thanks to these activities, we have become the leading operator of nursing homes in three of the four countries where we are present.

We have also accelerated our diversification into home care services and assisted living facilities, particularly in France, to accommodate our changing markets and the expanding needs for elderly and dependency services.

In France, we have launched a vast development and modernisation programme aiming at improving the quality of life in and services of our facilities, bringing them closer to their main referring hospitals, and supporting the development of outpatient care.

In Germany, the acquisitions made in 2014 and 2015 are now fully integrated. The management team has been considerably strengthened and is working to increase operating margins and develop this high-potential market, which is Europe's largest for senior care services.

To accelerate the expansion of our facilities and enhance the value of our portfolio of property assets through active management, we have strengthened our real estate team in France and abroad. We took advantage of favourable interest rates to acquire properties in 2017 and increased the proportion of owned properties to optimise property financing and increase the value of our assets over the medium term.

In 2017, Korian provided medical care, dependency care and support to over 250,000 people in one of its 743 facilities or care networks. Serving these people as well as possible is our greatest source of pride. The Korian group's 49,000 employees are well aware of their responsibilities and are committed to providing high-quality care and support to all patients and residents in accordance with their needs. This is why the Group created France's first diploma-granting geriatric training programme for caregivers: the Geriatric Care Passport. This innovative programme, which focuses on the specific skills that caregivers need to care for the elderly, aims to improve the quality of the care and support provided to patients and residents. It was entirely designed by the Korian Academy, the Group's in-house training institute, which in 2017 provided 19,000 training courses to 75% of the Group's employees in France.

We also launched our corporate foundation, the Korian Foundation for Ageing Well, which is the main vehicle for our research and innovation partnerships, in keeping with our commitment to promote positive care, with compassion and respect for everyone, regardless of their health or personal situation.

Thanks to these initiatives, we did quite well in 2017, both in terms of operations and financially, with an annual revenue of €3,135 million (up 5% from 2016), thanks in particular to the strength of our international markets and an operating margin of 14%, which is 30 basis points higher than the adjusted margin in 2016. Our financial flexibility was also enhanced in 2017 by very solid operational free Cash Flow and loan refinancing in the middle of the year.

Our network of facilities, which is unique in Europe, puts us in an excellent position to accelerate our growth and pursue innovation to provide the best solutions for senior and dependency care and the treatment of chronic illnesses.

For 2018, we are expecting to grow our revenue by more than 5.5%. This growth will be driven largely by the selective acquisitions we made in 2017 and the new facilities we have recently opened.

We confirm our target of average revenue growth of over 5% for the duration of our strategic plan. We have raised our operating margin target to 14.3% in 2019 and to almost 15% in 2021, mostly in consideration of the benefits we expect to reap from our property strategy. Beyond the Korian 2020 plan, we will continue to explore strategic growth opportunities and create value and will consolidate our leading position in the European market.

Not only is Korian fully capable of meeting the targets of the strategic course it has set, but the dedication and professionalism of its employees, the increasing personalisation of its services, and its close collaboration with stakeholders everywhere will also ensure that it fulfils its social mission.

GROUP ANNUAL REVENUE
€3,135 M

GROWTH OF GROUP ANNUAL REVENUE
5.0%

ANNUAL REVENUE OUTSIDE OF FRANCE
49.5%

OPERATING MARGIN
14.0%

PROFILE 2017

European leader

in senior care services

GROUP REVENUE
€3,135 M

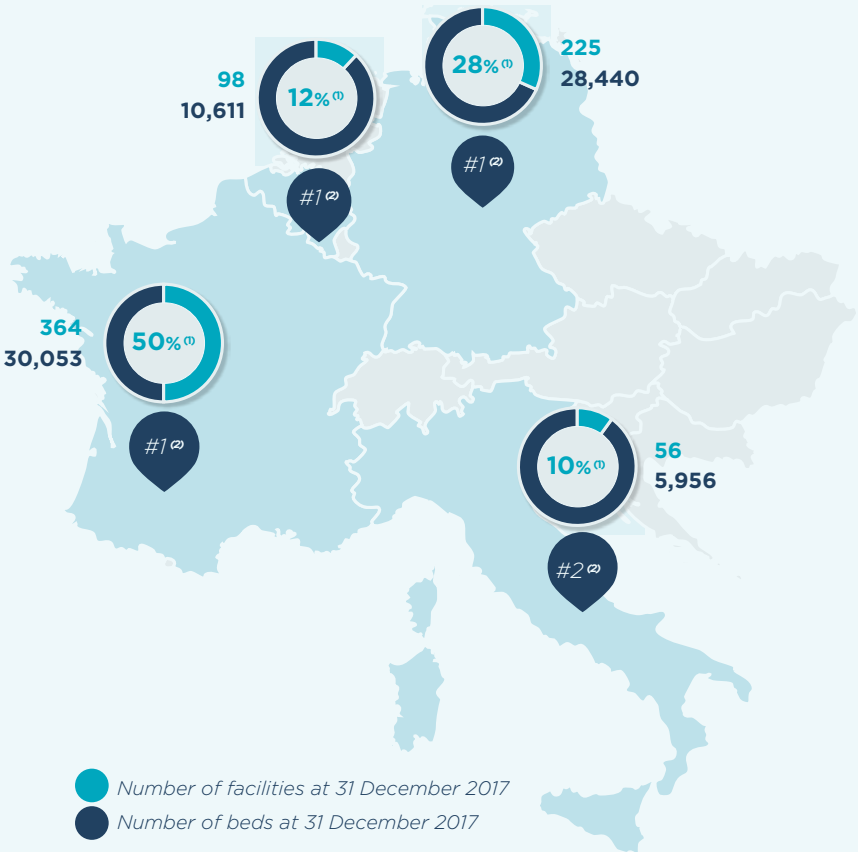
Almost 49,000 employees

743 facilities

250,000 people cared for in 2017

75,060 beds

A UNIQUE PLATEFORM



(1) Percentage of revenue by country.
(2) Position on the long-term care nursing homes market.

CHAPTER 1

Presentation of the Korian group

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1.1 History

THE CREATION OF A FRENCH GROUP SPECIALISED IN COMPREHENSIVE DEPENDENCY CARE

2003

• The Korian[1] company (the "**Company**" or "**Korian**") is formed from the successive acquisitions of the Finagest, Sérience, Réacti-Malt and Medidep groups.

• An agreement is signed with Foncière les Murs by which it purchased 53 buildings with a total asset value of €224 million from Korian (the "**Group**") from 2004 to 2005. The Group then focused on operating its long-term care nursing homes and specialised clinics, holding few real estate assets.

2006

• The Group is divided into two divisions: Long-Term Nursing Homes and Specialised Clinics.

• Medidep is acquired.

• Korian is listed on Compartment B of the Euronext Paris exchange's Eurolist.

• The Group's savings plan and investment fund *(Korian Actionnariat)* are created.

EUROPEAN EXPANSION OF THE KORIAN GROUP

2007

• A 92.5% stake is acquired in the Italian group Segesta, the country's second-largest private-sector provider of dependency care with seven facilities and 909 beds. The remaining shares were held by the Company's management.

• A 92.5% stake is acquired in the German group Phönix based in Bavaria (26 facilities and 2,922 beds). The remaining shares were held by the Company's management.

2008

• Korian signs 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.

2012

• A new mode of governance with a Board of Directors is adopted[2] and the offices of Chairman of the Board of Directors and Chief Executive Officer are separated[3].

2013

• Korian takes over Curanum and becomes the first private operator in Germany.

2014

Fusion absorption with Medica

• The merger (fusion absorption) with Medica[4] makes Korian a major European player in the dependency care market, present in four countries.

2015

• Catering services were insourced and a three-year agreement to procure foodstuffs was signed with Sodexo.

2016

• The acquisition of Casa Reha in January 2016 consolidates Korian's position as the leader in long-term care and nursing homes in Germany, which thus becomes the Group's largest national market in this segment.

• Sophie Boissard is appointed the Group's new Chief Executive Officer[5] and leads the next phase of its growth strategy.

• The five-year strategic plan ("**Korian 2020**") is presented at the Group's first Capital Market Day.

• The Group reorganises its operations into five divisions (France – Seniors and Healthcare divisions – Germany, Belgium and Italy).

• A contract was signed with SFR to overhaul and manage datacentre IT infrastructure.

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

(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 term 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 a 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.
(2) Approved by the Shareholders' General Meeting of 21 March 2012.
(3) Effective 30 April 2012, when the Chief Executive Officer Yann Coléou assumed office.
(4) On 18 March 2014, the General Meetings of Korian and Medica approved the merger and absorption of Medica by Korian, which was immediately effective.
(5) Sophie Boissard took office on 26 January 2016.

2017

• The Group was awarded 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.

• An ambitious programme to restructure and modernise French facilities is launched.

• Korian signed a framework agreement with the Icade group to assist it with the reconfiguration and expansion of its network in France.

• A value-creating real estate strategy was implemented and €142 million was invested to develop the Group's portfolio of owned properties.

• The growth strategy is pursued by opening eight new facilities, mainly in Germany and France, and with targeted acquisitions in Belgium (mainly from Senior Assist) – Korian becomes the country's first private operator – and in Italy.

• Diversification of the Home Care segment in Germany and Belgium, most notably with the acquisition of OTV, the leading provider of home care services in Flanders, in accordance with its care pathways strategy.

• Korian entered the French senior home-sharing market.

• Korian launches the Korian Foundation for Ageing Well.

• The "Korian Générations" application was launched to provide residents, their families and friends with a social network to share messages and photos on their smart phones or a dedicated website.

• The contract with Sodexo was extended for another three years as of 1 January 2018.

• The Korian Academy, the Group's in-house training institute founded in 2002, has provided some 19,000 training sessions to 75% of the Group's French personnel, and 119 employees have begun a programme to validate their work experience and obtain professional certification.

1.2 Strategy: the Korian 2020 plan

1.2.1 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 aged 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, short-term stays and assisted-living facilities – to give the elderly more freedom of choice and autonomy.

To take advantage of these opportunities, 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 assisted living facilities and home-care services;

• coordinate service offerings and strengthen synergies more effectively throughout its network to provide the 250,000 clients served annually with a broad range of services that will meet their evolving needs.

By leveraging the quality and commitment of its 49,000 employees, its recognised medical expertise in ageing-related pathologies and its capacity to innovate, Korian aims to strengthen its leadership in senior care services (high dependency care/autonomy) in Europe.

1.2.2 A STRATEGY OF VALUE CREATION

Korian's strategy is based on:

• robust growth of the Group's long-term care nursing homes and specialised clinics (its two historic businesses), to strengthen Korian's leadership in Europe in its four geographic markets (France, Germany, Belgium and Italy);

• expanding Korian's assisted living facilities 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;

• building a strong brand that resonates with residents, patients, their families and employees;

• systematic differentiation through innovation in medical care and digital technologies.

To maximise value creation for all stakeholders, Korian has established the following five priorities:

• accelerate growth, mainly organically, by optimising the network, increasing its density by creating or acquiring new facilities, and expanding the range of services provided;

• continuously improve operating performance in terms of quality as well as cost by leveraging the synergies and scale of the Group's network;

• invest in the Group's 49,000 employees, by expanding and leveraging their knowledge and expertise and anticipating future requirements;

• optimise real estate assets to create value and support the Group's development, through the formation of in-house teams to promote property development, global partnerships with investors, a policy of selective ownership of strategic assets, and dynamic management of its property portfolio;

• 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.

To optimise Cash Flow and value creation, this strategy will comply with strict financial criteria.

1.2.3 FINANCIAL TARGETS

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

• revenue close to €3.8 billion, representing CAGR of about 5% between 2016 and 2021[1], with an additional 2,500 to 3,000 beds per year;

• an EBITDA margin of approximately 15% of revenue.

Midway through the plan, in 2019, the Group is expecting revenue of about €3.5 billion and an EBITDA margin of about 14.3%.

Over the term of the plan, the Group plans to increase its operating free Cash Flow[2] by 50%, to €225 million in 2021. The restated debt ratio[3] is expected to be about 3.5 and the dividend distribution policy will be maintained, for a dividend of €0.60 per share.

When it published its annual results for 2017, on 14 March 2018, the Group raised its targets for operating margin (*i.e.* EBITDA) to 14.3% in 2019 and almost 15% in 2021, largely in response to the success of its new real estate strategy. The Group has confirmed all of the Korian 2020 strategic plan's other financial targets.

1.3 The Group's senior services

Present in four European countries (France, Germany, Belgium and Italy), the Group has 743 facilities (long-term care nursing homes, specialised clinics, assisted living facilities and home care networks) equipped with 75,060 beds. In 2017, the Group accommodated 250,000 patients and residents and employed 49,000 people.

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

The Group's portfolio of services includes:

• **Long-term care nursing homes** which provide temporary or permanent care for the elderly who are no longer able to stay at home by themselves.

They offer a personalised healthcare and living environment, high-quality service and stimulating social activities in a facility that is open to the local community. The average length of stay in these facilities is about three years and the average patient age is more than 85 (Present in the 4 countries).

• **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 (France and Italy).

• **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, activities, laundry, saunas and spa therapy may also be provided (France, Germany and Belgium).

(1) Excluding strategic acquisitions.
(2) Operating free Cash Flow = Cash Flow from operations - (the change in working capital + maintenance investments + financial expenses + taxes).
*(3) (Net debt - real estate debt) / (EBITDA -6.5% * real estate debt).*

• **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 medical-social facilities (long-term care nursing homes), post-acute and psychiatric facilities (specialised clinics), healthcare networks, home-assistance associations and self-employed healthcare professionals. (Present in the four countries the Group operates in)

1.3.1 KORIAN IN FRANCE

Key indicators	2017
Facilities	364
Beds	30,053
Revenue	€1,583 M
Number of employees(1)	22,572

(1) Only employees on fixed-term, indefinite-term or professional training contracts employed on 31 December 2017 were counted (internship contracts and temporary contracts were excluded).

1.3.1.1 Korian's network

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

Operations in France have been organised into two separate divisions:

• the Seniors division, which encompasses the medical-social sector (long-term care nursing homes, independent residences, home nursing services ("**HNS**") and assisted living facilities);

• the Healthcare division, which comprises post-acute and psychiatric care activities (specialised clinics and post-acute and rehabilitation care facilities, hospital home care ("**HHC**")).

1.3.1.1.1 Seniors Division Activities

1.3.1.1.1.1 Korian's long-term care nursing homes

Long-term care nursing homes are for elderly people whose physical and/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 those who suffer from neurodegenerative diseases, such as 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 multidisciplinary 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. Many co-operative arrangements are thus established with providers of ambulatory care services as part of the elderly patient's care pathway.

1.3.1.1.1.2 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 who are independent.

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, for example, physiotherapy rooms, spa pools and occupational therapy rooms (for functional re-education and rehabilitation through physical activity and manual work in particular). To achieve its objective of providing increasingly personalised care, the Group has also set up an extensive training programme for its employees.

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.

Shared residences for seniors

Shared residences for seniors may accommodate people with disabilities and include a common living area and private apartments (about 30 sq.m) for dependent seniors (most of whom have a "**IRG**" dependency rating of 3 or 4). With their private apartments and common living areas, these shared residences provide a home-like atmosphere and are a compelling alternative to current residential facilities.

They may accommodate seven residents, most of whom are eligible for the personalised independence allowance (PIA), and are entitled to receive home assistance and support services. These shared residences employ three personal carers who assist residents on a daily basis, two of whom live at the residence with their families in separate apartments on the upper floor. The objective is to provide a home-type environment and maintain social bonds.

1.3.1.1.1.3 Home nursing services (HNS)

Home nursing 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 with 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.

1.3.1.1.2 Healthcare Division

1.3.1.1.2.1 Korian's clinics

High-quality and specialised post-acute and rehabilitation care

Equipped with medical staff and diagnostic and treatment facilities, the Group's specialised clinics provide curative and palliative care, physical therapy and rehabilitation, therapeutic education and preventive measures in accordance with each patient's specific illness and needs, and help them prepare to return to their families, school, work or society.

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

Specialised clinics admit patients after hospitalisation or directly from their homes, to prevent or reduce the functional, physical, cognitive, psychological or social consequences of the limited capabilities of its patients and facilitate their rehabilitation and return to their home and society as soon as possible, or ensure their transfer to a long-term care facility. They provide general and specialised post-acute care and rehabilitation services ranging from treatment of the respiratory and musculoskeletal systems (rheumatology and orthopaedics), the nervous system (neurology), cardiovascular system (cardiology), addictology and the digestive, metabolic and endocrine systems (nutrition). Some clinics also provide specialised geriatric care for elderly patients who suffer from multiple pathologies or who are at risk of becoming dependent.

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.

A network of clinics specialised in psychiatric care and addiction treatment

The Group's psychiatric clinics provide preventive and therapeutic treatments for acute and chronic psychiatric disorders, which, for example, include mood, personality and behavioural disorders and addictions.

They provide a personalised therapeutic programme for each patient that includes individual or group psychotherapy and prescribed treatments. These therapies are supported with therapeutic education interventions that facilitate the acceptance of treatment, increase patient independence, improve their quality of life and enable them to return to work and society.

1.3.1.1.2.2 Hospital home care facilities ("HHC")

Hospital home care (HHC) 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 multidisciplinary, 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 coordinating physician.

1.3.1.2 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 the payment of an average of 35% of the costs of medical and dependency care provision by the public sector, *i.e.* the National Health Insurance *(Assurance Maladie)* and local authorities;
- with respect to post-acute and rehabilitation clinics and psychiatric clinics, by full payment of the agreed tariff for each specific treatment by the National Health Insurance and supplementary health insurance;
- with respect to hospital home care, by full payment by the National Health Insurance and supplementary health insurance;
- with respect to home nursing services, by the full payment of the cost of providing care to patients in their home by the National Health Insurance.

In the medical-social sector, long-term dependency care is subject to strict regulations with respect to both the creation and operation of long-term care nursing homes. Regulatory requirements constitute a barrier to entry to this sector for new entrants with little experience. These regulations were consolidated and supplemented by the French Social Adaptation to Population Ageing Act (No. 2015-1776 of 28 December 2015) which came into full effect in 2017.

1 PRESENTATION OF THE KORIAN GROUP

The Group's senior services

Korian in France

The provision of post-acute and rehabilitation care that requires full hospitalisation, ambulatory treatment and hospital home care services is also highly regulated. The national regulatory framework governs the granting of operating licences, which are issued by the Regional Health Agencies (*Agence Régionale de Santé – ARS)* in accordance with the healthcare needs specified in the Regional healthcare organisation plans—Regional healthcare plans (SROS-PRS).

1.3.1.2.1 The granting and renewal of operating licences

Medical-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 generally the subsequent issuing of a licence that must be jointly validated by the President of the local Departmental Council and the Director of the local ARS. These licences are valid for 15 years (10 years if the facility was established before 2002). Since the HPST Act of 2009, the licence cannot be used to operate a facility until it has been granted healthcare and dependency funding by the relevant authorities. Having an operating licence does not ensure funding, without which a facility cannot be built, created, converted or extended.

Licence renewal is subject to internal and external assessment requirements that are specified in the decrees that implemented the HPST Act, which supplemented the provisions of the Decree of 15 May 2007 and the ANESM's recommendations. 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 (HNS) are medical-social services that involve the provision of care in the homes of the elderly, disabled adults and other patients. HNS are accordingly subject to the same obligations and entitled to the same rights as all other social or medical-social services, and to licensing and tariff requirements in particular.

The French Social Adaptation to Population Ageing Act changed the legal framework for these facilities from 1 January 2017. Facility operators have five years to implement this contractual reform, which replaces the Tripartite Agreement with a Multi-Year Targets and Resources Contract ("**MYTRC**"). The MYTRC, which will be valid for five years, aims 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 resources and which promotes transparency and accountability. Under this budget reform measure, which came into effect on 1 January 2017, facility operators will be required to submit, each year, a Draft Estimate of Income and Expenditure ("**DEIE**") and a Statement of Actual Income and Expenditure.

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 twice a year over a period of two months. During the licence 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 plans, the main objective of which is to coordinate the provision of post-acute, psychiatric, ambulatory and medical-social services in accordance with local needs in view of improving the quality of healthcare and making it more accessible for everyone.

A licence 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, licences 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 licence 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 licence may be suspended or withdrawn if a serious problem is observed.

Each facility and its ARS must sign a Multi-Year Targets and Resources Contract (MYTRC), which 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. Starting in 2018, each medical care facility will sign an Agreement to Improve Care Quality and Efficiency (AICQE) with its local ARS and the CPAM national health insurance fund. The purpose of this agreement is to help facilities improve their drug prescription practises and the effectiveness and safety of their care services.

Failure to comply with MYTRC or AICQE 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 and shared residences for seniors

Assisted living facilities are not considered to be medical-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 provided specific measures for assisted living facilities, making a distinction between the charging of fees for common rental services that are normally subject to a standard property rental or lease agreement, and fees for individual services that are charged when these services are used by the beneficiary. Assisted living facilities are governed by the French Building and Housing Code.

Shared residences for seniors

Shared residences for seniors provide not only private apartments but also a home-like common living area and personal services that are regulated by the French Labour Code (pursuant to articles L. 7232-1 *et seq.*), the French Social Action and Families Code (articles L. 312-1 and L. 313-1 *et seq.*) and the Social Adaptation to Population Ageing Act No. 2015-1776 of 28 December 2015.

Before the Act of 28 December 2015 was adopted, the former article L. 313-1-2 of the Social Action and Families Code stipulated that the provision of personal services for the elderly or disabled required either the authorisation granted under the Social Action and Families Code, or the certification granted under article L. 7232-1 of the Labour Code for a period of five years.

Article 47 of the Act of 28 December 2015 specifies when the regulations for these services come into effect.

Pursuant to this article, the providers of home assistance and support services for the elderly and disabled that were certified when the Act was enacted (*i.e.* on 29 December 2015) are considered to be authorised pursuant to article L. 313-1 of the Social Action and Families Code as of the effective date of their most recent certification. The authorisations, which now include the certifications, are granted for a period of 15 years.

Hospital home care (HHC)

Article L. 6122-1 of the French Public Health Code requires a licence 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 licence 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 licence may be suspended or withdrawn if a serious problem is observed.

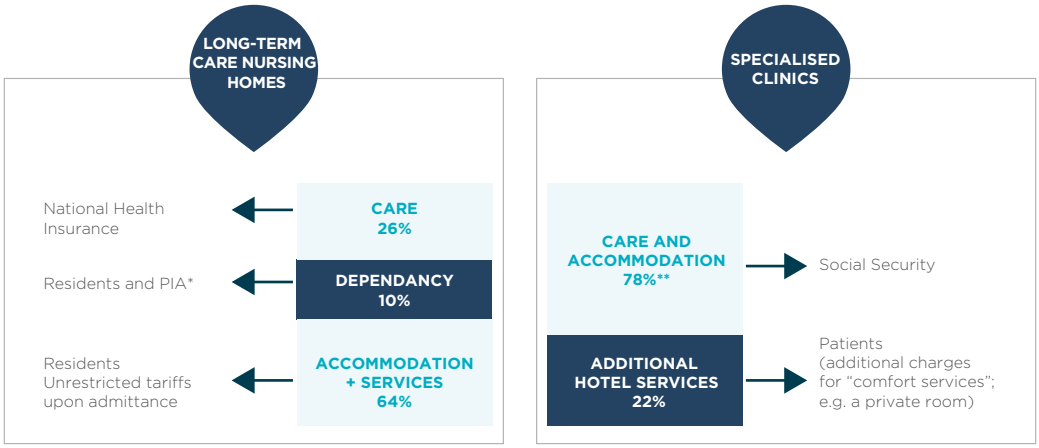
1 PRESENTATION OF THE KORIAN GROUP

The Group's senior services

Korian in France

1.3.1.2.2 Tariffs for services

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



**Personal independence allowance.*
***Of which the daily rate represents about 70%.*

The cost of hospital home care (HHC) is fully covered by the National Health Insurance and supplementary health insurance. Hospital home care facilities receive funding from the National Health Insurance (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.

The cost of home nursing services (HNS) is fully covered by the National Health Insurance 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 budgets that supervisory authorities allocate to long-term care nursing homes depend on the level of care given and the degree of dependency of the facility's residents.

The tariff for long-term care nursing homes is composed of the following three rates.

The care rate (which covers nursing or "basic" care, and medical treatment)

The care rate is set by the Regional Health Agencies (ARS) and accounts for about 26% of the revenue of the Group's long-term care nursing homes 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 primarily funds the salaries of care-givers and state-accredited nurses ("**IDE**"), physiotherapists, occupational therapists (including 100% of the coordinating physician's salary) and 100% of the expenses incurred to dispose of medical devices and waste. Care rates are not charged to residents but are paid directly to the facility by the National Health Insurance in a single payment that depends on the amount of medical care provided at the facility. The treatment rate is adjusted annually.

New regulatory measures have made the calculation of these rates subject to a "tariff equation" which now uses specific tools to determine the level of care required for a given resident and illness and the total amount of medical care required. This equation will be used to determine a maximum allowance to which all facilities are expected to converge over the next seven years.

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 accounts for about 10% of the Group's long-term nursing home revenue. It covers all assistance and monitoring services that are necessary to perform essential everyday tasks unrelated to medical care. This covers a portion 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.

These rates are determined and reviewed annually in accordance with the tariff equation, which takes into account the degree of resident dependency and the value of the IRG point in the department where the facility is located. This equation will be used to determine a maximum allowance to which all facilities are expected to converge over the next seven years. If the Departmental Council chooses not to cover all of a facility's expenses this will increase its 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 maximum annual increase decided by the Minister of the Economy and Finance.

The accommodation rate accounts for 64% of the Group's revenue from long-term care nursing homes in France.

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 or 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 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 Insurance pays for 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;
- 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

These rates are specified annually in an order issued by the Regional Health Agencies (ARS) and are expressed as daily rates for the authorised specialities.

These rates are subject to the provisions of the national agreement between the Health and Social Security ministries and at least one of the two main organisations that represent the private hospital sector (FHP or FEHAP) which sets forth:

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

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 ancillary 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.

Since 1 March 2017 measures to reform the funding of post-acute and rehabilitation facilities are gradually being implemented. The Social Security Budget Act of 2018 extended the transitional period by two years, until 1 March 2022. The new pricing system involves a flat payment for each type of illness treated.

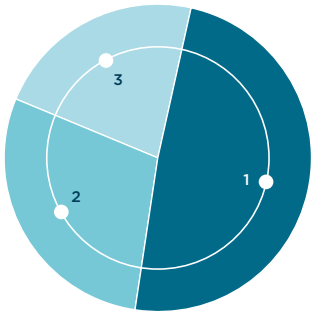
1.3.1.3 Market players

The long-term care nursing homes market in France

At the end of 2015[1], 728,000 people were temporarily accommodated or lived in a residential facility for the elderly, of whom over 80% were accommodated in 7,400 long-term care nursing homes.

The breakdown of total long-term care nursing home beds by sector at 31 December 2015[2]:

- Public sector beds – 296,200 (49%).
- Charitable sector beds – 171,750 (29%).
- Commercial private sector beds – 132,430 (22%).



1. Public sector **49%**
2. Charitable sector **29%**
3. Private sector **22%**

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

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 number of beds provided by commercial private-sector long-term care nursing homes has increased by 12.4% from 2011 to 2015[2], as they have more funds to invest in medical facilities and to expand the accommodation capacity of long-term care nursing homes.

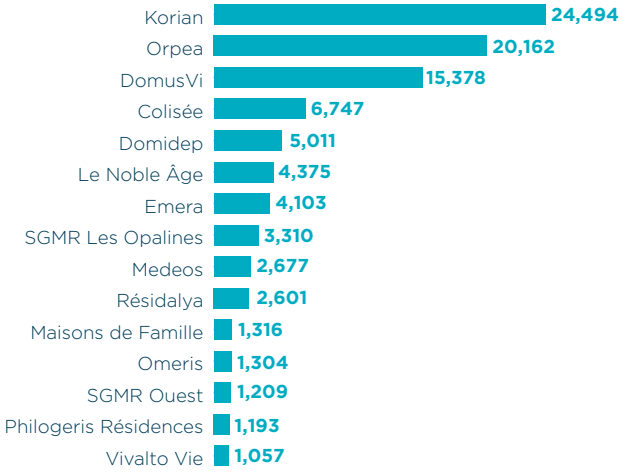
Competition in the private commercial sector is primarily between:

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

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

The chart below shows the accommodation capacity of the top 15 private commercial operators in France by the number of beds, at 31 December 2017[3].

Accommodation capacity of the 15 largest private commercial operators in France by number of beds at 31 December 2017



In 2017, five 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 private commercial 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 private commercial sector and the rest of this sector, with the No. 3 operator having over 15,378 beds and No. 4 only 6,747.

The French specialised clinics market[4]

In 2015, France had approximately 117,577 beds in post-acute care and rehabilitation clinics, of which the public sector accounted for about 45,300 in (38.5%), the private charitable sector for 35,108 (29.9%) and the private commercial sector for 37,169 (31.6%). The share of the commercial private sector has been steadily increasing over the past few years.

In 2015, the capacity of French adult psychiatric clinics (excluding ambulatory care) exceeded 55,000 beds, of which the public sector accounted for about 35,000 (64%), the private charitable sector for approximately 7,000 (13%) and the private commercial sector for 13,000 (23%).

Lastly, hospital home care capacity was about 15,000 places, with the public sector accounting for 27%, the charitable sector for 56%, and the commercial private sector for 17%.

(1) Source: Initial results of the DREES 2015 LTCNH Survey – July 2017.
(2) Source: Final results of the DREES 2015 LTCNH Survey – September 2017.
(3) Source: The January 2018 issue of Mensuel des maisons de retraite magazine.
(4) Source: DREES 2017 Survey of Healthcare Institutions (Panorama des établissements de santé) (2015 data).

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 still more fragmented than the long-term care nursing home market. Many facilities are still independent. The trend, however, is toward more consolidation, driven mainly by the increasing specialisation in the sector and the conversion of multidisciplinary facilities into clinics that specialise in the treatment of specific pathologies, which increases revenue per bed.

1.3.1.4 Market trends

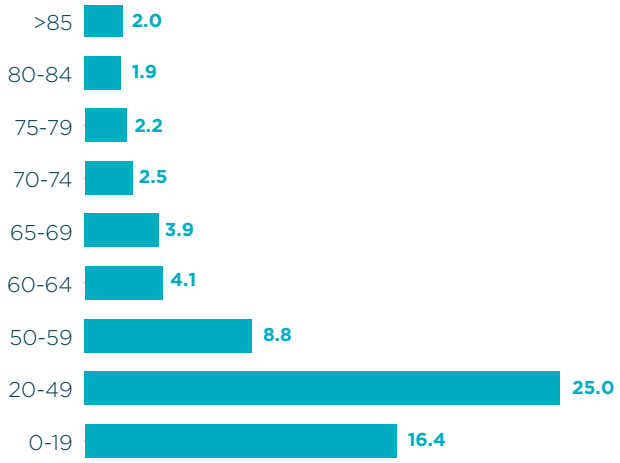
Korian's market is growing strongly, due to rapid population ageing, other favourable social and demographic trends, and a structural supply deficit.

1.3.1.4.1 Demographic, economic and social factors that promote the growth of the dependency care market

Increasing dependency is a natural consequence of the ageing of France's population.

As shown in the age pyramid below, 12.6 million French people (over 18.9% of the population) were older than 65 on 1 January 2017(1).

Age distribution in France at 1 January 2017
(by age group and in millions of people)(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 2017, life expectancy at birth was 79.5 years for men and 85.3 years for women(2). According to INSEE's core scenario, in 2070 the life expectancy of French men and women will be 90.1 and 93.0 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).

1.3.1.4.2 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 80 and older 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 figure 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).

The first increase in the number of dependent people was observed in 2005, as the generations born between 1920 and 1940 reached old age(5).

By 2040, the number of dependent elderly and the age at which people start to become dependent will have increased. The increase 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.

We are therefore seeing an increase in the age at which people are admitted to long-term care nursing homes, which is now 85 years and two months and is increasing by an average of three months annually. We have also noted that the number of people age 90 to 99 who are admitted to long-term nursing homes has increased from 31% to 38.2% from 2011 to 2015(6).

(1) Source: Eurostat, January 2017.
(2) Source: INSEE, 2017 Demographic Report, January 2018.
(3) Source: Projected age distribution in 2070
(4) Source: Eurostat. Population aged over 85.
(5) Source: DREES, projected elderly populations – September 2013.
(6) HCFEA report – December 2017.

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;
- neurodegenerative 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[(1)]. Almost 75% of residents admitted to a facility suffer from a neurovegetative disease.

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

1.3.1.4.3 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. This requires 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 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 private commercial 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.

1.3.1.4.4 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.

(1) Source: INSERM.

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.

1.3.1.4.5 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 aged 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 disparities 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. More alternatives to long-term care nursing homes may therefore be expected.

1.3.2 KORIAN IN GERMANY

Key indicators	2017
Facilities	225
Beds	28,440
Revenue	€882 M
Number of employees(1)	16,273

(1) Only employees on fixed-term, indefinite-term or professional training contracts employed on 31 December 2017 were counted (internship contracts and temporary contracts were excluded).

1.3.2.1 Korian's network

The Group is expanding its operations in Germany, under a single brand instead of the names of the former companies, and mainly in the long-term care nursing home sector *(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 expanding into the following fast-growing markets:

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

The German healthcare system underwent major reforms in 1995 and 1996 that codified medical-social services and funding *(Sozialgesetzbuch).* 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, mainly *via* two distinct authorities:

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

1.3.2.2 Regulatory framework and funding

1.3.2.2.1 The regulatory framework

With respect to opening new facilities, the healthcare system is generally more flexible in Germany than in France, since only an operating licence and other documents are required. These documents enable a facility to open with a specific number of beds that is determined by the regional regulations or the home care services contract depending on the case.

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

The "PSG II" Act

The federal *Zweites Pflegestärkungsgesetz* Act of 21 December 2015 (also known as the "**PSG II**" Act), which came into effect on 1 January 2017, redefined the concept of "care need" *(Pflegebedürftigkeit).* A person's degree of autonomy is measured on a scale of 1 to 5 (and not 3, as with the previous healthcare system) depending on his or her physical, mental and psychological disabilities. 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;
- 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%).

Nursing homes : specific regulations in some *Länder*

There are regulations in some *Länder* on the rates charged for individual rooms in long-term care nursing homes, with compliance required between 2018 and 2036. In the *Länder* 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 depending on where they are located) and 80 beds (for new facilities).

1.3.2.2.2 The funding of medical care

***Tariffs established by the national health funds under the PSG II Act** (in €/month)*

Type of care	Funding beneficiaries	Care level 1	Care level 2	Care level 3	Care level 4	Care level 5
Care provided at home by the dependent person's family	The dependent person	125	316	545	728	901
Care provided at home or at an assisted living facility by home care or outpatient care service providers	Home care and outpatient care service providers	125	689	1,298	1,612	1,995
All care costs are covered in a long-term care nursing home	Long-term care nursing homes	125	770	1,262	1,775	2,005

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

Since the PSG II Act, the share of medical care expenses to be paid by people who receive full-time care in institutions no longer increases in proportion to their long-term care needs. 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. However, this amount may vary between facilities.

For the lowest income population, welfare *(Sozialhilfeträger)* may pay up to all of the remaining unpaid costs of staying in the facility (this applied to 29% of Korian residents in Germany at the end of 2017).

1.3.2.2.3 Tariffs for services

The tariff system for long-term care nursing homes

Operators of long-term care nursing homes are free to negotiate the following components of their tariffs with the welfare services and/or 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;
- the investment component (IK), which covers rental and associated charges;
- the training component *(Ausbildungsumlage)* which serves to finance the training of apprentices.

The tariff system for assisted living facilities

The operators of assisted living facilities are free to set tariffs at the market price.

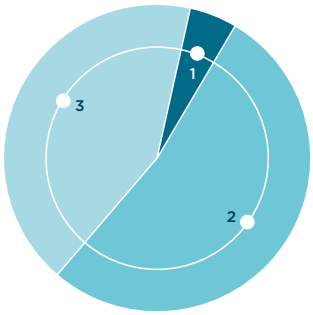
The tariff system for home care services

The rates for home care services are negotiated with the health insurance funds in each *Länder,* based on a catalogue of standard services. Operators are free to set the prices for their additional services.

1.3.2.3 Market players

Of the 13,596 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%.

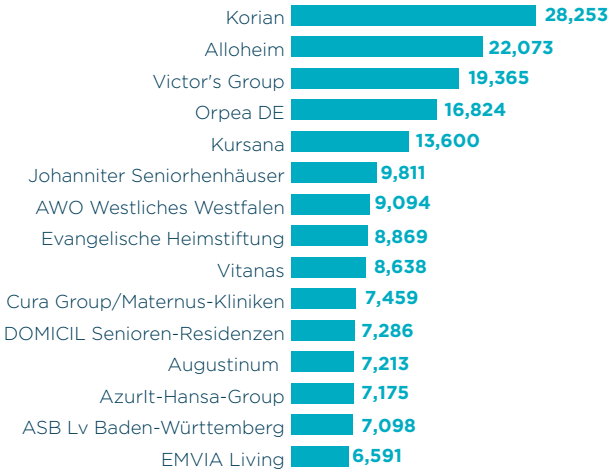
Almost 19% of long-term care nursing homes offer assisted living facilities nearby.



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

The chart below shows the main players in the German long-term care nursing home and assisted living facilities market[1].

Accommodation capacity by number of beds of the main players on the long-term care nursing homes and assisted living facilities market in Germany

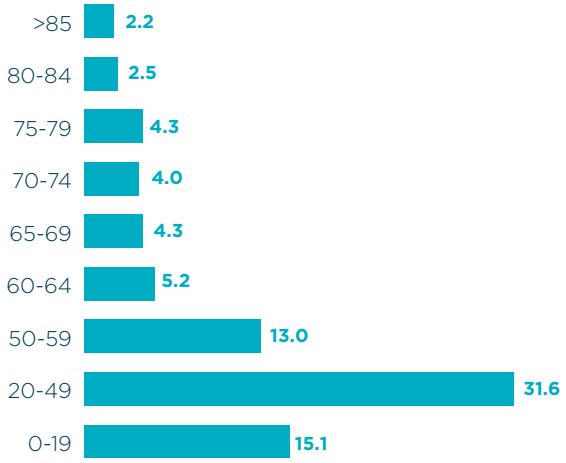


1.3.2.4 Market trends

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

The Germany market is characterised by rapid population ageing and a lack of beds.

Age distribution in Germany at 1 January 2017
(by age group, in millions of people)[2]



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

Of the 2.86 million dependent elderly in Germany who receive health insurance benefits, 27.4% live in long-term care nursing homes *(Pflegeheime)* and 72.6% receive medical care in their homes[3].

The number of people over the age of 85 is set to rise more sharply in Germany than in France over the coming years. This difference is due to the higher birth rates in Germany in the second half of the 1930s and early 1940s.

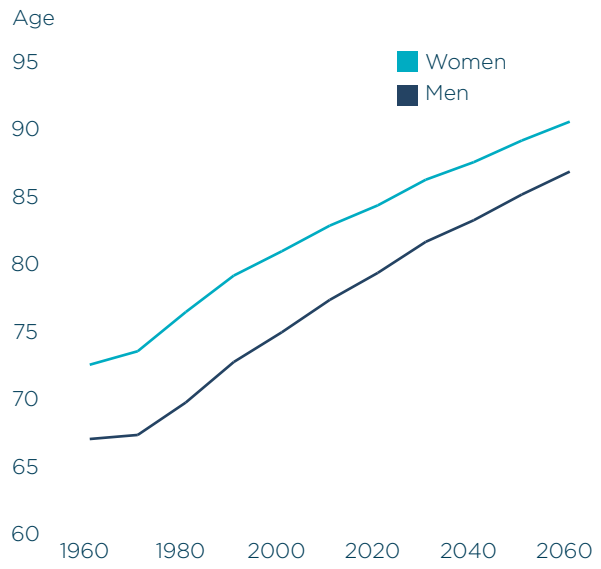
(1) Source: CAR€ Invest – 2 February 2018.
(2) Source: Eurostat, January 2017.
(3) Source: Destatis (The German Federal Statistics Office), Pflegestatistik 2015.

1 PRESENTATION OF THE KORIAN GROUP

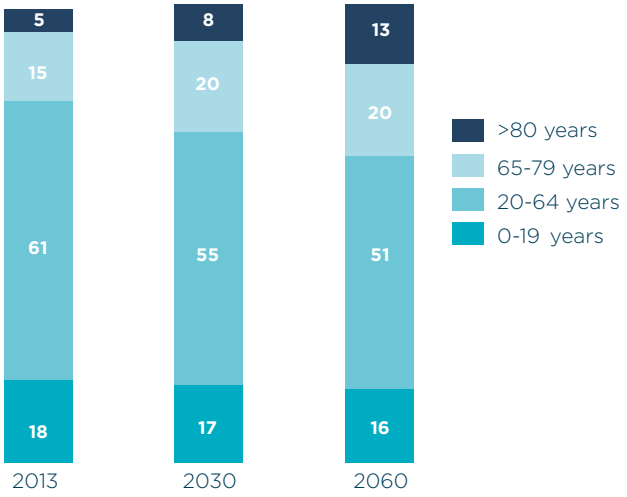
The Group's senior services

Korian in Germany

Historical and projected life expectancy in Germany (1960-2060)[1]

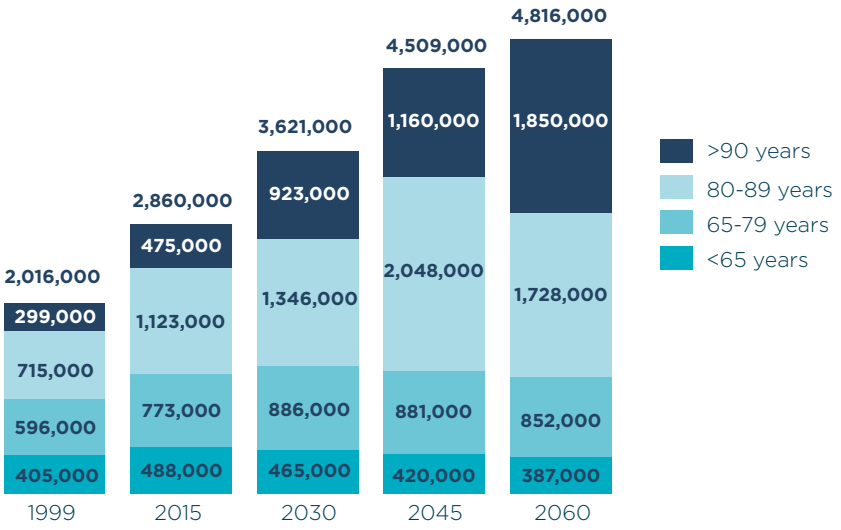


Projected population growth by age bracket[2]



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

Increase in the number of people requiring care (in millions)[3]



(1) Source: Destatis (The German Federal Statistics Office) – 2015.
(2) Source: Destatis (The German Federal Statistics Office) – "Germany's population from now until 2060".
(3) Source: The German Statistics Office – 2017.

1.3.3 KORIAN IN BELGIUM

Key indicators	2017
Facilities	98
Beds	10,611
Revenue	€363 M
Number of employees(1)	3,999

(1) Only employees on fixed-term, indefinite-term or professional training contracts employed on 31 December 2017 were counted (internship contracts and temporary contracts were excluded).

1.3.3.1 Korian's network

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 Home Care brands. Assisted living facilities constitute nearly 10% 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 aged 60 and over. Nursing homes are authorised two types of beds: "care home for the elderly beds" and "nursing and care home beds." They correspond to two levels of medical care with distinct staffing ratios and funding systems. More funding is provided for nursing home beds, which are intended for people with higher levels of dependency;

• day care centres (DCC), 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, generally 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 safe and secure and adapted for the elderly. 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.

The care in assisted living facilities and home care services that OTV Home Care provides (with a staff of about 330 FTE and a network of 450 independent nurses) account for approximately 7% of total revenue in 2017.

1.3.3.2 Regulatory framework and funding

1.3.3.2.1 Long-term care nursing homes

Regulations are a substantial barrier to entry in the Belgian long-term care nursing home market. Regulated at 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 aged 65 and older. However, programming in Flanders is at the municipal level and in Wallonia by arrondissement.

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. However, since 2013, the Flemish Government has imposed a moratorium (until at least the end of 2019), pending the construction of the beds that have already been authorised.

The standards that must be met to operate care homes for the elderly, 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.

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The Regions are responsible for the initial licensing, monitoring and quality control of facilities. For example, the Decree of 25 April 2014 enacted in Wallonia enables facilities that meet specified quality criteria to obtain a "Quality Label." Licences may be withdrawn if quality standards are not met.

Care funding

The cost of medical care and dependency are subsidised by the Regions until 2018 *via* INAMI. INAMI is a federal institution that oversees the reimbursement of all medical care costs in Belgium. These costs are 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 weighted daily rate was €55.14 or €1,654 a month in Flanders in 2016(2), not including medical costs (doctors, physiotherapists, *etc.*) and some additional costs that are billed separately (telephone, laundry, *etc.*).

According to Mutuelles Socialistes, the average daily rate in Belgium in 2016 was €48.2. The average rates in Flanders, Brussels and Wallonia were €52, €49.2 and €43.5 respectively, representing respective increases of 4.8%, 8.8% and 5.7%(3) since 2014.

1.3.3.2.2 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.

1.3.3.2.3 Home care

There are no barriers to entry to the Belgian home care market, other than the official care-provider diploma, which is regulated at the federal level. Home care services are provided at the request of the physician and are almost free of charge to the patient. Costs are reimbursed by INAMI in accordance with the type of care provided.

Home care services are regulated by the four Regions and may be divided into two distinct groups:

- Services that are subsidised by the regional government and reimbursed on the basis of a maximum number of care-provider hours, and public-sector and charitable initiatives. These subsidised services may only be provided by non-profit organisations. These services include family home care services and general services provided in facilities, such as cleaning and housework. These services are provided at no cost to customers.
- Purely material services (*e.g.* housework, cleaning, ironing, *etc.*), which are paid for with service vouchers. These services are not limited and may be provided by commercial entities. The price of the service voucher (€9/hour) is tax-deductible from personal income. The regional government covers the remaining cost of FTE personnel and general expenses.

(1) With maximum annual increases in some Regions (5% in Wallonia).
(2) The average weighted daily rates in Flemish nursing homes at 1 May 2016 according to AZG, the Flemish health and medical care agency.
(3) Source: Mutuelles Socialistes – 2016 Nursing Home Survey – Daily rates are calculated from a representative sample of 3,045 invoices of 920 different facilities (60% of the total number) which are members of the Mutuelles Socialistes.

1.3.3.2.4 Possible consequences of the Sixth State Reform

The Sixth State Reform transferred authority in the area of 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, INAMI will continue to regulate the funding of the medical care provided in nursing homes, with authority over the Regions.

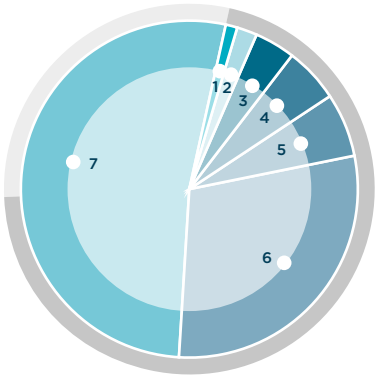
1.3.3.3 Market players

The Belgian long-term care nursing home market is still quite fragmented, with 1,493 facilities and 147,942 beds[(1)]:

- Public sector – 367 facilities (24.6%) and 42,845 beds (29.0%);
- Charitable sector – 344 facilities (23.0%) and 38,353 beds (25.9%);
- Commercial private sector – 782 facilities (52.4%) and 66,744 beds (45.1%).

The Belgian nursing home market

Market's total capacity : **147,942 beds**



1. Senior Assist **1.2%**
2. Vulpia **1.9%**
3. Orpéa **3.9%**
4. Armonea **5.4%**
5. Senior Living Group **6.1%**
6. Municipal/Public **29.0%**
7. Other private sector **52.5%**

Private sector **71%***

Public sector **29%**

**Of which commercial private sector (43.2%) / of which charitable private sector (27.9%).*

The Belgian market consists of 841 assisted living facilities with 27,469 housing units:

- 662 facilities and 22,799 housing units in Flanders[(2)];
- 148 facilities and 2,978 housing units in Wallonia[(3)];
- 31 facilities and 1,692 housing units in Brussels-Capital region[(4)].

(1) "List of Authorised Care home for the elderly and Nursing Home Beds" (includes Senior Subacute Care and Rehabilitation Centres (SSC & RC) but excludes DCC), INAMI, 28 November 2017, taking into account Senior Living Group's acquisition of six facilities from Senior Assist in late 2017.
(2) "An Overview of Care Services for the Elderly" – AZG (the Flemish health and medical care agency), 1 May 2017.
(3) "List of Facilities for the Elderly" – AVIQ, 2 October 2017.
(4) "Number of Facilities by Type" and "Number of Housing Units by Facility" – IBSA.Brussels (the Brussels Institute of Statistics and Analysis), 31 December 2016.

1 PRESENTATION OF THE KORIAN GROUP

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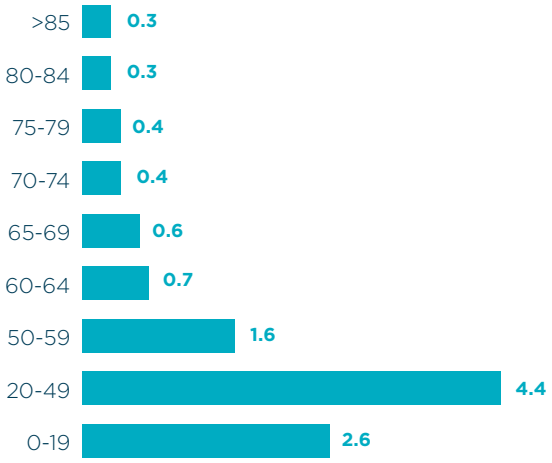
1.3.3.4 Market trends

The demographic trend in the Belgian market is favourable. The number of elderly people in long-term care nursing homes and assisted living facilities is expected to increase by an average of 2,500 annually until 2025, with a steady increase in the level of 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 aged 65 or older, who made up 17% of Belgium's population in 2010, will account for 20.6% 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(1).

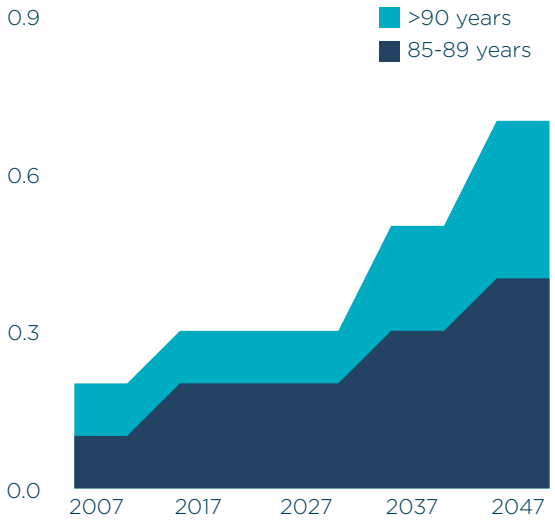
Age distribution in Belgium at 1 January 2017

(by age group, in millions of people)(2)



Increase in the number of people over 85 years old

(in millions)



Belgium is currently home to 2,093,725 people over the age of 65(3) and there are 147,942 housing units(4) in long-term care nursing homes, or enough for just over 7.1% of this population. To meet the current demand it will therefore be necessary to create 18,058 more beds by 2025(5).

(1) "Population at 1 January by age group (2017-2061), SPF Économie (Statbel), December 2017.
(2) Demographic projections at 1 January 2017, SPF Économie (Statbel), 2017.
(3) "Population at 1 January by age group (2017-2061)", SPF Économie (Statbel), December 2017.
(4) "List of Authorised Care home for the elderly and Nursing Home Beds" (includes Senior Subacute Care and Rehabilitation Centres (SSC & RC) but excludes DCC) INAMI, 28 November 2017.
(5) "Residential Care for the Elderly in Belgium: Projections for 2011-2025", KCE, 2011. (an estimated 166,000 beds will be needed in 2025).

1.3.4 KORIAN IN ITALY

Key indicators	2017
Facilities	56
Beds	5,956
Revenue	€307 M
Number of employees(1)	2,073

(1) Only employees on fixed-term, indefinite-term or professional training contracts employed on 31 December 2017 were counted (internship contracts and temporary contracts were excluded).

1.3.4.1 Korian's network

With 56 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 1.3.4.2 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.

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

The Group operates 42 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 11 long-term care nursing homes, Korian operates day care centres with a total capacity of 252 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 people to meet and socialise. Physical and neurosensory stimulation activities are also proposed.

1.3.4.1.2 Specialised clinics

The Group operates 14 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 outpatient care).

1.3.4.1.3 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.

1.3.4.1.4 Home care

In Lombardy, Veneto, Tuscany, Lazio and Apulia, Korian provides rehabilitation and home care for more than 10,000 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;
- has set up a "pain therapy" service in 2014 to provide palliative care to dying patients, with the help of a highly qualified team of oncologists, surgeons, anaesthetists, nurses and other specialists.

1.3.4.2 Regulatory framework and funding

1.3.4.2.1 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 medical-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 be licensed to provide services for the elderly.

1.3.4.2.2 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 €72 a day[(1)], and accommodation rates may be set freely in Lombardy and Veneto but are capped elsewhere, such as in Piedmont.

(1) Except in Sardinia, where the ASL pays the full tariff of "high intensity" RSA, representing a total cost of €152 for care and accommodations.

The revenue of specialised clinics depends on the rates set by the regional authorities. There can be significant disparities 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.

1.3.4.3 Market players

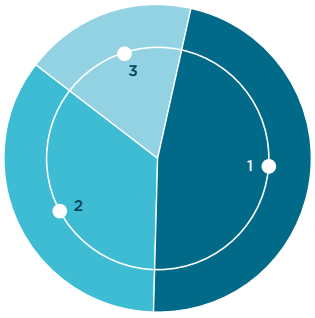
Beds currently operated in Italy:

- 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.



1. Public sector **47%**
2. Charitable sector **35%**
3. Private sector **18%**

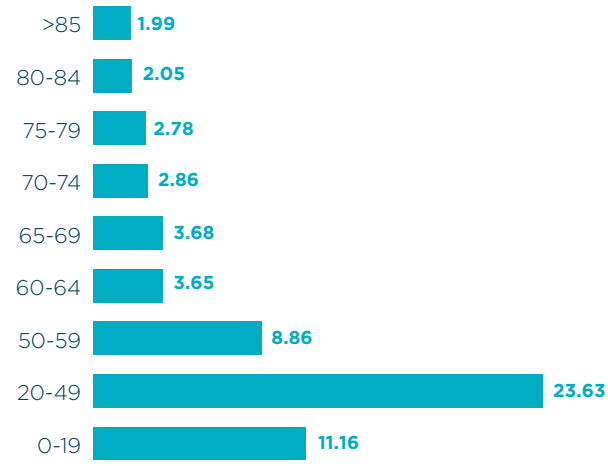
1.3.4.4 Market trends

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

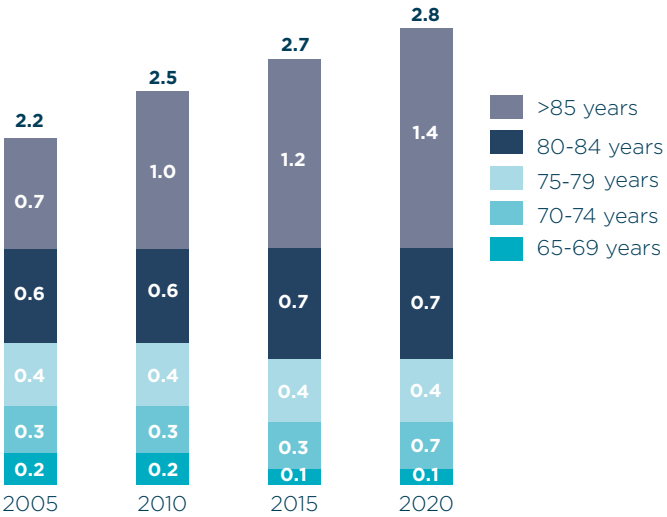
1.3.4.4.1 Ageing of the over-65 population

Italy has over 13.37 million people aged 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. At 1 January 2016, over 22.04% of Italians were over 65[(1)].

Age distribution in Italy in 2016
(by age group, in millions of people)



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



(1) Source: Eurostat, Population (demographics, migration and projections) at 1 January 2016.

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 factor 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 80.6 years and Italian women 85.

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

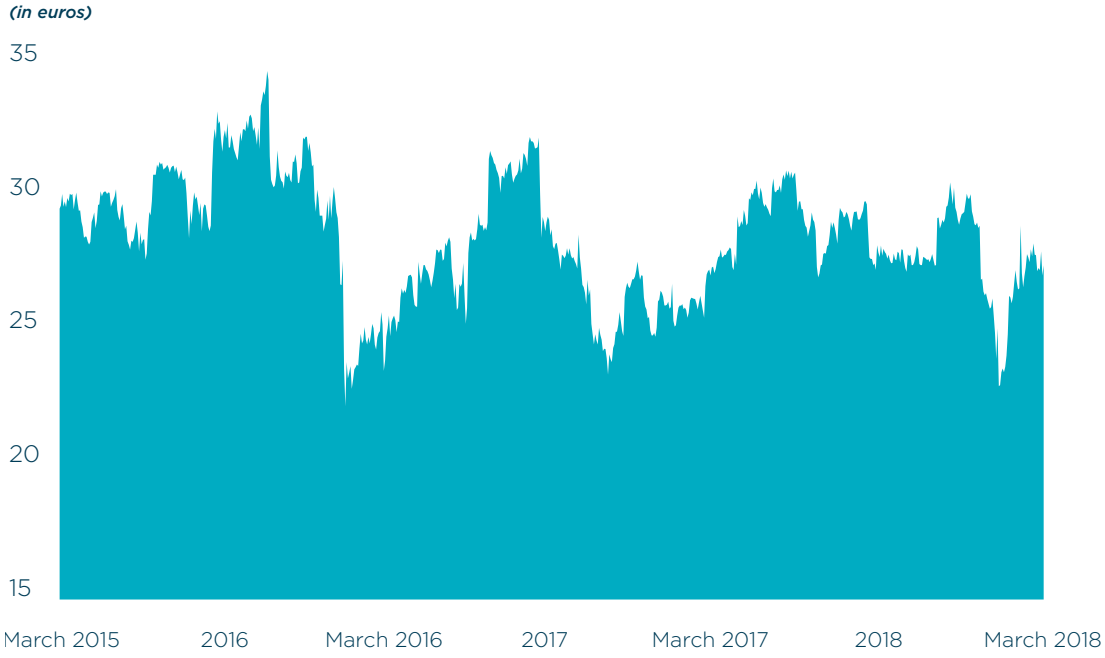
The Italian and French markets are quite similar in several ways, such as the level of dependency and changing lifestyles. However, Italy has a relative small share of dependent elderly in specialised institutions compared with other European countries. For example, in Italy there are only 64 long-term 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.

1.4 Selected financial information

The following table compares key revenue, income and profit figures for 2017 and 2016.

In millions of euros	2016	2017	Change
Revenue	2,987	3,135	5.0%
EBITDAR	797	821	3.0%
as a % of revenue	*26.7%*	*26.2%*	
EBITDA	422	440	4.3%
as a % of revenue	*14.1%*	*14.0%*	
Net profit, Group share	131	163	24.4%
Operating Free Cash Flow	140	208	47.9%
Net debt at 31 December	2,315	2,340	
Restated debt ratio at 31 December	3.9x	3.2x	

1.5 Stock-market performance



Source: Bloomberg

CHAPTER 2

Management Report 2017

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2.1 Highlights

2.1.1 CHANGES IN GOVERNANCE

2.1.1.1 Governance under the articles of association

Changes in the composition of the Board

At the Combined General Meeting held on 22 June 2017, the Company's shareholders decided:

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

The appointments of Elisabeth T. Stheeman and Markus Müschenich reflect the Group's international development.

For additional information on the Board of Directors, see section 2.11.1.2.3 of this registration document.

2.1.1.2 Internal governance

On 1 July 2017, Arno Schwalie was appointed as CEO of Korian Germany and became a member of the General Management Committee, replacing Ralf Stiller.

For additional information on the Management Committee, see section 2.11.1.2.2 of this registration document.

On 21 July 2017, Caroline de Jessey was appointed Group Chief Communication Officer, replacing Cécile Jolly.

2.1.2 INCREASED FINANCIAL FLEXIBILITY

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

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

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

2.1.3 CONTINUED ACTIVE DEVELOPMENT STRATEGY

The Group continued its active development strategy and expanded the number of beds operated by over 3,150 units, increasing its total portfolio to 75,060 beds. At 31 December 2017, the Group had a portfolio of 743 facilities. This expansion was primarily achieved through ten selective acquisitions in Belgium and Italy, and by opening eight new facilities, essentially in Germany and France. The Group has also significantly expanded its presence in the home care segment in Belgium and Germany, as part of a care pathway approach.

2.1.3.1 In France

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

In the Healthcare Division (comprised primarily of specialised clinics), three reconfiguration projects were successfully placed into service in 2017 (Guyancourt, Martigues and Talence). These operations aim to develop additional inpatient hospitalisation and ambulatory care capacities, expand the level of specialisation and increase the number of individual rooms. Two new facilities were also opened: a specialised clinic in Troyes and a long-term care nursing home, combined with an assisted living facility, in Saverne.

Korian has formed a partnership with Âges & Vie, a young company from Franche-Comté, to promote the development of living spaces shared by seven roommates. This concept, which offers a secure, convivial and intergenerational setting, allows roommates who are losing their independence to maintain their capacities in a shared classic environment. Pursuant to this partnership, Korian acquired 70% of the capital of Âges & Vie. The three founders continue to manage the company and the brand, and will pursue the ambitious development of the network in France, with 200 residences planned in

the next six years, a capacity of 3,000 persons, and the creation of over 2,000 direct jobs. In the longer term, this concept is expected to expand to the other countries in which the Group does business (Germany, Belgium and Italy).

At 31 December 2017, the Group operated 30,053 beds in 364 facilities across France.

2.1.3.2 In Germany

In addition to expanding its home care services network, three long-term care nursing homes and two specialised clinics were opened.

In connection with its portfolio optimisation policy, the Group ceased operating two facilities.

At 31 December 2017, the Group operated 28,440 beds in 225 facilities across Germany.

2.1.3.3 In Belgium

In January 2017, Korian acquired two long-term care nursing homes in Flanders and supplemented the acquisition of the Foyer de Lork group with the acquisition of OTV, the leading home care provider in Flanders.

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

In December 2017, the Group enhanced its leadership position by acquiring an independent facility and an additional portfolio of eight facilities from Senior Assist.

At 31 December 2017, the Group operated 10,611 beds in 98 facilities across Belgium.

2.1.3.4 In Italy

Korian acquired three long-term care nursing homes and opened two specialised clinics.

At 31 December 2017, the Group operated 5,956 beds in 56 facilities across Italy.

2.1.4 DYNAMIC MANAGEMENT OF THE REAL ESTATE PORTFOLIO

In line with its five-year strategic plan, the Group has begun optimising its real estate asset base to advance its development and create value.

In connection with its growth acceleration plan in France, the Group has undertaken an ambitious programme to modernise and reconfigure its real estate assets in order to make its offers more attractive, to encourage its facilities, particularly its healthcare facilities, to work more closely with its main referring practitioners, and to develop additional capacities, particularly in assisted living facilities, individual rooms and ambulatory care. The reconfiguration operations that were successfully put into service are described in section 2.1.3.1 above.

In addition, in the second half of 2017, the Group signed a master agreement with the Icade group, which will assist Korian in reconfiguring and expanding its facilities network in France.

This non-exclusive partnership, which is part of the Group's new real estate policy, covers a first set of 15 new buildings to be delivered by 2020 in France. It includes the development, design and construction of facilities by Icade Promotion pursuant to a real estate promotion contract. The Group has an option to purchase each property, consistently with its goal of increasing its asset ownership rate. Icade Santé may buy some of these properties (long-term care nursing homes or post-acute and rehabilitation care clinics) if the Group does not exercise its purchase option.

This partnership is a component of the real estate portfolio dynamic management strategy of the five-year strategic plan. This plan is based on the restructuring of the real estate portfolio, with a potential volume of 50 concurrent projects, ranging from the design phase to the implementation phase, and on the improvement of the tenancy terms.

The plan is to deploy this type of innovative partnership in all countries in which the Group operates.

In 2017, the Group also created dedicated real estate vehicles to hold the new properties located in France (OPPCI Korian Immobilier) and Germany. At 31 December 2017, OPPCI Korian Immobilier comprised ten properties, of which four had been delivered and six were under construction, whereas the dedicated vehicle for German properties comprised three properties: one existing property in operation and two properties under construction.

The Group invested €142 million in developing its wholly-owned real estate portfolio in 2017, an amount that showed a significant increase relative to 2016 (€52 million). These investments, which include new projects and the purchase of existing premises, were financed on highly attractive interest-rate terms. The value of the Group's real estate portfolio has increased by over 25% over the past 18 months, and amounted to €1,240 million[1] at 31 December 2017.

2.1.5 LAUNCH OF THE KORIAN CORPORATE FOUNDATION FOR AGEING WELL

To extend the process it began four years ago with the Korian Ageing Well Institute, and aware of its responsibilities due to its corporate purposes, Korian created the Korian Corporate Foundation for Ageing Well in order to fully assume its social integration role, by mobilising its entire network and creating, together with all willing stakeholders, collaborative projects that foster inclusion and the development of social links at the regional level.

For additional information on the Korian Corporate Foundation for Ageing Well (the "**Foundation**"), see section 2.9 of this registration document.

(1) Valuation performed by Cushman & Wakefield.

2.2 Changes in business activities

2.2.1 CHANGES IN GROUP REVENUE(1)

In millions of euros	2017	2016	Change 2017/2016
France	1,583.4	1,572.5	0.7%
Germany	882.1	852.3	3.5%
Belgium	362.6	259.4	39.8%
Italy	307.1	302.7	1.5%
REVENUE(1)	**3,135.2**	**2,986.9**	**5.0%**

(1) Revenue and other income.

The Group generated revenue of €3,135.2 million in the year ended 31 December 2017, an increase of 5.0%.

The Group has also significantly expanded its presence in the home care segment in Belgium and Germany, as part of a care pathway approach.

In total, international revenue was up 9.7%, and accounted for 49.5% of consolidated revenue in 2017.

2.2.2 GROWTH OF 0.7% IN THE FRENCH BUSINESS

In France, revenue grew by 0.7% to €1,583.4 million in 2017. France accounted for 50.5% of Group revenue.

Organic growth totalled 0.9%, essentially driven by the business of the Seniors division, whereas the business of the Healthcare division fell slightly over the year.

In the Seniors Division (long-term care nursing homes), healthy average daily rates and the strategy of expanding the range of services offered to residents and their families continued to drive revenue growth.

The Healthcare Division (comprising mostly post-acute and rehabilitation care clinics) started to benefit from the operations undertaken to develop and convert the facilities implemented in 2017. These operations aim to develop additional inpatient hospitalisation and ambulatory care capacities, expand the level of specialisation and increase the number of individual rooms. Three reconfiguration projects were successfully placed into service in 2017 (Guyancourt, Martigues and Talence).

2.2.3 REVENUE GROWTH OF 3.5% IN GERMANY

Revenue totalled €882.1 million, up 3.5%.

Germany reported organic growth of 4%, driven by the ramp-up of facilities opened over the last 18 months and by a favourable price and mix impact due to the application of the new PSG II regulations, which are described in section 1.3.2.2 of this registration document. The German facilities also benefited from a growing number of home care patients. In connection with its portfolio optimisation policy, Germany ceased operating two facilities in 2017, opened five other facilities and expanded its "Home Care" business.

2.2.4 REVENUE GROWTH OF 39.8% IN BELGIUM

Belgium generated revenue of €362.6 million, up 39.8%.

Revenue in Belgium increased sharply, driven by an active external development strategy and organic growth that continues to be strong (7.7%), notably driven by the ramp-up of facilities opened, expanded and renovated since late 2016. The Group acquired OTV in January 2017, which enabled expanding the Group's home care services business. This active development strategy was continued in the quarters that followed, in particular by acquiring the home care services business of the Senior Assist group – through Senior Assist Home Care – in July 2017, and an additional portfolio of eight facilities from Senior Assist in December 2017.

2.2.5 REVENUE GROWTH OF 1.5% IN ITALY

Italy generated revenue of €307.1 million, up 1.5%.

Performance in Italy was driven mainly by the restructuring and external growth operations carried out in 2017. After the scheduled shutdown of four facilities as part of its portfolio revision, Italy acquired three new retirement homes and two clinics.

2.3 Review of the financial position and results at 31 December 2017

2.3.1 CONSOLIDATED FINANCIAL STATEMENTS

Korian uses EBITDAR and EBITDA as its benchmark indicators.

EBITDAR makes it possible to assess operating performance independently of the 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 in section 3.1 of this registration document).

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 sectors + 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.

2.3.1.1 Simplified income statement

In millions of euros	31.12.2017	31.12.2016	Change 2017/2016
Revenue[1]	3,135.2	2,986.9	5.0%
EBITDAR	820.9	797.2	3.0%
as % of revenue	*26.2%*	*26.7%*	*-0.5%*
External rental payments	-380.7	-375.0	1.5%
EBITDA	440.2	422.2	4.3%
as % of revenue	*14.0%*	*14.1%*	*-0.1%*
Operating income	283.3	240.9	17.6%
Net financial result	-120.5	-123.3	-2.3%
Profit/(loss) before tax	162.8	117.6	38.4%
Net profit (loss) share Group	**163.3**	**131.3**	**24.4%**
Current net profit (loss) share Group	**163.3**	**148.0**	**10.3%**

(1) Revenue and other income.

EBITDAR totalled €820.9 million at 31 December 2017, up €23.7 million. The 2017 EBITDAR margin fell by 51 basis points to 26.2%. Details of this change are shown below for each country in which the Group operates.

	Group		France		Germany		Belgium		Italy	
In millions of euros	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue[1]	3,135.2	2,986.9	1,583.4	1,572.5	882.1	852.3	362.6	259.4	307.1	302.7
EBITDAR	820.9	797.2	435.6	428.0	220.6	230.2	93.0	69.5	71.8	69.5
Margin/revenue	**26.2%**	**26.7%**	**27.5%**	**27.2%**	**25.0%**	**27.0%**	**25.7%**	**26.8%**	**23.4%**	**23.0%**

(1) Revenue and other income.

In France, EBITDAR rose by nearly €8 million and the margin by 30 basis points to 27.5% due, in particular, to highly effective cost controls and a favourable purchasing dynamic.

In Germany, EBITDAR fell (-4.2%) from €230 million to €221 million. The EBITDAR margin for the full year was 25.0%, down 200 basis points and 140 basis points adjusted for non-recurring income in 2016. The change in this margin is primarily due to:

- a sharp increase in temporary work as a result of a very tight labour market;
- the opening of a large number of facilities over the last 18 months.

In Belgium, the EBITDAR margin fell by 110 basis points to 25.7%, due to the dilutive effect of recent acquisitions, which include a number of facilities in the ramp-up stage in their portfolio.

In Italy, the EBITDAR margin (23.4%) improved by 40 basis points due to an optimisation of the asset portfolio and costs.

The Group's EBITDA grew by 4.3%, to €440.2 million. The EBITDA margin was 14.0% in 2017 compared with 14.1% in 2016. It increased by 30 basis points compared with the underlying margin for the 2016 financial year (*i.e.* restated for the favourable impact of non-recurring income). This positive change results from improved operational performance and a favourable mix effect on rental expenses due to acquisitions made, primarily in Belgium.

Operating income was €283.3 million, which is 9.0% of revenue (versus 8.1% in 2016).

The net borrowing cost was €120.5 million, compared to €123.3 million in 2016.

The 2017 income tax line includes net income of €68 million linked to the positive impact on deferred tax of the expected decrease in tax rates in France to 25.8% in 2022, in Italy to 27.9% in 2017, and in Belgium to 25% in 2020.

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

Net profit (loss) attributable to the owners of the Group totalled €163.3 million, up 24.4% compared to the previous year.

Current net profit (loss) attributable to the owners of the Group totalled €163.3 million, up 10.3%.

2.3.1.2 Consolidated statement of financial position

In millions of euros	31.12.2017	31.12.2016
Non-current assets	6,185.5	5,778.4
Current assets	929.3	713.9
Assets held for sale	0.1	1.9
TOTAL ASSETS	**7,114.9**	**6,494.2**
Equity	2,474.7	2,036.9
Non-current liabilities	3,354.7	3,314.1
Current liabilities	1,285.6	1,143.2
TOTAL EQUITY AND LIABILITIES	**7,114.9**	**6,494.2**

Assets

- Non-current assets break down as follows:
  - goodwill totalled €2,218.7 million, up €43.3 million, mainly due to acquisitions completed in Belgium (Senior Assist) and Italy (Frate Sole);
  - intangible assets with a value of €1,759.7 million. They mainly comprise operating licences for facilities and lease rights;
  - tangible assets were up €273.7 million over the financial year and totalled €1,943.9 million, mainly due to changes in the consolidation scope.
- Current assets break down essentially as follows:
  - trade receivables with a value of €191.2 million, up €23 million due to additions to the consolidation scope;
  - cash and cash equivalents in the amount of €510.6 million, *i.e.* an increase of €200.7 million due to (i) the issue of ODIRNANE bonds and unlisted bonds that do not confer equity rights for an amount of €296.1 million, of which €150 million was used to partially repay the syndicated loan, and (ii) the issue of a new programme of commercial paper *(billets de trésorerie)* for an amount of €115 million in 2017, following a repayment of €50 million that matured on 31 December 2016.

Liabilities

• Consolidated equity totalled €2,474.7 million. Consolidated equity Group share increased by €439.4 million to €2,462.4 million, mainly due to:

- the impact of net profit (loss) attributable to owners of the Group of €163.3 million;
- the distribution of -€48.1 million in July 2017, notably in respect of 2016 profit;
- the increase in equity due to the payment of a share dividend in the amount of €22.4 million;
- the impact of hedge accounting on interest rate hedging instruments, in the amount of €14.2 million;
- actuarial gains and losses relating to the calculation of the provision for lump-sum retirement benefits, in the amount of -€4.4 million;
- the impact of the issue of the ODIRNANE and hybrid unlisted bonds for an amount of €291.7 million.

• At 31 December 2017, Korian's share capital comprised 80,982,343 shares.

• Financial liabilities totalled €2,850.8 million, up €225.5 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	31.12.2017	31.12.2016
Bank and bond financing(1)	1,519.9	1,705.3
Real estate debt	976.1	735.7
Other financial liabilities	1.7	1.3
Long-term financial liabilities	**2,497.8**	**2,442.2**
Bank and bond financing(1)	61.1	3.3
Real estate debt	154.7	102.3
Bank overdrafts and advances	6.8	15.6
Other short-term financial liabilities	130.3	61.8
Short-term financial liabilities	**352.9**	**183.0**
FINANCIAL LIABILITIES	**2,850.8**	**2,625.2**
Marketable securities	292.8	91.5
Cash	217.7	218.3
Cash and cash equivalents	**510.6**	**309.9**
NET INDEBTEDNESS	**2,340.2**	**2,315.4**
NET INDEBTEDNESS ADJUSTED FOR REAL ESTATE DEBT	**1,209.3**	**1,477.4**

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

At 31 December 2017, net borrowings totalled €2,340.2 million, including real estate debt of €1,130.8 million.

The financial structure is sound, with a leverage ratio of 3.2x (adjusted for real estate debt), which is below the covenant limit of 4.5x at 31 December. The syndicated loan, the *Schuldschein* and Euro PP bonds are subject to banking covenants. Banks and bond-holders are informed of the evolution of the covenant criteria respectively semi-annually and annually.

On 31 October 2017, Korian partially repaid its syndicated loan by €150 million, thereby reducing the total outstanding amount to €500 million, which matures in July 2021. At the end of 2017, the Group had considerable financial resources with €650 million remaining to be drawn on the revolving tranche of this syndicated loan.

• Current liabilities include, in particular, trade payables totalling €267.3 million, up €16.8 million compared to 2016, which is due to additions to the consolidation scope.

2.3.1.3 Change in net debt

In millions of euros	31.12.2016	31.12.2017
Cash Flow before cost of net financial debt	**303**	**367**
Change in working capital	4	18
Maintenance capital expenditure	-70	-81
Financial expense	-97	-96
Operating free Cash Flow	**140**	**208**
Growth investments	-29	-25
Bolt-on acquisitions (net of disposals)	-59	-107
Free Cash Flow	**53**	**76**
Dividends paid	-29	-31
Real estate investments	-52	-142
Strategic acquisitions	-367	0
Capital increase	0	296
Impact of changes in the consolidation scope and other changes on net debt	-276	-224
Change in net debt	**-670**	**-25**
Opening net debt	**1,645**	**2,315**
CLOSING NET DEBT	**2,315**	**2,340**

Cash generation was strong in 2017.

Operating free Cash Flow[1] increased sharply, and amounted to €208 million compared with €140 million in 2016.

Growth investments amounted to €132 million, and broke down between €25 million in development capital expenditure (not including premises) and €107 million for "bolt-on" acquisitions.

2.3.2 ANNUAL FINANCIAL STATEMENTS

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

2.3.2.1 Korian's individual income statement

In millions of euros	31.12.2017	31.12.2016
Revenue	76.7	69.0
Other operating income, reversals of provisions and expense transfers	8.0	14.1
Total operating income	**84.7**	**83.1**
Other purchases and external expenses	-58.4	-59.7
Taxes and contributions	-2.8	-2.3
Payroll expense	-42.0	-38.0
Depreciation/amortisation and provisions	-11.3	-16.0
Other expenses	-1.0	-0.8
Total operating expenses	**-115.5**	**-116.8**
Operating results	**-30.8**	**-33.7**
Net financial income	**74.7**	**31.5**
Non-recurring profit/(loss)	**-0.3**	**-0.1**
Income tax (consolidation gains)	18.3	24.2
NET PROFIT (LOSS)	**61.9**	**21.9**

(1) Operating free Cash Flow: Cash Flow from operations – change in working capital – maintenance capital expenditure.

2.3.2.2 Operating results

Korian's income consists primarily of Group fees paid by its French and foreign subsidiaries. These fees, which totalled €52.9 million in 2017, are allocated according to the number of beds operated. Korian recognised an offsetting entry of €12.4 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 subsidiaries, such as staff expenses, other services and real estate rentals. In 2017, the amounts re-invoiced totalled €5.8 million (+€0.4 million). External services are also invoiced outside the Group and totalled €18.1 million (+€3.4 million).

Within this scope, payroll expenses of €42.0 million, for an average workforce of 407 persons, accounted for approximately 36.4% of total operating expenses.

2.3.2.3 Net financial income

As the Group's holding company, Korian receives dividends from its subsidiaries. These dividends increased from €65.0 million in 2016 to €112.2 million in 2017.

Korian carries most of the Group's debt and financial instruments. The financial expense in connection with financial liabilities (excluding real estate debts) totalled €46.7 million in 2017, *i.e.* +€7.0 million versus 2016 given the increased indebtedness. In addition, in 2017, Korian recognised an expense of €8.3 million in relation to financial instruments.

As head of the cash pooling arrangement, Korian paid €3.7 million in interest expense on current accounts (compared to €4.1 million in 2016) and received €11.0 million (-€0.6 million) in interest earned on the current accounts held with its subsidiaries.

2.3.2.4 Non-recurring profit (loss)

The non-recurring loss of €0.3 million is essentially due to costs in connection with abandoned projects.

2.3.2.5 Korian's individual statement of financial position

Assets *(In millions of euros)*	**31.12.2017**	**31.12.2016**
Intangible assets	11.4	8.9
Property, plant and equipment	10.3	5.7
Non-current financial assets	2,984.5	2,861.0
Total non-current assets	**3,006.2**	**2,875.6**
Trade receivables	76.3	66.4
Other receivables	641.1	562.1
Cash	376.9	138.0
Prepaid expenses	2.6	2.6
Total current assets	**1,096.9**	**769.0**
Debt issuance costs and bond redemption premiums	14.1	14.9
TOTAL ASSETS	**4,117.2**	**3,659.5**

Liabilities *(In millions of euros)*	**31.12.2017**	**31.12.2016**
Share capital	404.9	400.9
Reserves and premiums	1,117.9	1,098.3
Retained earnings	11.0	39.4
Profit (loss)	61.9	21.9
Regulated provisions	2.4	2.4
Net position	**1,598.1**	**1,562.9**
Loans with special terms	0.0	0.0
Provisions for risks and expenses	1.6	2.2
Financial liabilities	2,464.8	2,039.1
Trade payables	28.6	28.5
Tax and social security liabilities	20.0	18.2
Other liabilities	3.6	7.3
Deferred income	0.6	1.5
Total operating liabilities	**2,519.1**	**2,094.5**
TOTAL LIABILITIES	**4,117.2**	**3,659.5**

Korian's statement of financial position total was €4,117 million. This figure is essentially comprised of the following:

Assets

- Non-current assets totalled €3,006 million, which account for nearly 73% of the statement of financial position. They mainly consist of:
  - €2,250.4 million in investments;
  - €734 million in loans to subsidiaries;
  - €21.7 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 €641.1 million;
  - €376.9 million in cash and cash equivalents;
  - €14.1 million in expenses to be apportioned, relating to bond issuance costs to be apportioned;
  - €2.5 million in prepaid expenses, including €0.7 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 €1,598.1 million, up €35.2 million, is mainly due to:
  - the distribution of -€48.1 million in July 2017 in respect of 2016 profits, a withdrawal from retained earnings, and the €22.4 million capital increase resulting from the payment of the dividend in shares;
  - the profit for the period of €61.9 million.
- Financial liabilities, which totalled €2,465 million at 31 December 2017, break down into €1,331 million in bonds, €689 million in bank loans, and €444 million in current accounts held with subsidiaries.
- Trade payables amounted to €26.7 million, and break down as follows:
  - €5.7 million in provisions for invoices not yet received;
  - €21.0 million in trade payables.

In accordance with articles L. 441-6-1 and D. 441-4 of the French Commercial Code, information on payment periods on debts owed to suppliers and debts owed by customers are shown in the table below.

	Article D. 441-I-1: Invoices received, unpaid at year-end and past due						Article D. 441-I-2: Invoices issued, unpaid at year-end and past due					
	0 days *(for information)*	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over**	**Total (1 day or more)**	**0 days** *(for information)*	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over**	**Total (1 day or more)**
(A) Late-payment tranches (non-Group third parties)												
Number of invoices		442	40	27	75	584		24	57	2	258	341
Total amount of invoices, incl. VAT		1,124,637	304,527	82,902	455,014	1,967,080		293,814	669,247	3,131	1,324,837	2,291,029
Percentage of total purchases, incl. VAT, in the year		1.3%	0.4%	0.1%	0.5%	2.3%						
Percentage of revenue, incl. VAT, in the year								1.6%	3.5%	0.0%	7.0%	12.1%
(B) Invoices excluded from (A) relating to disputed payables and receivables or not in the accounts												
Number of invoices excluded												
Total amount of invoices excluded												
(C) Reference payment terms used (contractual or statutory deadline – article L. 441-6 or article L. 443-1 of the French Commercial Code)												
Payment deadlines used to assess late payments	• Contractual deadlines: depend on suppliers • Statutory deadlines: 45 days from the invoice date						• Contractual deadlines: depend on customers • Statutory deadlines: 45 days from the invoice date					

2.4 Material event since the year-end

CHANGES IN GOVERNANCE

Internal governance

On 3 April 2018, Philippe Garin was appointed Group Chief Financial Officer and member of the General Management Committee, replacing Laurent Lemaire.

For additional information on the Management Committee, see section 2.11.1.2.2 of this registration document.

2.5 Foreseeable changes – Outlook

In 2018, Korian is targeting revenue growth of at least 5.5%. The growth will be driven, in particular, by stronger momentum in France due to the effect of the various measures taken in 2017, the impact of the bolt-on acquisitions made in 2017, and the opening of ten new facilities in France, Germany and Belgium.

In total, the Group expects its portfolio to increase by over 2,500 beds.

Margins are expected to increase in the International sector, particularly in Germany, thanks to the initial benefits of the Success 2020 performance plan.

In France, the costs associated with re-launching growth and restructured facility ramp-up, as well as the decrease in the CICE tax credit and the price decreases in the healthcare business, will result in a temporary decline in margins.

The Group revises its objectives for operating margin (EBITDA) upwards to 14.3% in 2019 and close to 15% in 2021 to take into account the increasing benefit of its new real estate strategy. It confirms all other financial objectives of the Korian 2020 strategic plan.

The Board of Directors is confident in the achievement of the Korian 2020 plan, which is primarily based on:

- an acceleration in the Group's growth potential *via* the expansion of the portfolio, the modernisation and optimisation of the network and a broader service offer;
- a more dynamic management of the real estate portfolio to create long term value;
- improvement of operational performance;
- an active staff training and development policy, which supports the quality of care; and
- innovation in medical care and the use of digital tools.

In addition to the Korian 2020 plan, the Group will continue to look at growth opportunities, which are consistent with its strategy and contribute to value creation, in order to strengthen its European leadership.

Indicative 2018 financial reporting calendar

Event	Date[1]
2017 full-year revenues[2]	7 February 2018
2017 annual results[2]	14 March 2018
Investor presentation meeting	15 March 2018
Q1 2018 revenues[2]	25 April 2018
General Meeting	14 June 2018
Q2 2018 revenues[2]	24 July 2018
H1 2018 results[2]	12 September 2018
Investor presentation meeting	13 September 2018
Q3 2018 revenues[2]	24 October 2018

(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.

2.6 Risk management

The Company continually reviews the risks to which it is exposed and prepares an annual mapping of major risks. The risk management and internal control systems are described in sections 2.6.1, 2.6.2 and 2.8 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.

2.6.1 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 1.3.1.2, 1.3.2.2, 1.3.3.2 and 1.3.4.2, respectively, of this registration document. In most countries in which the Group does business, opening a medical-social or health facility requires obtaining a licence, which is generally granted or renewed on the basis of procedures conducted by the supervisory authorities to assess and control the quality of the services provided, in accordance with the laws in force in each country. The non-renewal, suspension, limitation of activities or withdrawal of current licences would result in a loss of customers, which could impact the Group's business and results.

To prevent this risk, the Group has put in place a series of measures aimed at ensuring that the Group's various departments rigorously monitor care at Korian facilities. Audits are conducted regularly in order to ensure compliance with applicable laws and that the Group's quality procedures are properly applied.

Moreover, it should be noted that, with the exception of Germany, obtaining new operating licences in the other three countries in which the Group does business is limited by the health policies in place.

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

In the countries in which the Group operates, facilities' rates are comprised of a portion paid by the residents or patients themselves, and a portion for treatment and care that is financed by the public authorities (health authorities, regions, health insurance funds, *etc.*). These two portions are set as follows:

- 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 does business.
- 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. There is a risk of reduced funding for care by the public authorities, in particular due to budgetary restrictions.

In addition, in certain countries, public aid is paid to residents and patients, which they use to reduce the amount of accommodation expenses for which they remain liable. A reduction in these aids would reduce the purchasing power of the persons concerned.

Consequently, unfavourable changes in the social and pricing policies in a country where the Group operates, which result in reduced public funding for the care of residents or patients or lower public aid payments, may have a negative impact on the Group's business, strategy, results, financial position and prospects.

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.

Human resources risks

The Group's business requires qualified, available and committed teams comprised of staff with expertise in the care, hotel and catering, coordination and administrative fields. As a result, the Group's success depends heavily on its ability to attract, recruit, retain and train its employees.

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 on the quality of service within the Group's facilities and, in certain cases, potentially jeopardise its operating licences. These difficulties could negatively impact the Group's reputation or drive up wages significantly. Moreover, the Group cannot rule out a possible deterioration in labour relations that could lead to disturbances, such as strikes or other union actions, which could impact the quality of service and the Group's financial position.

To prevent these employment-related risks, the Group implements an active human resources policy in each country in which it does business, based on high-quality management-labour dialogue, developing business skills and qualifications and actions aimed at enhancing health, safety and the quality of life at work. Certain specific actions taken in France and Germany are described below as examples.

In France, partnerships have been formed with business schools and universities to train future facility directors. Moreover, 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. Furthermore, an agreement was signed on the quality of life at work, which aims to guarantee the best possible working conditions for our employees by taking into account the specificities of the Korian group's business lines. In addition, the Korian group offers all caregivers in France an innovative training programme, the "geriatric passport", a 36-month training course that covers all aspects of support for dependent seniors, applying the Group's unique "positive care" approach. Further information on the Group's training policy can be found in section 2.7.2.2 of this registration document.

In Germany, actions have been taken that focus on retaining qualified caregivers and enhance the Group's attractiveness. 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).

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 survey, which was conducted in the second quarter of 2017 in conjunction with the IPSOS group, had participation rates that were sharply up in most countries (+25 points in France and Italy with response rates of 75% and 87% respectively, +14 points in Belgium with a response rate of 75%), and reported a high level of staff commitment (77%), which shows the dedication of the teams to their work and the Group's values.

Risk of epidemic

The development of a widespread epidemic could have an adverse impact on the Group's business, reputation, financial position and results, in particular because of the potential loss of business as a result thereof, as well as due to the additional costs likely to be generated by the need to implement extraordinary health measures.

The Group has put in place preventive measures 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 or procurement difficulties. Moreover, 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). The quality and medical departments continuously monitor epidemic episodes, and reinforce oversight at critical times, in order to adapt the vigilance measures put in place and emphasise the procedures to be applied in the event an epidemic occurs in a facility (containment measures, wearing masks, more thorough cleaning, *etc.*), as well as the need to report situations to the supervisory authorities in accordance with the rules applicable in each country.

In addition, in the event of an exceptional situation, the Group is organised to manage any critical situation by applying a graduated crisis management approach in each country and Group-wide.

Risk of infection – Hygiene

The Group's facilities are subject to a set of regulations and good practices concerning the safety of persons, hygiene, health safety and the environment (in particular the handling of medical waste from activities with risk of infection).

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 or operational expenditures, 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 adopted.

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, linen handling, waste with risk of infection, *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 waste from healthcare 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.

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.

To complete this risk prevention system, an international information and awareness-raising programme is offered to provide an opportunity to share knowledge and enhance each worker's vigilance. Finally, the system for reporting serious adverse events identifies such incidents in each country where the Group operates, enabling teams to work continuously on improving practices and reducing risks.

Risks of patients/residents 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, there is a risk that residents and/or patients may stray from facilities without the staff's knowledge. These situations may have serious consequences on the person's health and could expose the facility to liability.

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 involves, in particular, an assessment of behaviours likely to present this risk, as well as staff training actions and ongoing sharing of best practices.

Risk of suicide

Due to the fragile condition of the persons housed in the Group's facilities, there is a risk of suicide or attempted suicide by residents or patients, which could expose the Group to liability.

Teams are particularity vigilant with respect to the risk of suicide throughout the stay of residents and/or patients

in the Group's facilities. Prevention measures are implemented to assess the risk for each resident and/or patient based on several factors, such as the person's personal, family and medical environment and his/her psychological state. Staff at the facilities are also trained to adopt the right approach to these persons at risk, using a method that focuses on safety, medical care and compassion, and aims to implement adequate safety measures, while seeking to strengthen social ties and adapt individuals' life plan.

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. Food hygiene is monitored by applying the Hazard Analysis Critical Control Point 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.

A testing and evaluation 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 Directorate for the Protection of Populations ("**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 makes it a priority 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 (Korian Positive Care);
- zero tolerance for such acts by setting up actions that aim to offer rapid protection to vulnerable persons.

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 each country in which the Group does business, the Real Estate Departments, in conjunction with the operational departments, are responsible for determining the necessary upgrades to conform to regulatory changes, as well as to implement the investment plans designed to ensure that all facilities are modern, comfortable and safe.

Moreover, each facility enters into maintenance contracts with external service providers to ensure the proper working condition of its equipment (lifts, heating systems, fire detectors, *etc.*).

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 each country where the Group operates, in accordance with the laws in force, compliance inspections of the various systems are conducted by dedicated internal or external organisations.

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.

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

Risks associated with hot water *(Legionella)*

Legionellosis is a respiratory disease linked to the *Legionella* bacteria, which leads to death in nearly 11% of reported cases. One of the known sources of human exposure to these bacteria is sanitary hot water systems.

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. These systems are based on a set of good practices aimed at ensuring proper maintenance of installations that may be affected (in particular, water systems).

In addition to the self-testing carried out by the facilities, analyses are performed periodically by certified laboratories in accordance with good practices and the laws in force in each country.

Risks related to water potability

The water used by Group facilities is subject to ongoing health monitoring, in particular potability testing conducted by external service providers and/or the competent authorities in each country in which Korian does business, in order to prevent the risk of illness.

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).

Climate risk

Certain major climate events may occasionally disrupt the operations of facilities and impact the quality of care for residents and/or patients. Such events could expose the Group to liability, affect its reputation and adversely impact its business and results.

Although assessing the climate risk faced by facilities is difficult due to its unpredictable nature, the facilities comply with applicable statutory and regulatory obligations and have adopted a set of measures that focus on prevention and actions to be taken if such an event occurs. The crisis management system and business continuity plans include actions such as installing generators in the event of a power outage, as well as measures to ensure the safety of persons, including moving them to other facilities if necessary.

For example, to deal with heat waves, Korian's facilities have installed thermal insulation solutions (air-conditioned rooms and/or portable air conditioners, blackout blinds, *etc.*), and the management in charge of caregivers has also set up protocols and provides training on issues such as hydration and preventing and treating dehydration, which focus on identifying and paying special attention to persons at risk during such an event.

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, in 2013, the Group created 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:

- 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;
- providing support to the facilities in deploying innovative solutions in collaboration with the Korian innovation hub, whose expertise is seeking and reviewing candidates who wish to partner with the Group.

Motivated by these initial achievements, and wishing to expand avenues for exploring techniques to cope with this revolution in the ageing process, Korian advanced to a new stage by creating the Korian Corporate Foundation for Ageing Well in the second half of 2017. This development is testimony to the Group's intent to act as a committed participant in the social integration process, and that is able to mobilise its employees, residents and patients, as well as the general public, the scientific community and public and private sector actors, to co-operate on meaningful projects focused on a crucial issue: inclusion.

For more information on the Institute and the Foundation's work and publications, see section 2.9 of this registration document.

Lastly, to limit the impact of the competition on its activities, the Group works closely with local prescribing physicians, with whom 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.

Risks related to bribery and influence peddling

Bribery is defined as an act whereby a person who holds a particular public or private office solicits/offers or approves/acquiesces to a gift, offer or promise with a view to accomplishing, delaying or not performing an act that is directly or indirectly within the scope of his/her duties.

Influence peddling is defined as "the act, by a person who holds public authority, is charged with a public service mission or holds a public elected office, of unlawfully soliciting or approving, at any time, directly or indirectly, any offer, promise, gift, present or advantage for himself/herself or others: to perform or refrain from performing an act in connection with his/her function, mission or office or facilitated by his/her function, mission or office; or to abuse his/her actual or supposed influence in order to obtain a distinction, job, contract or any other favourable decision from an authority or public administration."

The Group is subject to act No. 2016-1691 of 9 December 2016 on transparency, preventing corruption and the modernisation of the economy (the "Sapin II act"), article 17 of which requires setting up a system to prevent and detect acts of bribery and influence peddling that may be committed within the Group, in France or abroad.

Accordingly, the Group has created working groups to develop measures to comply with the Sapin II act, taking into account the recommendations issued by the French Anti-Corruption Agency in December 2017. The work carried out led to drafting an ethics charter for the Group, which includes examples of prohibited acts, mapping corruption risks, setting up a whistleblowing system, establishing procedures to assess the situation of primary and intermediate suppliers, defining accounting control procedures and developing a training programme.

2.6.2 GROUP-SPECIFIC RISKS

Real estate risks

Risks related to the rental of properties

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.

Construction-related risks

The Group also owns a certain number of facilities and is therefore exposed to construction risks, such as the risks of poor workmanship, delays in the delivery of construction projects and non-compliance with the laws on accessibility for disabled persons. These risks may delay the start of operations and could impact the Group's business and results.

To protect itself against these risks, the Group has set up dedicated internal teams that focus, in particular, on coordinating architects and project managers, the procedures for obtaining building permits and monitoring the progress of works.

Risks relating to information systems

The Group uses a certain number of IT solutions that comprise its information system 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, impact the quality of service and have a negative effect on the Group's results. Such a failure could be due to internal causes (obsolete systems, infrastructure not maintained, IT projects not properly supervised, malicious acts, *etc.*) or external causes (viruses, cybercrime, *etc.*).

To prevent these risks, the Group relies on dedicated expertise within each country's IT department, which enables 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.

In particular, with respect to security, governance has been enhanced by the creation of the position of Group IT Security Officer, who is responsible for coordinating the actions of the IT Security Officers in each country. Common terms of reference are also being rolled out to ensure a minimum level of security in each country where the Group operates. Lastly, risk analyses are conducted periodically, in particular through diagnostics that are the basis for action plans.

In addition, prevention actions are carried out with members of staff to raise awareness of the risks associated with digital technologies.

Data protection risks

Korian's business requires it to collect and process sensitive data, in particular health data of residents and patients. The Group also collects certain personal data that is necessary for the proper functioning of its business (employee data, data required for billing, *etc.*).

The loss or theft of this data could, firstly, create operational difficulties in providing care to the Group's residents and patients and lead to a decline in the quality of care and, secondly, expose the Group to legal action by the data subjects or the competent authorities, which could impact its reputation and possibly its financial position.

To safeguard against these risks, and in anticipation of the entry into force of the European General Data Protection Regulation (GDPR), Korian launched a comprehensive compliance programme in early 2017 designed to meet the GDPR's documentation requirements (privacy impact assessment, personal data register, *etc.*), as well as to raise awareness and train all employees involved in the personal data circuit. These initiatives are supplemented by cyber security action plans.

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 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 pre-identified talent the Group can rely on 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 directors 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

Debt-related risks

The Group's overall net financial debt totalled €2,340 million at 31 December 2017.

To finance its development and business, the Group has set up various sources of funding:

- a syndicated loan of €1,300 million consisting of two tranches, a €650 million term loan tranche and a €650 million revolving tranche. In 2017, the Group repaid €150 million on the term loan tranche, thereby reducing the amount drawn on that tranche to €500 million at year-end. At 31 December 2017, the revolving tranche has not been used. The syndicated loan matures in July 2021;
- €1,021 million in bonds issued to private investors;
- real estate loans totalling €1,131 million, including finance lease debts owed to financial counterparties in the amount of €485 million;
- other liabilities totalling €77 million;
- a short-term negotiable securities programme (formerly commercial paper) for an amount of €300 million, of which €115 million had been used at 31 December 2017.

In addition, the Group's net cash position at 31 December 2017 was €511 million.

The average maturity of the Group's debt is four years.

The Group's debt is described in detail in sections 2.3.1.2, 2.3.2.5, 3.1 (Note 3.9) and 4.1 of this registration document.

The main debt-related risks are:

Liquidity risk

The Group periodically reviews its liquidity risk to ensure that it is at all times able to honour its financial liabilities as they come due.

Korian manages its cash on a consolidated basis in order to set off subsidiaries' cash requirements and surpluses within the Group. It centralises the raising of financing in the financial markets and from time to time authorises its subsidiaries to obtain financing outside the Group, in particular for real estate projects.

In 2017, Korian continued to diversify its financing sources by issuing hybrid debt (€300 million), which is recognised in equity. This issue enhanced the Group's financial flexibility.

The €650 million revolving tranche of the syndicated loan provides the Group with liquidity at all times under optimal conditions.

In addition, the syndicated loan agreement and the Group's bond issues have common clauses for this type of financing, *i.e.* financial covenants, general restrictive covenants and events of accelerated repayment. At 31 December 2017, the Group was in compliance with all financial covenants in relation to these contracts.

Interest rate risk

At 31 December 2017, most of the Group's debt was at variable interest rates.

Korian has a policy of monitoring and managing the risk of interest rate fluctuations. To protect itself from this risk, the Group sets up hedging financial instruments that convert variable-rate debt into fixed-rate debt. It uses standard derivative instruments (interest rate swaps, swaptions, caps and floors).

The average maturity of the hedges is four years and is linked to the debt profile, and covers 86% of the debt at variable rates for the current year, consistently with the Group's prudent management policy.

Sensitivity of financial expenses to interest rate risk

Regular sensitivity analyses are conducted to measure the impact of interest rate fluctuations on the Group's financial income. At 31 December 2017, a rise in the yield curve of 0.50% (50 basis points) would generate €0.9 million in additional financing expenses.

Currency and equity risk

At 31 December 2017, the Group held 38,854 Korian shares in treasury stock, *i.e.* 0.05%.

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 particular in connection with the approval of the annual financial statements and the half-yearly financial statements; and
- the Board of Directors approves the financial statements and, together with the Audit Committee, checks the integrity of the financial information released to the market by a professional distributor on the list published by the AMF.

Section 2.8 of this registration document on 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**).

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 referenced 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.

2.6.3 INSURANCE AND COVERAGE OF RISKS

2.6.3.1 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.

2.6.3.2 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.

2.6.3.3 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.

The Group has set up and deployed a crisis management procedure within its five divisions in four countries that enables it to mobilise and react quickly and appropriately in the event of an unforeseen major crisis.

2.7 Corporate social responsibility

The services that Korian provides makes it a key component in the healthcare and social policies of the communities in which it is present. The personalised care that Korian offers makes it a trusted third party for people who are elderly and/or vulnerable and their families. This is why the Group has made corporate social responsibility a cornerstone of its business strategy.

The indicators presented in this section 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 2017.

2.7.1 CSR SEAMLESSLY INTEGRATED INTO THE GROUP'S STRATEGY

Korian has accomplished substantial work to finalise the definition of its CSR strategy by examining materiality issues and setting up a special transversal governance arrangement.

2.7.1.1 Identifying the most important issues with stakeholders

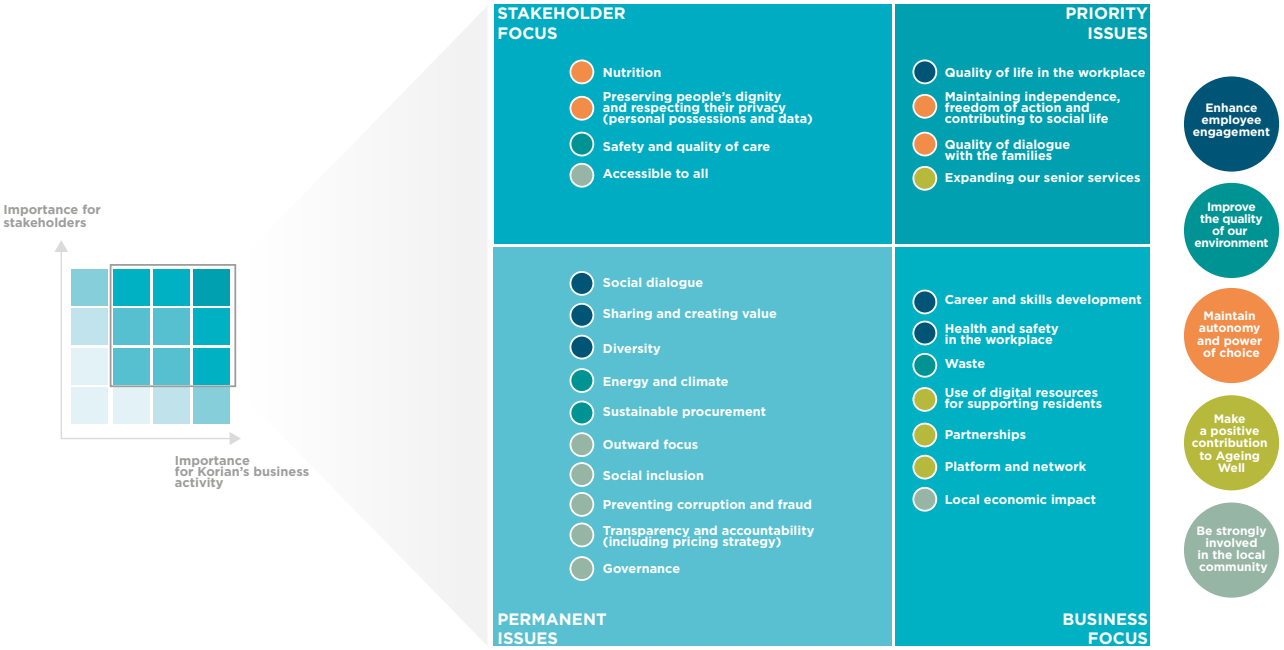
Korian conducted its first materiality assessment in 2017, to identify the highest priority social, societal and environmental issues and ensure that the CSR strategy would correspond to stakeholder expectations. Twenty external European stakeholders, including investors, non-profit organisations, community representatives, industry experts and professional federations, were interviewed to find out what they expected from Korian in terms of the 25 issues that were presented to them, based on six topics:

- Ethics and quality of care, patient and resident satisfaction;
- Employee engagement and well-being in the workplace;
- Business ethics;
- Environmental exemplarity;
- Innovation and new business models;
- Consideration of local issues.

This initial short-list was then discussed at a group workshop attended by twenty internal stakeholders from all departments (Finance, Marketing, HR, Quality, *etc.*) to ascertain which issues had the highest impact on Korian's activities. This extensive internal and external consultation, combined with risk mapping and prospective analysis of industry issues, enabled Korian to produce its first materiality matrix.

This matrix was used to clearly depict the CSR issues that needed to be addressed by the Group's CSR strategy in order of priority, as shown below.

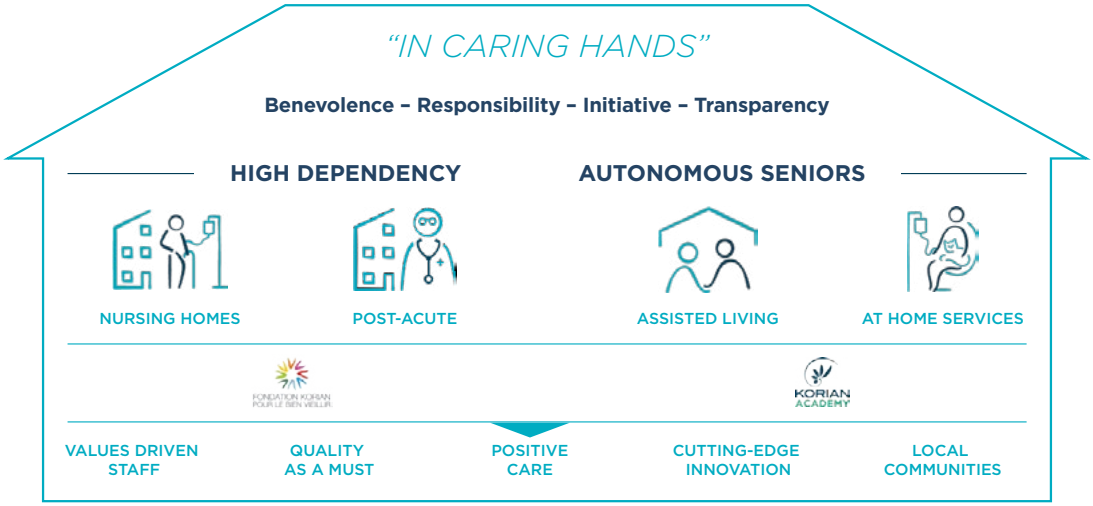
Materiality matrix



2.7.1.2 A CSR strategy defined by distinguished social responsibilities

All Korian employees share a common culture: the Korian spirit. This spirit forms the Group's specific identity and is underpinned by four core values: Benevolence, Responsibility, Initiative and Transparency. These values guide all of Korian's teams as they work towards a shared goal: inventing, implementing and improving the "Living Well" and "Ageing Well" conditions of dependent seniors, based on listening and dialogue with our residents and patients, their families and our employees. They form the backbone of the CSR strategy that Korian introduced in 2017.

To be the trusted partner for ageing or disabled people and their loved ones, providing personalised care and support over the long run, acting as a key social player.



Accordingly, Korian has set itself five goals:

- enhance the engagement and expertise of its teams to ensure well-being, quality of life at work and equal opportunities for the 49,000 employees in Europe, and to provide skills training and development *via* the Korian Academy;
- improve the quality of the environment at the Group's facilities by effectively reducing the amounts of water and energy used at its 743 sites, reducing and recycling waste, and making facilities pleasant and welcoming places to live and work;
- maintain seniors' independence and freedom of choice with an innovative "Positive Care" approach, and by listening to residents, patients and their families;
- make a positive contribution to ageing well by supporting research and innovation for care practices through the work of Korian's Ageing Well Foundation and by embracing digital innovation;
- ensure Korian facilities play a key role in the community by encouraging intergenerational connections and contributing to local social and economic development.

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.

A network of CSR Officers regularly monitors and oversees the performance of extra-financial indicators at Group level and ensures that best practices are shared and harmonised across countries. To fully embed CSR into Korian's strategy, these indicators are reviewed every quarter by the European governing bodies already in place for each department – Human Resources, Real Estate, Quality, and Procurement – then annually by Korian's General Management.

2.7.2 STRENGTHENING STAFF WELL-BEING 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, Korian is actively working to improve quality of life in the workplace, to develop the skills of its employees, and to promote diversity.

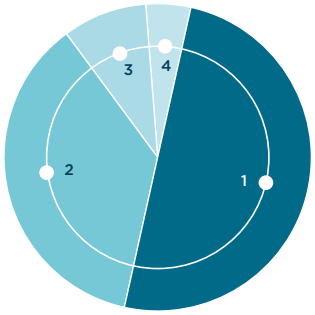
2.7.2.1 Ensure employee well-being and quality of life at work

For Korian, ensuring a safe, pleasant and caring work environment is a priority. The Group is attentive to its employees' needs and is constantly improving their working conditions to ensure not only their health and safety, but also their well-being and satisfaction.

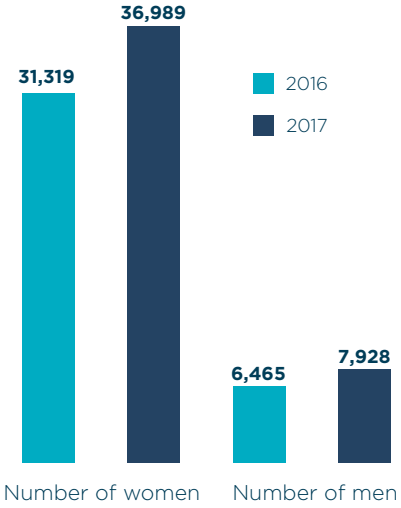
Employment at Korian

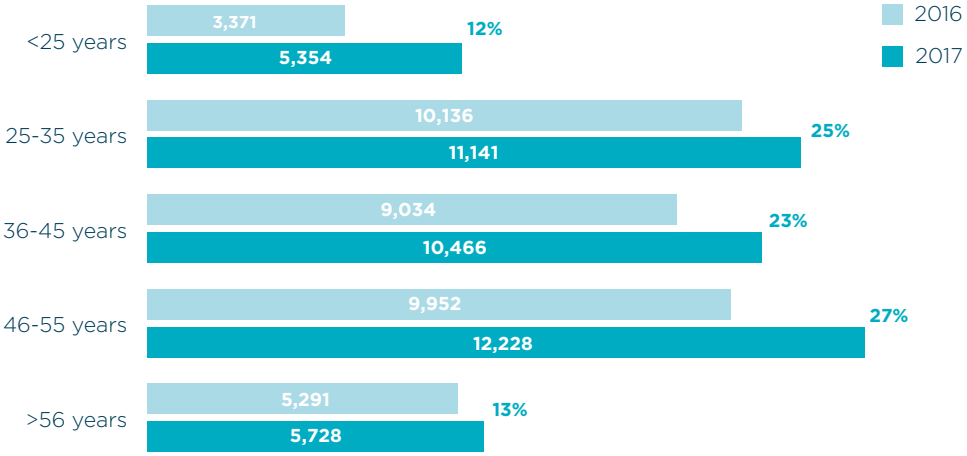
Total workforce and breakdown of employees by gender, age and geographical area

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 2016 and 2017[2].



1. France **22,572**
2. Germany **16,273**
3. Belgium **3,999**
4. Italy **2,073**

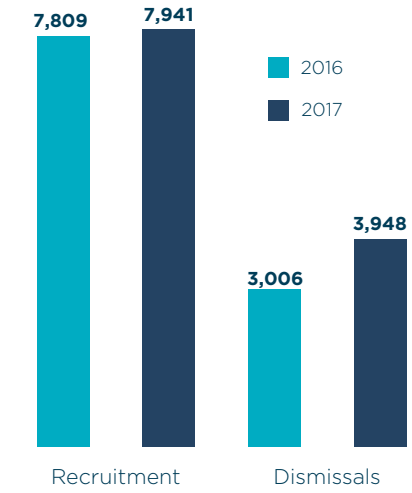




The Group has a total workforce of 44,917 FTE, marking an 18.8% rise in 2017 due to new acquisitions, mainly in Belgium. Women account for 82% of Korian's workforce. In 2017, there was little change in the breakdown by age compared to 2016.

Recruitment and dismissals

The following chart shows the number of new hires and dismissals between 1 January and 31 December 2017 for indefinite-term contracts in Europe, compared to 2016. Data for Germany includes the end of probation periods, resignations and negotiated departures (mutually agreed terminations, transactions).



(1) Only employees on fixed-term, indefinite-term or professional training contracts employed on 31 December 2017 were counted (internship contracts and temporary contracts were excluded).
(2) The reliability of workforce data for Germany published in 2016 is not guaranteed.

Korian introduced its fully immersive on-site induction programme in France in 2015: "Korian Start". 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, and learn key processes. This approach also allows facilities to share their operational expertise and behavioural practices with the rest of the Group. 34 facilities took part in this programme in 2017. 230 employees have completed the Korian Start programme since it was introduced. This initiative was awarded a *Victoire d'Or* for the Health and Pharma sector in the 2017 *Victoires des Leaders du Capital Humain* HR leadership awards, and will be rolled out in the Group's other countries in 2018.

Compensation

The following table shows the total amount of gross annual wages for fixed-term, indefinite-term and professional training contracts, paid in France, Germany, Belgium and Italy from 1 January to 31 December 2017, compared to 2016.

In euros	2016	2017
TOTAL COMPENSATION	**1,178,601**	**1,263,943**

In France, the Group's Economic and Social Unit ("UES") conducted its mandatory annual negotiations in 2017 for the second time, pursuing the gradual alignment of the salaries and bonuses of Korian and Medica employees. This agreement was signed by three of the four trade unions, and saw the introduction of a 13th month bonus starting from December 2017, in replacement of what was previously known as the "attendance" bonus. These negotiations marked the end of the salary alignment process for Korian and Medica in France.

In Belgium, considerable work went into harmonising compensation in 2017 after 16 new facilities joined the Group. In Belgium, there is a specific pension fund for care home workers. This pension fund is available to any organisations that employ staff, 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.

The Group also assigned free shares subject to ambitious performance criteria with the aim of rewarding performance, retaining key senior management talent, and aligning management and shareholder interests. In 2015, the Board of Directors approved the introduction of a bonus share plan in France for certain members of the Group's Executive Committee and key directors. In 2017, a new bonus share plan was approved by the Board of Directors for Company Officers and certain managers performing key roles in the Group, in a bid to reward the Group's performance towards accomplishing the goals of the five-year strategic plan. These plans are outlined in detail in paragraph 2.11.2.1.1 of this registration document.

Organisation of working time

Korian's Human Resources departments in each country ensure that the Group's facilities comply with local employment legislation and collective bargaining agreements pertaining to work time.

Korian endeavours to ensure job stability and long-term employment at all its facilities, and hires staff on a full-time, permanent basis wherever possible, if so desired by the employee. Part-time or fixed-term employment is more frequent in the health and social care sector compared to other sectors due to the need to ensure coverage for the continuous care of patients and residents (24/7, 365 days a year) when staff are absent.

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.

The table below shows the absenteeism rate in France, Germany and Italy in 2017. Due to new calculation methods, these results are not comparable with the figures for 2016. This information is not available for Belgium.

	Italy	Germany	France
2017	4.93%	5.34%	9.49%

Kommunity: Korian's very own social barometer

Every two years, Korian performs an in-house satisfaction survey among employees, called "Kommunity". This survey is part of the Company's managerial approach which places great importance on listening to employees and encouraging dialogue and participation so as to continuously improve employee well-being and quality of life in the workplace. The questionnaire contains 60 questions on five topics: the employee's role and pride in their work, a sense of belonging at their facility and within the Group, their work environment, collaboration among teams, and skills development.

In 2017, independent research institute Ipsos conducted the Kommunity survey on the on all the Group's employees in France, Germany, Belgium and Italy[1], between 15 May and 30 June. The active involvement and significant input of the Facility Directors meant the survey could be conducted online, achieving a European response rate of 63%, markedly higher than that of 2015 (14% higher in France and 25% higher in Belgium and Italy).

The results were extremely positive and surpassed industry benchmarks, demonstrating the ever-increasing engagement of employees in regard to Korian – 77% in Europe, nine points higher than in 2015 – and reward the in-depth efforts undertaken over the last two years to sustainably improve teams' quality of life and well-being in the workplace. 94% of respondents said they were proud of their work and felt that they did an important job on daily basis, especially in regard to patients, residents and their families. Working conditions and collaboration among teams also showed positive progress, as did support and attentiveness from management.

The Group undertakes to continue improving the results of the Kommunity survey and to implement specific action plans for front-line workers to further enhance satisfaction among teams. Ipsos and Korian developed a special online platform for the Kommunity survey. Each Facility Director can download their full report so they can present the results to their teams, compare the results with other facilities in their region or sector, identify what they are doing well and what they need to work on to improve the quality of life at work for their employees, and ultimately produce a 2018 action plan for their facility which addresses the needs expressed in the questionnaire.

In 2018, the specific focus will be on strengthening relationships between the support functions and the facility management teams, setting out clear career prospects within the Company, and ensuring a better understanding of Korian's strategy. In 2017, more than 2,000 action plans were in place since the previous year. In 2018, this number has risen, with 2,300 action plans being implemented across Europe to improve quality of life at work.

Ensuring and promoting health and safety at work

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.

Preventing musculoskeletal disorders (MSD), assessing occupational risks and managing work-related stress are among Korian's top employee health priorities. A new collective agreement on Quality of Life at Work signed in France in 2017, sets out specific measures for reducing risks when handling and caring for patients and residents, such as equipping facilities with special devices like patient lifts and electric beds.

The Korian Academy provides courses for all employees on how to improve comfort and safety when lifting and assisting patients. In Belgium, the occupational health department has run special programmes at all facilities on stress management (meditation, breathing, yoga, *etc.*), road safety, and respect in the workplace. In Belgium and 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.

The table below shows the average frequency[2] rate and severity[3] of work-related accidents involving employees employed on indefinite-term contracts in France, Belgium and Italy in 2017. This information is not available for Germany, but will be included for all four of the Group's countries as part of regular reporting procedures as of 2018. Due to new calculation methods, these results are not comparable with the figures for 2016.

	France	Belgium	Italy
Frequency rate	85.8%	52%	75,5%
Severity rate	1.3%	0.9%	3.4%

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, 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.

(1) Not including employees at cooperatives in Italy.

(2) The accident frequency rate is obtained by multiplying the number of work accidents for which time off work is granted by one million and dividing this number by the number of hours worked under permanent employment contracts (TF2).

(3) The accident severity rate is calculated by multiplying the number of days off work by 1,000 and dividing this number by the number of hours worked under permanent employment contracts.

In 2018, Korian will enter into a fresh round of negotiations with trade unions to determine the structure of industrial relations under new labour laws.

In Belgium, employee representation is organised at regional level involving works councils and Health and Safety Committees, 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 will 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 2017:

• In October, a Quality of Life at Work agreement was signed – the first of its kind in the industry – covering five aspects: community life, work environment, health and safety at work, work-life balance, and work organisation. The measures set out in the agreement seek to enhance the teams' working conditions, with particular consideration for staff that encounter difficulties reconciling their work and home life. This agreement also covers equal opportunities at work for men and women.

• Korian renewed its commitment to workers with disabilities with a new three-year agreement that was voted unanimously by all four of the representative trade unions. Under the agreement, a community of disability representatives will be introduced in all regions, and young disabled workers will have access to more training and better job opportunities. By the end of the initial agreement, the employment rate for disabled workers had risen to 5.06%. Thanks to an ambitious new recruitment plan, Korian intends to pursue its commitment to achieve a rate of 6%.

• End-of-year bonus replaced by a "thirteenth month" bonus for employees and supervisors (calculated on a *prorata temporis* basis of total salary), further to the mandatory annual negotiations held in June 2017.

• In March, a mobility agreement was signed for transfers between facilities.

• In June, the Group decided to introduce a Single Database by way of agreement, to be used by employee representatives.

In Germany, although no collective agreements are applicable nation-wide, some facilities do enter into agreements. In 2017, the Human Resources Department in Germany performed a full inventory of industrial relations matters after Casa Reha merged with Curanum.

No new collective agreements on occupational safety and health conditions were signed in Europe in 2017. The Quality of Life at Work agreement signed in France includes provisions for the prevention of stress risk factors, notably by setting up an anonymous and confidential 24/7 helpline where employees can talk, seek support and get a fresh perspective on difficult situations they experience or witness.

At the request of the larger trade unions, the Group is currently considering setting up a European Works Council.

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

Korian 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.

The Group observes the principles of the International Labour Organization's (ILO) 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.

2.7.2.2 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, featuring among the five action points of the five-year strategy plan. Its aim: to train 100% of employees and achieve its objective of being the leading provider of care services for the elderly by recognising and improving the skills of its employees, helping them adapt to new practices and career changes, and offering them training that will improve their safety and well-being.

The Korian Academy

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/their expertise is used 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, the *Association pour la formation professionnelle des adultes* (AFPA), the *École supérieure des sciences commerciales d'Angers* (ESSCA), and the INSEEC Business School.

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.

Online learning modules are gradually being developed and delivered to teams, either as a standalone module or as part of a structured training programme like the Geriatric Care Passport. In 2018, users will be able to login to a specially-designed online portal specific to each country, from a computer, tablet or even their smartphone, to access training modules designed for new user preferences (in bite-sized chunks featuring videos, quizzes and challenges). Users will be able to access these resources as and when they like.

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.

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. In France, the Korian Academy has introduced its innovative Geriatric Care Passport. This certified training programme is the first of its kind and enables caregivers to acquire uniquely specialised expertise. It has been designed to gain solid professional recognition of the Group's geriatric services and help it strive towards excellence. Korian's Geriatric Care Passport was officially registered as a certified training programme on 16 February 2018.

The training modules are based on four skill sets – elderly care and well-being, therapeutic plans and continuum of care, stimulation of the elderly, end-of-life care and support – and are aimed at caregivers, mental health workers, educational and social workers, and registered nurses. In 2017, five Geriatric Care Passport e-learning modules were developed to make the programme accessible to as many employees as possible. Four more modules will be released at the beginning of 2018. More than 5,000 employees had signed up to the programme in France at the end of 2017.

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.

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 programme was deployed for managers at all local facilities and cooperatives in 2017.

The Korian Academy also gives all Facility Directors in France and Germany the opportunity to take courses at the Group's corporate university, "Korian Campus", which partners with well-known educational institutions such as ESSCA and INSEEC in France, and Ingolstadt University in Germany. The Korian Campus is a specially-designed training path for managers that aims to promote the practical application of the Korian management style; harmonise practices, habits and tools to overcome challenges faced by Facility Directors and help them to acquire the managerial skills infused with Korian's four values.

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 Validation of Acquired Experience (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.

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. 97 caregiver, nursing and supervisor certifications were awarded by the Ministry of Health and Solidarity and the Ministry of Labour in 2017. 119 employees embarked on the VAE programme in 2017 in France.

Korian promotes the recognition of the nursing profession and is preparing for the future by creating a network of Korian nationally certified Coordinating State-Accredited Nurses (*Infirmiers Diplômés d'État Coordinateurs* – **IDEC**). 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 state-accredited 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.

Teaching Korian's values

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.

The Korian Academy and the Group Human Resources Department have taken this opportunity to produce training modules for all employees in Europe which come with a 30-minute video for each of the Group's values. These modules enable teams to place themselves in real-life situations and understand how they are expected to behave and apply Korian's values in their facility.

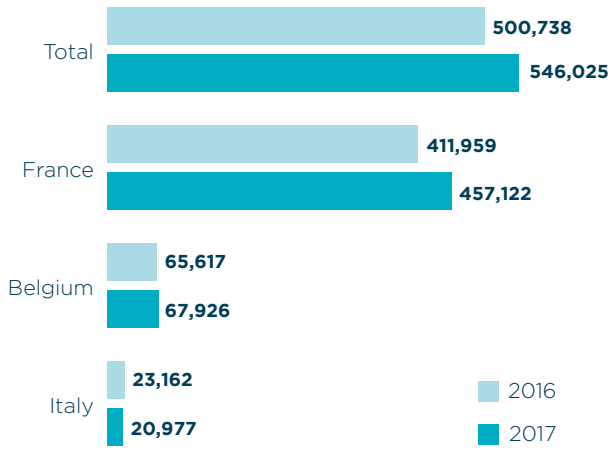
Total number of training hours

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 2016 and 2017 in France, Belgium[(1)] and Italy, including study days, individual training leave and e-learning, where applicable.

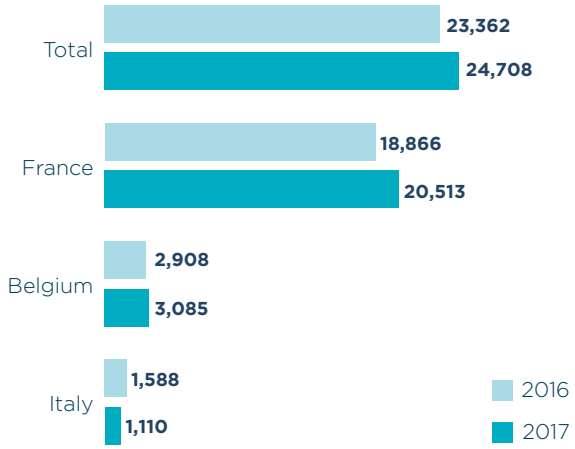
(1) Only training time during work hours is counted.

In Germany, only training provided by the Korian Academy is accounted for, which totalled 25,818 hours in 2017. Regulatory training delivered by outside organisations, which represents most of the training done in the facility, will be included in the calculation as of 2018. It is not yet possible to identify the total number of employees pursuing training in Germany.

Number of hours of training



Number of people enrolled in training



2.7.2.3 Committed to diversity and equal opportunities

The Group is convinced that diversity in the workplace goes hand-in-hand with progress, innovation and efficiency and has made respect and consideration for others a key component of its managerial practices and employment policy.

The Disability Mission: real employment for disabled workers

For Korian, the Disability Mission project is not just about hiring disabled people in France, but is part of an overall approach towards employee integration and retention.

Renewal of the disabled employment agreement

Korian signed its first agreement pertaining to employment and disability in France in 2014, and renewed its commitment to disabled workers for a further three years in 2017. This new agreement is fully aligned with Korian's CSR approach and was signed unanimously by the four trade union representatives. At the end of the first agreement, whereby the employment rate of disabled workers rose to 5.06%(1), Korian chose to pursue its commitment to achieve a rate of 6% with an ambitious new recruitment plan. In specific terms, 225 disabled workers will be hired over the next three years.

One of the innovations that Korian hopes to usher in with this renewal is to create a community of disability representatives at its facilities. This community will consolidate the nationwide Disability Mission and help to facilitate the integration of new hires or trainees with disabilities. It will include a platform where people can converse and share best practices. Training will also be provided for the employees running the programme.

This new agreement also places strong emphasis on training and job opportunities for young people with disabilities. A range of initiatives will be developed to facilitate the integration of people with recognised disabilities on internships and work-study contracts. Korian will use its partnerships with vocational rehabilitation centres including those in Montpellier and Mulhouse, who train aspiring nurses and caregivers with recognised disabilities. Korian has already taken on more than 40 trainees and apprentices as a result of these partnerships, which are set to be amplified and rolled out more widely under this new agreement.

(1) The employment rate is calculated based on the obligation to employ disabled workers, in units of disabled worker FTEs.

Finally, in 2017 Korian took on its first intake of Hospital Service Worker apprentices in the Centre region of France, in partnership with the Apprentice Training Centre (*Centre de formation d'apprentis*-CFA) at the *Institut national de l'hygiène et du nettoyage industriel* and the *CAP Emploi* centres for disabled employment. 19 apprentices were trained in the job, several of whom have disabilities. In light of the success of this pilot programme, it is expected to be extended to other regions in 2018.

The Disability Mission task force pursues its mission to provide 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. 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.

In Italy, there are some regional agreements for the employment of disabled workers. There are currently no agreements in Germany and Belgium, although both countries comply with the national legislation in this regard.

In total, there were 1,522 disabled worker FTEs in Europe in 2017, 30% higher than in 2016.

Raising employee awareness

In France, Korian's Disability Mission task force regularly organises communication initiatives to increase employee awareness about employing the disabled. A 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 actively participates in the European Disability Employment Week (EDEW) by means of a number of exhibitions, forums and jobdating events in France and Belgium. Many other targeted actions were proposed to employees in 2017, such as: conferences with handisport athlete and entrepreneur Rhyad Sallem on the themes of individual performance and challenging oneself; Anma massages from visually impaired practitioners; and disability awareness workshops for the ten facilities that are furthest behind in achieving their employment obligation.

An exemplary commitment to gender equality

In France, the Quality of Life at Work agreement signed in October 2017 includes provisions for equal job opportunities for women and men. In this regard, Korian has undertaken to heighten Facility Directors' awareness of the principles of non-discrimination between men and women, with the specific intention of ensuring 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.

The agreement also includes measures pertaining to parenting and has brought in a maternity booklet outlining the rights of pregnant women.

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

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.

As part of the Kommunity social barometer survey in 2017, Korian employees were asked about their perception of equal treatment in terms of sex, age, religion, ethnic origin, sexual orientation and disability potential. The results far exceeded 80% in all four countries the Group operates in, for all items.

In France, the Group has 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 in France 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. These measures are gradually being rolled out across all four countries.

In December 2017, Korian signed a Commitment Charter with the gay rights group *L'Autre Cercle* to promote the inclusion of Lesbian, Gay, Bisexual and Transgender (LGBT) people. By adhering to the charter, Korian undertakes to ensure an equal opportunity environment that respects all forms of diversity, in regard to both colleagues and the patients and residents at the Group's care homes. This will be largely ensured by running training courses and awareness campaigns among managers and teams.

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.

2.7.3 IMPROVING THE QUALITY OF THE ENVIRONMENT IN THE FACILITIES

Korian cares deeply about creating a pleasant and inviting setting at its 743 facilities in Europe. The operational performance of each site hinges on monitoring and controlling water and energy consumption and better waste management in order to reduce the Group's environmental footprint.

2.7.3.1 Efficient energy and water savings

In 2017 Korian catered for around 250,000 residents and patients in Europe, so the amounts of water and energy required for their accommodation and care has a significant impact on the Group's environmental footprint. The aim, therefore, is to optimise the resources used without compromising the well-being and comfort of the elderly residents or the employees.

Monitoring and managing the use of resources at facilities

In its four countries, Korian is deploying procedures and tools to centrally monitor and manage the water and energy consumption of its facilities in order to optimise these resources and reduce waste.

In Germany, Belgium and Italy, the Korian group is gradually 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 water and 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, a new position has been created in the Safety and Maintenance Department to manage the reduction of water and energy consumption. The SMM worked out a consumption rate of 60 cubic metres of water per bed and per year in line with guidelines issued by the French environment agency ADEME, which enabled them to pinpoint any facilities using too much water and take steps to remedy the situation by fixing leaks, adjusting flush systems or regulating automatic sprinklers, for example. All Technical Managers have been trained on water and energy management by their SMM.

Maintaining and optimising the use of equipment

Each year, the Safety and Maintenance 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.

Working with service providers, in 2017 Korian France pursued its efforts to optimise the operation of its heating, ventilation and air-conditioning systems, by installing room temperature regulators, timers and other devices. 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.

In the four countries where the Group operates, all used light bulbs are replaced with low-energy bulbs whenever possible. Following an audit conducted in France in 2016, a guide book about switching to low-energy light bulbs was sent out to all the Group' sites in France, soon to be followed by the other countries, containing guidance for lighting and purchases.

Making employees aware of eco-friendly actions

Simply monitoring and analysing consumption does not reduce it. To boost the positive effects of technical and maintenance initiatives and the settings used, Korian provides awareness videos and posters for its teams explaining the top six things they can do to help the planet: switch off the light when leaving a room, turn the heating down before airing a room, report water leaks, not leave water running unnecessarily, flatten boxes, and recycle 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 are already being used in France and will soon be deployed in the other European countries.

Total water and energy consumption of facilities in 2017

The tables below show consumption levels for water and energy (gas[1], electricity, fuel oil) and greenhouse gas emissions in 2017 in France, Germany, Belgium and Italy. The number of beds is based on the number of facilities included in the dataset.

Water and energy consumption rose in 2017 compared to 2016 due to acquisitions made by the Group during the course of the year. However, this increase is lower than the increase in the number of beds, demonstrating the effectiveness of the measures taken by Korian to reduce its environmental footprint.

	Natural gas	Electricity	Fuel oil
France	118,645	123,560	2,656
Germany	123,045	64,178	8,534
Belgium	46,538	23,860	5,213
Italy	10,204	12,160	1,841
TOTAL MWH	**298,432**	**223,758**	**18,244**
Metric tons of CO_2 equivalent	**64,458**	**47,767**	**5,948**

	Natural gas	Electricity	Fuel oil
Increase in MWh 2017 vs. 2016	19.7%	13.5%	2.9%
Increase in number of beds 2017 vs. 2016	25.6%	22.9%	-5.9%

Water consumption in m3	France	Germany	Belgium	Italy	Total
In m3	1,820,701	1,651,117	406,144	194,510	4,072,472

All Korian facilities, in each country, are supplied *via* the municipal water system.

No administrative sanction for failure to comply with an environmental regulation was observed and no environmental incidents were reported. In 2017, Belgium made a €212,000 provision for environmental risk. It was the only country to make such a provision.

(1) Only expenditures on natural gas are indicated, as the price of propane varies considerably depending on the supplier, period and the amount ordered.

2.7.3.2 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 2018.

Collection of infectious medical waste

As described in section 2.6.1 of this registration 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 2017 Korian further increased the number of those for which collection is handled by the same external supplier. This supplier 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.

The total weight of medical waste collected in France, Belgium and Italy in 2017 was 470 tons at a total of 366 facilities. 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 2018.

At Korian's head office in Paris, more than a ton of coffee capsules was collected and recycled, which enabled a ton of coffee grounds to be converted to biogas or compost and 46.8 kg of aluminium to be turned into cans or bike frames. Over eight tons of paper were collected from head offices in Paris, Massy, Aix-en-Provence and Lyon to be recycled. This equates to saving 130 trees, 161.6 cubic metres of water and 8,080 litres of oil in 2017.

Preventing food waste

In June 2016, Korian conducted an extensive study of biowaste at 20 facilities in France. 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. The study was used to evaluate the average quantity of biowaste generated and to identify simple yet effective ways of cutting down on food waste, such as finding better ways to manage orders and food storage, or producing exactly the right amount of food for the number of meals required. The 20 facilities that took part in the campaign saw the quantity of their biowaste drop by around 3% in just 30 days, purely as a result of logging their waste (at breakfast and dinner).

In light of this success, a major campaign to prevent food waste will be conducted in 2018 at all of the Group's facilities in France. 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. Korian will then look at finding local solutions for recycling biowaste.

2.7.3.3 Enhancing the quality of life at Korian facilities

Bedroom refurbishments

Korian's Boost Plan has accelerated plans to refurbish, extend and transform its network, and will include almost half of the Group's facilities in France by 2020. New designs will be produced for bedrooms and shared areas to upgrade the amenities and services available, and in doing so, increase the satisfaction of patients, residents and families. In some cases, work will also be carried out to improve insulation or enable water savings in the bedrooms.

An estimated €140 million will be invested in France over a five-year period. 47 priority sites have already been earmarked across France, many of which are located in the Paris area. The five-year Boost Plan has been put together by a wide range of talents and skills within the Group and draws on Korian's in-depth knowledge of residents' specific needs and lifestyle. It also incorporates the results of research conducted by the Korian Foundation for Ageing Well, which examined specific things that make elderly people feel at home.

The aim is to create a pleasant atmosphere that is conducive to Korian's Positive Care approach, so that residents enjoy a friendly and familiar environment while stimulating or compensating for their capacities. In this respect, special attention has been paid to the size and layout of shared areas and bedrooms, the selection of materials to be used, lighting, colours, furniture and decoration, while also incorporating astute ways of helping vulnerable residents to find their way around. The Boost Plan strikes the right balance between social engagement and individual requirements, comfort and reassurance, simplicity and elegance.

Green spaces

Some facilities have teamed up with local beekeepers to sponsor bee hives or install them on the roof of the building and offer pots of honey to residents, patients and employees. Insect hotels can also be found in the therapeutic gardens at some sites in a bid to preserve the local biodiversity and provide a fun and ecologically responsible activity for residents and patients.

Whenever possible, Korian's facilities include vegetable gardens that residents can access and tend as part of their personalised therapeutic programme. These gardens also contribute to local biodiversity.

2.7.4 MAINTAINING SENIORS' INDEPENDENCE AND FREEDOM OF ACTION

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.

2.7.4.1 Positive Care: an innovative approach to care provision

As an expert 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 is committed to doing everything it can to help residents and patients do things for themselves, throughout their life, in harmony with their quality of life and their wishes. That's why Korian has developed a unique and innovative approach named Positive Care.

This initiative is based on a positive clinical approach, rooted in the firm belief that individuals should be viewed in a positive, holistic light and encouraged to maintain their capacity to do things alone, rather than focusing solely on their illness and dependency. This mindset translates into behaviour and practices that combine expertise and discernment, where residents play an active role in living a meaningful life. Positive Care means taking care of others while respecting their choices, their dignity and their need for privacy.

Korian regularly assesses each individual, with the support of the family, to evaluate their age-related or medical needs; their physical, cognitive, sensory, social and cultural capacities; and their wishes, habits and preferences for their well-being. Accordingly, as well as providing any medicinal and non-medicinal treatments required for the person's health and physical independence, Korian's teams also:

- take on board the full extent of residents' skills and capacities, and endeavour to help them to lead fulfilling lives, preserve their independence, freely exercise their rights, make their own decisions and enjoy themselves;
- do everything they can to maintain their cognitive capacities and social skills, help them to do things by themselves, fulfil their social and cultural aspirations, and respect different cultures;
- welcome the person's family and friends in the same manner and include them in order to help the person deal with their illness and changes to their health.

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. A programme to maintain and develop capacities and prevent frailty combines several enjoyable approaches and non-medicinal therapies. This individual programme addresses three aspects:

1. Maintaining physical and motor capacities – essential skills to preserve the ability to get around unaided, prevent falls, and ensure a comfortable daily life – with a programme of physical activities designed to maintain verticality and balance.

2. A cognitive skills assessment comprising two different programmes:

   - a cognitive stimulation programme or memory workshops, for people with mild to moderate impairment;
   - a cognitive restoration programme focusing on procedural memory, for people with moderate to severe impairment.

3. The prevention and treatment of psychobehavioural disorders often associated with cognitive problems. In these cases, Korian completes the cognitive restoration programme with meditation-based behavioural therapy and multisensory therapies.

In France, at the instigation of the Korian Ageing Well Institute, a "flash activities trolley" was created to provide a non-medicinal alternative for dealing with the mood and behavioural disorders of residents. Traditionally used with young children, the Montessori Method has been adapted to treat people suffering from Alzheimer's or a similar disease. It is based on neuroscience research and focuses on nonverbal, sensory and motor-based communication. The Montessori Method targets the faculties and emotional memory of disoriented elderly people as a way to counter cognitive impairment. The practical applications of the Montessori Method (for example, specially adapted activities and environments or type of 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, 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.

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 around the clock 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.

Activities: a key component of the services provided for residents

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

With some 76 million meals served each year in Europe, serving good food is a priority for Korian. This is an important element for residents, patients and their families, and plays a substantial role in their standard of living and everyday pleasure. Korian's kitchen staff is committed to providing a 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.

At the end of 2017, Korian achieved another milestone by partnering with Gault & Millau to improve the quality of food service at its long-term care nursing homes. Gault & Millau's experts conduct a comprehensive audit that uses 245 criteria to measure the quality of meals (including the preparation of fresh produce, cooking techniques, texture and taste), service (table preparation, tableware, table linen, *etc.*) and the overall dining environment.

When this audit is completed facilities are given recommendations on what they can improve. Their observance of these recommendations is checked during a subsequent audit. Facilities that meet Gault & Millau's criteria receive its Seal of Quality. Of the eight facilities audited in 2017 during the pilot phase of this new programme, three were awarded the Seal of Quality: Bollée-Chanzy in Le Mans, Villa d'Albon in Roanne, and Yvan Roque in Issigeac. A fourth facility, Villa Janin in Saint-Étienne, received a special mention for the quality of its service. In 2018, this initiative to improve the quality of food service will involve the auditing of some forty facilities.

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.

Staff training

Benevolence, Ethics and Care for All – which makes the acronym BEST when written in French – is emblematic of Korian's commitment to taking care of its residents and patients as well as its staff. The BEST training programme ensures that each person understands and incorporates the right approach to care while championing the benevolent treatment of the elderly and preventing abuse, by means of an individualised or therapeutic plan.

To ensure that all employees are aware of safety and benevolent care measures, the Korian Academy has created a BEST training board 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.

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 above.

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 medical-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.

Putting quality 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 ethical approach in terms of care.

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, Korian's facilities follow the recommendation issued by the national agency for the assessment and quality of social and medical-social facilities and services (ANESM) on "Ethical considerations in social and medical-social facilities and services". This recommendation of 2010 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 2017, 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 User Relations Commissions) 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.

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* the document management base 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.

In Italy, teams can use an electronic tool to schedule, view and record all the care procedures that are to be and have been performed, for each resident at the unit. This platform is gradually being rolled out to all Italian facilities and can also be used to communicate best practices and procedures to improve the quality of care.

Finally, employees have access to a multitude of training courses to help them learn care and support methods that ensure the elderly are treated in a kind manner and which help to prevent abuse, as detailed in section 2.7.2.2 of this registration document. In Belgium, medical care teams receive training on how to deal with end-of-life issues with the Advanced Care Planning and Euthanasia programme. This training course is delivered by the coordinating doctor and 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).

2.7.4.2 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 medical-social and post-acute and psychiatric networks. The aim of these "SatisfaKtion" 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. The survey is conducted across the medical-social network twice a year, and all year round in health institutions, when the patient is discharged, as required by law. "Customers" are asked about key aspects of the support provided by Korian: care, listening and information, setting, bedroom, catering, activities, relationship with the staff, and so on.

In 2017, some 63,000 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 and rising, with 68% of nursing home residents and 80% of clinic patients reporting to be very or extremely satisfied.

The results of the satisfaction survey for the medical-social sector are posted on a dedicated website that is accessible to all Facility Directors and Regional Directors. They are linked to a full analysis report specific for each site, and the progression and comparison of results can be viewed online to get a clear picture of what facilities are doing well and what needs to be improved. Based on this information, the appropriate action plan can be drawn up.

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. Above all, it can analyse its results in relation to the items that generate the highest "customer" satisfaction and which are part of the Group's priorities. Lastly, facilities prepare 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 Commissions.

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 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 Commission. 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 2.8 below.

2.7.5 MAKING A POSITIVE CONTRIBUTION TO AGEING WELL

Every day, Korian plans and innovates to fulfil the changing needs of seniors, constantly tailoring its services to satisfy the high expectations of patients and residents, always mindful of working with compassion and respect, whatever the level of their needs or dependency.

2.7.5.1 Supporting research and innovation for care practises

Longer life expectancy made possible by medical advances represents a global breakthrough. It also means a profound transformation in society, changing the demographic and generational balance and making it necessary to address the special needs of very elderly people and provide long-term assistance for chronic diseases and dependency.

In 2013, Korian set up the Korian Ageing Well Institute to raise awareness of this issue and actively contribute to the resources required to cope with ageing.

The Korian Foundation for Ageing Well, set up in 2017, is an extension of the venture undertaken three years ago with the Ageing Well Institute, and testifies to the Group's desire to fulfil an active role in ensuring social integration. Working hand in hand with all types of stakeholders who are willing to get involved, be it employees, residents, patients and families, or the scientific community and the Group's public- and private-sector partners, Korian has invited its whole network on board with its nationwide projects to build close-knit communities where each person feels they belong.

Inclusion means giving everybody, regardless of their age, family situation or health, the chance to play an active role in society and gain recognition for their input. The Foundation conducts applied research programmes and social studies in this vein and backs innovative initiatives undertaken by people and organisations in society that seek to foster inclusion through helping communities, developing independence, solidarity and sport.

For more information on the work and publications produced by the Korian Ageing Well Institute and the Foundation, see section 2.9 below.

2.7.5.2 Embracing digital innovation

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.

The Korian Innovation Hub

The Korian Innovation Hub is an online platform where innovative in-house and external projects can be submitted, centralised and aided as a way of championing innovation in the elderly healthcare sector. It is aimed at businesses, from start-ups, sole traders and small- and medium-sized enterprises (SME) through to big corporate groups, and also Korian employees who want to submit an innovative project on the following topics:

- improving quality of life for care home staff;
- enhancing the role of the elderly and their social relations;
- the Internet of Things for the customer journey;
- rehabilitation solutions and innovative technical resources.

Because every idea is unique, Korian offers assistance on a case-by-case basis for projects selected by a multi-disciplinary team, like arranging interviews with experts or trialling projects at Korian facilities. Korian Innovation Hub's objectives are to innovate better, respond to projects submitted more swiftly, professionalise pilot tests at facilities, and facilitate decision-making about deployment with a common set of decision criteria shared by everybody.

Innovations for families and customers

The "Korian Générations" app

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 France with "Korian Générations", 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 and patients 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 generalised the use of tablet computers to manage care pathways and improve the quality of service and activities.

In Germany, 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 with medical staff and their loved ones.

In Italy, facilities have made 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. Teams also use the tablet to schedule, view and record all the care procedures that are to be and have been performed, for each resident at the unit.

Innovations for staff

In Italy, Korian is gradually rolling out the "Équipe" software application which can be used to schedule, view and record all the care procedures that are to be and have been performed, for each resident at the unit. Saving time, traceability and better quality services are just some of the benefits of the app, which can also be downloaded onto a tablet. The "Inter Check" computer program, developed with the Mario Negri Institute, will be deployed at all Italian facilities by 2020. The program is used to optimise the prescription of medication in order to reduce the use of medicines and their side effects. Other robotic innovations developed by start-ups are being tested at Korian facilities in Italy, including Hunova the intuitive robot, and the virtual caregiver Movecare.

2.7.6 FACILITIES THAT PLAY A KEY ROLE IN THE COMMUNITY

Korian's facilities are strongly rooted in their local community. They are outwardly focused and play a key role in the region. They contribute to the local economy, strengthen bonds between generations and in society in general, and work closely with the local authorities. These actions reflect the Group's commitment to improve its positive impact on local communities and to become more socially responsible.

2.7.6.1 Lending a helping hand to promote inclusion

Healthcare professions and those that assist vulnerable or dependent people are profoundly human professions, performed by a diverse range of men and women who pour all their skills and vocation into ensuring the well-being of the people they care for. This unique vocation means that care workers and the facilities they work at play a special role in aiding families and social integration.

This is why the Korian Foundation for Ageing Well wants to encourage and develop meaningful actions to help carers, and specifically to provide support for employees who are carers, single-parent families and young people from disadvantaged backgrounds that want to work in the care industry.

The Korian Foundation for Ageing Well plans to introduce a skills sponsorship scheme whereby Korian employees will be able to volunteer with charities during work time on projects that uphold the Foundation's commitments.

Caregiver employees

Through its partnership with the non-profit organisation *Aidant Attitude,* the Foundation backs projects to support care assistants, such as sharing different people's experiences, producing practical guides, and hosting an online discussion forum on the *Aidant Attitude* website. Korian encourages its teams to get involved and become one of the platform's carer ambassadors. Their role is to contribute to the forum and share their knowledge and experiences with carers by offering an attentive ear and helpful advice.

In 2017, Korian renewed its partnership with France Alzheimer and was present at the France Alzheimer Village on International Alzheimer's Day which is held on 21 September every year. More specifically, Korian funds the charity's support scheme for family carers, which offers services such as discussion groups, one-to-one support, relaxation sessions and training.

In Italy, Korian has created a dedicated "Stop Indifference" website (**www.spezzalindefferenza.it**) that provides important information on the difficulties encountered by Alzheimer's sufferers and their loved ones as well as useful advice.

Young people from disadvantaged backgrounds

To help ensure that everybody has the same chances of achieving their goals and to give young people from underprivileged backgrounds a head start for finding employment, the Foundation is a partner of the *Défi Jeunesse,* or Youth Challenge, programme run by United Way. In 2018, tutoring schemes and work shadowing placements at the head office in Paris gave young high school pupils the chance to learn about working with the elderly and to give them an insight into how rewarding personal service careers can be, both for them and for the dependent people requiring care.

Women on low incomes

Lastly, in 2018 the Foundation will be supporting the French charity *K d'Urgences* by funding initiatives to help single-parent families, and care workers in particular – mostly women – who have to combine their job with looking after their family. In Italy, the Group is stepping up its collaboration with DIRE, or *Donne Italiane Rete Estera,* which helps to tackle violence towards women, by funding training programmes and job opportunity schemes for victims. Korian will also take on some of the beneficiaries.

2.7.6.2 Strengthening intergenerational bonds

All Korian facilities encourage intergenerational events and socialisation and develop close ties with local schools and organisations to organise outings, workshops, bazaars and other activities.

In France, 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, in particular on "Grandparents Day," which is held each year on 2 October, all Korian facilities organise activities to which all local schoolchildren are invited. In 2017, Korian interviewed 500 elderly people in 40 of the Group's facilities to commit their memories to paper and publish a story book which was widely distributed among local schools and families. A programme named "ABC Digital" was set up 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. In 2017, the students taught the elderly people how to use a tablet and browse the Internet. This programme will be rolled out across at a nationwide level in 2018.

2.7.6.3 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 stable jobs that cannot be relocated, the maintenance and operation of a new facility increase 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.

In Italy, Korian has supported the Master's degree in Psychology at the University of Pavia for the last six years, by inviting students who are planning to specialise in geriatrics to work at a Korian facility.

Outwardly focused towards 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. Some of Korian's Italian facilities regularly organise "Cafés Alzheimer", 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.

In Germany, friendly get-togethers are organised each month and for holiday festivities, such as Christmas, Easter and carnivals. 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. Training initiatives have made it possible for facilities to organise more activities and events with external stakeholders and engage with their local communities.

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, five facilities have teamed up with retired teachers to set up a University for Senior Citizens which offers 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. A facility in Milan provides office space for an association that organises events and volunteer activities for the elderly, such as writing, languages, computer skills, reading, theatre and drama.

On-site activities run by volunteer groups

Many associations 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 caregivers.

Korian and the Korian Foundation for Ageing Well also work 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 Bavaria, Germany, employees and residents participate in the *Geschenk mit Herz*'s associations annual "A Gift from the Heart" campaign, by volunteering to collect and wrap Christmas gifts for disadvantaged children.

As an expert 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 Italy, Korian supports the communication and research efforts of numerous local and national associations such as *Federazione Alzheimer, Amici del Centro Dino Ferrari,* and AIMA.

In Belgium, the Group has formed a partnership with Petra VZW, which was founded by staff members. The associations, 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.

2.7.7 ENSURING ETHICAL AND RESPONSIBLE PRACTICES

In accordance with its Ethics Charter (the "**Charter**"), Korian insists that all its stakeholders, suppliers and subcontractors diligently observe all legal requirements pertaining to their business activities and work environment.

New regulations require the Group to continue and further its efforts to be a responsible company by introducing an anti-corruption plan and a Vigilance Plan to identify and prevent any breach of human rights, fundamental freedoms, or the health and safety of people or the environment. These provisions apply to all the Group's employees and stakeholders and are part of Korian's ongoing pursuit of continuous improvement.

2.7.7.1 Korian's Ethics Charter

The Korian group has produced a document condensing the major ethical principles that apply to all the Group's employees, shareholders, customers, suppliers, subcontractors and "other stakeholders". The Charter has been translated into all the languages that the Group works

in and sets out to help individuals to respond to issues appropriately, by detailing all the procedures and instructions that come under the umbrella of rules that must be followed in order to provide residents and patients with the best possible level of care.

The Charter reiterates the importance of complying with the laws and regulations that apply in each country, especially in terms of tackling corruption, but also in regard to human rights and the dignity of people, avoiding conflicts of interest, maintaining the confidentiality of information, protecting Korian's assets and being a responsible corporate citizen in regard to communities and the environment. The Group is currently introducing a warning system that Korian employees or occasional staff can use to report any situation they feel may violate the principles set out in the Charter.

The Charter is deployed across the Group paired with a specific communication plan and appropriate training. A mandatory online learning module has also been developed and will be widely deployed in 2018 to all of the Group's employees in Europe. A training course covering the Charter is also in the pipeline for the Group's top management.

2.7.7.2 Anti-corruption measures

The anti-corruption measures taken by the Group are detailed in paragraph 2.6.1 of this registration document.

2.7.7.3 Application of the Vigilance Law

The Korian group is subject to French law No. 2017-399 of 27 March 2017 on the Vigilance Plan of parent and contracting companies. As such, in 2017 the Group set up working groups made up of members of the Internal Audit and Control Department, CSR and Procurement teams in order to draft and implement the Group's Vigilance Plan.

Methodology

The Group produced a risk map of serious violations on human rights and fundamental freedoms and the health and safety of people. This work led to the identification, analysis and priority rating of these risks in an internal and external context, and also produced an inventory of the systems that are currently in place, or need to be introduced, to prevent them.

This process will be continued and further developed in 2018.

Risk mapping

The principal risks the Group is exposed to, and the systems in place for managing these risks, are detailed in paragraphs 2.6.1 and 2.6.2 of this registration document. In addition to these risks, the Vigilance Plan risk mapping exercise highlighted certain areas that require vigilance, and the systems in place for these matters were addressed.

The main areas concerned by the Vigilance Plan are the following:

- Human rights and fundamental freedoms:
  - Abuse,
  - Discrimination,
  - Non-compliance with International Labour Organization conventions;
- Health and safety of people:
  - Residents leaving the facility without the staff knowing,
  - Epidemics,
  - Climatic events,
  - Medication errors,
  - Protection of personal data,
  - Health and safety in the workplace at Korian or at its suppliers,
  - Security at the facilities;
- Environment:
  - Waste management,
  - Energy consumption and reducing the Group's environmental footprint.

Systems and action plans

As part of the process to produce a Vigilance Plan, a list was made of the systems already in place that help to limit the Group's exposure to serious violations of human rights, fundamental freedoms, and the health and safety of people.

Governance

In 2017, the Group set up a Risk and Compliance Committee which meets every two months and is governed by the CEO and the Group's Financial Department, Human Resources Department, Medical, Ethics and Quality Department, Internal Audit and Control Department, and Legal and Tax Department. This Committee will supervise the implementation of the Vigilance Plan produced by the working groups.

Human resources policies

The Human Resources policies for each country are detailed in paragraph 2.7.2 of this registration document. Current HR policies cover matters such as observance of the ILO convention, measures to prevent all types of discrimination, the promotion of conditions for health and safety in the workplace, and the implementation of constructive industrial relations with employees.

Every two years, Korian conducts a survey among all the Group's employees to ascertain their level of engagement and satisfaction. Further to the surveys, action plans are put in place in order to ensure the ongoing improvement of employee well-being and quality of life at work.

Long-term relationships with suppliers and subcontractors

Korian has introduced a number of measures to forge long-term relationships with its suppliers and ensure they meet the Group's requirements in terms of ethical principles.

Responsible Purchasing Policy

In line with Korian's Ethics Charter, the responsible purchasing policy outlines the commitments that Korian asks all its suppliers to fulfil, and also the commitments Korian makes to its suppliers in regard to:

- respecting human rights and working conditions;
- reducing environmental impact;
- preventing corruption;
- ethical business practices.

This policy is translated into four languages and is now included in all contracts and invitations to tender and will gradually be signed by all suppliers listed by the Group in Europe.

The policy is also counter-signed by all the buyers working at the Group Procurement Department and will be more widely deployed throughout the countries in 2018.

Supplier evaluation

The Group brought in the ECOVADIS platform to evaluate its suppliers based on four aspects: Ethics, Environment, Social, and Supply Chain. At the end of December 2017, 84 suppliers had been assessed using the ECOVADIS platform.

Furthermore, as part of its purchasing process, Korian selects the suppliers listed based on a set of objective criteria, with particular emphasis on CSR indicators. The supplier evaluation process will be extended in 2018 to incorporate materiality matrices.

Resident and patient safety

The Group endeavours to ensure quality care and 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.

Korian's risk management procedures are set out in paragraph 2.6 of this registration document.

Respecting the environment

Korian cares deeply about reducing the impact it has on the environment. In particular, the Group endeavours to limit its use of water and energy resources and to improve waste management at its 743 sites in Europe.

Action being taken to reduce the Group's environmental impact is explained in paragraph 2.7.3 of this registration document.

Evaluation and control

Other than the supplier evaluations outlined above, the Group's principals and procedures for internal control and risk management are detailed in paragraph 2.8 of this registration document.

Warning system

In 2018, Korian introduces a confidential warning system that can be accessed by all employees *via* a secure, external website. This system can be used to alert the Group about any crime, offence, or clear and serious breach of the law, the regulations, or the principles set out in the Group's Charter, as well as any type of threat or serious damage that may harm the common good. The warning system will subsequently be made available to occasional workers.

2.7.8 NOTE ON THE METHODOLOGY USED

The content of this 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.

2 MANAGEMENT REPORT 2017

Corporate social responsibility

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	2.7.2.1
	Recruitment and dismissals	
	Compensation and change	
Work organisation	Work time organisation	
	Absenteeism	
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	
Health and safety	Occupational health and safety conditions	
	Occupational health and safety agreements signed with unions and staff representatives	
	Work accidents, including their frequency and severity, and work-related illnesses	
Training	Training policies	2.7.2.2
	Total number of training hours	
Equal treatment	The current policy and the measures taken to achieve gender equality	2.7.2.3
	The current policy and the measures taken to employ disabled employees	
	The current policy and the measures taken to prevent discrimination	
Promotion and observance of the principles of the ILO's fundamental conventions on:	Freedom of association and the right to collective bargaining	2.7.2.1
	Elimination of discrimination in respect of employment and occupation	
	Elimination of all forms of forced and compulsory labour	
	Effective abolition of child labour	

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	2.7.3.1
	Employee training and awareness-raising in the area of environmental protection	
	Resources dedicated to the prevention of environmental and pollution risks	
	Any provisions made to cover environmental risks, if providing this information does not materially compromise the Company's position in an ongoing dispute	
Pollution	Measures to prevent, reduce or remedy air, water and soil pollution that has a serious impact on the environment	
	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	2.7.3.2
	Measures to prevent food waste	
	Water consumption and procurement in accordance with local constraints	2.7.3.1
	Consumption of raw materials and measures to use them more efficiently	2.7.3.1
	Energy consumption and measures to improve energy efficiency and promote the use of renewable energy sources	
	Land use	N/A
Climate change	Significant GHG emissions generated by the Company's activity, and in particular by the use of the goods and services it provides	2.7.3.1
	Adaptation to the consequences of climate change	2.6
Protecting biodiversity	Measures to protect or increase biodiversity	2.7.3.3

(1) N/A: not applicable.

Social responsibility information		Section[1]
The impact of the Company's activity on:	Local employment and economic development	2.7.6.3
	Local populations and neighbours	
Relations with people and organisations who/that are concerned by or with the Company's activity	Communication with these people and organisations	2.7.6.1
	Partnerships and corporate philanthropy	
Outsourcing and suppliers	Provisions in the Company's purchasing policy that address social and environmental concerns	2.7.7.3
	The proportion of work that is outsourced and taking social and environmental responsibility into account when dealing with contractors and vendors	
Fair practices	Anti-corruption measures	2.6
	Measures taken to promote the health and safety of consumers	
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 practises. 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 in Germany, SLG in Belgium and Segesta in Italy. It should be noted that cooperatives in Italy were not included in the 2017 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.

Reporting period

Indicators are calculated over a 12-month period (from 1 January to 31 December 2017), using the figures available at 31 December 2017.

Data collection

The data within the specified scopes were collected directly from the relevant departments by the Group CSR Manager.

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 the 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

As a side note, it is stated that some indicators are not yet monitored in Germany, but will be included for all four of the Group's countries in regular reporting as from 2018. These cases are indicated separately in the report.

Work accidents

As from 2017, the lost time injury frequency rate is calculated by dividing the number of lost time injuries multiplied by 1,000,000 by the number of hours worked, for indefinite-term contracts (FR2). The severity rate is calculated by dividing the number of days of absence multiplied by 1,000 by the number of hours worked for indefinite-term contracts.

This information is not available for Germany.

Absenteeism rate

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. This information is not available for Belgium.

Energy and water consumption

Each country has submitted its consumption data which are based on 2017 invoices, the information provided by service providers and meter readings at facilities.

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	0.0647 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 calculated 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 except for the head office in Paris. The consumption of other more significant raw materials also was not monitored in 2017.

Information on land use, noise pollution 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.

2.7.9 INDEPENDENT THIRD-PARTY REPORT ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

This is a free English translation of the Independent third party's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2017

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, available on **www.cofrac.fr**), 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 2017 (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 guidelines (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.

*(1) Source: The ADEME Resource Centre on Greenhouse Gas Emissions Assessment, consulted in 2018. For more information see **http://www.bilans-ges.ademe.fr**.*
*(2) Source: **http://www.renovationdurable.eu/**.*

Our independence and quality control

Our independence is subject to regulatory texts, our professional code of ethics and the provisions of article L. 822-11-3 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 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).

However, it is not our role to comment on the conformity with any other statutory requirements that may apply, in particular those set out in article L. 225-102-4 of the French Commercial Code (Vigilance Plan) and the law No. 2016-1691 of 9 December 2016 known as Sapin II (anti-corruption measures).

Our work was conducted by five people over a period of about eight weeks, between October 2017 and March 2018.

We conducted the work outlined hereafter in accordance with the Decree of 13 May 2013 determining the conditions under which the independent third-party body shall conduct its assignment, and the rules and recommendations of *Compagnie nationale des commissaires aux comptes* (the French statutory auditing authority) that apply to this engagement and, in regard to the reasoned opinion on fair presentation, the international standard ISAE 3000(1).

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 programmes.

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 2.7.8 "Note on the methodology used," section of the management report.

Based on this work and given the limitations referred to above, with particular regard to absenteeism rates which cover 91% of the workforce in 2018, we attest that the required CSR Information has been disclosed in the management report.

II. Opinion on the fairness of CSR Information

Nature and scope of our work

We conducted ten 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/challenges 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(2):

• 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.

(1) *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*
(2) **Human resources information:** *Number and breakdown of employees by age and by sex; Number of hours of training; Number of disabled workers; Absenteeism rate; Results of the in-house satisfaction survey.*
Environmental information: *Energy consumption; Water consumption; Disposal of infectious medical waste.*
Societal information: *Percentage of suppliers evaluated using Ecovadis; Results of the customer satisfaction survey.*

• With respect to a representative sample of entities we selected[1] 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 sample selected represents 86% of the workforce, considered to be a characteristic representation of the social aspect and between 51% and 85% of environmental data considered to be a characteristic representation of the environmental aspect.

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 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.

Signed in Paris La Défense, on 30 March 2018

The independent third party

Mazars SAS

Manuela Baudoin-Revert
Partner

Edwige Rey
CSR & Sustainable Development Partner

(1) French and German entities.

2.8 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 2.6.1 of this registration document. Section 2.7.3 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 draft this system, 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 the 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 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

The internal control system is implemented by the Board of Directors, 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 and the Audit Committee

On behalf of the Board of Directors, the Audit Committee oversees the effectiveness of the internal control and risk management systems and reports back to the Board.

Its responsibilities are defined in the Board of Directors' internal regulations, and are described in section 2.11.1.2.3 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.

Risk and Compliance Committee

In 2017, the Group set up a committee to monitor risks and compliance, which is chaired by the Group Chief Executive Officer. This committee meets every two months and reviews the Group's main risks and litigation, and also monitors the implementation of compliance plans and legislative amendments, based on the reports of the General Management of each country and the Group's functional departments.

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 Group level, it comprises, in particular, the treasury and finance department and the Group financial control department, which includes the consolidation teams.

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.

Group Internal Audit and 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 regularly updated 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 Internal Audit and 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 Group Internal Audit and Control Department 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

Assisted by their local finance departments, they are responsible for the application of the Group's procedures, supervising financial performance and approving the financial statements within their respective subsidiaries.

The Finance Departments in the countries where the Group operates

The Finance Departments in the countries where the Group operates are responsible for verifying accounting and management data in accordance with the Group's instructions, as well as for preparing the financial statements required by the articles of association.

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 consist of:

- 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 watch 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 facilities' compliance with regulatory obligations, in particular by providing assistance in their relations with the supervisory authorities and monitoring compliance with 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.

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.

The Internal Control reference framework

In 2017, the Internal Audit and Control Department deployed a common internal control reference framework for the entire Group. This reference framework focuses on the main processes used to generate accounting and financial information and may be expanded in the future.

A self-assessment questionnaire on the key controls described in this reference framework was used to test the functional departments of each country in which the Group does business. The responses obtained are used to assess the adequacy and effectiveness of internal control within each subsidiary and, if necessary, to define action plans to be implemented.

Monitoring and control of operational management

The operational management control unit reports to the Finance Department of each country, and its role is to monitor the operational performance of the facilities and support functions relative to the objectives assigned to them.

Budget process

Each year, a budget is adopted for each facility and each functional department on the basis of the guidelines given by the General Management and Finance Departments of each country. These budgets are prepared on the basis of a framework common to all facilities produced by the operational management control function, which reviews and then consolidates the budgets at the level of each country.

This work is then reviewed and consolidated at Group level by the Group Financial Control Department.

The budget process also includes an update during the year, which produces three forecasts on the basis of financial information generated, thereby increasing the reliability of financial forecasts.

Reports

Each month, the operational management unit produces a report that is sent to the Facility Directors, the Regional Directors, the Operations Departments of each country, and the General Management of each country.

This report monitors key financial indicators, such as revenue, occupancy rates, average accommodation price, major expenditure items (particularly wages and salaries), trade receivables, Cash Flow and investments. Deviations from the budget or forecasts, as well as changes from the previous period, are identified, analysed and explained.

This report is then presented to the Group's General Management by the General Management, Finance Department and main functional departments of each country at a formal meeting called the Business Review.

At the same time, the Group Financial Control Department produces a consolidated monthly report based on each country's management control information input into the Group's information system. This report is also presented to the Group General Management each month, and corrective actions are implemented if necessary.

Preparation and control of financial information

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.

The preparation of consolidated financial information is managed by the Group Financial Control Department, which reports to the Group Finance Department, and which is tasked with the following duties:

- circulating the Group's accounting and financial principles in the form of Financial Reporting Guidelines;
- preparing precise instructions, including a detailed schedule, which are forwarded by the Group Financial Control Department to the subsidiaries before each consolidation exercise;
- sub-group consolidation;
- use of a single information system deployed in the Group's subsidiaries.

In addition, the consolidated subsidiaries draft a confirmation letter that is sent to the Statutory auditors and to the registered office. By this letter, the Management of the consolidated subsidiaries confirms the accuracy and completeness of the financial information submitted to the registered office for purposes of the consolidation exercise.

Debt and cash management

Debt and cash management are supervised at the Group level. The Group's General Management proposes a funding strategy to the Board of Directors. New credit facilities may require the prior authorisation of the Board of Directors depending on the governance rules applicable.

The Company's available cash, whether from these credit facilities or positive Cash Flow generated, can be made available to its subsidiaries by signing current account or inter-company loan agreements, in particular, to finance the subsidiaries' growth operations. Nevertheless, foreign subsidiaries may from to time take out local bilateral loans, subject to the prior approval of the Group General Management, the Group Finance Department and/or the Board of Directors, depending on the governance rules applicable.

In addition, the Group has set up a centralised system for managing means of payment in the administrative head offices of each country in which the Group does business. This therefore reduces the payments made by the operational sites to a minimum.

Lastly, in France, the Group has a cash pool provided by its main banks, which will be extended in 2018 to the foreign subsidiaries. The consolidated monthly cash positions at the level of each country are supervised by the Group Financial 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 Chief Real Estate and Development Officer.

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, as described in greater detail in section 2.11.1.2.3 of this registration document.

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

Operational risk management "governance"

To coordinate the Ethics, Medical and Quality policies, the Group created a Medical, Ethics and Quality Department whose duties include formally establishing a quality and operational risk management policy and defining guidelines for the Group-wide medical policy, in compliance with ethical principles and standards, and with the laws of the countries in which the Group operates. This Department is also tasked with supervising the quality process set up in each country, ensuring that practices are standardised and centralising the results of external or internal quality audits conducted in each Group facility.

To enhance this oversight, a Group Quality Committee, comprised of the quality officers in each country, was created in 2017.

Serious Adverse Events (SAE) procedures

In each country where the Group operates, all serious adverse events are to be reported by the facility director to his/her supervisor, who will determine with him/her the level at which the event should be handled. The SAE procedure includes various classification levels: SAEs involving the health of persons, SAEs involving safety, SAEs involving the operation of facilities and SAEs that generate a public and/or media threat to the Company. Depending on the level of seriousness and the level at which the event is to be handled, a local, regional, national or Group-wide crisis unit will be set up in accordance with the crisis management procedure.

The SAE procedure is not only a process for handling incidents; it promotes risk prevention as well, because each adverse event report is also input into a database that is used to define possible corrective actions. In addition, SAEs are consolidated and classified weekly at Group level on the basis of 14 criteria common to all countries.

This process is also defined in conjunction with the various supervisory authorities in order to submit appropriate information (event and protective measures in place and/or planned), in accordance with applicable laws.

Ethics of care, prevention and management of business-related risks

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).

The 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.

The Group's policy is based on its intent to constantly implement best care practises and improved prior risk control by promoting preventive actions. This policy is 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.

Quality policy

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 and support measures are implemented. 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 French National Authority for Health).

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.

Moreover, 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 Healthcare Risk Management and Supervision Committee ("**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 *Regional Qualität Managers* ("**RQMs**") supervise approximately ten facilities and conduct a comprehensive review of each facility at least once a year. The RQMs forward the reports of their internal reviews to each appropriate regional director. The action plans are then reviewed monthly by the *Vorstand,* as well as by the Group's Ethics, Quality and Medical Department.

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, the Quality 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.

2.9 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.

2.9.1 FROM THE KORIAN AGEING WELL INSTITUTE TO THE KORIAN FOUNDATION FOR AGEING WELL

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 (the "**Institute**"), a non-profit organisation under the Act of 1901, to contribute to collective awareness and improve resources in this field.

The Group has been actively involved in the Institute's three focus areas, 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.

Based on the expertise of the Ageing Well Committee, a multidisciplinary team consisting primarily of individuals from outside the Group, and after four years of research, exchanges and analyses, the Institute has investigated several key Ageing Well themes: pleasure, because Ageing Well above all means to continue to have moments of satisfaction that are essential to physical, mental and social well-being; future technological changes, because Ageing Well takes advantage of, and will increasingly take advantage of, data collection and processing, prevention, non-medicinal support and the progress of robotics and connected objects; and socialisation, because being socially useful, maintaining ties with other generations and sharing moments with family and loved ones are vital to seniors.

The results of these studies form the basis for the "positive care" clinical approach that focuses on persons' abilities, skills and desires, rather than simply on their deficits. This approach is now being deployed to Group employees.

Motivated by these initial achievements, and wishing to expand avenues for exploring techniques to cope with this revolution in the ageing process, Korian advanced to a new stage by creating the Korian Corporate Foundation for Ageing Well in the second half of 2017. This development is testimony to the Group's intent to act as a committed participant in the social integration process, able to mobilise its employees, residents and patients, as well as the general public, the scientific community and public and private sector actors, to co-operate on meaningful projects focused on a crucial issue: inclusion.

Inclusion means allowing all persons, regardless of their characteristics, to be a full member of society and its organisations.

Based on this perspective, and under the aegis of its Scientific Committee, which is chaired by the sociologist Serge Guérin, and which comprises researchers, academics, practitioners, caregivers, designers and heads of associations, the Foundation focuses on the following action areas:

1. Inclusion through social utility;
2. Inclusion by developing autonomy;
3. Inclusion through solidarity;
4. Inclusion through sport.

The Foundation is active in:

- medical studies in partnership with research teams;
- societal studies;
- support for innovative societal actions in the various regions;
- support actions for the benefit of persons with reduced autonomy and who are frail.

2.9.2 STUDIES AND WORK

In 2017, the Institute, then the Foundation, went forward with projects launched previously by the Institute 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 2016 on the impact of the use of the "flash activities trolley" on acute behavioural disorders were incorporated into the "positive care" approach.

Study on the right words for Ageing Well

After having found that the words used to describe old age were imprecise, simplistic or even inappropriate, the Institute launched a study, which was then taken over by the Foundation, to identify the semantics used to discuss the elderly and to discover what terms would be preferable in order to give a more positive image to old age.

After an initial stage reviewing the existing literature, the Foundation, in partnership with Médiascopie, focused on over 185 words and expressions commonly used to discuss old age, illness, long-term care nursing homes residents and patients.

Using a method that measures perception, these words were evaluated by a panel of French persons with the objective of defining the "words that we should use in the future to express these concepts". This study teaches that the words used are often technical, sometimes misunderstood and potentially offensive. Assessing their impact has made it possible to choose, on a comparative and objective basis, the "right words" and the good practices that will make it possible to better describe and portray the elderly, ageing and dependence, and the related professions and practices (care facilities, care, accommodations, services, *etc.*).

To summarise these findings, the Foundation has published a practical guide that lists words to avoid and words to prefer to speak positively of old age, dependency, illness and retirement homes. The intent of the "right words for Ageing Well" guide is to raise awareness and persuade health professionals, institutional actors and French society as a whole of the benefits of changing their language and outlook on ageing. This guide is currently being distributed in all Group facilities and will be included in the employee training programme in 2018.

LEDEN study (Effects of a Long-term Exercise program on functional ability in people with DEmentia living in Nursing homes)

In November 2017, the Foundation presented the first results of the LEDEN study conducted in conjunction with the Toulouse gerontology centre. This pilot study compared the effects of a physical activity programme and a social activities programme on the functional abilities and neuropsychiatric symptoms of residents with cognitive impairment in long-term care nursing homes.

Two groups were formed: the first was a control group that engaged in social activities such as singing or arts and crafts, and the second was an experimental group that engaged in sport activities. Both groups had two weekly sessions lasting 60 minutes.

To understand and determine the effects of physical and social activity on seniors with cognitive impairment, several variables were analysed, such as functional capacity, physical function (walking speed, getting up from a chair, *etc.*), cognitive functions and behavioural disorders. After the first six months of the study, the results showed that the two types of activities offered stabilised or slowed the natural decline observed among the participants.

The analysis of new variables provided a fresh outlook on the support and care provided to residents with cognitive disorders, but also highlighted significant differences between the control group and the experimental group. For example, residents who engaged in a social activity experienced an improvement in their nutritional status, whereas the number of non-serious falls decreased among residents who participated in physical activities.

The study was published in the US scientific journal, The Journal of the American Geriatrics Society (JAGS). This is a breakthrough in the gerontological field that shows that, in addition to a clinical approach, another conception of support and care is possible by focusing on the well-being of residents.

Publications

In 2017, the Institute participated in the publication of several scientific articles:

- "Exergames and elderly: A non-systematic review of the literature", which appeared in the journal *European Geriatric Medicine,* January/February 2017;
- *"Consommation d'antalgiques en EHPAD: étude observationnelle dans 99 EHPAD",* which appeared in the journal *Gériatrie et Psychologie Neuropsychiatrie du Vieillissement,* March 2017 – Volume 15-2017 – Issue 1;
- *"Démence et thérapeutique non médicamenteuse, efficacité du cadre ludique",* which appeared in the journal *Soins Gérontologie,* No. 125, May/June 2017;
- *"Maladie d'Alzheimer, l'importance du choix des mots",* which appeared in the journal *Soins et Gérontologie,* No. 125, May/June 2017;
- "Exercise or Social Intervention for Nursing Home Residents with Dementia: A Pilot Randomized, Controlled Trial", which appeared in *Journal of the American Geriatrics Society,* 2017.

The Institute took part in a scientific conference:

- European Union Geriatric Medicine Society, which was held from 20 to 22 September 2017 in Nice, during which the Institute presented two posters ("Literature review: comparison of the treatment of institutionalized patients exhibiting a degenerative dementia in specialized care units and in conventional extended stay care units between 2006 and 2016" and "European Pattern of pleasure for elderly: A cross-sectional study about well-being representations").

The Foundation also took part in a scientific conference:

- The French Geriatrics and Gerontology Conference, which was held in November 2017 in Paris, at which the Foundation presented two posters ("Is it possible to predict the end of life in long-term care nursing homes?" and "Literature review: Effectiveness of the care provided to cognitively impaired patients in specialised units between 2006 and 2016").

2.10 Other financial information

2.10.1 INDIVIDUAL RESULTS AND OTHER DATA CONCERNING KORIAN

Type of indications/Periods	31.12.2017(1)	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Duration of the period	**12 months**	**12 months**	**12 months**	**12 months**	**12 months**
Financial position for the period					
a) Share capital	€404,911,715	€400,890,210	€397,328,365	€395,187,615	€174,198,065
b) Number of shares issued	80,982,343	80,178,042	79,465,673	79,037,523	34,839,613
Comprehensive income of actual operations					
a) Revenue excluding taxes	€76,744,519	€69,034,532	€67,095,487	€40,942,258	€40,117,384
b) Earnings before taxes, profit-sharing, amortisation/depreciation and provisions	€53,222,400	€12,141,844	€54,353,380	€59,806,275	-€19,082,963
c) Income tax	-€18,332,724	-€24,169,814	-€19,848,346	-€14,959,303	-€10,923,921
d) Earnings after taxes, but before amortisation/depreciation and provisions	€71,555,124	€36,311,658	€74,201,726	€74,765,578	-€8,159,042
e) Profits after taxes, profit-sharing and share plans, amortisation/depreciation & provisions	€61,869,242	€21,871,487	€67,229,544	€74,260,803	€3,911,864
f) Amount of profit distributed	€48,109,415	€47,660,333	€47,679,404	€47,422,514	€20,903,798
g) Employee profit-sharing	-	-	-	-	-
Earnings per share					
a) Earnings after taxes, but before amortisation/depreciation	€0.88	€0.45	€0.93	€0.95	- €0.23
b) Profits after taxes, amortisation/ depreciation & provisions	€0.76	€0.27	€0.85	€0.94	€0.11
c) Dividend per share	€0.60	€0.60	€0.60	€0.60	€0.30
d) Other distributions	-	-	-	-	€0.30
Employees					
a) Headcount	407	369	337	298	305
b) Total payroll	€30,242,546	€26,198,642	€21,813,403	€21,174,823	€19,742,098
c) Sums paid as social benefits	€11,793,454	€11,768,041	€11,053,571	€9,290,697	€8,124,830

(1) The proposed distribution for financial year 2017 will be submitted to the Annual General Meeting scheduled for 14 June 2018.

2.10.2 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 elderly people 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 networks, which offer 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.

2.10.3 DIVIDENDS PAID OVER THE PAST THREE YEARS

Financial year in question (financial year distributed)	Number of shares comprising the share capital	Number of shares receiving dividends	Dividend paid per share	Revenue distributed 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
2016 (2017)	80,204,403	80,186,118	€0.60	€0.60	-
2015 (2016)	79,468,673	79,433,889	€0.60	€0.60	-
2014 (2015)	79,042,523	78,957,257	€0.60	€0.60	-

The payment of dividends or any other distribution depends on the Group's financial results, notably its net profit and its investment policy.

2.10.4 APPROPRIATION OF PROFIT FOR 2017

The profit for the financial year totalled €61,869,242.17. The General Meeting scheduled for 14 June 2018 will be requested:

- to appropriate €3,093,462.11 to the legal reserve fund.

The balance of the profit for the financial year in the amount of €58,775,780.06, plus retained earnings of €10,952,945.98, makes up the distributable profit for the financial year, *i.e.* the sum of €69,728,726.04. Therefore, the General Meeting scheduled for 14 June 2018 will be requested:

- to pay a dividend of €0.60 per share to the 80,983,563 Company shares, *i.e.* €48,590,137.80, taken entirely from the distributable profit for the financial year; and
- to appropriate €21,138,588.24 to the retained earnings account.

2.10.5 LAVISH EXPENSES AND OVERHEADS TO BE REVERSED

Lavish expenses, as defined in article 39-4 of the French General Tax Code, totalled €250,716 for the Group, including €243,383 for the Company, and were primarily for non-deductible excess depreciation on leases of passenger cars.

2.10.6 SHARE BUYBACK PROGRAMME AND LIQUIDITY AGREEMENT

Share buyback programme

Pursuant to the 17th resolution approved by the Combined General Meeting of 22 June 2017, the Company renewed the authorisation granted to the Board of Directors, for a period of 18 months, to purchase, or to have purchased, Company's shares (including in connection with a liquidity agreement).

The programme was established in accordance with article 241-1 *et seq.* of the AMF General Regulation and Delegated Regulation No. 2016/1052 supplementing European Regulation No. 596/2014 with regulatory technical standards for the conditions applicable to buyback programmes, as well as market practises approved by the AMF. The table below shows the terms and conditions of the new programme for the Company to buy back its 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	€404,917,815 (or the equivalent amount on the same date in any other currency or monetary unit established by reference to several currencies)

Securities concerned	Ordinary shares
	• 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 • the delivery of shares to cover commitments under stock option plans or an award of free shares (or similar plans) and/or any other forms of awards of shares to employees and/or company agents of the Group; and/or • the cancellation of all or some of the securities thus purchased; 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 22 June 2017, *i.e.* until 21 December 2018

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 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**"). At 31 December 2017, the following number of shares and amount were allocated to the Liquidity Agreement:

- 38,854 Korian shares;
- €3,524,999.21.

2.10.7 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 2017 are presented in Notes 2 and 5.7 of section 3.1 of this registration document.

2.10.8 INFORMATION ON EXISTING BRANCHES (ARTICLE L. 232-1 OF THE FRENCH COMMERCIAL CODE)

In accordance with article L. 232-1 of the French Commercial Code, the Company reports that at 31 December 2017 it held four branches located at:

- Zone Industrielle, 25870 Devecey;
- 2-12, chemin des Femmes, 91300 Massy;
- Allée de Roncevaux, 31240 L'Union;
- 59, rue Denuzière, 69002 Lyon.

2.10.9 COMPOSITION AND ALLOCATION OF SHARE CAPITAL

The composition and allocation of the Company's share capital are described in section 5.2 of this registration document.

In addition, the Company's group employee shareholding plan held 97,733 Korian shares at 31 December 2017.

2.11 Board of Directors' report on corporate governance

The Board of Directors (the "**Board**") approved this report at its meeting of 14 March 2018, pursuant to the recommendation made by the Appointments and Compensation Committee at its meeting of 13 March 2018. It was also submitted to the Company's Statutory auditors.

2.11.1 CORPORATE GOVERNANCE

2.11.1.1 Implementation of the principles of the AFEP-MEDEF Code

Korian uses as a reference the Corporate Governance Code for Listed Companies, which was jointly prepared by AFEP and MEDEF in December 2002 and was most recently revised in November 2016 (the "**AFEP-MEDEF Code**"), and which is available on the following website: **www.afep.com**.

In accordance with the "Comply or Explain" principle set out in article L. 225-37-4 8° of the French Commercial Code and article 27.1 of the AFEP-MEDEF Code, Korian deems that its practices comply with the recommendations of the AFEP-MEDEF Code, unless expressly indicated otherwise in this report. Below this document explains the reasons that led Korian to derogate from four of the Code's recommendations.

AFEP-MEDEF's recommendation	Korian's explanation
Board meetings that are not attended by Executive Officers	
10.3 It is recommended that a meeting without the presence of Executive Officers be held annually.	No Board of Directors' meeting was held in its entirety without the Chief Executive Officer, who is the Company's sole Executive Officer. However, the Chief Executive Officer does not participate in Board proceedings that concern her.
Participation of the Director representing the employees in the work of the Committee that oversees compensation	
17.1 It is recommended that an employee Director be a member of the Committee that oversees compensation.	The Board of Directors' Internal Regulations provide that an employee Director may attend meetings of the Appointments and Compensation Committee.
Shares held personally by Directors	
19 Directors should be shareholders in their own name and, pursuant to the Company's articles of association or bylaws, should own a minimum number of shares that is significantly proportional to the Director attendance fees they receive.	Nine of the eleven members of the Board of Directors hold significant amounts of Korian stock in their own name in respect of the Directors fees allocated. One Director owns only one share since this is a requirement under Company bylaws given this Director's duties. The Director who represents employees on the Board of Directors holds no shares in Korian.
Obligation to retain shares	
22 §1 The Board of Directors should specify a minimum number of shares that Company Officers must hold in registered form as long as they remain in office. This decision should be reviewed at least with each reappointment.	Article 1.6.2 of the Internal Regulations specifies that all shares held by Directors, including the Chairman of the Board of Directors, must be held in registered form. Christian Chautard currently holds 1,239 shares, all of which are held in registered form. The long-term profit-sharing plans the Company has set up, to which the Chief Executive Officer is entitled and which constitute most of the shares she holds, impose similar share retention requirements. Sophie Boissard currently holds 13,088 Korian shares, all of which are held in registered form.

2.11.1.2 The Company's management and administration bodies

2.11.1.2.1 Governance method

A single-tier system of governance

The Company is currently a *société anonyme* with a Board of Directors. 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.

Separation of the offices of Chairman and Chief Executive Officer

Pursuant to article L. 225-51-1 of the French Commercial Code, on 21 March 2012, the Board of Directors decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer, effective 30 April 2012. When the former Chief Executive Officer was removed from office on 18 November 2015, Christian Chautard held both offices on an interim basis until 26 January 2016, the date on which Sophie Boissard took office as Chief Executive Officer and the two offices were separated once again. The Board of Directors renewed that decision at its meeting of 22 June 2017 when it reappointed Christian Chautard as Chairman.

The General Management functions are performed by Sophie Boissard, who was appointed by the Board of Directors on 26 January 2016. Christian Chautard has chaired the Board of Directors since 25 March 2015.

2.11.1.2.2 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.

Since 26 January 2016, Sophie Boissard has performed the General Management functions.

The Chief Executive Officer does not have an employment contract with the Company or with any other Group company.

Profile of the Chief Executive Officer

Sophie Boissard
Chief Executive Officer of Korian

Born on: 11 July 1970 in Paris (75)
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,* and has held various positions in the public sector, in particular with the *Conseil d'État,* the Employment and Social Affairs Ministry and the Economy and Finance Ministry. She joined the SNCF group in 2008, where she developed and headed Gares & Connexions (management and value enhancement of stations) and then, in 2014, SNCF Immobilier. From 2012 to 2014, she was also responsible for the strategy and development of the SNCF Group. Since 26 January 2016, she has been Chief Executive Officer of Korian.

At the date of this report, Sophie Boissard holds 13,088 Korian shares.

OTHER OFFICES IN THE GROUP

Chairman of the Curanum AG (Germany) and Korian Management AG (Germany) Supervisory boards, Director of Segesta (Italy), SLG (Belgium) and the KOR Foundation (Italy), Chair of the Korian Foundation for Ageing Well

OFFICES OUTSIDE THE GROUP[1]

Member of the Supervisory board: Allianz SE (listed company)

OFFICES HAVING EXPIRED WITHIN THE LAST 5 YEARS

Chair: Groupe ICF Habitat, Espaces Ferroviaires
Director: Eurostar, Areva (listed company), SANEF
Member of the Supervisory board: Areva (listed company)

(1) Sophie Boissard is in compliance with applicable laws and recommendations on holding multiple corporate offices.

Powers of the Chief Executive Officer

Subject to the powers that the law expressly confers on General Meetings of shareholders and the Board of Directors, and within the limits of the corporate purposes, the Chief Executive Officer has the broadest possible powers to act in all circumstances in the name of the Company.

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.

The Chief Executive Officer created a General Management Committee to provide support for her management functions, and which comprises Didier Armaingaud (Group Medical, Ethical and Quality Director), Rémi Boyer (Group Human Resources Director), Frédéric Durousseau (Group Real Estate and Development Officer), Philippe Garin[1] (Group Chief Financial Officer), Nicolas Mérigot (Executive Vice President of the Healthcare Division in France), Charles-Antoine Pinel (Executive Vice President of the Seniors Division in France), Bart Bots (CEO Korian Belgium), Mariuccia Rossini (CEO Korian Italy) and Arno Schwalie (CEO Korian Germany).

Article 11.3 of the Company's articles of association and article 1.4 of the Internal Regulations list the General Management decisions that must be submitted for prior approval to the Board of Directors. These decisions are also described in the section below entitled "Role and duties of the Board of Directors".

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.

2.11.1.2.3 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.

Changes in the composition of the Board in 2017

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

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

At the Combined General Meeting held on 22 June 2017, the Company's shareholders decided to:

- renew the terms of office of Christian Chautard, Jérôme Grivet and Office d'Investissement des Régimes de Pensions du Secteur Public ("**Investissements PSP**") for a three-year term expiring at the conclusion of the General Meeting of shareholders convened to vote on the financial statements for the financial year ending 31 December 2019;
- appoint Markus Müschenich as independent Director for a three-year term expiring at the conclusion of the General Meeting of shareholders convened to vote on the financial statements for the financial year ending 31 December 2019;
- ratify the temporary appointment of Elisabeth T. Stheeman as independent Director, 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;
- appoint Guy de Panafieu to the position of Board Observer for a term of two years, 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.

Lastly, pursuant to notice given by Investissements PSP on 12 December 2017, Annick Lanthier replaced Jérôme Bichut as permanent representative to the Board of Directors.

The Company's Board of Directors comprises the following 11 members: Christian Chautard (Chairman), Jérôme Grivet, Predica Prévoyance Dialogue du Crédit Agricole ("**Predica**") (represented by Françoise Debrus), Investissements PSP (represented by Annick Lanthier), Malakoff Médéric Assurances (represented by Hugues du Jeu), Jean-Pierre Duprieu, Markus Müschenich, Anne Lalou, Elisabeth T. Stheeman, Catherine Soubie and Hafida Cola[2].

Guy de Panafieu is the Board Observer.

(1) On 3 April 2018, Philippe Garin was appointed Group Chief Financial Officer and member of the General Management Committee, replacing Laurent Lemaire, who resigned on 31 March 2018.
(2) Director representing the employees.

Key indicators

Key indicators	2017
Number of meetings	11
Average attendance rate	91.7%
Number of Directors	11
Percentage of independent Directors(1)	50%
Percentage of male Directors(2)	50%
Percentage of female Directors(2)	50%

(1) Hafida Cola, the Director representing the employees, is not included in this calculation, pursuant to article 8.3 of the AFEP-MEDEF Code.
(2) Hafida Cola, the Director representing the employees, is not included in this calculation, pursuant to article L. 225-27-1 of the French Commercial Code.

Member attendance rates at Board meetings	Average attendance rate in 2017
Christian Chautard (Chairman)	100%
Jérôme Grivet	90.9%
Predica (Françoise Debrus)	90.9%
Investissements PSP (Jérôme Bichut)(1)	90.9%
Malakoff Médéric Assurances (Hugues du Jeu)	100%
Jean-Pierre Duprieu	100%
Martin Hoyos(2)	100%
Anne Lalou	90.9%
Guy de Panafieu(3)	100%
Markus Müschenich(4)	80%
Elisabeth T. Stheeman(5)	83.3%
Catherine Soubie	90.9%
Hafida Cola	72.7%

(1) On 12 December 2017, Investissements PSP notified that Annick Lanthier had replaced Jérôme Bichut as its permanent representative on the Board of Directors.
(2) For the period from 1 January 2017 to 22 June 2017.
(3) For the period from 1 January 2017 to 21 June 2017 at midnight.
(4) For the period from 22 June 2017 to 31 December 2017.
(5) For the period from 22 June 2017 at midnight to 31 December 2017.

Composition of the Board of Directors

Chairman of the Board of Directors

Profile of the Chairman of the Board of Directors

Christian Chautard

Chairman of the Board of Directors and Member of the Investment Committee

Born on: 9 July 1948 in Valence (26)
Nationality: French/German
Address: Zirkus-Krone-Straße 10, 80335 Munich, Germany

Date of appointment[1]:
GM of 18 March 2014
Renewal date:
GM of 22 June 2017
End of term:
GM voting on the financial statements for financial year 2019

BIOGRAPHY

Christian Chautard studied at the *École polytechnique* and holds an MBA from INSEAD. He held operational responsibilities in 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 has been the Chairman of Korian's Board of Directors since 25 March 2015.

At the date of this report, Christian Chautard holds 1,239 Korian shares.

OFFICES OUTSIDE THE GROUP[2]

Chairman: Renovia
Director: Spigraph Group, Anthenor Holding Ltd

OFFICES HAVING EXPIRED WITHIN THE LAST 5 YEARS

Chairman & Chief Executive Officer: Korian (listed company)
Chairman of the Supervisory board: Korian (listed company), Curanum AG (Germany), Korian Management AG (Germany)
Vice-Chairman of the Board of Directors: Korian (listed company)
Director: Medica, Marsh France, Segesta (Italy)
Member of the Supervisory board: Curanum AG (Germany), Korian Deutschland (Germany), Korian Management AG (Germany)
Member of the Management Board: Korian Management AG (Germany)
Manager: Phönix (Germany)

(1) Christian Chautard was appointed by the General Meeting held on 21 March 2012 that adopted a single-tier governance system. In connection with Korian's merger with and takeover of Medica, and subject to the condition precedent that it be completed, the Ordinary General Meeting of 18 March 2014 (i) acknowledged his resignation and (ii) immediately appointed him for a three-year term.

(2) Christian Chautard is in compliance with applicable laws and recommendations on holding multiple corporate offices.

Powers of the Board of Directors

The Chairman does not have an employment contract with the Company or with any other Group company.

In accordance with article 11.2.1 of the Company's articles of association, the Chairman organises and directs the work of the Board, reports thereon to the General Meetings and carries out its decisions. The Chairman convenes 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.

He ensures that the Company's governing bodies run smoothly and that best governance practices are implemented. He also ensures that the Directors are able to perform their duties, in particular by creating a climate for discussions conducive to taking constructive decisions.

In addition, on behalf of the Board and in close coordination with the Chief Executive Officer, he handles high-level national and international relations with public authorities and the Company's partners and strategic stakeholders and, in particular, he dialogues with shareholders on corporate governance issues. He reports thereon to the Board of Directors.

He is also informed and consulted by the Chief Executive Officer on all significant events in relation to the Group's activities.

Lastly, the Chairman may, on an *ad hoc* basis, be charged by the Board of Directors with specific tasks consisting of monitoring unusual transactions that impact the Group's structure or scope, for which the Chairman may receive extraordinary compensation. When performing such duties, the Chairman acts in close collaboration with the Chief Executive Officer. In 2017, the Chairman was not requested to perform any such specific tasks.

As an exception to article L. 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"*.

The other members of the Board of Directors

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[1]: GM of 18 March 2014

Renewal date: GM of 22 June 2017

End of term: GM voting on the financial statements for financial year 2019

Main position held
Deputy Chief Executive Officer responsible for Group Finances at Crédit Agricole SA

BIOGRAPHY

Jérôme Grivet is a former Finance Inspector and studied at *École nationale d'administration* and graduated from ESSEC and the *Institut d'études politiques* in Paris. He began his career in the government sector with the Finances Inspectorate General (IGF). He was then appointed European Affairs Advisor to the Prime Minister, Alain Juppé, before joining Crédit Lyonnais in 1998 as head of the commercial bank's Finance and Management Control department 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.

Since May 2015, Jérôme Grivet has been Deputy Chief Executive Officer responsible for Group Finances at Crédit Agricole SA.

At the date of this report, Jérôme Grivet holds 1 share in Korian.

OFFICES OUTSIDE THE GROUP[2]

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 WITHIN 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 (listed company), 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

(1) Jérôme Grivet was appointed by the General Meeting held on 21 March 2012 that adopted a single-tier governance system. In connection with Korian's merger with and takeover of Medica, and subject to the condition precedent that it be completed, the Ordinary General Meeting of 18 March 2014 (i) acknowledged his resignation and (ii) immediately appointed him for a three-year term.

(2) Jérôme Grivet is in compliance with applicable laws and recommendations on holding multiple corporate offices.

Predica

Director and Member of the Audit Committee and Appointments and Compensation Committee

Permanent representative: Françoise Debrus

Françoise Debrus

Born on: 19 April 1960 in Paris (75)

Nationality: French

Address: 50-56, rue de la Procession, 75015 Paris

Date of appointment: GM of 18 March 2014

Renewal date: GM of 25 June 2015

End of term: GM voting on the financial statements for financial year 2017

Prévoyance Dialogue du Crédit Agricole (Predica)

A French *société anonyme*

Registered office: 50-56, rue de la Procession, 75015 Paris
Paris Trade and Companies Register No. 334 028 123

Main position held
Director of Investments with Predica

BIOGRAPHY

Françoise Debrus is a graduate of the *École nationale du génie rural des eaux et des forêts* and the *Institut national agronomique Paris-Grignon*.

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.

At the date of this report, Françoise Debrus holds 1,269 shares in Korian.

At the date of this report, Predica holds 18,586,876 shares in Korian.

OFFICES HELD BY PREDICA(1)

OFFICES OUTSIDE THE GROUP

Director: OPCI B2 Hotel Invest, Fonds Nouvel Investissement 1, Fonds Nouvel Investissement 2, Fonds Stratégique de Participation, Foncière des Régions (listed company), AEW Immocommercial, CAA Commerces 2, CAAM Mone Cash, Frey (listed company), Gécina (listed company), La Médicale de France, Lesica, Messidor, Predica Bureaux, Predica Commerces, Predica Habitation, Previseo Obsèques, River Ouest, CA Life Greece, Aéroports de Paris (listed company), Patrimoine et Commerce, Louvresses Development, Générale de Santé (listed company), B Immobilier, Carmila (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, Altarea (listed company), PREIM Healthcare

Co-manager: Predicare

Board Observer: Siparex Associés, Tivana France Holding

OFFICES HAVING EXPIRED WITHIN THE LAST 5 YEARS

Member of the Supervisory board: Lion SCPI

Director: Logistis, Crédit Agricole Immobilier Promotion, Dolcea Vie, Citadel, Citadel Holding, Foncière Développement Logements (listed company), Urbis Park, EUROSIC

OFFICES HELD BY FRANÇOISE DEBRUS(2)

OFFICES OUTSIDE THE GROUP

Member of the Supervisory board: Foncière des Murs (listed company), Altarea (listed company)

Permanent representative of Predica, Director: Aéroport de Paris (listed company)

Board Observer: FREY SA (listed company)

OFFICES HAVING EXPIRED WITHIN THE LAST 5 YEARS

Permanent representative of Predica, Director: Eurosic (listed company), Ramsay Santé, Crédit Agricole Immo. Promotion

Permanent representative of Crédit Agricole Assurances, Director: Générale de Santé (listed company)

Director: Foncière Développement Logements (listed company), Beni Stabili (Italy) (listed company)

(1) Predica complies with the requirements of the French Commercial Code and French Monetary and Financial Code on holding multiple corporate offices.
(2) Françoise Debrus is in compliance with applicable laws and recommendations on holding multiple corporate offices.

Investissements PSP

Director and Member of the Investment Committee and Audit Committee

Permanent representative: Annick Lanthier

(appointed on 12 December 2017 to replace Jérôme Bichut)

Annick Lanthier

Born on: 12 September 1973 in Ottawa (Canada)

Nationality: Canadian

Address: 340 43th Avenue Lachine, Montreal, Quebec H8T 2H9, Canada

Date of co-optation by the Board of Directors:
Board of Directors' meeting of 15 July 2015

Date of ratified co-optation:
GM of 23 June 2016

Renewal date:
GM of 22 June 2017

End of term:
GM voting on the financial statements for financial year 2019

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
Senior Vice President Public Markets and Absolute Return Strategies for Investissements PSP

BIOGRAPHY

Annick Lanthier holds a bachelor's degree in business administration and a master's degree in finance from Laval University. She has also been a chartered financial analyst (CFA) since 2000.

Annick Lanthier is Senior Vice President Public Markets and Absolute Return Strategies at Investissements PSP and, in that position, supervises a portfolio with a value of nearly 60 billion dollars that is invested predominantly in the following sectors: European, Asian and emerging market equities managed actively in-house, Canadian equities, United States and EAFE small- and large-caps managed passively in-house, internal absolute return strategies, external equities and hedge fund portfolios and trading in all types of public sector pension assets.

Prior to joining Investissements PSP, in May 2006 as Director, Public Market Investments, she spent seven years at Hydro-Québec Pension Fund, where she held several portfolio management positions with increasing responsibilities. From 1997 to 1999, she was a financial analyst at the Bank of Canada.

Annick Lanthier is a founding member of Investissements PSP's Diversity Committee and sits on the Employee Pension Plans Committee. In addition, since April 2016, she has been a member of McGill University's Endowment Fund Investment Committee.

At the date of this report, Annick Lanthier does not hold any shares in Korian.

At the date of this report, Investissements PSP holds 11,100,000 Korian shares.

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 Investissements 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.

OFFICES HELD BY ANNICK LANTHIER(1)

OFFICES OUTSIDE THE GROUP

N/A

OFFICES HAVING EXPIRED WITHIN THE LAST 5 YEARS

N/A

(1) Annick Lanthier is in compliance with applicable laws and recommendations on holding multiple corporate offices.

Malakoff Médéric Assurances
Director and Member of the Investment Committee and Ethics and Quality Committee
Permanent representative: Hugues du Jeu

Hugues du Jeu

Born on:
17 October 1957 in Bourges (18)

Nationality: French

Address: 21, rue Laffitte, 75009 Paris

Date of appointment[1]:
GM of 18 March 2014

Renewal date:
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*

Registered office:
21, rue Laffitte, 75009 Paris

Paris Trade and Companies Register No. 421 100 645

Main position held
Deputy Chief Executive Officer of Malakoff Médéric Assurances

BIOGRAPHY

Hugues du Jeu received an engineering degree from ENSTA. He is 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 Deputy Chief Executive Officer and responsible for Corporate Legal Affairs, Corporate Secretary duties, Purchasing, Social and Societal Commitments and Partnerships. In addition, he is a member of Malakoff Médéric's Executive Committee.

At the date of this report, Hugues du Jeu holds 100 Korian shares.

At the date of this report, Malakoff Médéric Assurances holds 5,203,892 Korian shares.

OFFICES HELD BY MALAKOFF MÉDÉRIC ASSURANCES[2]

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 WITHIN THE LAST 5 YEARS

Director: SCOR SE (listed company), Médéric Conseil, LVL Médical Groupe

Member of the Supervisory board: Quatrem, Quatrem Assurances Collectives, Korian (listed company)

OFFICES HELD BY HUGUES DU JEU[3]

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 WITHIN 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

(1) Malakoff Médéric Assurances was appointed by the General Meeting held on 21 March 2012 that adopted a single-tier governance system. In connection with Korian's merger with and takeover of Medica, and subject to the condition precedent that it be completed, the Ordinary General Meeting of 18 March 2014 (i) acknowledged its resignation and (ii) immediately appointed it for an exceptional term of one (1) year expiring at the conclusion of the Ordinary General Meeting of shareholders convened to vote on the financial statements for financial year 2014.

(2) Malakoff Médéric Assurances is in compliance with applicable laws and recommendations on holding multiple corporate offices.

(3) Hugues du Jeu is in compliance with applicable laws and recommendations on holding multiple corporate offices.

Jean-Pierre Duprieu

Director, Chairman of the Appointments and Compensation Committee and Member of the Audit 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

Main position held
N/A

BIOGRAPHY

He graduated as an agricultural engineer 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 CEO 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)*.

At the date of this report, Jean-Pierre Duprieu holds 1,596 Korian shares.

OFFICES OUTSIDE THE GROUP(1)

Member of the Supervisory board: Michelin (listed company)

OFFICES HAVING EXPIRED WITHIN THE LAST 5 YEARS

Director: Air Liquide Santé International, Air Liquide Welding (ALW) SA
Chairman of the Board of Directors: Air Liquide Eastern Europe
Deputy CEO: L'Air Liquide SA (listed company)

(1) Jean-Pierre Duprieu is in compliance with applicable laws and recommendations on holding multiple corporate offices.

2 MANAGEMENT REPORT 2017

Board of Directors' report on corporate governance

Markus Müschenich

Director and Member of the Audit Committee and the Ethics and Quality Committee

Born on: 9 June 1961 in Düsseldorf (Germany)

Nationality: German

Address: Askaloner Weg 4, 13465 Berlin, Germany

Date of appointment: GM of 22 June 2017

End of term: GM voting on the financial statements for financial year 2019

Main position held
Managing Partner of Flying Health

BIOGRAPHY

Markus Müschenich is a graduate of the Universities of Düsseldorf and Münster (medicine). He also has a degree from the University of Düsseldorf in public health.

He began his career in 1987 as a consultant in the paediatrics department of the University of Düsseldorf. In 1996, he became an independent management consultant, specialising in strategy, development and restructuring. In 1998, Müschenich became an expert in digital solutions in the health field. From 1999 to 2001, he worked as an assistant to the Chief Executive Officer and Medical Director of the Berlin Trauma Center, a European digital hospital that provides remote medical services globally. In 2002, he became a member of the Board of Directors and Chief Medical Officer of Paul-Gerhardt-Diakonie Hospital. From 2009 to 2012, he was a member of the Board of Directors and, during the last six months, Chief Medical Officer of Sana Kliniken, which currently operates 60 hospitals providing integrated healthcare services.

Markus Müschenich is currently Managing Partner of Flying Health, which he created in 2012. In 2016, he set up the Flying Health Incubator, which provides support for start-ups that develop digital solutions for healthcare systems. Müschenich is also a member of the internet medicine working group of the German Medical Association. In addition, Markus Müschenich is currently a member of the Quality Management Advisory Board for the AOK Scientific Institute – *Bundesverband* (regulatory health insurance).

At the date of this report, Markus Müschenich holds 75 shares in Korian.

OFFICES OUTSIDE THE GROUP(1)

N/A

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

N/A

(1) Markus Müschenich is in compliance with applicable laws and recommendations on holding multiple corporate offices.

Anne Lalou

Director and Chairperson of the Ethics and Quality Committee

Born on: 6 December 1963 in Paris (75)
Nationality: French
Address: 59, rue Nationale, 75013 Paris

Date of appointment:
GM of 18 March 2014

Renewal date:
GM of 23 June 2016

End of term:
GM voting on the financial statements for financial year 2018

Main position held
Chief Executive Officer of the Web School Factory and Chairperson of Innovation Factory

BIOGRAPHY

Anne Lalou is a graduate of the ESSEC.

She 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 CEO 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 CEO 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.

At the date of this report, Anne Lalou holds 1,180 shares in Korian.

OFFICES OUTSIDE THE GROUP[1]

Member of the Supervisory board: Eurazeo (listed company), Natixis (listed company)
Chief Executive Officer: Web School Factory
Chairperson: Innovation Factory

OFFICES HAVING EXPIRED WITHIN THE LAST 5 YEARS

Chairperson: Nexity Solutions
Director: Medica, Kea & Partners
Member of the Supervisory board: Foncia Holding, Foncia Groupe (listed company)
Chief Executive Officer: Nexity Solutions

(1) Anne Lalou is in compliance with applicable laws and recommendations on holding multiple corporate offices.

2 MANAGEMENT REPORT 2017

Board of Directors' report on corporate governance

Elisabeth T. Stheeman

Director and Member of the Audit Committee

Born on: 24 January 1964 in Hamburg (Germany)

Nationality: British, German

Address: 11 Adelaide Road, GB Walton-on-Thames, Surrey KT 121 NB, United Kingdom

Date of co-optation by the Board of Directors:
15 March 2017

Date ratified:
GM of 22 June 2017

End of term:
GM voting on the financial statements for financial year 2018

Main position held
External Member of the Financial Policy Committee of the Bank of England

BIOGRAPHY

Elisabeth T. Stheeman is a graduate of the *Wirtschaftsakademie Hamburg* (Hamburg business school) and the London School of Economics.

She began her career in 1982 in the management control department of Vereins-und Westbank AG. After having held a variety of positions between 1988 and 2012 with Morgan Stanley, where she started as a financial analyst financier and rose to Chief Operating Officer of the Investment Banking division, she joined LaSalle Investment Management as Global Chief Operating Officer and member of the Global Management Committee between 2013 and 2014. In 2015, she also was an independent Director and a member of the Investment and Compensation Committees of Redefine International Plc. From 2015 to early 2018, she was also a Senior Advisor with the Bank of England/Prudential Regulation Authority.

Elisabeth T. Stheeman is a member of the Court of Governors and of the Council of the London School of Economics, as well as a member of the Audit Committee and Vice-Chair of the Finance Committee.

She is currently a member of the Supervisory board of Aareal Bank AG (since 2015), a Senior Advisor of Cuomo (since 2014), and an External Member of the Financial Policy Committee of the Bank of England (since 2018).

At the date of this report, Elisabeth T. Stheeman holds 75 shares in Korian.

OFFICES OUTSIDE THE GROUP[1]

Member of the Supervisory board: Aareal Bank AG (listed company)

OFFICES HAVING EXPIRED IN THE LAST 5 YEARS

Director (non-executive): Redefine International Plc

Member of the Supervisory board: TLG Immobilien

(1) Elisabeth T. Stheeman is in compliance with applicable laws and recommendations on holding multiple corporate offices.

Catherine Soubie

Director, Chairman of the Audit Committee and Member of the Appointments and Compensation Committee

Born on: 20 October 1965 in Lyon (69)
Nationality: French
Address: 137, rue de l'Université, 75007 Paris

Date of appointment: GM of 18 March 2014
Renewal date: 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 Deputy 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.

At the date of this report, Catherine Soubie holds 6,900 Korian shares.

OFFICES OUTSIDE THE GROUP(1)

Chief Executive Officer: Arfilia SAS
Director: Foncière des Régions (listed company)
Chair: Financière Verbateam

OFFICES HAVING EXPIRED WITHIN THE LAST 5 YEARS

Director: Medica
Managing Director – Head of Investment Banking (France, Belgium and Luxembourg): Barclays

(1) Catherine Soubie is in compliance with applicable laws and recommendations 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

Main position held
National Coordinator for Social Life and Activities at Korian

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(1) 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).

At the date of this report, Hafida Cola does not hold any shares in Korian.

OFFICES OUTSIDE THE GROUP(1)

N/A

(1) Hafida Cola is in compliance with applicable laws and recommendations on holding multiple corporate offices.

Guy de Panafieu
Board Observer

Born on: 5 April 1943 in Paris (75)
Nationality: French
Address: 56, rue Boileau, 75016 Paris

Date of appointment:
GM of 22 June 2017

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 is 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 Chairman at Boileau Conseil and an advisor to the *Chambre nationale des conseils en gestion de patrimoine.*

At the date of this report, Guy de Panafieu holds 1,749 Korian shares.

OFFICES OUTSIDE THE GROUP(1)

Director: SANEF
Member of the Supervisory board: Metropole Television (listed company)
Chairman: Boileau Conseil

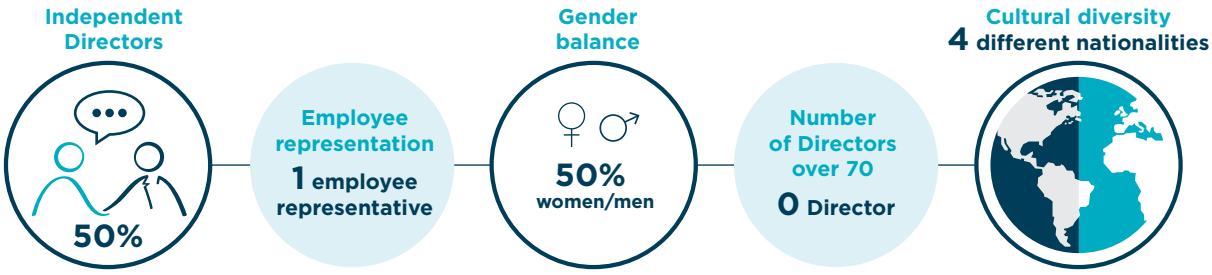
OFFICES HAVING EXPIRED WITHIN THE LAST 5 YEARS

Director: Medica, Korian (listed company)

(1) Guy de Panafieu is in compliance with applicable laws and recommendations on holding multiple corporate offices.

Balanced composition

The Board of Directors regularly reviews its own composition and the composition of its committees in order to enhance and advance their diversity, which is a guarantee of objectivity, experience and Independence for its shareholders. The procedures governing its organisation and operation are set out in its Internal Regulations, as well as in the ethical rules its members are required to observe. In accordance with article 6.2 of the AFEP-MEDEF Code, at its 14 March 2018 meeting, the Board of Directors reviewed the balance of its composition, which it deemed satisfactory in particular with regard to the mix of genders, nationalities and diversity of expertise. This multinational and balanced membership, which includes active and committed members with complementary experiences and skills, ensures the quality of discussions and the relevance of the Board's decision-making.



• **Gender balance:** The composition of the Board of Directors complies with the gender balance principle adopted by Act No. 2011-103 of 27 January 2011[(1)]: 50% of the Board of Directors' members are women, *i.e.* Françoise Debrus (permanent representative of Predica), Anne Lalou, Annick Lanthier (permanent representative of Investissements PSP), Elisabeth T. Stheeman and Catherine Soubie; 50% of the Board of Directors' members are male, *i.e.* Christian Chautard, Jérôme Grivet, Hugues du Jeu (permanent representative of Malakoff Médéric Assurances), Jean-Pierre Duprieu and Markus Müschenich.

On 30 January 2017, Korian was awarded 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.

• **Diverse nationalities/International profiles:** The most recent appointments reflect this policy, in particular the ratification of the co-optation of Elisabeth T. Stheeman and the election of Markus Müschenich as Director on 22 June 2017. As a result, 33% of Board members are foreign nationals (German, British or Canadian) and 82% have an international profile.

• **Various areas of high-level expertise:** In the fields of strategy, finance, health, new technologies, as well as in important management positions with varied skills sets (international economy, governance, management), which are described in greater detail below. The complementary nature of these experienced backgrounds enables realistic and effective decision-making for dealing with the issues and challenges Korian faces.

• **An average age of 56:** Directors range in age from 47 to 69. The composition of the Board of Directors also 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, no Director is over 70.

(1) Hafida Cola, the Director representing the employees, is not included in this calculation, pursuant to article L. 225-27-1 of the French Commercial Code.

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The tables below summarise the other criteria taken into consideration in assessing the balance of the Board's composition.

Overview of the composition of the Board of Directors'

Directors	Date appointed	Date reappointed	Departure	Term of office expires
Chairman				
Christian Chautard	GM of 18 March 2014	GM of 22 June 2017	-	GM convened to approve 2019 accounts
Institutional Directors				
Jérôme Grivet	GM of 18 March 2014	GM of 22 June 2017	-	GM convened to approve 2019 accounts
Predica – represented by Françoise Debrus	GM of 18 March 2014	GM of 25 June 2015	-	GM convened to approve 2017 accounts
Investissements PSP – represented by Annick Lanthier(2)	Board meeting of 15 July 2015 (co-optation) GM of 23 June 2016 (ratification)	GM of 22 June 2017	-	GM convened to approve 2019 accounts
Malakoff Médéric Assurances – represented by Hugues du Jeu	GM of 18 March 2014	GM of 25 June 2015	-	GM convened to approve 2017 accounts
Independent Directors				
Jean-Pierre Duprieu	GM of 23 June 2016	-	-	GM convened to approve 2018 accounts
Martin Hoyos	GM of 18 March 2014	-	GM of 22 June 2017	GM convened to approve 2016 accounts
Anne Lalou	GM of 18 March 2014	GM of 23 June 2016	-	GM convened to approve 2018 accounts
Guy de Panafieu(3)	GM of 18 March 2014	GM of 23 June 2016	21 June 2017, at midnight	-
Markus Müschenich	GM of 22 June 2017	-	-	GM convened to approve 2019 accounts
Elisabeth T. Stheeman(4)	Board meeting of 15 March 2017 (co-optation) GM of 22 June 2017 (ratification)	-	-	GM convened to approve 2018 accounts
Catherine Soubie	GM of 18 March 2014	GM of 25 June 2015	-	GM convened to approve 2017 accounts
Director representing the employees				
Hafida Cola	25 January 2016	-	-	GM convened to approve 2018 accounts

Summary

(1) A: Audit Committee; A/C: Appointments and Compensation Committee; I: Investment Committee; E/Q: Ethics and Quality Committee.
(2) On 12 December 2017, Investissements PSP notified that Annick Lanthier had replaced Jérôme Bichut as its permanent representative on the Board of Directors.
(3) This Director's term of office expired on 21 June 2017, at midnight. He has since served as an Observer since the AGM of 22 June 2017.
(4) This Director's co-optation was ratified at the AGM of 22 June 2017 and became effective that day at midnight.
(5) The Director representing the employees is not included in the calculation of this percentage, pursuant to article L. 225-27-1 of the French Commercial Code.

Committees[1]	Age	Sex	Nationality	International experience
I	69	H	French German	United States Germany
I (Chair)	56	H	French	Former Chairman of a Greek company and former Chairman and Director of various Italian companies
A A/C	58	F	French	Former Director of an Italian company
I A	44	F	Canadian	Canada Europe Asia Developing countries United States
I E/Q	60	H	French	-
A A/C (Chair)	66	H	French	Europe Africa Middle East Japan
A E/Q	70	H	Austrian	Austria Germany
E/Q (Chair)	54	F	French	England
-	75	H	French	-
A E/Q	56	H	German	Germany
A	54	F	German English	England Germany
A (Chair) A/C	52	F	French	England Benelux
E/Q	47	F	French	-
	No Director is older than 70 years.	Currently, the Board of Directors comprises 50% women and 50% men.[5]	The Board of Directors owes its international character to the different nationalities of its members and the diversity of their international experience (United States, Canada, the Middle East, Japan, Africa, Europe, England, Germany, Austria, Italy and Benelux).	

Board of Directors' skills

	Development/ Strategy	Organisation/ Governance	Finance	Real Estate/ Investment	Management	Mergers and acquisitions	CSR/ Human resources/ Legal	Digital transformation/ Innovation	Healthcare	International
Christian Chautard	x	x			x	x				x
Jérôme Grivet	x		x	x	x					x
Predica (Françoise Debrus)			x	x					x	x
Investissements PSP (Annick Lanthier)	x		x	x	x					x
Malakoff Médéric Assurances (Hugues du Jeu)	x	x			x	x	x			
Jean-Pierre Duprieu	x	x			x				x	x
Anne Lalou	x				x	x	x	x		x
Markus Müschenich								x	x	x
Elisabeth T. Stheeman			x	x						x
Catherine Soubie			x		x	x				x
Hafida Cola							x		x	

Independence of Directors

In accordance with article 8.3 of the AFEP-MEDEF Code, half of the Board's members are independent. The Director who represents employees is not counted in the percentage.

In accordance with article 8.4 of the AFEP-MEDEF Code, the Board of Directors reviews Directors' independence whenever Directors are appointed, as well as annually for all 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 article 8.5 of the AFEP-MEDEF Code in this area:

- the Director is not an employee or Executive Officer of the Company, an employee, Executive 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 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 Officer of the Company (currently or within the past five years) is a Director;
- 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 Company agent;
- 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 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, after the Appointments and Compensation Committee has reviewed the Director's situation in light of the independence criteria and pursuant to the Committee's proposal, whether the independence criteria are met, taking into account the Company's shareholder structure and the existence of any potential conflict of interest.

In addition to the independence reviews it carried out on 15 March 2017 and 22 June 2017 in connection with, respectively, the temporary appointment of Elisabeth T. Stheeman and the election of Markus Müschenich, 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 re-examined the independence of Directors at its meeting of 13 December 2017.

The Appointments and Compensation Committee reviewed the business relationships that may exist between the Company and the companies in which these Directors hold office and concluded that the independent members either have no business relationships or no significant business relationships with the Company(1).

Pursuant to the recommendation of the Appointments and Compensation Committee, the Board determined that the following five Directors: Jean-Pierre Duprieu, Anne Lalou, Markus Müschenich, Catherine Soubie and Elisabeth T. Stheeman, *i.e.* 50% of Directors are independent(2).

Moreover, the Audit Committee, the Appointments and Compensation Committee and the Ethics and Quality Committee are chaired by independent Directors (Catherine Soubie, Jean-Pierre Duprieu and Anne Lalou, 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 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. On 16 September 2015, pursuant to a proposal of the Appointments and Compensation Committee, the Board of Directors set preparation time at 15 hours per meeting and decided that the Director representing the employees would receive 20 hours of training per year provided by the French Institute of Directors.

Article 3.1 of the Board's Internal Regulations provides for the possibility of inviting the Director representing the employees to attend meeting of Appointments and Compensation Committee 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 Board 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 Board Observer is required to comply with the Board's Internal Regulations, as well as the obligations imposed on Directors.

The Company's policy has been not to have a permanent Board Observer. However, since the increased free float following Korian's merger and takeover of Medica, having a Board Observer has offered balance and continuity.

Guy de Panafieu, whose term as Director was set to expire at the conclusion of the General Meeting to be convened in 2019 to vote on the financial statements for the 2018 financial year, resigned early, effective 21 June 2017 at midnight, in order to enable a balanced renewal of the Board. Therefore, to continue to benefit from 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, Guy de Panafieu was appointed Board Observer(3) by the Annual General Meeting held on 22 June 2017 for a two-year term expiring at the conclusion of the General Meeting to be convened in 2019 to vote on the financial statements for the 2018 financial year (which coincides with the expiry date of his former term of office as Director). In addition, it should be noted that he has no particular ties to the Company's Executive Officers.

Duration of Directors' terms of office

In accordance with the recommendations of the AFEP-MEDEF Code that Directors' terms of office should not exceed four years, the articles of association provide that the term of office for the Company's Directors is three years. In addition, the terms of office are staggered and one-third of the Directors are renewed each year. Furthermore, the duration of the term of office of the Director 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.

(1) The main factor that led to this conclusion is the non-material share of revenue generated by existing business relationships, if any, compared to the revenue generated, respectively, by the Company and the companies in which the relevant members hold office from arm's length transactions. In addition, the contract between Korian and the Innovation Factory association, which is described on page 127 of the 2016 registration document filed with the AMF on 26 April 2017 under number D.17-0432 has expired at the date of this report.

(2) Hafida Cola, the Director representing the employees, is not included in this calculation, in accordance with article 8.3 of the AFEP-MEDEF Code.

(3) He replaces Jean-Claude Georges-François, who decided at the Board of Directors' meeting held on 15 March 2017 not to request the renewal of his term of office as Director.

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The table below shows the duration of each Director's term of office

Directors whose term of office expires after the AGM convened to approve 2017 accounts	Directors whose term of office expires after the AGM convened to approve the 2018 financial statements	Directors whose term of office expires after the AGM convened to approve 2019 accounts
Predica, represented by Françoise Debrus	Anne Lalou (independent Director)	Christian Chautard (Chairman of the Board of Directors)
Malakoff Médéric Assurances, represented by Hugues du Jeu	Elisabeth T. Stheeman (independent Director)	Jérôme Grivet
Catherine Soubie (independent Director)	Jean-Pierre Duprieu (independent Director)	Investissements PSP, represented by Annick Lanthier
	Hafida Cola (Director representing the employees)	Markus Müschenich (independent Director)

At the General Meeting scheduled for 14 June 2018, the shareholders will be requested to renew the terms of office of Predica (represented by Françoise Debrus), Malakoff Médéric Assurances (represented by Hugues du Jeu) and Catherine Soubie.

Role and duties of the Board of Directors

The Board of Directors determines the Company's business strategy and ensures that it is carried out. It studies all matters relating to the proper operation of the Company and through its decisions resolves issues concerning it. In this respect, it performs any checks it considers necessary, at any time of the year, and it is entitled to request any documents from the General Management that it deems of use in carrying out its duties. The Board reviews press releases and the presentations of yearly and half-yearly results to the French Society of Financial Analysts (SFAF).

Article 11.3 of the Company's articles of association and article 1.4 of the Internal Regulations list the matters that must be submitted for prior approval to the Board of Directors, which include:

- approving the Company's strategic business plan and subsequent amendments thereto;
- approving the annual budget;
- disposals of real 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;
- disposals, in whole or in part, of investments 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;
- loans for an amount exceeding €50 million by the Company or any company it controls within the meaning of article L. 233-3 of the French Commercial Code;
- acquisitions 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.

In accordance with the provisions of Act No. 2016-1691 of 9 December 2016, the Combined General Meeting of 22 June 2017 amended articles 4 and 11.3 of the Company's articles of association to authorise the Board of Directors to decide to move the registered office anywhere in France.

The Combined General Meeting of 22 June 2017 also granted the Board of Directors (i) the financial delegations of authority described in section 2.11.1.4.2 of this registration document, and (ii) the power to bring the articles of association into compliance with new statutes and regulations, subject to ratification by the next Ordinary General Meeting.

In 2017, Directors' rate of attendance at Board meetings was 91.7%. At these meetings, the Board of Directors performed all work incumbent on it in connection with its duties, in particular in the following areas:

- The Company's results:
  - preparing the 2016 annual individual and consolidated financial statements and the management report (including the CSR report);
  - preparing the 2017 financial statements and half-yearly financial report;
  - preparing the interim management documents.
- Governance and compensation:
  - changes in governance;
  - independence of Directors;
  - the Company's career and salary progression policy;
  - the compensation of Company Officers;
  - the succession plan for Company Officers.

- General Meeting:
  - convening the Annual General Meeting;
  - preparing proposed resolutions and reports to the General Meeting.
- Financial management and development of the Company:
  - preparing the annual budget;
  - reviewing the financing policy;
  - authorising guarantees, pledges and security interests;
  - reviewing the development policy and the real estate portfolio;
  - authorising certain decisions in accordance with article 11.3 of the articles of association.

Most matters have been reviewed by one of the specialised committees in order to facilitate decision-making by the Board of Directors.

Operation of the Board of Directors

The Board of Directors' Internal Regulations describe the operation of the Board and set out the rules of conduct its members are required to follow, in order to ensure transparency and good corporate governance and to enable the Board to properly its supervisory duties, in accordance with generally accepted market practices. In particular, the Internal Regulations set out:

- the Directors' duties and the ethical rules they must follow, in particular with respect to preventing conflicts of interest, holding the Company's securities, their duties of loyalty, diligence and confidentiality;
- the frequency of meetings and practical aspects thereof, in particular concerning the use of telecommunications and videoconferencing;
- the powers of the Board of Directors;
- the operating rules of Committees.

In accordance with the recommendations of the AFEP-MEDEF Code, the Internal Regulations are available for download, without restriction, from the Company's website (**www.korian.com**).

The Board of Directors meets as often as necessary, and at least once per quarter. Directors may be given notice of meetings by any means, including by ordinary post. Board of Directors' meetings are held at the registered office or at any other location specified in the notice of meeting. Meetings are chaired by the Chairman of the Board of Directors.

In order to facilitate the holding of Board of Directors' meetings and thus to increase the Board's efficiency, the Internal Regulations also provide that, under certain conditions, Board of Directors' meetings may use telecommunications or videoconferencing to enable the presence of one or more members, except at meetings held to adopt decisions for which the French Commercial Code does not authorise the use of these technologies.

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 of Directors' meetings are prepared and kept in accordance with the requirements of the laws and regulations force. Copies and excerpts thereof are certified in accordance with the law.

Board of Directors' meetings held in the absence of Executive Officers

Executive Officers do not take part in discussions of items on the agenda that concern them (*e.g.* resolutions on their compensation or the succession plan).

Integration process for Directors

Directors are offered an integration process that includes (i) providing them with documents they require to take up their duties (articles of association, Internal Regulations, registration document, half-yearly financial report, stock market code of ethics, Group organisation chart, *etc.*), (ii) site visits in the countries in which the Group operates including a presentation of business lines, and (iii) meetings with the Group's main managers.

If he/she deems it necessary, each new Director may receive additional training on the specificities of the Company, its business lines and its activities.

Strategic seminar

A strategic seminar is held once or twice a year for Directors to present the Group's ongoing reflections on its strategic policies, market developments, the Group's competitive environment and the resulting medium/long-term outlook for the Group, and to give Directors the opportunity to discuss them.

Evaluation of the Board of Directors

In accordance with the AFEP-MEDEF Code, article 1.6.6 of the Board of Directors' Internal Regulations requires the Board to perform a yearly assessment of its own operation, which will then be discussed at a meeting. Moreover, in accordance with article 9 of the AFEP-MEDEF Code, a formal evaluation is carried out every three years under the direction of the Appointments and Compensation Committee or an independent Director, with the assistance of an external consultant.

In 2016, the evaluation of the Board of Directors was carried out by an external firm. The Directors and the Board Observer received a questionnaire, which served as a guide for the individual interviews that were held with a consultant from the external firm in late 2016 and early 2017. In response to the areas of improvement identified and the measures implemented by the Directors, at its 14 March 2018 meeting, the Board of Directors acknowledged the progress made in the following areas:

- the positive reception of the Appointments and Compensation Committee to the human resources and talent management policy;
- the increasingly international nature of the Board with the appointment of two new non-resident independent Directors and a written presentation in English on certain topics provided to the Board of Directors;

• the increased number of women on the Board of Directors, who now account for 50% of the Board;

• an optimised schedule for meetings and deadlines for sending documents, setting provisional agendas for the year for Board and Committee meeting at the beginning of the year;

• setting up annual onsite strategic seminars, as well as informal dinners with the members of the General Management Committee providing an opportunity to discuss with key members before each Board of Directors' meeting;

• more numerous informal exchanges and information transmittals;

• the systematic presentation of the Group's real estate strategy and real estate portfolio.

In early 2018, an evaluation of the Board of Directors was carried out by the Board's secretariat on the basis of an internal questionnaire, under the direction of the Appointments and Compensation Committee. The conclusions of this evaluation, which show that the members of the Board have a generally positive opinion about its composition, organisation and operation, were presented to the Board of Directors. It identified several areas for improvement and considered measures to be taken in 2018 to make the desired adjustments.

The next evaluation will be conducted in late 2018 or early 2019.

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, 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, by, respectively, Markus Müschenich, and Elisabeth T. Stheeman on 22 June 2017, impacted 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.

A Committee cannot conduct business unless at least half of its members are present. Each member may be represented by another member. Committee decisions require a majority vote of the members present or represented.

The Committees may, after first informing the Chairman of the Board, commission studies to be conducted by outside consultants and paid for by the Company, in view of enabling the Board to make an informed decision.

Audit Committee

Composition of the Audit Committee at the conclusion of the Board of Directors' meeting of 22 June 2017

Former composition	New composition
Guy de Panafieu, Chair (independent Director)	Catherine Soubie (Chair) (independent Director)
Jean-Pierre Duprieu (independent Director)	Jean-Pierre Duprieu (independent Director)
Martin Hoyos (independent Director)	Markus Müschenich (independent Director)
Catherine Soubie (independent Director)	Elisabeth T. Stheeman (independent Director)
Predica (represented by Françoise Debrus)	Predica (represented by Françoise Debrus)
Investissements PSP (represented by Jérôme Bichut)	Investissements PSP (represented by Annick Lanthier)

Key indicators

Key indicators	2017
Number of meetings	6
Average attendance rate	91.6%
Number of Directors	6
Percentage of independent Directors	66.7%

Member attendance rates at Audit Committee meetings	Average rate in 2017
Catherine Soubie (Chair)	100%
Jean-Pierre Duprieu	83.3%
Investissements PSP (represented by Jérôme Bichut(1))	83.3%
Martin Hoyos(2)	100%
Markus Müschenich(3)	100%
Guy de Panafieu(2)	100%
Predica (represented by Françoise Debrus)	83.3%
Elisabeth T. Stheeman(3)	100%

(1) On 12 December 2017, Investissements PSP notified that Annick Lanthier had replaced Jérôme Bichut as its permanent representative on the Board of Directors.
(2) For the period from 1 January 2017 to 22 June 2017.
(3) For the period from 22 June 2017 to 31 December 2017.

The Audit Committee includes no Executive Officers, is chaired by an independent Director whose appointment was proposed by the Appointments and Compensation Committee, 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, it 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. Moreover, the Head of the Group Internal Audit and Control Department attends all committee meetings.

Duties of the Audit Committee

The Audit Committee's duties include in particular:

- reviewing the Group's accounting methods and asset measurement procedures, the drafts of the Company's individual and consolidated financial statements before they are presented to the Board and the consolidation scope (and the reasons for not including certain companies if applicable);
- ensuring that rules are adopted for rotating firms and key signatory partners in accordance with the law, in particular by supervising the procedure for selecting the Company's Statutory auditors and submitting to the Board the results of this selection procedure, monitoring the performance of the Statutory auditors' duties and reviewing H3C's observations;
- providing management control and verifying the information that will be provided to shareholders and the market and ensuring it is clear; and
- reviewing risk levels and risk prevention procedures, as well as significant off-balance sheet commitments.

The Audit Committee also ensures that the Statutory auditors comply with the rules governing their independence, in particular by examining the risks to their independence and the protective measures taken to mitigate such risks, approving services other than the authorised certification of accounts that are performed by the Company's Statutory auditors, and ensuring that the amount of fees paid by the Company and its Group, or the contribution thereof to the revenue of the firms and networks, is unlikely to undermine the Statutory auditors' independence. The Audit Committee must be informed of the Company's financial situation, cash situation and commitments and must report these to the Board.

Within the scope of these powers, it interviews, if the Committee wishes outside the presence of management, the Statutory auditors and the heads of the finance, accounting and treasury departments, and it 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 interviews the 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 as well as the various points to be monitored in respect of closings. To assist in the performance of these duties, the Chief Financial Officer also makes a presentation describing the Company's exposure to risks and significant off-balance sheet commitments.

The time allowed for reviewing financial statements is sufficient and consistent with the recommendation of article 15.3 of the AFEP-MEDEF Code.

The Audit Committee 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.

Main work of the Audit Committee

During the past year, the Audit Committee performed all work incumbent on it in connection with its duties, in particular in the following areas:

- The Company's results:
  - reviewing the 2016 annual individual and consolidated financial statements and the management report (including the CSR report),

- reviewing the financial statements and the half-yearly financial report,
- reviewing draft financial disclosures,
- reviewing the schedule of financial disclosures and closed periods.

• Internal control and risk management:

- reviewing the map of the risks to which the Company is exposed,
- reviewing the measures required by the law with respect to compliance and personal data protection and implementing them.

• Audits and relations with external auditors:

- reviewing the annual audit plan,
- approving services other than the authorised certification of accounts.

• Financial management of the Company:

- reviewing the 2018 budget,
- reviewing financing transaction projects,
- reviewing the annual amount of guarantees, pledges and security interests, as well as of off-balance sheet commitments.

The Audit Committee approved nine services[1] other than the certification of accounts by the Statutory auditors in 2017 for a total amount of about €83,000.

Appointments and Compensation Committee

Composition of the Appointments and Compensation Committee at the conclusion of the Board of Directors' meeting of 22 June 2017

Former composition	New composition
Anne Lalou (Chair) (independent Director)	Jean-Pierre Duprieu (Chair) (independent Director)
Jean-Pierre Duprieu (independent Director)	Catherine Soubie (independent Director)
Guy de Panafieu (independent Director)	Predica (represented by Françoise Debrus)
Predica (represented by Françoise Debrus)	

Key indicators

Key indicators	2017
Number of meetings	4
Average attendance rate	93.7%
Number of Directors	3
Percentage of independent Directors	66.7%

Member attendance rates at Appointments and Compensation Committee meetings	Average attendance rate in 2017
Jean-Pierre Duprieu (Chair)	100%
Anne Lalou[1]	100%
Guy de Panafieu[2]	100%
Predica (represented by Françoise Debrus)	75%
Catherine Soubie	100%

(1) For the period from 1 January 2017 to 22 June 2017.
(2) For the period from 1 January 2017 to 21 June 2017 at midnight.

The Committee does not include any Executive Officers, is chaired by an independent Director and is composed primarily (two-thirds) 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[2]) as well as article 3.1 of the Board's Internal Regulations. In accordance with articles 16.3 and 17.2 of the AFEP-MEDEF Code, the Chief Executive Officer participates in the work of the Appointments and Compensation Committee, in particular on issues in relation to the compensation policy for key agents who are not Company agents. The Chairman of the Board of Directors, Christian Chautard, attends the Committee's meetings but is not a member.

(1) Other than the duties performed by Statutory auditors pursuant to a French or European law.
(2) However, the Board's Internal Regulations provide for the possibility of inviting the Director representing 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:

- proposing independent Director and committee member candidates;
- providing an opinion on proposals for the appointments of the Chief Executive Officer;
- submitting proposals to the Board of Directors on the compensation of Company Officers, the allocation of Directors' fees, stock option plans, bonus share awards and other plans for the benefit of employees and/or Company Officers of the Group, as well as on the rules for such plans and the implementation thereof;
- making recommendations to improve the governance of the Board;

It also periodically evaluates how effectively the Board of Directors functions and establishes a succession plan for Company Officers.

Main work of the Appointments and Compensation Committee

The Appointments and Compensation Committee performed all work incumbent on it in connection with its duties, in particular reflecting on changes in the governance and composition of committees, the compensation of Company Officers, the profit-sharing plans for certain employees and members of General Management, the Group's policy on high-potential and talented employees, the well-being at work policy, the evaluation of the Board of Directors, independent Director classification criteria, as well as reflecting on a succession plan for Company Officers with a view to its implementation.

Investment Committee

Composition of the Investment Committee at the conclusion of the Board of Directors' meeting of 22 June 2017

Former composition	New composition
Jérôme Grivet (Chair)	Jérôme Grivet (Chair)
Investissements PSP (represented by Jérôme Bichut)	Investissements PSP (represented by Annick Lanthier)
Malakoff Médéric Assurances (represented by Hugues du Jeu)	Malakoff Médéric Assurances (represented by Hugues du Jeu)
Christian Chautard	Christian Chautard
Catherine Soubie (independent Director)	

Key indicators

Key indicators	2017
Number of meetings	7
Average attendance rate	93.6%
Number of Directors	4
Percentage of independent Directors	0%

Member attendance rates at Investment Committee meetings	Average rate in 2017
Jérôme Grivet (Chair)	100%
Christian Chautard	100%
Investissements PSP (represented by Jérôme Bichut)(1)	85.7%
Malakoff Médéric Assurances (represented by Hugues du Jeu)	85.7%
Catherine Soubie(2)	100%

(1) By notification given by Investissements PSP on 12 December 2017, Annick Lanthier replaced Jérôme Bichut as Investissements PSP's permanent representative on the Board of Directors'.
(2) For the period from 1 January 2017 to 22 June 2017.

Powers of the Investment Committee

The Investment Committee is responsible for reviewing the investment strategy and the annual investment budget, monitoring investment opportunities and the competition, and expressing an opinion to enable the Board of Directors to make a decision on any investment, acquisition, divestment or disposal made directly or indirectly by the Company if (a) the relevant transaction is for an amount over €15 million or (b) the proposed transaction (i) is not within the medico-social or health fields or (ii) concerns an investment that would not confer control on the Company, directly or through a controlled company.

Main work of the Investment Committee

The Investment Committee performed all work incumbent on it in connection with its duties, in particular reviewing various development projects, the Group's growth outlook, investment projects in the various countries and the real estate portfolio.

Ethics and Quality Committee

Composition of the Ethics and Quality Committee at the conclusion of the Board of Directors' meeting of 22 June 2017

Former composition	New composition
Jean-Pierre Duprieu (Chair) (independent Director)	Anne Lalou (Chair) (independent Director)
Martin Hoyos (Independent Director)	Markus Müschenich (independent Director)
Christian Chautard	Malakoff Médéric Assurances (represented by Hugues du Jeu)
Hafida Cola (employee representative Director)	Hafida Cola (employee representative Director)

Key indicators

Key indicators	2017
Number of meetings	2
Average attendance rate	87.5%
Number of Directors	4
Percentage of independent Directors(1)	66.7%

(1) Hafida Cola, the Director representing the employees, is not counted for purposes of calculating the percentage of independent Directors.

Member attendance rates at Ethics and Quality Committee meetings	Average rate in 2017
Anne Lalou (Chair)(1)	100%
Christian Chautard(2)	100%
Hafida Cola (Director representing the employees)	50%
Jean-Pierre Duprieu(2)	100%
Martin Hoyos(2)	100%
Malakoff Médéric Assurances (represented by Hugues du Jeu)(1)	100%
Markus Müschenich(1)	100%

(1) For the period from 22 June 2017 to 31 December 2017.
(2) For the period from 1 January 2017 to 22 June 2017.

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 all work incumbent on it in connection with its duties, in particular monitoring the implementation of the ethics, medical and quality initiative, managing quality and risks, and monitoring the Group's key performance indicators (KPIs).

2.11.1.3 Information on conflict of interest issues

2.11.1.3.1 Transactions carried out by management and administration bodies

Only the following Company agents carried out transactions in Korian shares in 2017.

Company agents	Type of transaction	Date	Price *(in euros)*	Volume
Chief Executive Officer from 1 January to 31 December 2017 (transactions during this period)				
Sophie Boissard	Acquisition	21.07.2017	27.6455099	5,060.00
	Acquisition	21.07.2017	27.6455065	7,640.00
Directors in office from 1 January to 31 December 2017 (transactions during this period)				
Predica	Disposal	18.05.2017	30.5752	80,246.00
	Disposal	19.05.2017	30.7002	119,754.00
	Disposal	22.05.2017	30.8920	13,521.00
	Disposal	23.05.2017	30.4967	90,984.00
	Disposal	24.05.2017	30.2041	95,945.00
	Disposal	30.05.2017	29.9962	27,343.00
	Disposal	31.05.2017	29.9871	37,606.00
	Disposal	01.06.2017	30.0350	135,051.00
	Disposal	08.06.2017	31.0497	22,794.00
	Disposal	09.06.2017	30.9307	167,206.00
	Acquisition(1)	19.07.2017	28.8200	379,065.00

(1) Obtained by exercising the option to receive dividends in the form of shares.

Since 1 January 2018 and the date of this registration document, to the Company's knowledge, Elisabeth T. Stheeman and Markus Müschenich have each acquired 75 Korian shares.

2.11.1.3.2 Conflicts of interest – Family ties

The Board of Directors' Internal Regulations establishes a general procedure for managing potential conflicts of interest (article 1.6.4), which aims to prevent the occurrence of such conflicts ahead of time, as from the time the agenda for Board and/or Committee meetings is made public. Each person who takes part in the Board's work (Director or permanent representative of a legal entity Director) is required to use his/her best endeavours to determine in good faith whether a conflict of interest exists, and to inform the Board as soon as he/she becomes aware of any situation that could constitute a conflict of interests between, on the one hand, himself/herself or the company for which he/she is the permanent representative, or any company of which he/she is an employee or Company agent, or any company of the same group and, on the other hand, the Company or any company of its Group. This procedure is intended to apply to any transaction that the Company or any company of its Group plans or initiates in which a Director, or a company of which a Director is an employee or Company agent (as well as any company within the same group), has competing or opposing interests to the interests of the Company or any company of its Group. In such case, before any decision, the Board must be informed of this situation by the relevant Director (or the permanent representative of the relevant legal entity Director), who will not participate in the deliberations of the Board (or any other committee) in relation to such transaction if his/her participation is likely to have an impact on the confidentiality or success of the transaction and, more broadly, in order to respect a strict duty of confidentiality.

In addition, the Company's Internal Regulations establish a procedure for preventing conflicts of interest that applies specifically to the presentation of any investment project submitted to the Board or the Investment Committee to be carried out by the Company (article 1.8 of the Internal Regulations), and an annual review by the Audit Committee of significant transactions in which a conflict of interest could have occurred (Rule 4.4 of the Internal Regulations).

As stated above, the strategic partnership agreement entered into with the Innovation Factory, of which Anne Lalou is the Chair, and which aimed to establish close ties with the goal of developing joint projects in the field of digital innovation, has expired at the date of this registration document.

To the Company's knowledge, at the date of this registration document, there are no known or potential conflicts of interests between the duties the members of the management bodies owe to the Company and their private interests and/or any other duties, which did not trigger the conflict of interest procedure provided for under the Board of Directors' Internal Regulations, and which is described above.

To the Company's knowledge, at the date of this registration document:

- the company agents have accepted no restriction on the disposal of their interest in the Company's share capital;
- the company agents have entered into no agreement that would enable a major shareholder, client or supplier to be selected as a member of an administrative, management or supervisory body;
- there are no family ties between members of the Board of Directors;
- 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.

2.11.1.3.3 Agreements within the scope of article L. 225-37-4 2° of the French Commercial Code entered into in 2017

None.

2.11.1.4 Other information in relation to governance of the Company

2.11.1.4.1 Specific procedures applicable to participation in General Meetings of shareholders

Article 15 of the Company's articles of association sets out the provisions governing shareholder participation in General Meetings.

Shareholders' participation in 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.

2.11.1.4.2 Table of currently valid delegations of authority and delegations of authority used

On 22 June 2017, the Combined General Meeting delegated the following financial powers to the Board of Directors:

Type	Purpose
1) Share buyback programme **Duration: 18 months** **Use:** N/A	Authorisation to buy back shares representing up to 10% of share capital, either by trading on the stock market or purchasing blocks of shares, and to dispose of the shares thus acquired by any means. Share capital may be reduced by cancelling the shares thus acquired. Maximum purchase price ≤€50 per share.
2) Authorisation to reduce the Company's share capital by cancelling treasury shares **Duration: 18 months** **Use:** N/A	Authorisation granted to the Board of Directors to reduce the Company's share capital by cancelling treasury shares (either currently held or acquired through the share buyback programme). The reduction will be limited to 10% of the Company's share capital over a 24-month period.
3) Authorisation to increase share capital through a public offering, with cancellation of preferential subscription rights. **Duration: 14 months** **Use:** N/A	Authorisation granted to the Board of Directors to increase share capital by issuing ordinary shares of the Company's stock and/or other securities that carry equity rights in the Company and/or the right to receive debt securities, with cancellation of shareholders' preferential subscription rights, *via* a public offering of securities that is not to exceed a total nominal amount of €40,102,200(1), in respect of the issuance of equity securities, or of €240,613,200 in respect of debt securities that carry equity rights.
4) Authorisation to increase the share capital through a private offering, with cancellation of preferential subscription rights **Duration: 14 months** **Use:** The issuance of 5,968,664 undated bonds convertible into new shares and/or exchangeable for existing shares and/or redeemable in cash (ODIRNANE), non-subordinated and unsecured, with a nominal unitary value of €40.21 – Board meeting of 22 June 2017	Authorisation granted to the Board of Directors to increase share capital by issuing ordinary shares of the Company's stock and/or other securities that carry equity rights in the Company and/or the right to receive debt securities, with cancellation of shareholders' preferential subscription rights, through a private placement of securities to qualified investors or an investors' club, that is not to exceed a total nominal amount of €40,102,200(1), in respect of the issuance of equity securities, or of €240,613,200 in respect of debt securities that carry equity rights.
5) Authorisation to increase the number of securities issued to increase share capital if the issue is oversubscribed **Duration: 14 months** **Use:** N/A	Authorisation granted to the Board of Directors to increase the number of securities issued for the share capital increases authorised under sections 3) and 4) of this table and under section 9) of the table below, within the limit of 15% of the initial issue.
6) Authorisation to set the issue price for the various issues of securities **Duration: 14 months** **Use:** N/A	Authorisation granted to the Board of Directors to set the price of the securities issued pursuant to the delegations of authority in sections 3) and 4) of this table: (i) for ordinary shares, the issue price must be ≥the weighted average share price on the Euronext Paris regulated market on the three trading days before the price is set, to which a maximum discount of 5% may be applied; (ii) for other securities that carry rights to acquire share capital, the issue price must be such that the amount immediately received by the Company, plus any amount the Company may receive subsequently, is, for each ordinary share issued as a result of the issuance of these other securities, at least equal to the amount stated in paragraph (i) above, after adjustment of this amount to account for any difference in the vesting date, if necessary. The maximum nominal amount of the capital increase is limited to 10% of the share capital per annum.
7) Authorisation to grant free shares subject to performance conditions **Duration: 38 months** **Use:** 340,615 shares subject to performance conditions – Board meeting of 18 July and 13 September 2017	Authorisation granted to the Board of Directors to proceed with the granting of 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 Company Officers). The shares granted to the beneficiaries will vest after a minimum vesting period of three years, and the Board of Directors shall specify the length of time the beneficiaries' must retain the shares.

(1) This limit also includes the authorisations delegated under section 3), 4) and 5) of this table.

Type	Purpose
8) Authorisation to increase share capital by issuing shares exclusively for the members of a Company savings plan, with cancellation of preferential subscription rights **Duration: 26 months** **Use:** N/A	Authorisation granted to the Board of Directors to increase capital by a maximum nominal amount of €2 million, by issuing shares or securities that carry equity rights exclusively for members of a Company savings plan.

On 23 June 2016, the Combined General Meeting delegated the following financial powers to the Board of Directors:

Type	Purpose
9) Delegation of authority to increase share capital, with maintenance of preferential subscription rights **Duration: 26 months** **Use:** N/A	Delegation of authority to the Board of Directors to increase share capital by issuing ordinary shares of the Company's stock and/or other securities that carry the right to acquire the Company's capital and/or carry the right to receive debt securities, with maintenance of shareholder preferential subscription rights, up to a maximum total nominal amount of €150 million(2), in respect of the issuance of equity securities, and a maximum total nominal amount of €1 billion(3) in respect of debt securities that carry the right to acquire share capital.
10) Delegation of authority to issue securities to pay for contributions in kind **Duration: 26 months** **Use:** N/A	Delegation of authority to the Board of Directors to enable it to pay for contributions in kind to the Company. The payment of contributions in kind through the issuance of shares in the Company or securities that carry equity rights, is limited to 10% of the share capital.
11) Delegation of authority to increase share capital by capitalising reserves, profits, premiums and similar funds **Duration: 26 months** **Use:** N/A	Authorisation granted to the Board of Directors to increase the share capital by capitalising all or part of the reserves, profits, premiums or similar funds which may be capitalised. Nominal amount of these capital increases: €20 million.

(2) This maximum amount is common to authorisations 3), 4), 5), 7), 9) and 10).
(3) This maximum amount is common to authorisations 3), 4), 5), 9) and 10).

It is essential that the Board of Directors has the flexibility it needs to select among the various types of securities it may issue and the opportunities available in financial markets and thus be able to undertake the transactions that are most appropriate for its needs given the state of financial markets. Accordingly, the General Meeting scheduled for 14 June 2018 will be requested to approve the following delegations of financial authority, which will cancel and supersede all of the delegations of financial authority described in the tables above.

Type	Purpose
a) Share buyback programme **Duration: 18 months**	Authorisation to buy back shares to a maximum of 10% of the share capital by placing orders on the stock market or purchasing blocks of shares, and to sell the shares thus acquired by any possible means. Share capital may be reduced by cancelling the shares thus acquired. Maximum purchase price ≤ €50 per share.
b) Authorisation to reduce the Company's share capital by cancelling treasury shares **Duration: 26 months**	Authorisation granted to the Board of Directors to reduce the Company's share capital by cancelling treasury shares (either currently held or acquired through the share buyback programme). The reduction will be limited to 10% of the Company's share capital over a 24-month period.
c) Delegation of authority to the Board of Directors to issue outside of public offering periods, ordinary shares of the Company's stock and/or securities that carry the right to acquire share capital and/or debt securities, with maintenance of shareholder preferential subscription rights **Duration: 26 months**	Authorisation granted to the Board of Directors to increase share capital by issuing ordinary shares of the Company's stock and/or other securities that carry equity rights in the Company and/or the right to receive debt securities, with maintenance of shareholders' preferential subscription rights, *via* a public offering of securities (on a regulated market) not to exceed a total nominal amount of €200 million(1), in respect of the issuance of equity securities, or €1 billion(2) in respect of debt securities that carry equity rights.
d) Delegation of authority to the Board of Directors to issue to the public, other than during a public offering period, ordinary shares and/or any securities that carry the right to acquire the Company's shares and/or debt securities, with cancellation of the shareholders' preferential subscription right. **Duration: 26 months**	Authorisation granted to the Board of Directors to increase share capital by issuing ordinary shares of the Company's stock and/or other securities that carry equity rights in the Company and/or that carry the right to receive debt securities, with cancellation of shareholders' preferential subscription rights, *via* a public offering of securities (on a regulated market), not to exceed a total nominal amount of €40,491,700(3) in respect of the issuance of equity securities and a total nominal amount of €1 billion(2) for debt securities that carry the right to acquire share capital.
e) Authorisation to increase share capital through a private offering, with cancellation of preferential subscription rights outside of public offering periods **Duration: 26 months**	Authorisation granted to the Board of Directors to increase share capital by issuing ordinary shares of the Company's stock and/or other securities that carry equity rights in the Company and/or that carry the right to receive debt securities, with cancellation of shareholders' preferential subscription rights, through a private placement of securities to qualified investors or an investors' club, that is not to exceed a total nominal amount of 10% of the Company's share capital (1)(3) and a total nominal amount of €1 billion(2) for debt securities that carry the right to acquire share capital.
f) Authorisation to increase, other than during a public offering period, the number of securities to be issued with or with out cancellation of preferential subscription rights **Duration: 26 months**	Authorisation granted to the Board of Directors to increase the number of securities to be issued for the capital increases authorised by the delegations of authority provided for in sections c), d) and e) of this table, within the limit of 15% of the initial issue. (1)(2)(3)
g) Authorisation to set the issue price for various issues of securities **Duration: 26 months**	Authorisation granted to the Board of Directors to set the price of the issues carried out pursuant to the delegations provided for in sections d) and e) of this table: (i) of shares shall be at least equal to the minimum price specified by the statutory and regulatory provisions in force at the time of issuance, which at the date of this Meeting is the weighted average price of the Korian shares on the Euronext Paris regulated market over the three trading days immediately before the price is set to which a maximum discount of 5% may be applied; (ii) for other securities that carry rights to acquire share capital, the issue price must be such that the amount immediately received by the Company, plus any amount the Company may receive subsequently, is, for each ordinary share issued as a result of the issuance of these other securities, at least equal to the amount stated in paragraph (i) above, after adjustment of this amount to account for any difference in the vesting date, if necessary. The maximum nominal amount of the capital increase is limited to 10% of the share capital.

(1) This maximum amount is common to the authorisations presented in c), d), e), f), h), i) and k) of this table.
(2) This maximum amount is common to the authorisations presented in c), d), e), f), h) and i) of this table.
(3) This maximum amount is common to the authorisations presented in d), e), f), g), h) and i) of this table.

Type	Purpose
h) Authorisation to issue shares and/or securities to pay for contributions in kind **Duration: 26 months**	Delegation of authority to the Board of Directors to pay for contributions in kind made to the Company. These contributions are paid for by issuing ordinary shares in the Company and/or securities that carry equity rights up to the limit of 10% of the share capital except in the case of a public offering initiated by the Company.(1)(2)(3)
i) Delegation of authority to issue, other than during a public offering period, ordinary shares in the Company and/or securities that carry the right to acquire share capital, in the event of a public exchange offer initiated by the Company, with cancellation of the shareholders' preferential subscription right **Duration: 26 months**	Delegation of authority to the Board of Directors to issue ordinary shares in the Company and/or securities that carry the right to acquire, by any means, the Company's ordinary shares either immediately and/or at some future time, in remuneration for securities contributed to a public offering with an exchange component initiated by the Company in France or to a transaction of equivalent effect in a foreign country, pursuant to the local rules (as in the case of a "reverse merger" or a "scheme of arrangement") involving the securities of the Company or of another company whose securities are traded on one of the regulated markets indicated in article L. 225-148 of the French Commercial Code, to a maximum nominal amount of €40,491,700(3) in respect of equity securities, and a total nominal amount of €1 billion(2) in respect of debt securities that carry the right to acquire share capital.
j) Delegation of authority to increase share capital, other than during a public offering period, by capitalising reserves, earnings, premiums or other funds **Duration: 26 months**	Delegation of authority to the Board of Directors to increase share capital by capitalising reserves, earnings, premium and any other funds that may be capitalised, through the issuance and free granting of shares or by increasing the par value of existing ordinary shares, or using both of these methods. Maximum nominal amount of these capital increases: €20 million.
k) Authorisation to be granted to grant free shares of the Company to the employees and/or corporate officers of the Company and its subsidiaries **Duration: 38 months**	Authorisation granted to the Board of Directors to grant free shares, either existing or to be issued, subject to performance conditions and 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 shares granted to their beneficiaries will vest at the end of a minimum vesting period of three years, and the Board of Directors will, if necessary, specify a period during which the beneficiaries must hold these shares.
l) Authorisation to increase capital through the issuance of securities for members of a Company savings plan, with cancellation of preferential subscription rights. **Duration: 26 months**	Authorisation granted to the Board of Directors to increase share capital by a maximum nominal amount of €4 million, by issuing shares or other securities that carry equity rights exclusively for members of a Company savings plan.

(1) This maximum amount is common to the authorisations presented in c), d), e), f), h), i) and k) of this table.
(2) This maximum amount is common to the authorisations presented in c), d), e), f), h) and i) of this table.
(3) This maximum amount is common to the authorisations presented in d), e), f), g), h) and i) of this table.

2.11.1.4.3 Factors which may have an impact in the event of a takeover bid

In accordance with article L. 225-37-5 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 5.2 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 5.1 of this registration document;
- The rules governing the appointment and replacement of the members of the Board of Directors are outlined in section 2.11.1.2.3 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;
- The powers of the Board of Directors are described in section 2.11.1.2.3 of this registration document entitles "Role and duties of the Board of Directors", as well as in section 2.10.6 on the implementation of the share buyback programme and the liquidity agreement;
- Agreements providing for benefits for Company Officers in the event their positions are terminated due to a takeover bid are discussed in section 2.11.2.1.2 of this registration document entitled "Severance pay";
- 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 2.6.2 of this registration document.

2.11.2 COMPENSATION

2.11.2.1 Compensation of Company Officers

In accordance with the provisions of the French Commercial Code and the recommendations of the AFEP-MEDEF Code, the compensation of Company Officers is set by the Board of Directors, pursuant to a proposal of the Appointments and Compensation 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 the "**Sapin 2 Act**"), the individual compensation paid or awarded to each relevant corporate officer and Director in 2017 will be submitted for a vote, for each manager, at the Company's Annual General Meeting to be held on 14 June 2018. Pursuant to article L. 225-100 of the French Commercial Code, the payment of variable or extraordinary components of compensation is conditional on approval by the same General Meeting.

The 2018 compensation policy for Company Officers set out below will also be submitted for a vote at the General Meeting of 14 June 2018, pursuant to the provisions of article L. 225-37-2 of the French Commercial Code. This policy complies with the recommendations of the AFEP-MEDEF Code.

2.11.2.1.1 Compensation paid or awarded to Company Officers in 2017

Compensation of Sophie Boissard, Chief Executive Officer

The compensation and benefits in kind paid or attributed to the Chief Executive Officer in 2017 and which is broken down below is in accordance with the compensation policy approved by shareholders at the Annual General Meeting of 22 June 2017.

Fixed annual compensation

Pursuant to a proposal of the Appointments and Compensation Committee, on 18 November 2015, the Board of Directors set the annual gross fixed compensation of Sophie Boissard at €450,000.

Variable annual compensation

Pursuant to a proposal of the Appointments and Compensation 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.

For 2017, pursuant to a proposal of the Appointments and Compensation Committee, on 30 November 2016, the Board of Directors approved the following set of quantifiable and qualitative criteria:

- quantifiable criteria (accounting for 67% of variable compensation): EBITDA (one-third of variable compensation) and operating Cash Flow[(1)] (one-third of variable compensation);
- qualitative criteria (accounting for 33% of variable compensation):
  - implementation of the Success 2020 plan in Germany,
  - implementation of the real estate component of the Korian 2020 strategic roadmap,
  - strengthening of the human resources policy,
  - customer satisfaction as measured by the 2017 "SatisfaKtion" survey.

(1) Defined as Cash Flow from operations net of financial expenses and taxes.

2 MANAGEMENT REPORT 2017

Board of Directors' report on corporate governance

At its meeting of 14 March 2018, the Board of Directors assessed, on the recommendation of the Appointments and Compensation Committee, the achievement of these performance criteria as follows:

Breakdown of the Chief Executive Officer's annual variable compensation[1]

			Minimum	Target	Maximum	Actual[5]
Quantifiable targets 67% of fixed compensation (target)	EBITDA[2]	as % of fixed compensation	0%	33%	43%	25%
		Value of the indicator ***(in millions of euros)***	430.2	443.5	456.8	440.2
	Operating Cash Flow[3][4]	as % of fixed compensation	0%	33%	43%	43%
		Value of the indicator ***(in millions of euros)***	132.4	147.1	161.8	164.7
	Quantifiable Total		**0%**	**67%**	**87%**	**68%**
Qualitative targets 33% of fixed compensation (target)	Implementation of the Success 2020 plan in Germany	• Optimisation of networks and integration of support functions • Cost-cutting purchases	0%	33%	33%	27%
	Real estate (implementation of the Korian 2020 roadmap)	• Portfolio review and adoption of a strategic plan • Development funding				
	Human resources	• Employer brand • Training				
	Customer satisfaction	• 2017 survey				
	Qualitative Total		**0%**	**33%**	**33%**	**27%**
TOTAL VARIABLE COMPONENT *(AS % OF FIXED COMPENSATION)*			**0%**	**100%**	**120%**	**95%**

(1) The percentages in this table have been rounded to the nearest whole number.
(2) 100% is paid if 2017 EBITDA is at least €443.5 million (the "Target EBITDA").
0% is paid if the 2017 EBITDA is less than €430.2 million (97% of the Target EBITDA) (the bonus increases linearly from 97% to 100% of the target).
The bonus is increased to 130% of the base if the 2017 EBITDA exceeds €456.8 million (103% of the Target EBITDA) (the bonus increases linearly from 100% to 103% of the target).
(3) 100% is paid if the 2017 operating Cash Flow is at least €147.1 million (the "Target Operating Cash Flow").
0% is paid if the 2017 operating Cash Flow is less than €132.4 million (90% of the Target Operating Cash Flow) (the bonus increases linearly from 90% to 100% of the target).
The bonus is increased to 130% of the base if the 2017 operating Cash Flow exceeds €161.8 million (110% of the Target Operating Cash Flow) (the bonus increases linearly from 100% to 110% of the target).
(4) Operating Cash Flow being defined as Cash Flow from operations, less financial expenses and taxes
(5) The payment of the annual variable compensation for fiscal year 2017 is subject to the prior approval of the Ordinary General Meeting that is convened to approve the accounts for the year ending 31 December 2017.

The Board of Directors acknowledged the significant efforts made and the high achievement rate for the qualitative targets. When considered individually, these targets show the detail and depth of the changes made in order to prepare for the future.

In fact, the qualitative targets set for the Chief Executive Officer for 2017 have been largely achieved, including the successful introduction of the first stages of the Group's real estate roadmap, as described in the Korian 2020 strategic plan, and the finalisation of the integration of the networks in Germany, as well as the implementation of the Success 2020 performance plan. The other two qualitative targets for 2017 (human resources and customer satisfaction), which are part of a roadmap included in the Korian 2020 plan, and which aim to introduce or stabilise fundamental key processes within the Korian Group, were partially achieved. In particular, significant progress has been recorded in terms of quality, employer brand, and apprenticeships or training during 2017.

Considering the achievement rate for each of the performance criteria governing the payment of the 2017 variable compensation, the Board of Directors has decided to award Sophie Boissard the sum of €427,500. This amount will be paid to her in the event that it is approved by the General Meeting convened to vote on the financial statements for the year ended 31 December 2017, which is scheduled for 14 June 2018.

Stock options/performance shares and all other long-term benefits

Sophie Boissard is a beneficiary of a long-term incentive plan that grants compensation by awarding performance shares based on the Group's performance, in line with the objectives of the five-year strategic plan.

Sophie Boissard was awarded by the Board of Directors on 18 July 2017, pursuant to a proposal of the Appointments and Compensation Committee, 62,459 Performance Shares. The main characteristics and vesting requirements of which are indicated in the table below.

Benefits

In addition to her remuneration, 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 and unemployment insurance policy. However, Sophie Boissard chose not to accept a Company car in 2017.

Severance pay

Pursuant to a proposal of the Appointments and Compensation Committee, on 18 November 2015, the Board of Directors voted to award Sophie Boissard severance pay 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 the table below.

In accordance with 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 Appointments and Compensation 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 the table below.

In accordance with article L. 225-42-1 of the French Commercial Code, this non-compete covenant was approved by the adoption of the ninth resolution by the General Meeting of the Company's shareholders on 23 June 2016.

Summary of components of compensation paid or awarded to Sophie Boissard, the Chief Executive Officer, from 1 January to 31 December 2017, subject to a vote of the shareholders

Compensation components paid or awarded in relation to the previous financial year	Amounts or accounting valuation submitted to a vote	Presentation
Fixed annual compensation	€450,000 (amount paid)	At its meeting on 18 November 2015, the Board of Directors decided to set the gross annual compensation payable to Sophie Boissard in relation to her office as Chief Executive Officer at €450,000, on the recommendation of the Appointments and Compensation Committee. Accordingly, Sophie Boissard received gross compensation of €450,000 for the period between 1 January and 31 December 2017.

Variable annual compensation	€427,500 subject to the approval by the AGM convened to approve the accounts for the year ended 31 December 2017	At its meeting on 18 November 2015, the Board of Directors decided to set Sophie Boissard's variable annual compensation at a maximum of 100% of her gross fixed annual compensation, in the event that performance conditions were met, and at a maximum of 120% of her gross fixed annual compensation in the event that these conditions were exceeded, as measured exclusively on the basis of quantifiable criteria, on the recommendation of the Appointments and Compensation Committee.
		For 2017, the Board of Directors, at its meeting of 30 November 2016, approved the selection of the following quantifiable and qualitative criteria, on the recommendation of the Appointments and Compensation Committee.
		• quantifiable criteria (accounting for 67% of the variable compensation): EBITDA (one-third of the variable compensation)(1) and operating cash flow (one-third of variable compensation);
		• qualitative criteria (accounting for 33% of the variable compensation):
		  • implementation of the Success 2020 plan in Germany,
		  • implementation of the real estate component of the Korian 2020 strategic roadmap,
		  • strengthening the human resources policy,
		  • customer satisfaction on the basis of the 2017 opinion poll in the "Satisfaktion" survey.
		At its meeting of 14 March 2018, the Board of Directors assessed, on the recommendation of the Appointments and Compensation Committee, the achievement of these performance criteria as shown in section 2.11.2.1.1 above.

Variable multi-annual compensation	N/A	Sophie Boissard did not receive any variable multi-annual compensation.
Extraordinary compensation	N/A	Sophie Boissard did not received any extraordinary compensation.

(1) Understood as Cash Flow from operations net of financial expense and taxes.

Compensation components paid or awarded in relation to the previous financial year	Amounts or accounting valuation submitted to a vote	Presentation
Stock options, performance shares and any other long-term benefit	No payment 62,459 Performance Shares(1) Accounting valuation: €842,058	As part of the authorisation granted by the General Meeting of Shareholders of 22 June 2017 (23rd resolution), and on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided at its meeting on 18 July 2017 to award performance shares, including Sophie Boissard, on 4 August 2017, as a performance reward as part of the execution of the Korian 2020 strategic plan (the "**Performance Shares**"). In accordance with said resolution, the total number of free shares awarded may not amount to more than 1% of the share capital on the date of the Board of Directors' decision, on the understanding that the award to the Chief Executive Officer may not amount to more than 0.1% of the share capital on that same date. Accordingly, the performance shares awarded to Sophie Boissard may not exceed 10% of the total amount of the shares granted as free shares under this authorisation. The main features of this long-term profit-sharing plan are as follows: • The number of Performance Shares that will vest on 4 August 2020 will depend on the degree to which the following three independent performance conditions have been achieved, based on the degree of achievement reported in 2020: (i) Group revenue in 2019 compared to target revenue, in accordance with the Korian 2020 plan (20% of the award); (ii) EBITDA per share in 2019, compared with target EBITDA, in accordance with the Korian 2020 plan (40% of the award); and (iii) Korian's total shareholder return (TSR)(2) compared with the TSR generated by the companies on the SBF 120 index between 1 July 2017 and 30 June 2020 (40% of the award): - If the annual revenue or EBITDA-per-share targets provided for in the Korian 2020 plan are not met, no Performance Shares likely to be received in connection with the target in question will be awarded. Only the achievement of these targets will enable the actual award of a percentage of the Performance Shares likely to be received in relation to each target. - Furthermore, only the generation of a higher TSR by Korian compared with that of the SBF 120 index between 1 July 2017 and 30 June 2020 will give rise to the actual award of a percentage of the Performance Shares likely to be received in relation to this third target. - Lastly, the vesting of 100% of all of the Performance Shares assumes that each of the three performance conditions are exceeded. The performance shares will vest on 4 August 2020. Within this framework, 62,459 Performance Shares(1), accounting for 0.08% of the Company's share capital on the award date, were awarded to the Chief Executive Officer. In addition to the aforementioned performance conditions, the vesting of the Performance Shares is subject to the condition that the Chief Executive Officer is still in office on 4 August 2020 (except in the exceptional cases of her death or of a category 2 or 3 disability within the meaning of article L. 341-4 of the French Social Security Code). The Chief Executive Officer may freely dispose of the Performance Shares acquired, as long as she retains 25% of the shares of the Company that have vested during her term of office. The Performance Shares awarded to Sophie Boissard under IFRS would be around €842,058 (excluding social security charges). Lastly, the Chief Executive Officer has formally undertaken not to use instruments to hedge the risk on the Company shares that she holds.
Attendance fees	N/A	Sophie Boissard did not receive any attendance fees.
Value of benefits of all types	€6,229	As Sophie Boissard did not wish to be provided with a Company car in 2017, the benefits in kind (accounting value) include the payment of unemployment insurance contributions to an external organisation.

(1) This award is valid for three years (period between 2017 and 2019), i.e. the equivalent of 20,820 shares per year. No further award is planned for 2018 and 2019.

(2) The TSR is calculated on the basis of the weighted average number of ordinary shares in circulation during the period.

Compensation components paid or awarded in relation to the previous financial year	Amounts or accounting valuation submitted to a vote	Presentation
Severance pay	No payment	At its meeting on 18 November 2015, the Board of Directors decided to grant a severance pay to Sophie Boissard, on the recommendation of the Appointments and Compensation Committee, in the event that her corporate office is terminated or not renewed as the result of a change in strategy or control, except in the event of gross negligence or wilful misconduct. This payment would be conditional on performance criteria, and its amount would be equivalent to the Benchmark Annual Compensation (as that term is defined below) plus 25% for each year of service, although it may not exceed 200% of the Benchmark Annual Compensation, after deducting any amount payable in relation to the non-compete clause mentioned below, if the Company has not waived that clause. The Benchmark Annual Compensation refers to the gross fixed and variable annual compensation received for the last 12 months prior to the date when Sophie Boissard's office is terminated or not renewed, and excludes any compensation received in relation to the medium or long-term profit-sharing plans granted to the management teams, and any extraordinary compensation that may be awarded to her on a one-off and discretionary basis by the Board of Directors, where applicable. 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 have a decisive influence on the Board of Directors' decisions. At its meeting on 23 March 2016, the Board of Directors determined the performance conditions for this severance payment as follows, on the recommendation of the Appointments and Compensation Committee(1): In the event of termination (except for gross negligence or wilful misconduct) due to a change of strategy or control between the 2017 year-end date, and no later than 31 March 2018, and the 2018 year-end date, and no later than 31 March 2019, performance will be measured according to the average degree to which the objectives used to calculate the variable component of Sophie Boissard's annual compensation for the 2016 and 2017 financial years have been achieved, in accordance with the following process: • the degree to which the objectives used to calculate the variable component of the annual compensation for 2016 and 2017 were achieved <40%: no severance pay will be due; • 40%≤ the degree to which the objectives used to calculate the variable component of the annual compensation for 2016 and 2017 were achieved <60%: severance pay will amount to 50% of the Benchmark Annual Compensation; • 60%≤ the degree to which the objectives used to calculate the variable component of the annual compensation for 2016 were achieved <100%: severance pay will amount to 100% of the Benchmark Annual Compensation.

(1) The severance payment arrangements that would have applied in the event of a termination prior to 31 March 2018 are set out in the 2016 registration document, which was filed with the French Financial Markets Authority on 26 April 2017 under No. D17-0432.

Compensation components paid or awarded in relation to the previous financial year	Amounts or accounting valuation submitted to a vote	Presentation
Severance pay (continued)		In the event of termination (except for gross negligence or wilful misconduct) due to a change of strategy or control between the 2018 year-end date, and no later than 31 March 2019, performance will be measured according to the average degree to which the targets used to calculate the variable component of Sophie Boissard's annual compensation for the three previous financial years were achieved, in accordance with the following process: • the degree to which the objectives used to calculate the variable component of the annual compensation for the three previous financial years were achieved <40%: no severance pay will be due; • 40%≤ the degree to which the objectives used to calculate the variable component of the annual compensation for the three previous financial years were achieved <60%: severance pay will amount to 50% of the Benchmark Annual Compensation; • 60%≤ the degree to which the objectives used to calculate the variable component of the annual compensation for the three previous financial years were achieved <100%: severance pay will amount to 100% of the Benchmark Annual Compensation. In accordance with 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 9th resolution by the General Meeting of the Company's Shareholders on 23 June 2016.
Non-compete compensation	No payment	At its meeting on 18 November 2015, the Board of Directors decided to impose a non-compete clause on Sophie Boissard, on the recommendation of the Appointments and Compensation Committee. The purpose of this clause is to prevent her from holding a corporate office, or an executive position of any kind, and from performing consultancy services for a period of two years as from the termination of her duties, at any firm or company that competes with the Company, and specialises in long and medium-stay care homes, including long-term nursing homes and assisted living facilities, in all of the countries in which Korian operates at the time when the clause is enforced. In consideration, Sophie Boissard will receive a non-compete compensation amount equivalent to 50% of her gross fixed annual compensation for the 12 months prior to the event that triggered her departure (date of notice of her resignation from the Company, or date when her office was terminated or not renewed by the Board) (hereinafter the "**Date of Termination**"), which may be combined with her severance pay where applicable, although the aggregate amount of both compensation amounts cannot exceed two years of her fixed and variable annual compensation (in which case the severance pay will be reduced accordingly), on the understanding that the compensation received as part of the medium or long-term profit-sharing plans for the management teams, and any extraordinary compensation that may be awarded on a one-off and discretionary basis by the Board of Directors are not components of fixed and variable annual compensation, and are not included in the calculation basis for the non-compete compensation. The Company may waive this non-compete compensation within a maximum period of 15 days following the Date of Termination. In accordance with the provisions of article L. 225-42-1 of the French Commercial Code, this non-compete compensation was approved by the adoption of the 9th 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 covered by social security protection schemes equivalent to those for salaried executives (illness and personal protection insurance).
Supplementary pension plan	N/A	Sophie Boissard did not benefit from any supplementary pension plan.

Compensation of Christian Chautard, Chairman of the Board of Directors, from 1 January to 31 December 2017

The compensation paid or awarded to the Chairman of the Board of Directors in 2017 and which is broken down below is in accordance with the compensation policy approved by shareholders at the Annual General Meeting of 22 June 2017.

Fixed annual compensation

Pursuant to a proposal of the Appointments and Compensation Committee, the Board of Directors met on 22 June 2017 and decided to set Christian Chautard's annual gross fixed compensation for his office as Chairman of the Board at €345,000. This compensation remains unchanged from that set on 25 March 2015(1).

Attendance fees

The Board decided not to pay Christian Chautard attendance fees for his term of office, in accordance with his wishes as expressed at the Board of Directors' meeting held on 22 June 2017.

Summary of components of compensation paid or awarded to Christian Chautard, Chairman of the Board of Directors, from 1 January to 31 December 2017, subject to a vote of the shareholders

Compensation components	Amounts	Comments
Fixed annual compensation	€345,000	At its meeting on 25 March 2015, the Board of Directors decided to set Christian Chautard's gross fixed annual compensation for his office as Chairman of the Board at €345,000, on the recommendation of the Appointments and Compensation Committee(1). At its meeting on 22 June 2017, the Board of Directors renewed Christian Chautard's office as Chairman of the Board, and again set his gross fixed annual compensation at €345,000.
Variable annual compensation	N/A	Christian Chautard did not receive any annual variable compensation.
Variable multi-annual compensation	N/A	Christian Chautard did not receive any variable multi-annual compensation.
Extraordinary compensation	N/A	Christian Chautard did not receive any extraordinary compensation
Stock options, performance shares or any other long-term benefit	N/A	Christian Chautard is not entitled to any stock option or performance share system, or to any other long-term benefit.
Attendance fees	N/A	In accordance with Mr Chautard's request at the Board of Directors' meeting of 22 June 2017, the Board has decided not to pay him attendance fees for his term of office.
Value of all 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 is not covered by any social security plan.
Supplementary pension plan	N/A	Christian Chautard has not been provided with any supplementary pension plan.

(1) On the understanding that 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 that followed the dismissal of Yann Coléou, i.e. from 18 November 2015 to 26 January 2016.

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Board of Directors' report on corporate governance

Summary of compensation of Company Officers for 2017

Table summarising compensation, stock options and shares granted to each Company Officer – Table 1

	2016	2017
Sophie Boissard, Chief Executive Officer since 26 January 2016		
Compensation owed for the fiscal year(1)	€903,000	€883,729(2)
Value of long-term compensation plans(3)	€282,920	€842,058(4)
TOTAL	**€1,185,920**	**€1,725,787**
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 fiscal year(1)	€352,000	€345,000
Value of long-term compensation plans	-	-
TOTAL	**€352,000**	**€345,000**

(1) The compensation paid to Company Officers is broken down in Table 2.
(2) It should be noted that the payment of the annual variable compensation is subject to the approval of shareholders at the Annual General Meeting of 14 June 2018.
(3) This compensation is broken down in the table that shows the performance shares granted to the Chief Executive Officer for 2017 below, and in the breakdown of performance units awarded to the Chief Executive Officer on page 106 of the 2016 registration document filed with the AMF on 26 April 2017 under number D.17-0432.
(4) This is the amount of the Performance Shares granted for the three-year period from 2017 to 2019. No new allocation is planned for 2018 and 2019.

Table summarising compensation of Company Officers for 2017 – Table 2

	Year ended 31 December 2016		Year ended 31 December 2017	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid(1)
Sophie Boissard, Chief Executive Officer since 26 January 2016				
Fixed annual compensation	€420,000	€420,000	€450,000	€450,000
Variable annual compensation(2)	€483,000	-	€427,500(2)	€483,000
Extraordinary compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind(3)	-	-	€6,229	€6,229
TOTAL	**€903,000**	**€420,000**	**€883,729**	**€939,229**
Christian Chautard, Chairman & CEO from 1 to 26 January 2016 and Chairman of the Board since 26 January 2016(4)				
Fixed annual compensation	€352,000	€352,000	€345,000	€345,000
Variable annual compensation	-	-	-	-
Extraordinary compensation	-	€3,208(5)	-	
Attendance fees(6)	-	-	-	-
Benefits in kind	-	-	-	-
TOTAL	**€352,000**	**€355,208**	**€345,000**	**€345,000**

(1) Except for the other compensation shown in this table, the annual variable compensation is paid for the previous fiscal year.
(2) The criteria used to calculate the components of the Chief Executive Officer's annual variable compensation and any related circumstances concerning the justification of payment, granting criteria or calculation procedures are provided in section 2.11.2.1.1.
(3) This is the amount paid to an external organisation for the unemployment insurance the Company took out on behalf of Sophie Boissard.
(4) Christian Chautard was the interim Chairman and Chief Executive Officer from 18 November 2015 to 26 January 2016. Accordingly, Christian Chautard's compensation shown in the column of the table for the fiscal year ended 31 December 2016 includes (i) the period from 1 to 26 January 2016 during which he was Chairman and Chief Executive Officer, and (ii) the period from 26 January to 31 December 2016 during which he was Chairman of the Board.
(5) Extraordinary compensation paid for the special assistance provided for the acquisition of the Casa Reha group in Germany and the subsequent supervision and coordination of its integration, from 2 to 18 November 2015.
(6) In accordance with Christian Chautard's request at the Board of Directors meeting of 22 June 2017, he will receive no attendance fees for his term of office.

Table summarising long-term compensation awarded to Company Officers

On 18 July 2017, pursuant to the authorisation granted by the General Meeting of shareholders held on 22 June 2017, and on the recommendation of the Appointments and Compensation Committee, Korian's Board of Directors voted to grant performance shares to the Korian group's Chief Executive Officer and management team on 4 August 2017. This long-term incentive plan is subject to stringent performance conditions, which are different from the performance conditions to be met for payment of annual variable compensation, which will be measured over the 2017-2019 period, and which will also require employment with the Company on 4 August 2020.

The main features and vesting conditions of the performance shares issued under the long-term incentive plan are described above in the summary table of the components of compensation paid or awarded for financial year 2017, which is set out in section 2.11.2.1.1 of this registration document.

Table summarising performance shares awarded to the Chief Executive Officer for 2017

Plan date	Number of performance shares granted during the fiscal year	Valuation of performance shares using the method used for the consolidated financial statements	Vesting date	Payment date	Performance conditions
18 July 2017	62,459(1)	€842,058	4 August 2020	4 August 2020	EBITDA, revenue and performance of the Korian share price relative to the SBF 120 index

(1) This allocation is valid for the three-year period from 2017 to 2019 and is equivalent to an annual allocation of 20,820 shares. No new allocation is planned for 2018 and 2019.

2 MANAGEMENT REPORT 2017

Board of Directors' report on corporate governance

The table below provides a synopsis of the 2014, 2015, 2016 and 2017 performance units plans.

History of performance units/performance shares awarded

Information on performance units/ performance shares awarded	2014 Plan	2015 Plan	2016 Plan	2017 Plan
General Meeting date	26 June 2014	26 June 2014	25 June 2015	22 June 2017
Board of Directors' meeting date	10 September 2014	16 September 2015	14 September 2016	22 June 2017 18 July 2017 13 September 2017
Total number of performance units/ performance shares awarded	153,030	90,649	146,358	340,615
of which, number awarded to Sophie Boissard, Chief Executive Officer	0(1)	0(1)	18,684	62,459
Vesting date of performance units/ performance shares	31 March 2017 (for French tax residents) 31 March 2019 (for foreign tax residents)	31 March 2018 (for French tax residents) 31 March 2020 (for foreign tax residents)	30 June 2019	4 August 2020 (Plan 1) 13 September 2020 (Plan 2)
Payment date	31 March 2017 (for French tax residents) 31 March 2019 (for foreign tax residents)	31 March 2018 (for French tax residents) 31 March 2020 (for foreign tax residents)	Between 1 and 30 July 2019	4 August 2020 (Plan 1) 13 September 2020 (Plan 2)
Performance criteria	Share price, EBITDA, revenue	Share price, EBITDA, revenue	EBITDA, revenue and performance of the Korian share price relative to the SBF 120 index	EBITDA, revenue and performance of the Korian share price relative to the SBF 120 index
Total number of performance units/ performance shares vested	26,361 (French residents)	N/A	N/A	N/A
Total number of performance units/ performance shares in the process of vesting	8,832 (Foreign residents)	23,906 (French and foreign residents)	132,345 (French and foreign residents)	336,435 (French and foreign residents)
Total number of performance units/ performance shares cancelled or lapsed(2)	117,837	66,743	14,013	4,180

(1) The former Chief Executive Officer, Yann Coléou, was awarded performance shares under the 2014 and 2015 Plans. He will not receive the shares under these plans due to his departure from the Company.

(2) Due to the departure of the beneficiaries.

The table below presents the information required by the recommendations of the AFEP-MEDEF Code about the existence for Company 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 owed or likely to be owed in the event of the termination or change in the positions of Company Officers, or thereafter and (iv) non-compete compensation.

Company Officers	Employment contract	Supplementary pension plan	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

2.11.2.1.2 2018 compensation policy for Company Officers

Principles governing the compensation of Company Officers

The principles and criteria for determining, allocating and granting the fixed, variable and exceptional components that comprise the total compensation and benefits in kind paid to Company Officers are established in accordance with the AFEP-MEDEF Code. Therefore, the Board of Directors, upon the recommendation of the Appointments and Compensation Committee aims to:

- 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 Company Officers, as presented in this section 2.11.2.1.2, apply, respectively, to Sophie Boissard, the Chief Executive Officer, and Christian Chautard, the Chairman of the Board of Directors. In the event of a change, 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 Company Officers will be established on a case-by-case basis by the Board of Directors, pursuant to a recommendation of the Appointments and Compensation Committee, and in accordance with the AFEP-MEDEF Code, and will be submitted to a General Meeting of shareholders.

If shareholders at the Annual General Meeting to be held on 14 June 2018 do not approve the 7th and 8th resolutions shown below, the principles and criteria previously approved at the Annual General Meeting of 22 June 2017 (resolutions 5 and 6) will continue to apply.

Moreover, Korian's Company 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 Company Officer, in an amount to be determined based on the loss he/she sustains by prematurely leaving his/her current position.

2018 compensation policy for Sophie Boissard, the Chief Executive Officer

The principles and criteria for determining, allocating, and awarding the fixed, variable, and extraordinary compensation components that make up the total compensation and the benefits of any kind payable to the Chief Executive Officer in 2018 were determined by the Board of Directors at its meeting on 14 March 2018, based on a recommendation made by the Appointments and Compensation Committee. These principles and criteria must be approved by the General Meeting convened to vote on the financial statements for the year ended 31 December, 2017, which is scheduled for 14 June 2018. These principles have remained mostly unchanged compared with the 2017 principles.

Fixed annual compensation

Sophie Boissard receives gross fixed annual compensation of €450,000, which is paid monthly. This fixed annual compensation has not changed since she took office on 26 January 2016, and will be periodically reviewed based on market recommendations.

Variable annual compensation

Sophie Boissard receives gross variable annual compensation that may amount to a maximum of 100% of her gross fixed annual compensation in the event that performance conditions are achieved, and to a maximum of 120% of her gross fixed annual compensation in the event that these conditions are exceeded. This outcome is measured exclusively on the basis of quantifiable criteria.

The quantifiable criteria (EBITDA, and operating cash flow[1]) account for 67% of the performance conditions, while the qualitative criteria account for 33% of the performance conditions.

The maximum variable compensation, the proportional allocation between quantifiable and qualitative criteria, and the nature of the quantifiable criteria have not changed since Sophie Boissard took office on 26 January 2016.

The 2018 quantifiable and qualitative criteria were determined at the Board of Directors' meeting on 13 December 2017, pursuant to a proposal of the Appointments and Compensation Committee, in accordance with the financial objectives and priority projects identified by the Board, which are primarily in line with the five-year strategic plan. These objectives and projects also take the CSR aspect into account.

The degree to which the target quantifiable and qualitative criteria are achieved will only be made public in 2019, once the variable compensation for 2018 has been determined, in order to protect the confidentiality of the Group's strategy. Payment of the 2018 variable compensation components will be conditional on their approval by the General Meeting that will vote on the financial statements for the year ended 31 December 2018, which will be held in 2019.

(1) Understood as cash flow from operations net of financial expense and taxes.

Extraordinary compensation

There is currently no plan for Sophie Boissard to receive any extraordinary compensation in 2018. Only very specific circumstances could give rise to extraordinary compensation, in accordance with the recommendations of the AFEP-MEDEF Code, *i.e.:*

- situations that do not fall within the scope of the annual strategic and operating targets;
- situations that were unforeseeable on the date when the Board set the criteria for determining the gross variable annual compensation;
- situations that affect the Company due to their magnitude, the commitment that they require, and the problems that they pose.

This compensation cannot exceed 100% of Mrs Boissard's gross fixed annual compensation in any event.

Long-term compensation

On 18 July 2017, Korian's Board of Directors decided, on the recommendation of the Appointments and Compensation Committee, to award the Korian group's Chief Executive Officer and management team performance Shares aimed at remunerating their performance relating to the execution of the Korian 2020 strategic plan, (the "**Performance Shares**"), as part of the authorisation granted under the terms of the 23rd resolution adopted by the General Meeting of Shareholders on 22 June 2017, on the recommendation of the Appointments and Compensation Committee.

In accordance with said resolution, the total number of free shares awarded may not amount to more than 1% of the share capital on the date of the Board of Directors' decision, on the understanding that the award to the Chief Executive Officer may not amount to more than 0.1% of the share capital on that same date. Accordingly, the performance shares awarded to Sophie Boissard may not exceed 10% of the total amount of the shares granted as free shares under this authorisation.

Sophie Boissard was therefore awarded 62,459 Performance Shares(1) on 18 July 2017, and subject to different performance conditions than the performance conditions governing the payment of her variable annual compensation.

The number of Performance Shares that will vest on 4 August 2020 will depend on the degree to which the three independent performance conditions are achieved, based on the degree of achievement, which will be reported in 2020 (i) of the Group's revenue target in 2019 compared with the target revenue, in accordance with the Korian 2020 plan (20% of the award); (ii) of the EBITDA per share target in 2019, compared with target EBITDA, in accordance with the Korian 2020 plan (40% of the award); and (iii) Korian's total shareholder return (TSR)(2) compared with the TSR generated by the SBF 120 Index between 1 July 2017 and 30 June 2020 (40% of the award).

The main characteristic features of this long-term incentive plan are described in Section 2.11.2.1.1 of this 2017 registration document.

In any event, the long-term share-based compensation awarded to the Chief Executive Officer for a given financial year cannot exceed 150% of her maximum fixed and variable compensation payable for the previous financial year.

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 and unemployment insurance. In addition, she is entitled to a Company car, but she chose not to accept these benefits in 2017.

Severance pay

Sophie Boissard will receive a 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, payment of which will be subject to meeting performance criteria and will be in an amount equivalent to her Annual Base Compensation (as defined below), increased by 25% per year of service, but will not exceed 200% of her Annual Base Compensation, after deducting any amount due as non-compete compensation, as described below, if the Company has not waived the non-compete clause.

Annual Base Compensation means the gross fixed and variable annual compensation received for the 12 months prior to the date on which her office is terminated or not renewed, excluding compensation received under the medium or long-term profit-sharing plans arranged for the management teams, and the extraordinary compensation that may be awarded to her by the Board of Directors on a one-off and 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 backed 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 an acquisition of a significant interest in the Company, accompanied by the appointment of a number of Board Directors that is likely to have a decisive influence on the Board of Directors' decisions.

The performance conditions for payment of this severance payment have been determined as follows(3):

- 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

(1) This award is valid for three years (period between 2017 and 2019), i.e. the equivalent of 20,820 shares per year. No further award is planned for 2018 and 2019.
(2) The TSR is calculated on the basis of the weighted average number of ordinary shares outstanding during the period.
(3) The severance payment arrangements that would have applied in the event of a termination prior to 31 March 2018 are set out in the 2016 registration document, which was filed with the French Financial Markets Authority on 26 April 2017 under No. D17-0432.

average achievement rate for objectives used to calculate the variable component of Sophie Boissard's annual compensation for the 2016 and 2017 financial years, as follows:

- the achievement rate for objectives used to calculate the variable component of annual compensation for 2016 and 2017 < 40%: no severance payment 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 between the 2018 closing date, and 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.

In accordance with 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 9th resolution by the General Meeting of the Company's shareholders on 23 June 2016.

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 fixed annual 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.

In accordance with article L. 225-42-1 of the French Commercial Code, this non-compete compensation for the Chief Executive Officer was approved by the adoption of the 9th resolution by the General Meeting of the Company's shareholders on 23 June 2016.

Proposed resolution submitted for a vote of the shareholders

Seventh 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 2018)

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 of the principles and criteria to determine, allocate, and award the fixed, variable and extraordinary components that make up the total compensation and benefits of any kind payable to Sophie Boissard in her capacity as the Company's Chief Executive Officer, for the 2018 financial year, as set out (i) in the aforementioned report referred to in Section 2.11 of the 2017 registration document, as well as in (ii) the notice of meeting brochure.

2018 compensation policy for Christian Chautard, Chairman of the Board of Directors

The principles and criteria for determining, allocating, and awarding the fixed, variable, and extraordinary compensation components that make up; the total compensation and the benefits of any kind payable to Christian Chautard for 2018 were approved by the Board of Directors at its meeting on 14 March 2018, on the recommendation of the Appointments and Compensation Committee. They must

be approved by this General Meeting. The 2018 compensation policy for the Chairman of the Board of Directors has remained mostly unchanged compared with the 2017 policy.

Fixed annual compensation

Christian Chautard receives annual gross fixed compensation of €345,000, which is paid monthly. This annual fixed compensation has not changed[1] since he took office on 25 March 2015, and was confirmed at the time when the Board of Directors renewed his office on 22 June 2017.

Extraordinary compensation

Christian Chautard does not receive any extraordinary compensation.

Attendance fees

In accordance with Christian Chautard's request at the Board of Directors' meeting of 22 June 2017, the Board has decided not to pay him attendance fees for his term of office.

Christian Chautard does not receive any other compensation components (variable compensation, long-term compensation, benefits, severance payment, or non-compete compensation).

Proposed resolution submitted for a vote of the shareholders

Eighth 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 2018)

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 fixed, variable and extraordinary components that make up the total compensation and benefits of any kind payable to Christian Chautard, for his position as the Chairman of the Company's Board of Directors, for financial year 2018, as presented (i) in the aforementioned report referred to in Section 2.11 of the 2017 registration document, as well as in (ii) the notice of meeting brochure.

2.11.2.2 Compensation of non-executive Directors

For 2017, a gross amount of €378,411 was paid as attendance fees to the members of the Board of Directors and as compensation for the Board Observer.

The members of the Board are also entitled to reimbursement, on production of receipts, of travel expenses incurred in attending Board and specialised committee meetings. Directors, other than the Chairman of the Board and the Board Observer, did not receive any other components of compensation for 2017 from the Company.

The Board of Directors' meeting held at the conclusion of the General Meeting of 22 June 2017 adopted new Internal Regulations, which change the method for allocating the total amount of attendance fees to the Directors and the Board Observer. Article 1.9 of the Board of Directors' Internal Regulations provides for the following allocation of attendance fees:

- of the total annual amount of attendance fees of €400,000:
  - the sum of €350,000 is 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 is used to pay (i) an additional attendance fee to non-resident independent Directors and (ii) compensation for services rendered by the Board Observer(s);
- the sum of €350,000 is divided among the Directors according to the following rules with attendance-based variable compensation being the main component:
  - 45% of the above amount of attendance fees is 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 is 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 is 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 at one meeting.

The provisions for calculating attendance fees in effect until 22 June 2017 are described on page 113 of the registration document filed with the AMF on 26 April 2017 under number D.17-0432.

(1) As stated above, pursuant to a proposal of the Appointments and Compensation 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 following the removal from office of Yann Coléou.

The table below shows the attendance fees paid to the Company's Directors for the last two financial years.

Table summarising attendance fees received by non-executive Directors – Table 3

Non-executive Directors	Attendance fees paid for 2016(1)	Attendance fees paid for 2017(1)
Christian Chautard	-	-
Jérôme Grivet	€21,160	€26,967
Predica	€21,866	€22,035
Investissements PSP	€14,153	€21,786
Malakoff Médéric Assurances	€19,974	€21,583
Jean-Pierre Duprieu(2)	€24,269	€45,247
Martin Hoyos(3)	€48,419	€34,600
Anne Lalou	€42,978	€37,514
Guy de Panafieu(4)	€50,875	€45,065(8)
Catherine Soubie	€45,647	€43,847
Elisabeth T. Stheeman(5)	-	€32,569
Markus Müschenich(5)	-	€34,996
Hafida Cola(6)	€14,584	€12,202
Batipart Invest(7)	€8,004	-
Jacques Ambonville(7)	€20,339	-
TOTAL	**€332,268**	**€378,411**

(1) Gross amount.
(2) Director since 23 June 2016.
(3) This Director's term of office expired on 22 June 2017.
(4) This Director's term of office expired on 21 June 2017 at midnight. He is the Board Observer since the AGM of 22 June 2017.
(5) Directors since 22 June 2017.
(6) Directors since 25 January 2016.
(7) Directors whose terms of office expired on 23 June 2016.
(8) This amount consists of the following:
€31,914, paid to Guy de Panafieu for his term as a Director from 1 January to 21 June 2017 at midnight; and
€13,151, paid to Guy de Panafieu for serving as the Board Observer from 22 June to 31 December 2017.

The attendance fees paid to Directors for the period from 1 January to 31 December 2017(1) 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.

(1) The Board of Directors' meeting held at the conclusion of the General Meeting of 22 June 2017 adopted new Internal Regulations, which change the method for allocating the total amount of attendance fees to the Directors and the Board Observer.

CHAPTER 3

Consolidated financial statements for the year ended 31 December 2017

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3.1 Consolidated financial statements for the year ended 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

In thousands of euros	Note	31.12.2017	31.12.2016
Goodwill	3.1	2,218,729	2,175,429
Intangible fixed assets	3.1	1,759,714	1,717,635
Property, plant and equipment	3.1	1,943,851	1,670,218
Financial assets	3.2	54,170	32,606
Deferred tax assets	4.5	209,019	182,506
Non-current assets		**6,185,484**	**5,778,393**
Inventory	3.3	10,402	9,707
Trade receivables and related accounts	3.4	191,219	168,241
Other receivables and currents assets	3.5	212,230	224,575
Financial instruments – assets	3.9	4,891	1,500
Cash and cash equivalents	3.6	510,589	309,875
Current assets		**929,330**	**713,897**
Assets held for sale		108	1,887
TOTAL ASSETS		**7,114,922**	**6,494,178**

Equity and liabilities

In thousands of euros	Notes	31.12.2017	31.12.2016
Share capital		404,912	400,890
Premiums		860,039	841,519
Reserves and consolidated results		1,197,454	780,605
Shareholders' equity (Group share)		**2,462,405**	**2,023,015**
Non-controlling interests		12,272	13,915
Total shareholder's equity		**2,474,677**	**2,036,930**
Provisions for pensions	3.7	70,373	58,567
Deferred tax liabilities	4.5	632,591	673,084
Other provisions	3.8	153,878	140,200
Borrowings and financial debt	3.9	2,497,818	2,442,222
Non-current liabilities		**3,354,660**	**3,314,072**
Provisions for less than one year	3.8	11,660	13,555
Trade payables and related accounts	3.10	267,333	250,496
Other liabilities and accruals	3.10	640,946	678,039
Borrowings due within 1 year and bank overdrafts	3.9	352,940	183,014
Derivative financial instruments	3.9	12,706	18,072
Current liabilities		**1,285,586**	**1,143,176**
Liabilities held for sale			
TOTAL LIABILITIES		**7,114,922**	**6,494,178**

CONSOLIDATED INCOME STATEMENT

Comprehensive income

In thousands of euros	Note	31.12.2017	31.12.2016
Revenue		**3,130,942**	**2,981,404**
Other income		4,227	5,482
Operating income		**3,135,169**	**2,986,886**
Purchases used in the business		252,633	236,467
Personnel expenses	4.1	1,616,472	1,504,582
External expenses	4.1	734,538	727,773
Taxes and contributions		98,024	96,661
Depreciation, amortisation and provisions		157,029	155,954
Other operating income and expenses		6,727	823
Profit/(loss) on acquisition and disposal of consolidated entities	4.3	-2,959	-896
Other operating income and expenses	4.3	3,062	-24,456
Operating income		**283,303**	**240,919**
Cost of net debt	4.4	-98,430	-88,121
Other items of financial income	4.4	-22,107	-35,223
Net financial income	4.4	**-120,537**	**-123,344**
Profit/(loss) before tax		**162,766**	**117,575**
Income tax	4.5	3,564	15,583
Profit/(loss) of consolidated companies		**166,330**	**133,158**
Non-controlling interests		3,007	1,865
Share attributable to the Group's owners		**163,324**	**131,293**
Net profit/(loss) attributable to the Group's owners/per share ***(in euro)***	4.6	2.03	1.63
Diluted earnings (attrib. to the Group's owners)/per share ***(in euro)***	4.6	1.95	1.57
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP'S OWNERS		**163,324**	**131,293**
Recyclable items: IAS 39 impact (measurement of hedging instruments and free share plan) net of tax		5,738	1,649
Non-recyclable items: IAS 19 impact (actuarial gains and losses)		-4,409	-2,186
Gains and losses recognised directly in equity (attributable to the Group's owners)		**1,329**	**-538**
Net profit/(loss) and gains and losses recognised directly in equity (attributable to the Group's owners)		164,653	130,756
Net profit/(loss) and gains and losses recognised directly in equity (non-controlling interests)		2,997	1,864

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	Notes	31.12.2017	31.12.2016
Net profit/(loss)		**166,330**	**133,158**
Of which income tax expense		*-3,564*	*-15,583*
Net depreciation/amortisation and provisions		176,101	160,464
Deferred tax		-72,905	-72,782
Gain/(loss) at fair value and non-cash items		-12,628	-6,146
Gain on disposal of assets		9,145	-98
Cash Flow after cost of net debt		**266,043**	**214,597**
Elimination of acquisition costs of securities		2,959	521
Elimination of net interest paid		98,448	88,121
Cash Flow before cost of net debt		**367,451**	**303,239**
Change in inventories		-441	-604
Change in trade receivables		-11,449	-7,342
Change in trade payables		3,232	17,734
Change in corporate income tax		30,412	8,305
Change in other items		-4,024	-13,934
Change in working capital requirements		**17,729**	**4,159**
Net cash generated from operations		**385,179**	**307,397**
Impact of changes in scope (acquisitions)	2	-98,391	-392,416
Impact of changes in scope (disposals)			2,579
Payment for property, plant and equipment and intangible assets		-188,678	-159,555
Payment for other financial investments		-47,651	910
Proceeds from disposals of non-current assets (excluding securities)		3,748	39,821
Net cash from/(used in) investing activities		**-330,971**	**-508,661**
Net Cash Flow		**54,209**	**-201,264**
Capital increase of non-controlling interests		-91	
Treasury shares charged to equity		12	-29
Increase in financial liabilities	3.9	282,546	200,446
Repayment of financial liabilities	3.9	-296,280	-88,949
Other Cash Flows from/(used in) financing activities		296,120	
Net interest paid		-96,366	-97,179
Dividends paid to shareholders of the parent		-30,599	-28,724
Dividends paid to non-controlling interests in consolidated companies		-12	-13
Net cash from/(used in) financing activities		**155,331**	**-14,449**
CHANGE IN CASH POSITION		**209,540**	**-215,713**
Cash and cash equivalents at the start of the period	3.6/3.9	294,261	509,974
Cash and cash equivalents at the end of the period	3.6/3.9	503,802	294,261
Marketable securities		292,842	91,532
Cash		217,747	218,343
Bank overdrafts and advances		-6,787	-15,614
CASH		**503,802**	**294,261**

CHANGES IN CONSOLIDATED EQUITY

In thousands of euros	Share capital	Premiums	Charged directly to equity	Reserves and consolidated results	Equity attributable to the Group's owners	Non-controlling interests	Total shareholder's equity
At 31 December 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
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			1,649		1,649		1,649
and free share plans (net of tax)				2,462	2,462		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**
Dividend distribution				-48,109	-48,109	-4,615	-52,724
Capital increase	4,022	18,519		-132	22,409		22,409
Treasury shares			11		11		11
Equity instruments			291,652		291,652		291,652
Other changes			-65	394	330	-23	306
Net profit in 2017				*163,324*	*163,324*	*3,007*	*166,330*
Impact of IAS 19 (actuarial gains and losses)			-4,409		-4,409	-10	-4,419
Measurement of hedging derivatives			5,738		5,738		5,738
and free share plans (net of tax)				8,445	8,445		8,445
Comprehensive income			*1,329*	*163,324*	*164,653*	*2,997*	*167,650*
AT 31 DECEMBER 2017	**404,912**	**860,040**	**534,038**	**663,416**	**2,462,406**	**12,272**	**2,474,678**

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

Neither are any shares reserved for issue under options or contracts for the sale of shares.

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

The exercise of this option resulted in the issuance of 777,940 new shares, which were issued and admitted to trading on the Euronext Paris exchange on 21 July 2017. These shares carry dividend rights as of 1 January 2017 and enjoy the same rights as the outstanding ordinary shares.

Following this transaction, the Company's share capital stood at €404,911,715 and consisted of 80,982,343 shares, all fully paid up, of the same class, and with a par value of €5 each.

The cash dividend totalled €25.6 million and was paid to the shareholders on 21 July 2017.

In June 2017, the Group issued undated bonds:

- undated non-subordinated bonds with a redemption option in cash and/or in new and/or existing shares (ODIRNANE bonds) with cancellation of the shareholders' preferential subscription right, issued on 28 June 2017 for a nominal amount of €240 million. These bonds were issued on 3 July 2017 with the following characteristics:
  - a conversion premium of 35% which corresponds to a nominal share price of €40.21,
  - these bonds will bear interest from 1 January 2018 until 31 December 2022, at a fixed nominal annual rate of 2.50% that is paid semi-annually,
  - bond-holders may convert their bonds until 1 January 2023. If they do, they will receive either cash, shares or a combination of both, at Korian's discretion,

- as of 1 January 2023, these bonds will bear interest at the 6-month EURIBOR rate plus 900 basis points,
- Korian may suspend interest payments if a dividend has not been paid over the past 12 months;

• a €60 million unlisted hybrid perpetual bond issued to a single private investor. This bond carries no right to acquire Korian's share capital.

These hybrid financial instruments were recognised at year end as equity instruments for an amount of €291,7 million net of issuance costs and interest expense, in accordance with the IAS 32 standard.

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 2017 were approved by the Board of Directors on 14 March 2018 and were reviewed by the Audit Committee on 13 March 2018.

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

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 2016, with the exception of the following amendments to IFRS standards and interpretations that are compulsory as of 1 January 2017 and which the Group did not early adopt:

- amendments to IAS 7 "Statement of Cash Flows: Disclosure initiative";
- amendments to IAS 12 "Income Taxes: Recognition of Deferred Tax Assets on Unrealised Losses".

The Group also chose not to early adopt the following new standards, amendments to standards and interpretations:

- Standards and amendments adopted by the European Union and which become compulsory after 31 December 2017:
  - IFRS 15 "Revenue from Contracts with Customers", with amended application date, which will supersede IAS 11 and IAS 18,
  - amendments to IFRS 15 "Clarifications on IFRS 15",
  - IFRS 9 "Financial Instruments", which will replace IAS 39 on financial instruments,
  - IFRS 16 "Leases", which introduces a new lease recognition model and will supersede IAS 17 and its related interpretations;
- Standards, amendments and interpretations not adopted by the European Union at 31 December 2017:
  - amendments to IFRS 2 "Classification and measurement of share based payment transactions",
  - amendments resulting from the annual standards improvement processes for 2014-2016,
  - amendments resulting from the annual standards improvement processes for 2015-2017,
  - amendments to IAS 40 "Transfers of Investment Property",
  - IFRIC 22 "Foreign Currency Transactions and Advance Consideration",
  - IFRIC 23 "Uncertainty over Income Tax Treatments",
  - amendments to IFRS 9: "Prepayment features with negative compensation",
  - amendments to IAS 19: "Modification, reduction or liquidation of a defined-benefits pension plan",
  - amendments to IAS 28: "Investments in associates and joint ventures".

IFRS 9 and IFRS 15:

The application of these new standards as of 1 January 2018 will have no material impact on the Group's consolidated financial statements.

IFRS 16:

In 2017, the Group began to identify all leases to which this new standard will apply as of 1 January 2019. It is expected to have a material impact on the Group's consolidated financial statements. Lease commitments are described in detail in Note 5.3.

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:

- 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 consolidated financial statements comprise the financial statements of Korian, as well as those of its subsidiaries, for the period between 1 January and 31 December 2017.

Critical accounting estimates and judgements

To prepare the consolidated financial statements, the Group applies estimates and judgements that are regularly updated and which are based on historical experience and other factors, including expectations of future events deemed reasonable in view of the circumstances.

For items on which assumptions and estimates are used, the results of tests on the sensitivity of accounting values to the main assumptions are provided in the relevant notes.

In preparing the financial statements, the Group made significant estimates and judgements on the following items:

Goodwill, intangible assets and property, plant and equipment

• The values in use of intangible assets and property, plant and equipment are based on the Company's internal valuations, and its medium-term business plan. The main assumptions used in this valuation (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 may be due to material adverse changes of a lasting nature that affect either the economic environment or the assumptions and objectives used at the last balance sheet date.

Leases

• Each lease is reviewed. Leases are classified as operating leases when 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 carrying amount of liabilities associated with employee benefits. Note 3.7 on "Employee Benefits" provides more information on this.

Financial instruments

• Derivative financial instruments are measured at fair value. Note 3.9 "Funding and financial instruments" describes the measurement of these instruments.

Currency conversion methods

No transactions in foreign currencies are reported in the consolidated financial statements as at 31 December 2017. 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.

3

NOTE 2

Scope of consolidation

Accounting principles related to the scope of consolidation

Subsidiaries

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

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

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

Joint arrangements

This standard does not apply to any Group entity at 31 December 2017.

Associates

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

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

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

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

Business combinations

a) Business combinations

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 following the acquisition date, any change in fair value is recognised in income. Within this one-year period, any changes in fair value explicitly linked to events subsequent to the acquisition date are also recognised in income. Other changes are charged to goodwill.

At the acquisition date, goodwill is the difference between:

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

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

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

In the statement of Cash Flows, the acquisition of additional 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/loss on disposal that is calculated on the entire investment at the date of the transaction.

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

e) Sale of securities without loss of exclusive control

In the event of a partial sale of interests in an exclusively controlled entity that does not modify control of said entity, the difference between the fair value of

the sale price of the interest and the share of consolidated equity that this interest represents at the date of disposal is recognised in equity attributable to owners of the 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/loss on disposal calculated on the entire investment at the date of the transaction.

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

Change in the consolidation scope

At 31 December 2017, the consolidation scope included, in addition to the parent company Korian SA, 471 fully consolidated companies (vs. 444 at 31 December 2016).

The following significant changes in scope occurred in 2017.

Changes in scope – France

- Disposal of Centre Hospitalier des Courses (February 2017)
  - disposal of operations and real estate assets previously classified as assets held for sale.
- Reorganisation
  - new companies created and transfer of real estate assets refinanced with financial leases:
    - sale of five properties owned by Medica France and SCI Korian Immobilier,
    - creation of twelve new companies, including two holding companies (OPPCI Korian Immobilier France and SCI Holding Immobilière),
    - the assets disposed of were refinanced with financial leases and are now held by four dedicated real estate investment companies that replaced the subsidiaries that previously owned them;
  - creation of four new companies with acquisition of real estate assets, including one holding company (SAS Korian Immobilier Allemagne).
- Acquisition

Acquisition of Âges & Vie in December 2017, including 70% of AVH and 53.13% of AVG. This acquisition was not included in the consolidation scope at 31 December 2017 due to the immaterial nature of earnings in 2017 and of their contribution to total consolidated assets at 31 December 2017. The company will be included in the consolidation scope at 30 June 2018.

Changes in scope – Belgium

- Acquisitions
  - in January 2017, two facilities with a total capacity of 60 beds were acquired in Flanders;
  - OTV group (January 2017): acquisition of a group of facilities providing home care services, which also has a capacity of 88 nursing home beds and 57 assisted living beds;
  - Senior Assist (June 2017): acquisition of eight nursing homes in Flanders and Wallonia, providing additional capacity of around 1,000 beds;
  - acquisition in July 2017 of Senior Assist Home Care, which provides home care services in Flanders;
  - acquisition in October 2017 of a facility in Flemish Brabant, with a capacity of 80 long-term care nursing home beds and 75 assisted living beds;
  - acquisition in December 2017 of an additional portfolio of eight new facilities from Senior Assist. This acquisition was not included in the consolidation scope due to the immaterial nature of earnings in 2017 and of their contribution to total consolidated assets at 31 December 2017.

Changes in scope – Italy

- Acquisitions
  - Le Cappuccine (February 2017): a long-term care nursing home in Liguria with 120 beds;
  - Monte Imperatore (March 2017): a 120-bed clinic in Apulia;
  - Nativitas (April 2017): acquisition of a company holding the assets in Bari;
  - Frate Sole (September 2017): a long-term care nursing home with a capacity of 75 beds and a specialised clinic with a capacity of 92 beds, located in Tuscany;
  - Il Ronco (October 2017): a long-term care nursing home with 137 beds, in Lombardy.

Material information on significant changes in scope

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

In thousands of euros	
Purchase price of subsidiaries [A]	**122,610**
Cash-out/cash-in [B]	122,610
Debt incurred [C]=[A]-[B]	
Disposal price [D]	
Cash acquired [E]	24,219
Cash disposed of [F]	
IMPACT OF CHANGES IN CONSOLIDATION SCOPE [G] = [E-F-B+D]	**-98,391**

b) Subsidiaries for which the purchase price allocation is final

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

- Italy: El Cappuccine and Monte Imperatore;
- Belgium: Foyer de Lork, OTV, Jardins de la Mémoire, Ter Hulst and Senior Assist;
- France: Clos de l'Orchidée and Château de Lormoy.

c) Subsidiaries acquired during the year

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

In thousands of euros	Assets contributed	Liabilities contributed
Goodwill	43,300	
Intangible fixed assets	62,818	
Property, plant and equipment	218,907	
Financial assets	253	
Deferred tax assets	2,328	
Non-current assets	**327,607**	
Inventory	274	
Trade receivables and related accounts	10,735	
Other receivables and currents assets	6,238	
Current assets	**17,246**	
Non-controlling interests		**0**
Provisions for pensions		
Deferred tax liabilities		10,563
Other provisions		-1,659
Borrowings and financial debt		197,001
Non-current liabilities		**205,906**
Provisions for less than one year		1,079
Trade payables and related accounts		11,569
Other liabilities and accruals		19,499
Borrowings due within 1 year		11,410
Derivative financial instruments		
Current liabilities		**43,558**
ASSETS CONTRIBUTED	**344,853**	
LIABILITIES CONTRIBUTED		**249,463**
Net contribution	95,390	

d) Subsidiaries sold

Not applicable.

Discontinued operations and assets held for sale

In accordance with IFRS 5:

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

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

Discontinued operations

None.

Assets held for sale

At 31 December 2017, no material asset in the process of being disposed of was classified as "held for sale".

NOTE 3

Notes on the statement of financial position

Note 3.1 Goodwill, intangible assets and property, plant and equipment

Goodwill

In thousands of euros	31.12.2017	31.12.2016
Gross goodwill at start of period	**2,175,429**	**1,707,317**
Change in scope	104,125	488,426
Definitive allocation of goodwill	-60,825	-20,314
Disposals		
Earn out		
Reclassifications		
Assets held for sale		
Gross goodwill at end of period	**2,218,729**	**2,175,429**
Impairment at the start of the period		
Impairment during the period		
Impairment at the end of the period		
Net goodwill at start of period	**2,175,429**	**1,707,317**
NET GOODWILL AT END OF PERIOD	**2,218,729**	**2,175,429**

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, property, plant 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	**2,175,429**	**1,182,722**	**666,624**	**160,132**	**165,950**
Changes in scope	104,125			32,107	72,018
Definitive allocation of goodwill	-60,825	-4,986		-49,636	-6,203
NET GOODWILL AT END OF PERIOD	**2,218,729**	**1,177,736**	**666,624**	**142,603**	**231,766**

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

In France, the decrease of €5 million is attributable to the final allocation of the prices of two acquisitions made in the first half of 2016: Château de Lormoy and Clos de l'Orchidée.

The change in the Belgian goodwill is attributable to:

- the 2017 acquisitions before allocation (€24.4 million);
- the acquisitions in the second half of 2017 for which allocation is pending (€7.7 million);
- the final allocation of the prices of the 2016 and 2017 acquisitions (-€49.6 million).

In Italy, the change is attributable to:

- the 2017 acquisitions before allocation (€72 million);
- the final allocations of the acquisitions in the first half of 2017 (-€6.2 million).

Intangible assets

Measurement of intangible assets

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

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

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

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

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

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

In thousands of euros	Licences	Other	Total
Gross value at the start of the period	**1,617,541**	**209,201**	**1,826,742**
Changes in scope	62,305	1,289	63,594
Disposals		-2,354	-2,354
Acquisitions		11,254	11,254
Transfers		-320	-320
Gross amount at the end of the period	**1,679,846**	**219,071**	**1,898,918**
Total amortisation at the start of the period	**3,755**	**105,353**	**109,108**
Changes in scope		776	776
Disposals		-912	-912
Amortisation and impairment	7,734	23,339	31,073
Transfers		-842	-842
Total amortisation at the end of the period	**11,489**	**127,714**	**139,204**
Net accounting value at the start of the period	**1,613,787**	**103,848**	**1,717,635**
NET ACCOUNTING VALUE AT THE END OF THE PERIOD	**1,668,357**	**91,357**	**1,759,714**

The valuations of licences are shown in the following table:

In thousands of euros	France	Belgium	Italy	Total
Gross value at start of period	1,271,801	151,482	194,258	1,617,541
Impairment	3,755			3,755
Net carrying amount at the start of the period	**1,268,046**	**151,482**	**194,258**	**1,613,787**
Gross amount at the end of the period	1,277,880	199,730	202,235	1,679,846
Impairment	11,489			11,489
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**1,266,391**	**199,730**	**202,235**	**1,668,357**

No single licence represents a significant amount for the Group.

Impairment tests on licences resulted in the recording of net impairment of €7,734 thousand at year end, for a very small number of facilities.

Impairment tests were performed using the method described in the section entitled "Impairment of intangible assets, property, plant and equipment, and goodwill" in Note 3.

Property, plant and equipment

a) Measurement of property, plant and equipment

Property, plant and equipment are initially measured at acquisition cost. Property, plant 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, property, plant 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

Property, plant 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 property, plant 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, property, plant 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 property, plant and equipment

Depreciation of property, plant 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.

Class	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 are included in the cost of that asset.

The capitalised borrowing rate corresponds to the average cost of the Group's debt after hedging.

Borrowing costs for 2017 totalled €1,309 thousand, compared with €814 thousand in 2016.

In thousands of euros	Land	Buildings	Plant and machinery	Other	In construction and advance payments	Total
Gross value at the start of the period	**156,042**	**1,662,146**	**349,830**	**477,502**	**59,302**	**2,704,823**
Changes in scope	16,948	209,736	10,863	10,736	437	248,721
Disposals	-5,527	-8,879	-3,928	-12,683	-1,056	-32,074
Acquisitions	312	61,921	24,795	20,084	97,112	204,224
Transfers	13,992	70,982	5,717	19,952	-96,475	14,169
Gross amount at the end of the period	**181,768**	**1,995,907**	**387,278**	**515,590**	**59,320**	**3,139,863**
Total amortisation at the start of the period	**2,553**	**492,396**	**258,003**	**280,676**	**976**	**1,034,604**
Changes in scope		17,103	7,487	5,223		29,813
Allowances	1	82,634	27,275	31,149	1,829	142,888
Disposals	-2,823	-6,217	-3,066	-8,615	-1,398	-22,120
Other	2,285	6,064	2,072	-3,776	4,179	10,825
Total amortisation at the end of the period	**2,016**	**591,981**	**291,771**	**304,657**	**5,586**	**1,196,010**
Net accounting value at the start of the period	**153,489**	**1,169,750**	**91,828**	**196,825**	**58,326**	**1,670,218**
NET ACCOUNTING VALUE AT THE END OF THE PERIOD	**179,752**	**1,403,926**	**95,507**	**210,933**	**53,734**	**1,943,851**

The main changes in 2017 are attributable to:

- changes in scope (net value):
  - France: €8.8 million,
  - Belgium: €185.0 million,
  - Italy: €25.0 million;
- acquisitions in 2017:
  - France: €115.2 million,
  - Germany: €21.1 million,
  - Belgium: €7.8 million,
  - Italy: €32.7 million.

The gross value of property, plant and equipment held under finance leases was €1,257,784 thousand at 31 December 2017; the net value was €939,754 thousand (see Note 5.3).

Impairment of intangible assets, property, plant 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 signs of impairment;
- for all other assets: as soon as signs of impairment are observed.

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 relevant CGU or group of CGUs.

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 strategic plan.

First-level impairment testing

For intangible assets and property, plant 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 impairment tests conducted for the period resulted in the recognition of net impairment of €9.1 million, of which licenses accounted for €7.7 million.

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 property, plant 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, loans for construction projects, and guarantees and 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 (other than hedging instruments) are classified into one of the three categories below for the purpose of measurement.

Category	Measurement	Recognition of changes in value
Financial assets measured at fair value	Fair value	Income
Loans and receivables	Amortised cost	N/A
Available-for-sale assets	*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)	Equity (except for significant or lasting loss of value recognised in income)

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

This asset class includes:

- assets held for trading, *i.e.* acquired by the Company to obtain short-term gains;
- derivative instruments that are not expressly designated as hedging instruments.

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

Loans and receivables

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

For the Group, this 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 available-for-sale securities and are carried at fair value, with unrealised gains and losses recognised in equity, except for unrealised losses deemed material or lasting, which are recognised in the income statement.

The fair value is the market price when available. In the absence of a market price, the Group determines fair value by using various valuation techniques including OTC transactions, discounted Cash Flows and 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 are exposed to an immaterial risk of change in value (short-term deposits with an initial term of less than three months and euro-denominated money market funds classified in the AMF's "short-term money market fund" category).

Non-current financial assets

Change

In thousands of euros	Gross amount	Impairment	Net amount
Carrying amount at start of period	**33,838**	**1,233**	**32,606**
Additions	30,915		30,915
Repayments	-10,124		-10,124
Changes in scope	5,207		5,207
Other movements	-4,430	3	-4,433
CARRYING AMOUNT AT END OF PERIOD	**55,406**	**1,236**	**54,170**

Analysis

Available-for-sale investments				**31.12.2017**	**31.12.2016**
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		
Eternis		99	99		
Demeure Saint-Émilion	5%	105	105		
Bretagne Retraite		217		217	215
TOTAL AVAILABLE-FOR-SALE SECURITIES		**1,340**	**1,062**	**278**	**276**

Other non-consolidated equity investments	**31.12.2017**	**31.12.2016**
Other non-consolidated equity investments	22,410	
OTHER NON-CONSOLIDATED EQUITY INVESTMENTS	**22,410**	

Other non-consolidated equity investments at 31 December 2017 consist mainly of the most recent acquisitions in France (Âges & Vie) and Belgium (acquisition in December 2017 of an additional portfolio of eight new facilities from Senior Assist) which will be consolidated as of 1 January 2018.

Other non-current financial assets	**31.12.2017**	**31.12.2016**
Security deposits	31,469	31,313
Loans		
Other non-current securities	14	1,016
Total other non-current financial assets	**31,482**	**32,329**
Available-for-sale investments	278	276
Other non-consolidated equity investments	22,410	
TOTAL NON-CURRENT FINANCIAL ASSETS	**54,170**	**32,605**

Categories of financial assets

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

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

- Level 1: 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.

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Consolidated financial statements for the year ended 31 December 2017

In thousands of euros	2017	Financial assets available for sale	Financial assets recognised at fair value in income	Loans and receivables	Derivatives ineligible for hedge accounting	Cash Flow hedging derivatives	Impact of counterparty default risk – Credit Value Adjustment	Fair value measurement		
								Level 1: Active markets	Level 2: Observable data	Level 3: Non-observable data
Non-current assets										
Available-for-sale investments	22,688	22,688								22,688
Other non-current assets	31,482			31,482						
Financial assets	**54,170**	**22,688**		**31,482**						**22,688**
Current assets										
Trade receivables and related accounts	**191,219**			**191,219**						
Other receivables	210,347			210,347						
Deposits and guarantees	1,883			1,883						
Other receivables and current financial assets	**212,230**			**212,230**						
Derivative instruments – assets	**4,891**				**1**	**5,018**	**-128**		**4,891**	
Marketable securities	292,842		292,842					292,842		
Cash	217,747		217,747							
CASH AND CASH EQUIVALENTS	**510,589**		**510,589**					**292,842**		

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

Transfer and use of financial assets

In accordance with IAS 39, the Group derecognises financial assets when they are no longer expected to generate future Cash Flows and when most of the risks and rewards attached to them have been transferred.

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

Receivables assigned by the Italian subsidiaries are sold at their nominal value less an initial charge of between 0.3% and 0.6%, recorded in other expenses, to which interest at the EURIBOR rate plus a margin is added and recorded as a financial expense.

The total amount of receivables assigned and derecognised in 2017 was €119,876 thousand.

The disposal of these receivables in 2017 resulted in a loss of -€1,056 thousand.

Breakdown of receivable assigned during the year	**2017**	**1st quarter 2017**	**2nd quarter 2017**	**3rd quarter 2017**	**4th quarter 2017**
Receivables assigned	120,845	29,410	32,906	26,384	32,145
Receivables collected	120,932	29,172	32,419	27,106	32,235
Fees for management and recovery of assigned receivables	-509	-127	-128	-122	-132
Corresponding financial expense	-547	-149	-135	-144	-119
Gain/(Loss) on assignment	**-1,056**	**-276**	**-263**	**-266**	**-251**
NET CASH RECEIVED	**119,876**	**28,896**	**32,156**	**26,840**	**31,984**

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 (FIFO) method.

In thousands of euros	31.12.2017	31.12.2016
Gross amount	10,402	9,707
NET AMOUNT	**10,402**	**9,707**

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%
Azienda Sanitoria Locale (ASL) Italy			60%	100%
Italy municipalities		60%	100%	100%

In thousands of euros	31.12.2017	31.12.2016
Gross amount	225,995	201,201
Impairment	-34,777	-32,960
NET AMOUNT	**191,219**	**168,241**

The impairment of trade receivables using the statistical method is broken down in the table below:

In thousands of euros	Not due at 31.12.2017	Due at 31.12.2017					Total due at 31.12.2017
31.12.2017		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	24,453	40,051	8,413	8,465	4,719		86,100
Impairment of trade receivables	-		-2,340	-5,868	-4,719		-12,927
Net value of trade receivables – France	**24,453**	**40,051**	**6,072**	**2,596**			**73,173**
Germany							
Trade receivables	821	26,273	6,553	4,081	2,613	565	40,906
Impairment of trade receivables		-6	-1,599	-2,189	-2,613	-561	-6,968
Net value of trade receivables – Germany	**821**	**26,268**	**4,954**	**1,892**	**0**	**4**	**33,938**
Italy							
Trade receivables	29,414	4,935	1,449	2,200	3,022	9,642	50,662
Impairment of trade receivables		-133	-246	-1,543	-2,846	-8,714	-13,481
Net value of trade receivables – Italy	**29,414**	**4,802**	**1,203**	**658**	**176**	**928**	**37,181**
Belgium							
Trade receivables	42,494	4,335	688	468	343		48,327
Impairment of trade receivables		-403	-187	-468	-343		-1,401
Net value of trade receivables – Belgium	**42,494**	**3,932**	**501**	**0**	**0**		**46,927**
NET VALUE OF TRADE RECEIVABLES	**97,181**	**75,053**	**12,730**	**5,205**	**117**	**932**	**191,219**

The Group also has €63.1 million in security deposits that cover a portion of its trade receivables. The quantitative and qualitative analysis revealed no significant residual collection risk.

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**	**168,241**

Note 3.5 Other receivables and current assets

Other receivables and current assets consist of the following:

In thousands of euros	31.12.2017	31.12.2016
Tax receivables	66,052	112,526
Social security receivables	4,757	12,230
Advances and down payments	4,115	4,259
Prepaid expenses	25,402	22,983
Other debtors	110,020	71,391
Value of other receivables	**210,347**	**223,388**

In thousands of euros	31.12.2017	31.12.2016
Deposits and guarantees	430	1,184
Other non-current financial assets	1,453	3
Value of other current financial assets	**1,883**	**1,186**
TOTAL OTHER CURRENT FINANCIAL ASSETS (NET)	**212,230**	**224,575**

"Other receivables" consists mainly of accrued income and other receivables.

Note 3.6 Cash and cash equivalents

In thousands of euros	31.12.2017	31.12.2016
Marketable securities	292,842	91,532
Cash	217,747	218,343
TOTAL	**510,589**	**309,875**

Marketable securities comprise term deposits or euro-denominated open-ended investment funds with variable capital (SICAV) classified in the AMF's "short-term money market fund" category. Pursuant to IAS 7, they are highly liquid, readily convertible into known amounts of cash and subject to an 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).

2017 *In thousands of euros*	**France Lump-sum retirement benefit**	**France Long-service awards and bonuses**	**Italy TFR**	**Germany Long-service bonuses and pensions**	**Total**
A. Reconciliation of the provision					
Provision at 31.12.2016	**41,335**	**2,278**	**11,874**	**3,080**	**58,567**
Current service cost	5,228	317	361	64	5,969
Net interest expense	539	29	172	26	766
Benefits paid	-2,094	-183	-898		-3,175
Actuarial gains/(losses)	4,115	-311	149	2,430	6,383
Reclassifications					
Scheme amendment					
Change in consolidation scope			1,863		1,863
Provision at 31.12.2017	**49,123**	**2,130**	**13,520**	**5,600**	**70,373**
B. Accounting expense for 2017					
Current service cost	5,228	317	361	64	5,969
Curtailment gain	-1,832				-1,832
Net interest expense	539	29	172	26	766
Past service cost(1)				2,430	2,430
Actuarial gains/(losses)		-311			-311
Expense recognised	**3,935**	**35**	**532**	**2,520**	**7,022**
C. Reconciliation of obligations for 2016					
Obligation at 31.12.2016	**41,912**	**2,278**	**11,874**	**3,080**	**59,144**
Current service cost	5,228	317	361	64	5,969
Interest expense	547	29	172	26	774
Benefits paid	-2,094	-183	-898		-3,175
Actuarial gains/(losses)	3,895	-311	149	2,430	6,163
Reclassifications					
Scheme amendment					
Change in consolidation scope			1,863		1,863
Obligation at 31.12.2017	**49,487**	**2,130**	**13,520**	**5,600**	**70,737**
D. Reconciliation of hedging assets for 2017					
Market value of hedging assets at 31.12.2016	**-577**				**-577**
Return on hedging assets (interest income)	-8				-8
Benefits paid by hedge funds					
Actuarial gains/(losses)	220				220
Market value of hedging assets at 31.12.2017	**-365**				**-365**
E. Reconciliation of the financial position at 31.12.2017					
Obligation at 31.12.2017	**49,487**	**2,130**	**13,520**	**5,600**	**70,737**
Market value of hedging assets at 31.12.2017	-365				-365
Provision at 31.12.2017	**49,123**	**2,130**	**13,520**	**5,600**	**70,373**
F. Main assumptions					
Discount rate	1.30%	1.30%	1.30%	0.40%	
Salary growth rate	2.00%	Na	2.00%	1.60%	
Mortality table	TPGHF05/TPGH05		ISTAT 2013	2005T Klaus Heubeck	
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	42.9	42.9	45.9	44.0	
Obligation if a 0.5% increase in the discount rate	46,363	2,057	12,763	5,348	66,530
Obligation if a 0.5% decrease in the discount rate	52,019	2,209	14,349	5,852	74,429

(1) Newly consolidated entities held at the start of the period and scheme amendments.

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2016 *In thousands of euros*	France Lump-sum retirement benefit	France Long-service awards and bonuses	Italy TFR	Germany Long-service bonuses and 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		5,331
Net interest expense	690	38	228		956
Benefits paid	-1,609	-185	-735		-2,529
Actuarial gains/(losses)	1,517	153	642		2,313
Reclassifications				-354	-354
Scheme amendment				3,080	3,080
Change in consolidation scope	152		-17		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		5,331
Curtailment gain	-1,180				-1,180
Net interest expense	690	38	228		956
Past service cost(1)				3,080	3,080
Actuarial gains/(losses)		153			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		5,331
Interest expense	701	38	228		967
Benefits paid	-1,609	-185	-735		-2,529
Actuarial gains/(losses)	1,125	153	642		1,921
Reclassifications				-354	-354
Scheme amendment				3,080	3,080
Change in consolidation scope	152		-17		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 31.12.2015	**-957**				**-957**
Return on hedging assets (interest income)	-11				-11
Benefits paid by hedge funds					
Actuarial gains/(losses)	392				392
Market value of hedging assets at 31.12.2016	**-577**				**-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 31.12.2016	-577				-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%	Na	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.

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 vested on 31 March 2017 and the ownership of these shares was transferred to their beneficiaries, subject to their continued employment. Beneficiaries will also not be authorised to dispose of the shares thus received until 31 March 2019.

For foreign tax residents, these shares will vest on 31 March 2019 and may be freely disposed of.

At 31 December 2017, there were 8,832 free shares available under this plan, subsequent to the departure of certain beneficiaries in 2017.

When these departures are taken into consideration, the cost of the free share plan pursuant to IFRS standards is about €636 thousand (excluding social security charges) on 31 December 2017.

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. Beneficiaries will also not be authorised to dispose of the shares thus received until 31 March 2020.

For foreign tax residents, these shares will vest on 31 March 2020 and may be freely disposed of.

At 31 December 2017, there were 23,906 free shares available under this plan, subsequent to the departure of certain beneficiaries in 2017.

When these departures are taken into consideration, the cost of the free share plan pursuant to IFRS standards is €485 thousand (excluding social security charges) on 31 December 2017.

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 company agent 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 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

- 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 company agents and agents of related companies have to keep 25% of the shares they receive in payment for the performance units throughout their term of 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 at 31 December 2017 is €1,662 thousand (excluding social security charges).

The 2017 Free Shares Plan

On 18 July and 13 September 2017, with the authorisation granted by the General Meeting of 22 June 2017, the Board of Directors approved a free shares plan for certain members of General Management. This plan provides for the granting of up to 340,615 shares in the Company, subject to the achievement of performance conditions in respect of the market share price, EBITDA and revenue.

In accordance with the powers delegated by the Board of Directors, the Chief Executive Officer, after selecting the beneficiaries, noted that 334,095 shares in the Company were to be granted under this plan.

The granting of the free shares will vest and their ownership will be transferred to their beneficiaries on 4 August 2020 or on 13 September 2020, depending on the grant date, subject to continued employment. The shares thus granted may be freely disposed of.

At 31 December 2017, there were 334,095 free shares available under this plan.

The cost of the free share plan pursuant to IFRS standards is €4,504 thousand (excluding social security charges) at 31 December 2017.

In thousands of euros	**2014 Free share plan**	**2015 Free share plan**	**2016 Performance units plan**	**2017 Free share plan**	**Total**
A. Plan characteristics					
Type of options/shares	Free	Free	Free	Free	
Conditions	With condition	With condition	With condition	With condition	
Vesting date	31-mars-17	31-mars-18	30-juin-19	04-août-20	
Accounting expense for 2017 excluding social security charges	**-522**	**84**	**511**	**759**	**832**
B. IFRS 2 measurement					
Share price on the grant date	27.15	30.00	31.70	31.60	
Expected volatility	22.3%	24.6%	29.8%	28.8%	
Annual dividend	0.54	0.60	0.60	0.60	
Risk-free interest rate	0.2%	0.1%	-0.6%	-0.5%	
IFRS 2 fair value of plan excluding social security charges(1)	**636**	**485**	**1,662**	**4,504**	**7,288**
Equity settled component	*636*	*485*	*996*	*4,504*	
Cash settled component	*0*	*0*	*667*	*0*	

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

Non-current provisions

In thousands of euros	Tax	Social contributions	Other	Total
Opening balance	**73,800**	**10,801**	**55,599**	**140,200**
Allowances	3,290	17,480	5,382	26,151
Used	-2,120	-5,727	-11,138	-18,985
Reversals	1,581	-5,565	-5,880	-9,864
Changes in scope	-1,642	37	-54	-1,659
Reclassifications	-7,739	32,959	-7,185	18,034
CLOSING BALANCE	**67,169**	**49,986**	**36,724**	**153,878**

Current provisions

In thousands of euros	Tax	Social contributions	Other	Total
Opening balance	**542**	**11,127**	**1,885**	**13,555**
Allowances	1,207	1,030		2,236
Used	-1,834	-1,173		-3,007
Reversals				
Changes in scope		1,079		1,079
Reclassifications	180		-2,383	-2,203
CLOSING BALANCE	**95**	**12,063**	**-498**	**11,660**

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").

Tax disputes

Provisions for tax disputes provide a reserve against tax adjustments and tax disputes for which the amounts have been contested. The provisions represent the best estimate of the risk at 31 December 2017.

Employee-related disputes

The provisions set aside cover employee disputes and employment termination benefits. No individual dispute represents a significant 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.

In thousands of euros	31.12.2017	31.12.2016
Borrowings from credit institutions and financial markets	1,519,923	1,705,253
Real estate debt	976,113	735,675
Employee profit sharing	40	41
Other financial liabilities	1,742	1,253
Long-term financial liabilities	**2,497,818**	**2,442,222**
Short-term borrowings from credit institutions and financial markets	61,142	3,311
Short-term real estate debt	154,719	102,260
Bank overdrafts and advances	6,787	15,614
Other short-term financial liabilities	130,292	61,830
Short-term financial liabilities	**352,940**	**183,014**
Financial liabilities (A)	**2,850,758**	**2,625,236**
Marketable securities	292,842	91,532
Cash	217,747	218,343
Cash (B)	**510,589**	**309,875**
Cash provided as collateral (C)		
NET DEBT (A) - (B) - (C)	**2,340,169**	**2,315,361**

Breakdown of borrowings by interest rate category

In thousands of euros		31.12.2017	31.12.2016
Fixed rate	54%	1,540,869	1,258,346
Variable rate	46%	1,309,889	1,366,890
TOTAL		**2,850,758**	**2,625,236**

At 31 December 2017, the share of the Group's indebtedness at variable interest rates totalled 46% of borrowings. The Group uses standard derivative financial instruments (interest rate swaps, caps, floors, *etc.*) to hedge against fluctuations in interest rates.

Including financial instruments classified as Cash Flow hedges, 65% of variable-rate borrowings were hedged at 31 December 2017.

Debt secured by guarantees such as collateral, a mortgage or lease accounted for 18.0% of gross borrowings.

Change in borrowings [1]

In thousands of euros	31.12.2016	New borrowings	Repayments	Changes in scope	Other	31.12.2017	Current	Non-current
Borrowings	2,546,499	207,256	-245,104	206,609	-3,364	2,711,897	215,861	2,496,036
Employee profit sharing	41					40		40
Loans and other borrowings	63,083	129,104	-62,316	1,803	360	132,034	130,292	1,742
TOTAL BORROWINGS	**2,609,623**	**336,360**	**-307,420**	**208,412**	**-3,004**	**2,843,971**	**346,153**	**2,497,818**
Of which non-current	2,442,222	171,803	-26,227	197,001	-286,981	2,497,818		
Of which current	167,401	164,557	-281,193	11,410	283,977	346,153		

In thousands of euros	New borrowings in 2017	Cash	Non-cash	Repayments in 2017	Cash	Non-cash
Borrowings	207,256	167,150	40,106	-245,104	-245,104	0
Employee profit sharing						
Loans and other borrowings	129,104	115,397	13,707	-62,316	-51,176	-11,140
Other financial liabilities						
TOTAL BORROWINGS	**336,360**	**282,547**	**53,813**	**-307,420**	**-296,280**	**-11,140**

Breakdown of borrowings by maturity

In thousands of euros	31.12.2017	31.12.2016
< 1 year	352,940	183,014
1 to 5 years	1,654,200	1,612,998
> 5 years	843,618	829,224
TOTAL	**2,850,758**	**2,625,236**

Change in the Group's indebtedness at 31 December 2017

On 31 December 2017 the net debt was €2,340 million, which is €25 million more than on 31 December 2016.

Net financial debt, excluding real estate debt, was €1,209 million, vs. €1,478 million on 31 December 2016. This decrease includes the positive effect of the issuance of €300 million in hybrid bonds at the end of June 2017. This has enabled Korian to diversify its sources of funding and strengthen its financial flexibility in view of accelerating its strategy of growth through targeted bolt-on acquisitions.

The increase in real estate debt from €838 million at the end of 2016 to €1,131 million on 31 December 2017 is attributable to the increase in the property ownership ratio, in accordance with the Group's strategy, and to the consolidation of the acquisitions made in Belgium in 2017.

This gives Korian a net debt over EBITDA ratio (adjusted for real estate debt) of 3.2, which is well below the 4.5 maximum allowed at 31 December 2017 under the financial covenants.

The syndicated loan and the *Schuldschein* and Euro PP bonds are subject to banking covenants. Banks and bond-holders are informed of the evolution of the covenant criteria respectively semi-annually and annually.

(1) Excluding bank overdrafts and advances for €6,787 thousand.

At 31 December 2017, excluding bank overdrafts and advances, the Group's gross borrowings consisted of:

- a €500 million syndicated loan;
- €1,021 million in bonds placed with private investors;
- €115 million in short-term negotiable securities;
- €77 million in other borrowings;
- €1,131 million in real estate debt, consisting mainly of operating and finance leases with long maturities.

The Group had €504 million in net cash at the end of the year.

Sensitivity analysis of financial expenses

When hedging instruments are taken into account, financial expenses at the balance sheet date 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 €0.9 million;
- a 0.5% decrease (50 basis points) would increase the Group's financial expense by €0.3 million.

Hedging financial 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 derivative financial instruments are measured at fair value, which is determined by using valuation models that incorporate market parameters at the 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.

The market value of instruments that were purchased to hedge interest rate risk at 31 December 2017 is -€7,815 thousand, after adjustment for counterparty default risk.

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

- the effect of a 0.5% (50 basis points) increase in interest rates would increase the market value to €6,122 thousand;
- the effect of a 0.5% (50 basis points) decrease in interest rates would decrease the market value to -€20,632 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 2017 for each category of financial instrument.

In thousands of euros	Impact on equity	Impact of hedging on profit or loss	Impact of undocumented items on profit or loss	Impact of counterparty default risk
Financial instruments eligible for hedge accounting	7,478	-55		
Financial instruments ineligible for hedge accounting			988	
TOTAL	**7,478**	**-55**	**988**	**346**

Assets	31.12.2016	Newly consolidated companies	Deconsolidated companies	Change	31.12.2017
Interest rate swaps	1,500			808	2,309
Options				2,710	2,710
Total hedging instruments – Assets	**1,500**			**3,518**	**5,018**
Interest rate swaps					
Options				1	1
Total ineligible financial instruments – Assets				**1**	**1**
Total impact of counterparty default risk – Credit Value Adjustment				**-128**	**-128**
TOTAL FINANCIAL INSTRUMENTS – ASSETS	**1,500**			**3,391**	**4,891**

Liabilities	31.12.2016	Newly consolidated companies	Deconsolidated companies	Change	31.12.2017
Interest rate swaps	15,844			-3,905	11,939
Options	453			-453	
Total hedging instruments – Liabilities	**16,297**			**-4,358**	**11,939**
Interest rate swaps	1,775			-826	949
Options				292	292
Total ineligible financial instruments – Liabilities	**1,775**			**-534**	**1,241**
Total impact of counterparty default risk – Debit Value Adjustment				**-474**	**-474**
Total financial instruments – Liabilities	**18,072**			**-5,366**	**12,706**
NET TOTAL	**16,572**			**-8,756**	**7,815**

Categories of financial liabilities

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

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

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

In thousands of euros	2017	Financial liabilities at amortised cost	Financial liabilities at fair value through P&L		Cash Flow hedging derivatives	Impact of counterparty default risk – Debit Value Adjustment	Fair value measurement		
			Fair-value hedging instruments	Derivatives ineligible for hedge accounting			Level 1: Active markets	Level 2: Observable data	Level 3: Non-observable data
Non-current liabilities									
Loans from credit institutions	1,519,923	1,519,923							
Funding of real estate debt	976,113	976,113							
Employee profit sharing	40	40							
Other financial liabilities	1,742	1,742							
Borrowings and financial debt	**2,497,818**	**2,497,818**							
Current liabilities									
Loans from credit institutions	61,142	61,142							
Funding of real estate debt	154,719	154,719							
Bank overdrafts and advances	6,787	6,787							
Other financial liabilities	130,292	130,292							
Borrowings < 1 year and bank overdrafts	**352,940**	**352,940**							
Derivative instruments – liabilities	**12,706**			**1,241**	**11,939**	**-474**		**12,706**	
Trade payables and related accounts	**267,333**	**267,333**							
Commitment to buy out non-controlling interests	1,109	1,109							
Residents' deposits	63,074	63,074							
Other liabilities	576,764	576,764							
Other liabilities and accruals	**640,946**	**640,946**							

The accounting value of financial liabilities is equal to 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	31.12.2017	31.12.2016
Trade payables	267,333	250,496
TOTAL	**267,333**	**250,496**

Other liabilities and accruals	31.12.2017	31.12.2016
Residents' deposits	63,074	63,471
Commitment to buy out non-controlling interests	1,109	1,109
Suppliers of non-current assets	46,416	51,158
Advances and down payments on orders	20,251	8,125
Tax liabilities	64,330	105,693
Social security liabilities	236,698	233,586
Dividends payable	22	25
Other liabilities	148,370	132,020
Deferred income	60,676	82,851
TOTAL	**640,946**	**678,039**

Other liabilities include €102.8 million in unfavourable contracts, which were valued when allocating the acquisition prices for the acquired entities.

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 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 services provided in connection with the accommodation and care of residents, regardless of the origin of the payment.

It is recognised as services are provided.

Personnel expenses

In thousands of euros	31.12.2017	31.12.2016
Wages and salaries	1,209,646	1,127,019
Social security contributions	404,919	382,169
Employee profit sharing	15,298	9,716
Other personnel expenses	-13,390	-14,321
PERSONNEL EXPENSES	**1,616,472**	**1,504,582**

External expenses

External expenses totalled €734,538 thousand in 2017 and included €380,710 thousand in property and equipment leasing expenses. In 2016, external expenses amounted to €727,773 thousand and included €374,973 thousand in property and equipment leasing expenses.

External expenses in Italy totalled €172,845 thousand. This includes payroll expenses invoiced by cooperatives.

Note 4.2 Operating sectors

Operating sectors

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

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

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

The 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 31.12.2017 *In thousands of euros*	**Total of all activities**	**France**	**Germany**	**Belgium**	**Italy**
Revenue and other income	**3,135,169**	**1,583,396**	**882,132**	**362,563**	**307,078**
EBITDAR (1)	**820,939**	**435,568**	**220,562**	**93,048**	**71,761**
	26.2%	*27.5%*	*25.0%*	*25.7%*	*23.4%*
Transition from EBITDAR to operating income at 31 December 2017:					
EBITDAR	**820,939**				
External rental payments	380,710				
Depreciation, amortisation and provisions	157,029				
Gain/(loss) on acquisition and disposal of consolidated entities	-2,959				
Other operating income and expenses	3,062				
Operating income	**283,303**				

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**				
External rental payments	374,973				
Depreciation, amortisation and provisions	155,954				
Gain/(loss) on acquisition and disposal of consolidated entities	-896				
Other operating income and expenses	-24,456				
Operating income	**240,919**				

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

Note 4.3 "Other operating income" and "Other operating expenses"

These items represent the impact of major events during the accounting period that could skew the interpretation of the performance, particularly of EBITDAR, the Group's preferred indicator for financial 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 property, plant and equipment;
- certain restructuring or merger expenses, consisting solely of restructuring costs that may distort current operating income due to their unusual nature and size;
- other operating income and expenses such as substantial provisions to cover disputes.

Gain/(Loss) on acquisition and disposal of consolidated entities

In thousands of euros	31.12.2017	31.12.2016
Securities acquisition costs	-2,959	-2,202
Gain/(loss) on disposal of consolidated entities		1,306
GAIN/(LOSS) ON ACQUISITION AND DISPOSAL OF CONSOLIDATED ENTITIES	**-2,959**	**-896**

Other operating income and expenses

In thousands of euros	31.12.2017	31.12.2016
Share of sale and leaseback gain	3,837	3,837
Gain/(loss) on disposal of non-current assets	-354	-640
Other operating income/Other operating expenses	-421	-27,653
TOTAL INCOME (EXPENSES)	**3,062**	**-24,456**

Note 4.4 Net financial income

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

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

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

In thousands of euros	31.12.2017	31.12.2016
Cost of gross debt	**-98,448**	**-88,577**
Income from cash and cash equivalents	18	456
Cost of net debt	**-98,430**	**-88,121**
Cost of hedging	-6,598	-7,428
Bank fees and commissions	-7,412	-6,339
Impact of restructuring and hedging	-297	-6,987
Capitalised financial expenses – borrowing costs and issue premiums	-5,911	-12,491
Other financial expenses	-5,630	-5,080
Other financial income	3,740	3,103
Other financial items	**-22,107**	**-35,223**
NET FINANCIAL INCOME	**-120,537**	**-123,344**

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.

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 2017, the temporary differences of French, Belgian and Italian entities were recorded at the rates most recently voted:

- in France: at 25.83%, effective in 2022;
- in Italy: at 27.90% since 1 January 2017;
- in Belgium: at 25.00%, effective in 2020.

The corporate tax rates in Germany were 15.3% or 30.33% depending on the type of company.

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 €36,754 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	31.12.2017	31.12.2016
Current taxes	-68,909	-57,579
Deferred tax	72,474	73,162
INCOME TAX EXPENSE/(INCOME)	**3,564**	**15,583**

In accordance with IFRS rules, the income tax expense at 31 December 2017 includes a net charge of €9,711 thousand for the CVAE.

Reconciliation between the actual and the theoretical income tax expense

In thousands of euros	31.12.2017	31.12.2016
Net profit/(loss) attributable to the Group's owners	163,324	131,293
Non-controlling interests	3,007	1,865
Income tax expense	-3,564	-15,583
Profit/(loss) before tax	**162,766**	**117,575**
Theoretical tax rate	34.43%	34.43%
Theoretical income tax expense	**56,040**	**40,481**
Permanent differences	-2,481	6,435
Impact of non-deductible financial expenses	4,820	6,011
Tax losses for the year not activated	2,681	2,632
Use of tax losses not activated	-1,840	-1,248
Adjustment of prior-year deferred taxes	2,419	-625
Tax at the reduced rate	-161	-310
Income tax of foreign companies	-439	-45
Impact of CVAE net of tax in France	6,367	11,855
Impact of CICE in France	-12,662	-10,595
Impact of IRAP in Italy	833	734
Impact of tax-exempt earnings	6,487	4,536
Difference between parent Group and subsidiary tax rates	1,910	-899
Reassessment of the recoverability of tax losses		8,682
Impact of the corporate tax rate change in the future	-67,538	-83,229
ACTUAL TAX EXPENSE	**-3,564**	**-15,583**
Effective tax rate	*-2.19%*	*-13.25%*

Permanent differences

In thousands of euros	31.12.2017	31.12.2016
Other non-deductible and non-taxable income and expense	-2,958	6,098
Share of costs and expenses	477	337
TOTAL	**-2,481**	**6,435**

Net change in deferred taxes

In thousands of euros	31.12.2017	31.12.2016
Balance at start of period	**490,578**	**541,861**
Expense/(income)	-72,474	-73,162
Change in consolidation scope	8,312	20,447
Charged to equity	-1,821	1,051
Other changes	-1,024	380
CLOSING BALANCE	**423,571**	**490,578**

Breakdown of deferred taxes

In thousands of euros	31.12.2017	31.12.2016
Intangible assets	386,107	462,185
Property, plant and equipment	161,581	166,712
Temporary differences on CVAE	6,977	7,119
Financial instruments	-2,612	-5,409
Tax loss carry-forwards	-4,971	-4,103
Pension provisions	-13,618	-13,100
Other provisions	-8,020	-2,743
Other temporary differences	-16,939	-17,182
Other assets/liabilities	-84,933	-102,902
TOTAL	**423,571**	**490,578**

Note 4.6 Earnings per share

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

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

	31.12.2017	31.12.2016
Net profit/(loss) attributable to the Group's owners ***(in thousands of euros)***	163,324	131,293
Weighted average number of shares ***(in thousands)***	80,550	80,550
Earnings per share ***(in euro)***	**2.03**	**1.63**
Net profit/(loss) attributable to the Group's owners ***(in thousands of euros)***	163,324	131,293
Weighted average number of shares ***(in thousands)***	80,550	80,550
Adjustments for stock options	3,248	3,248
Average number of shares used for calculation of diluted earnings per share	83,797	83,797
DILUTED EARNINGS PER SHARE *(IN EURO)*	**1.95**	**1.57**

NOTE 5
Additional information

Note 5.1 Related-party transactions

Korian's policy for the compensation of its Company Officers 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 Company Officers is determined by the Board of Directors on the recommendation of the Appointments and Compensation Committee.

In euros	31 December 2017 Amounts paid	31 December 2016 Amounts paid
Chief Executive Officer as of 26 January 2016		
Fixed annual compensation	450,000	420,000
Variable annual compensation(1)	483,000	
Benefits in kind	6,229	
TOTAL	**939,229**	**420,000**
Chief Executive Officer from 1 January to 18 November 2015		
Variable annual compensation(1)		105,863
TOTAL		**105,863**
Chairman & CEO from 1 to 26 January 2016 and Chairman of the Board since 26 January 2016		
Fixed annual compensation	345,000	352,000
Exceptional compensation		3,208
TOTAL	**345,000**	**355,208**

(1) For the past fiscal year, 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	31.12.2017	31.12.2016
Net accounting value of assets under financial leases	**939,754**	**724,455**
Leasing commitments by term:		
• less than 1 year	69,561	50,197
• from 1 to 5 years	266,224	231,153
• more than 5 years	586,596	437,511
TOTAL COMMITMENTS	**922,381**	**718,861**

Operating leases

In thousands of euros	31.12.2017	31.12.2016
Minimum non-cancellable lease payments due		
• less than 1 year	358,291	362,422
• from 1 to 5 years	1,196,890	1,245,103
• more than 5 years	1,920,274	2,021,116
TOTAL COMMITMENTS	**3,475,455**	**3,628,642**

Note 5.4 Dividends approved and proposed

	Per share *(in euro)*	Total *(in thousands of euros)*
Total payout in 2017 (for fiscal year 2016)	0.60	48,109
DIVIDENDS PROPOSED TO THE 2018 GENERAL MEETING (FOR FISCAL YEAR 2017)	**0.60**	**48,592**

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 2017 fiscal year for all consolidated companies.

	Mazars				Ernst & Young			
	Amount (net of tax)		%		Amount (net of tax)		%	
In thousands of euros	2017	2016	2017	2016	2017	2016	2017	2016
Statutory auditor								
Certification, review of individual and consolidated financial statements:								
• Issuer	223	261	15%	16%	223	261	16%	17%
• Fully consolidated companies	1,026	1,043	69%	65%	1,144	1,263	83%	83%
Sub-total	**1,249**	**1,304**	**84%**	**81%**	**1,367**	**1,524**	**99%**	**100%**
Other services	230	313	16%	19%	11	3	1%	0%
Sub-total	**230**	**313**	**16%**	**19%**	**11**	**3**	**1%**	**0%**
TOTAL	**1,479**	**1,617**	**100%**	**100%**	**1,378**	**1,527**	**100%**	**100%**

Note 5.6 Post balance sheet events

No significant events have occurred since 1 January 2018.

Note 5.7 The Group's consolidated entities

All of the German subsidiaries listed below and which are included on the consolidated balance sheet are, in accordance with articles 264 paragraph 3 and 264b of the German Code of Commerce (*Handelsgesetzbuch* – HGB), exempt from the obligation under article 325 of said Code to publish individual and consolidated accounts for fiscal year 2017.

	31.12.2017		31.12.2016			
Company Name	**% control**	**% interest**	**% control**	**% interest**	**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	Zone Industrielle – 25870 DEVECEY
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
SCI KORIAN BEZONS IMMOBILIER	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SCI KORIAN LA COTONNADE IMMOBILIER	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SCI KORIAN LES CATALAUNES IMMOBILIER	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SCI KORIAN LE GRAND PARC IMMOBILIER	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SCI KORIAN LIVRY-SULLY IMMOBILIER	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SCI KORIAN LES RESTANQUES IMMOBILIER	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SCI KORIAN MORNAY IMMOBILIER	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS

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	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
SCI KORIAN ONCOPÔLE TOULOUSE	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SCI KORIAN PARC DES DAMES IMMOBILIER	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SCI KORIAN VILLA AMARELLI IMMOBILIER	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SCI HOLDING IMMOBILIÈRE	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SAS KORIAN IMMOBILIER ALLEMAGNE 1	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SAS KORIAN IMMOBILIER ALLEMAGNE 2	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SAS KORIAN IMMOBILIER ALLEMAGNE 3	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SAS KORIAN IMMOBILIER ALLEMAGNE	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
SAS KORIAN IMMOBILIER FRANCE	100.0	100.0			IG	21-25, rue Balzac – 75008 PARIS
LA BASTIDE DE LA TOURNE	100.0	100.0	100.0	100.0	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
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 GÉRONTOLOGIQUE 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

	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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
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

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	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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
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'ALIZE	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 FRANCOIS 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 VERNEDE	100.0	100.0	100.0	100.0	IG	Allée de Roncevaux – 31240 L'UNION

	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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	Merger in Les Flots	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	TUP in Korian Santé	40-52, rue Stéhélin – 33200 BORDEAUX
PS3			100.0	100.0	TUP in Korian Santé	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	40-52, rue Stéhélin – 33200 BORDEAUX
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
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-CÔME 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

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Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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
SERIENCE 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	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 AÎNÉS DU LAURAGAIS	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 DEVECEY
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-LÈS-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

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Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
CLINIQUE DE SANTÉ MENTALE DE PIÉTAT	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
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 – 31000 TOULOUSE
KORIAN TAMIAS	91.8	91.8	91.8	91.8	IG	18, rue de Boussy – 91480 QUINCY-SOUS-SENART
KORIAN LES ROSES	91.8	91.8	91.8	91.8	IG	95, avenue des Prés-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
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	100.0	100.0	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 XXe	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

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Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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-GELY-DU-FESC
LA PÂQUERIE	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'OLONNES
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
LE MÔLE 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 ESPINASSES
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	Lieudit 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

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Company Name	% **control**	% **interest**	% **control**	% **interest**	**Method**	**Head Office**
RÉSIDENCE CLAUDE DEBUSSY	100.0	100.0	100.0	100.0	IG	44b, 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 GÂTINAIS	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-FRANCOIS DU LAS	100.0	100.0	100.0	100.0	IG	Rue David, quartier Valbertrand – 83200 TOULON
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-LÈS-LAVAL
KORIAN LES MOUSSIÈRES	100.0	100.0	100.0	100.0	IG	Lieudit Le Bourg – 69700 ECHALAS
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

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Company Name	**% control**	**% interest**	**% control**	**% interest**	**Method**	**Head Office**
L'AMARYLLIS	100.0	100.0	100.0	100.0	IG	700, chemin de Lançon, Résidence du Gourd – 83110 SANARY-SUR-MER
LES DOYENNES (LE PLATANE DU GRAND PARC)	100.0	0.0	100.0	0.0	IG	91, cours Maréchal-de-Lattre-de-Tassigny – 33210 LANGON
LES DOYENNES (LE DOYENNÉ DE LANGON)	100.0	0.0	100.0	0.0	IG	17, rue des Généraux-Duchés – 33300 BORDEAUX
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	21-25, rue Balzac – 75008 PARIS
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	21-25, rue Balzac – 75008 PARIS
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
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
SCI CHAMBERY JORCIN	100.0	100.0	100.0	100.0	IG	21-25, rue Balzac – 75008 PARIS
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

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Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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
SCI CENTRE MÉDICAL DES ALPILLES	100.0	100.0	100.0	100.0	IG	21-25, rue Balzac – 75008 PARIS
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 LES TROIS CHEMINS	100.0	100.0	100.0	100.0	IG	2, rue de la Gruche – 86120 LES TROIS MOUTIERS

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Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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	33830BELIN BELIET
ALEXMAR	100.0	100.0	100.0	100.0	IG	Rue David, quartier Valbertrand – 83200 TOULON
SNC 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	24, rue Victor-Hugo – 10440 LA RIVIÈRE-DE-CORPS
KORIAN JARDINS D'HUGO	100.0	100.0	100.0	100.0	IG	24, rue Victor-Hugo – 10440 LA RIVIÈRE-DE-CORPS
LE CLOS DE L'ORCHIDÉE	100.0	100.0	100.0	100.0	IG	Le Rubis, 165, avenue Galilée, Parc de la Duranne III – 13857 AIX-EN-PROVENCE
SOCIÉTÉ DU CHÂTEAU DE LORMOY	100.0	100.0	100.0	100.0	IG	Zone Industrielle – 25870 DEVECEY
CASA REHA HOLDING GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
CASA REHA BETRIEBS- UND BETEILIGUNGSGESELLSCHAFT MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
PROVITA HEIMBETRIEBSGESELLSCHAFT MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SENIORENHEIM LEHNDORFER HOF GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SENIOREN DSC GMBH DIENSTLEISTUNGS- UND SERVICE CENTER	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
HAUS ALTKÖNIG HEIMBETRIEBSGESELLSCHAFT MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
CASA REHA HEIMBETRIEBSGESELLSCHAFT MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SENIORENRESIDENZ AM ERLENHOFSEE BETRIEBSGESELLSCHAFT MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SENIORENPFLEGEHEIM GMBH BAD NEUSTADT A.D. SAALE	100.0	75.0	100.0	75.0	IG	Waldweg 2, 97616 Bad NEUSTADT A.D.SAALE
F & B SENIOREN-CENTER GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
S & K TEXTIL SENIOREN DIENSTLEISTUNGS-CENTER GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL

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Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
NON-FOOD HANDELSGESELLSCHAFT KARLSRUHE FÜR SENIORENBEDARF MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
CASA REHA ALTENPFLEGEHEIM GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
CASA REHA VIII IMMOBILIENVERWALTUNGSGESELLSCHAFT OBJEKT LOLLAR MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
CASA REHA IX IMMOBILIEN BETEILIGUNGSGESELLSCHAFT OBJEKT LOLLAR MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
CASA REHA VIII IMMOBILIENGESELLSCHAFT OBJEKT LOLLAR MBH & CO.KG	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
XXIV.CASA REHA IMMOBILIENVERWALTUNGSGESELLSCHAFT MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
XXVIII.CASA REHA IMMOBILIENVERWALTUNGSGESELLSCHAFT MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
XX.CASA REHA VERWALTUNGS- UND IMMOBILIENERWERBS GMBH & CO.KG	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
CASA REHA SENIORENPFLEGEHEIM GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT BETRIEBS- UND BETEILIGUNGS GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT BARBARAHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT CHARLOTTENHOF BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT CHRISTINENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT DOROTHEENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT HERMINENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT LORETTAHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT MARIETTENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT CÄCILIENHOF BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT FRIEDERIKENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT HELENENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT LUISENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL

3 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
SOZIALKONZEPT MAGDALENENHOF BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT MARIENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT IM ROSENPARK GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT SCHULZE-KATHRINHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT SOPHIENHOF GMBH BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT KATHARINENHOF BETRIEBSGESELLSCHAFT SOZIALER EINRICHTUNGEN MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
GO DRACHENFELSSEE 506.V V GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
GO DRACHENFELSSEE 510.V V GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
ALTER EGO SIEBENUNDVIERZIGSTE BETEILIGUNGSGESELLSCHAFT MBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOTEC GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIALKONZEPT BETEILIGUNGS GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SERVEX DIENSTLEISTUNGS GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
SOZIAL SERVICE EINRICHTUNGS- UND GESCHÄFTSBESORGUNGS GMBH	100.0	100.0	100.0	100.0	IG	Gablonzer Straße 35, 61440 OBERURSEL
AFARIA GRUNDSTÜCKSVERWALTUNGSGESELLSCHAFT MBH & CO.OBJEKT LOLLAR KG WIESBADEN	10.0	94.0	10.0	94.0	IG	Wilhelm-Theodor-Römheld-Straße 30, 55130 MAINZ
ASTELLA GRUNDSTÜCKSVERWALTUNGSGESELLSCHAFT MBH & CO.VERMIETUNGS KG WIESBADEN	10.0	94.0	10.0	94.0	IG	Wilhelm-Theodor-Römheld-Straße 30, 55130 MAINZ
APARMA GRUNDSTÜCKSVERWALTUNGSGESELLSCHAFT MBH & CO.VERMIETUNGS KG WIESBADEN	10.0	94.0	10.0	94.0	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	100.0	100.0	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

	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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
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

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Consolidated financial statements for the year ended 31 December 2017

	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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
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

	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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
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	0.0	0.0	100.0	100.0	Fusion in CURANUM AG	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
SEGESTA SPA	100.0	100.0	100.0	100.0	IG	Viale Cassala 16, 20143 MILANO
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

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	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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 Napoli 234/I, 70050 BARI
AUREA SALUS SRL	100.0	100.0	100.0	100.0	IG	Via Napoli 234/I, 70050 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	70.0	70.0	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
FRATESOLE SRL CLIN	100.0	100.0			IG	Località San Romolo, 50063 FIGLINE E INCISA VAL D'ARNO (Fi)
IL RONCO SRL	100.0	100.0			IG	Via del Carmine 21, 22022 CASASCO D'INTELVI (Co)
IMMOBILIARE MACOTTE	100.0	100.0			IG	Località San Romolo, 50063 FIGLINE E INCISA VAL D'ARNO (Fi)
NATIVITAS	100.0	100.0			IG	Viale Cassala 16, 20143 MILANO
RSA FRATESOLE SRL	100.0	100.0			IG	Località San Romolo, 50063 FIGLINE E INCISA VAL D'ARNO (Fi)
SOGEMI SRL	100.0	100.0			IG	Strada Provinciale Noci-Castellaneta S.C. Km 10, 70015 NOCI (Ba)
ZONNEWEELDE	100.0	100.0	100.0	100.0	IG	Lange Dreef 50 2820 BONHEIDEN

	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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	100.0	100.0	IG	Aniciusplein 9 3700 TONGEREN
SENIORENRESIDENTIE AURORA	100.0	100.0	100.0	100.0	IG	Acaciastraat 6A 2440 GEEL
BERCKENBOSCH NV	100.0	100.0	100.0	100.0	IG	Acaciastraat 6A 2440 GEEL
BEERZELFLATS VZW	100.0	100.0	100.0	100.0	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
HOME EKSTERVELD	100.0	100.0	100.0	100.0	IG	Putsesteenweg 271 2820 BONHEIDEN
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	100.0	100.0	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	100.0	100.0	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	100.0	100.0	IG	Lenniksebaan 792, 1070 BRUSSEL

3 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Consolidated financial statements for the year ended 31 December 2017

	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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 MÉLOPÉE	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	100.0	100.0	IG	Acaciastraat 6A 2440 GEEL
PRODINVEST BVBA	100.0	100.0	100.0	100.0	IG	Pollenusstraat 32 3510 KERMT
FOYER GROEP COMM VA	100.0	100.0	100.0	100.0	IG	Acaciastraat 6A 2440 GEEL
FDL GROUP COMM VA	100.0	100.0	100.0	100.0	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 CHENÉE
RÉSIDENCE BÉTHANIE	100.0	100.0	100.0	100.0	IG	Chaussée de Waterloo 146 5002 NAMUR SAINT-SERVAIS
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 – ANHÉE
RESIDENTIE KASTEELHOF	100.0	100.0	100.0	100.0	IG	Steenweg van Aalst 110 9200 DENDERMONDE
RÉSIDENCE LE PROGRÈS	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	100.0	100.0	IG	Acaciastraat 6A 2440 GEEL
RESIDENTIE ROMANA	100.0	100.0	100.0	100.0	IG	Romeinsesteenweg 743 1000 BRUSSEL

	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
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	Chaussee 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 EGHEZÉE
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 VI)
DAMIEN/HÉRIS SÉNISERVICES SA	100.0	100.0			IG	rue Père Damien 16, 7090 BRAINE-LE-COMTE
MAISON DE XX AOÛT SA	100.0	100.0			IG	Chaussee Brunehault 404 4041 HERSTAL
ONAFHANKELIJKE THUISZORG VLAANDEREN	100.0	100.0			IG	Overwinningstraat 133-135, 2830 WILLEBROEK
PLAZA CATERING	100.0	100.0			IG	Overwinningstraat 133-135, 2830 WILLEBROEK
LES RÉCOLLETS SA	100.0	100.0			IG	rue de Merbes 333, 7133 BUVRINNES
RESIDENTIE SENIORPLAZA	100.0	100.0			IG	Overwinningstraat 133-135, 2830 WILLEBROEK

3 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Consolidated financial statements for the year ended 31 December 2017

	31.12.2017		31.12.2016			
Company Name	% control	% interest	% control	% interest	**Method**	**Head Office**
SENIOR ASSIST HOME CARE	100.0	100.0			IG	Overwinningstraat 133-135, 2830 WILLEBROEK
SENIORPLAZA CONCEPT	100.0	100.0			IG	Overwinningstraat 133-135, 2830 WILLEBROEK
SENIORPLAZA INVEST	100.0	100.0			IG	Overwinningsstraat 133-135, 2830 WILLEBROEK
RESIDENTIE OASE	100.0	100.0			IG	Tramlaan 14 Wolvertem Vlaams-Brabant
OTV DIENSTEN & SERVICE	100.0	100.0			IG	Overwinningstraat 133-135 WILLEBROEK ANTWERPEN
ONAFHANKELIJKE THUISZORG DIENSTENGROEP	100.0	100.0			IG	Overwinningstraat 133-135 WILLEBROEK ANTWERPEN
ONAFHANKELIJKE THUISVERPLEGING	100.0	100.0			IG	Overwinningstraat 133-135 WILLEBROEK ANTWERPEN
SOCIAAL CENTRUM VAARTLAND KLEIN-BRABANT	100.0	100.0			IG	Overwinningstraat 133-135 WILLEBROEK ANTWERPEN
SENIORPLAZA	100.0	100.0			IG	Overwinningsstraat 133 WILLEBROEK ANTWERPEN
ONAFHANKELIJKE THUISZORG VAARTLAND	100.0	100.0			IG	Overwinningstraat 133-135 WILLEBROEK ANTWERPEN
ONAFHANKELIJKE THUISZORG VERENIGINGEN	100.0	100.0			IG	Overwinningstraat 133-135 WILLEBROEK ANTWERPEN
FEDERATIE VAN VLAAMSE SOCIALE DIENSTEN	100.0	100.0			IG	Overwinningstraat 133-135 WILLEBROEK ANTWERPEN
GILDENTUIN ZILVERBERG	100.0	100.0			IG	Kloosterstraat 20 LONDERZEEL VLAAMS BRABANT
VLASHOF – THUIS IN DIT HUIS	100.0	100.0			IG	Sparrenhofdreef 1B STEKENE OOST-VLAANDEREN
WONEN OP POEL & RAMEN	100.0	100.0			IG	Poel 14 9000 GENT OOST-VLAANDEREN
WATERRIJK – ZORG ZONDER ZORGEN	100.0	100.0			IG	Industrieweg 41 GROBBENDONK ANTWERPEN
TER HULST	100.0	100.0			IG	Hulstraat 4-6A 3730 HOESELT LIMBURG

3.2 Statutory auditors' report on the consolidated financial statements

This is a free English translation of the Independent third party's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Financial year ended 31 December 2017

To Korian's General Meeting of shareholders:

Opinion

In performance of the assignment for which we have been appointed by your General Meetings of shareholders, we have audited Korian's consolidated financial statements for the financial year ended 31 December 2017, as appended to this report.

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 transactions during the past financial year, as well as of the financial position and assets at the end of the financial year, of the whole comprised of the persons and entities within the consolidation scope.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis for the opinion

Audit framework

We have performed our audit in accordance with the accounting standards applicable in France. We consider that the information that we have collected is sufficient and appropriate as a basis for our opinion.

Our responsibilities under these standards are described in the section of this report entitled "Responsibilities of Statutory auditors in relation to the audit of consolidated financial statements".

Independence

We performed our audit assignment, from 1 January 2017 to the date of our report, in accordance with the independence rules applicable to us and, in particular, we did not provide services prohibited by article 5 (1) of regulation (EU) No. 537/2014 or the code of ethics for the Statutory auditor profession.

Justification for our assessments - Key audit matters

Pursuant to the provisions of article L. 823-9 of the French Commercial Code regarding the justification for our assessments, we draw your attention to the key audit matters relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the consolidated financial statements for the period, as well as the responses we provided to these risks.

These assessments were made in the context of the audit of the consolidated financial statements taken as a whole and the opinion we formed, as expressed above. We do not express an opinion on any items in these consolidated financial statements considered separately.

Measurement of goodwill and operating licences

Identified risk

At 31 December 2017, the net value of goodwill and operating licences totalled €3,887 million.

• Goodwill, for which the calculation methods are presented in note 2 to the notes to the consolidated financial statements, is recognised as an asset in the balance sheet for a net total of €2,219 million.

• Operating licences acquired in connection with corporate mergers are non-amortisable intangible non-current assets recognised for a net carrying amount of €1,668 million, representing the value assigned to the operating licences granted by regulatory authorities in France, Belgium and Italy. They are measured at the time of corporate mergers at their fair value at the acquisition date in accordance with the procedures described in note "3.1 - Goodwill, intangible and plant, property and equipment" in the notes to the consolidated financial statements.

At each balance sheet date, or more frequently if there is any indication of impairment, management ensures that the net carrying amount of goodwill and operating licences does not exceed their recoverable amount. The recoverable amount of licences is the higher of fair value net of exit costs and value in use. Impairment testing is performed at the level of the cash generating unit (CGU) corresponding to a retirement home or clinic in the case of operating licences, and at the level of a group of CGUs corresponding to the operating segments (France, Germany, Belgium or Italy) in the case of goodwill. The procedures and the details of the assumptions used for these tests are presented in note 3.1 to the consolidated financial statements.

The value in use of these assets is calculated on the basis of the value of the discounted future Cash Flows of the CGUs or groups of CGUs and is based on management's assumptions and estimates, in particular Cash Flow projections, taken from the five-year business plans, the growth rate used to estimate these flows, and the discount rate applied to them.

The assessments of the recoverable value of goodwill and of the operating licences is a key audit matters due to their weight in the group's accounts and the importance of management's judgment in determining the assumptions on which the value in use estimates are based.

Our response

We examined the compliance of the methodology applied with the accounting standards in effect.

We also conducted a critical review of the manner in which these impairment tests are applied. In particular, we:

- compared the accounting bases tested by management with the items appearing in the consolidated financial statements, in order to ensure that the tests performed concern all goodwill and licences recognised;
- examined the methods used to measure the fair value net of exit costs of operating licences with reference to recent transactions carried out by the Group;
- examined the methods for calculating value in use as assessed by discounting future Cash Flows:
  - review of the budget process and key controls associated with this process;
  - examination, on a test basis, of the consistency of Cash Flow forecasts with the strategic plan approved by the Board of Directors;
  - comparison, on a test basis, of the forecasts used during the previous period for the 2017 financial year with the achievement thereof in order to analyse the achievement of prior objectives;
  - review of the consistency of the assumptions used concerning changes in occupancy rates and prices with the economic environment at the balance sheet date;
- examined the perpetual growth rates and the discount rates used by management in calculating value in use by comparing it to our own estimate of these rates, for which we included financial measurement specialists in our teams;
- verified, on a test basis, the arithmetical accuracy of the calculations of the values in use applied.

In addition, we assessed whether the information provided in note 3.1 to the consolidated financial statements is appropriate and verified the arithmetical accuracy of the sensitivity analysis presented.

Verification of information about the Group provided in the management report

In accordance with the professional standards applicable in France, we also performed the specific verification required by law of the information about the Group presented in the Board of Directors' management report.

We have no observation to make as to its accuracy or consistency with the consolidated financial statements.

Information based on other statutory or regulatory obligations

Appointment of Statutory auditors

Mazars was appointed as Statutory auditor of Korian SA in the original articles of association of 2003, and Ernst & Young et Autres was appointed by the General Meeting of 23 June 2011.

At 31 December 2017, Mazars was in the fifteenth uninterrupted year of its assignment (including twelve years since the Company's shares were admitted to trading on a regulated market) and Ernst & Young et Autres was in its seventh year.

Responsibilities of management and corporate governance officers in relation to the consolidated financial statements

Management is responsible for preparing consolidated financial statements that present a true and fair view in accordance with the IFRS framework as adopted in the European Union, as well as for setting up the internal controls it deems necessary to prepare consolidated financial statements that are free of material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for presenting necessary information in the financial statements, if appropriate, relating to the continuity of operations, and for applying the going concern accounting principle, unless it intends to wind up the Company or cease doing business.

The Audit Committee is responsible for overseeing the process used to prepare financial information and for monitoring the effectiveness of the internal control and risk management systems, as well as, if applicable, the internal audit system, with respect to the procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory auditors in relation to the audit of the consolidated financial statements

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatements. Reasonable assurance is a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice can systematically detect all material misstatements. Misstatements may be due to fraud or error and are considered material if it can reasonably be expected that, taken individually or cumulatively, they may influence the economic decisions that users of the financial statements take based thereon.

As specified by article L. 823-10-1 of the French Commercial Code, our assignment to certify the financial statements does not consist of guaranteeing the viability or the quality of the management of your Company.

As part of an audit conducted in accordance with the professional standards applicable in France, the Statutory auditor exercises its professional judgment throughout such audit. In addition:

- it identifies and assesses the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to address these risks, and collects information that it deems sufficient and appropriate to form the basis for its opinion. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error, because fraud may involve collusion, falsification, voluntary omissions, misrepresentations or circumventing internal controls;
- it reviews the internal controls relevant to the audit in order to define appropriate audit procedures under the circumstances, and not in order to express an opinion on the effectiveness of the internal control system;
- it assesses whether the accounting methods used are appropriate and whether the accounting estimates made by management are reasonable, as well as the information about them provided in the consolidated financial statements;
- it assesses whether management's application of the going concern accounting principle is appropriate and, depending on the information collected, whether or not there exists significant uncertainty about events or circumstances that may jepoardise the Company's ability to continue its business. This assessment is based on the information collected up to the date of its report, but it should be noted that subsequent circumstances or events could jeopardise the continuity of operations. If it concludes that there is significant uncertainty, it draws the attention of the readers of its report to the information provided in the consolidated financial statements about such uncertainty or, if this information is not provided or is not relevant, it issues a qualified certification or refuses certification;
- it assesses the overall presentation of the consolidated financial statements and assesses whether the consolidated financial statements reflect the underlying transactions and events in a manner that gives a true and fair view thereof;
- concerning the financial information about the persons or entities included in the consolidation scope, it collects information that it deems sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for managing, supervising and performing the audit of the consolidated financial statements, as well as for the opinion expressed about the financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee that, in particular, outlines the scope of the audit work and the work programme implemented, as well as the conclusions based on our work. If applicable, we also draw the Committee's attention to significant internal control weaknesses we have identified with respect to the procedures for preparing and processing accounting and financial information.

The information provided in the report to the Audit Committee includes the risks of material misstatement that we consider to have been the most significant for the audit of the consolidated financial statements for the period and that, therefore, constitute key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the statement required by article 6 of regulation (EU) No. 537-2014 confirming our independence within the meaning of the rules applicable in France as laid down, in particular, by articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics for the Statutory auditor profession. If applicable, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris-La Défense and Courbevoie, 30 March 2018
The Statutory auditors

Ernst & Young et Autres	**Mazars**
May Kassis-Morin	Manuela Baudoin-Revert

CHAPTER 4

Annual financial statements

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4.1 Annual financial statements at 31 December 2017

Separate financial statements (unless otherwise indicated, all amounts are expressed in thousands of euros).

STATEMENT OF FINANCIAL POSITION

Assets

Assets	31.12.2017	31.12.2016
Intangible assets	11,386	8,897
Property, plant and equipment	10,310	5,656
Property, plant and equipment and intangible assets	**21,696**	**14,553**
Non-current financial assets	2,984,535	2,861,033
Of which equity interests	*2,250,442*	*2,246,397*
Total non-current assets	**3,006,231**	**2,875,586**
Progress payments and instalments to suppliers	3	3
Trade receivables	76,336	66,361
Other receivables	641,124	562,099
Cash	90,784	52,075
Marketable securities	286,143	85,911
Prepaid expenses	2,532	2,589
Total current assets	**1,096,922**	**769,037**
Debt issuance costs/Bond redemption premiums	14,119	14,917
TOTAL ASSETS	**4,117,272**	**3,659,541**

Equity and liabilities

Equity and liabilities	31.12.2017	31.12.2016
Share capital	404,912	400,890
Share premium	961,039	942,519
Legal reserve	28,349	27,255
Retained earnings	10,953	39,401
Other reserves	128,516	128,516
Income	61,869	21,871
Regulated provisions	2,420	2,417
Net assets	**1,598,058**	**1,562,871**
Provisions for risks and expenses	1,614	2,194
Other bonds	1,331,647	1,028,633
Loans from credit institutions	688,837	764,191
Sundry loans and other liabilities	444,359	246,248
Trade payables	26,749	26,772
Tax and social security liabilities	19,940	18,204
Suppliers of non-current assets	1,841	1,682
Other liabilities	3,616	7,293
Total liabilities	**2,518,603**	**2,095,217**
Deferred income	611	1,453
TOTAL EQUITY AND LIABILITIES	**4,117,272**	**3,659,541**

INCOME STATEMENT

	31.12.2017	31.12.2016
Revenue	**76,745**	**69,035**
Capitalised production (long-term inventory)	1,635	1,008
Operating subsidies	4	0
Reversals of provisions and reinvoiced expenses	6,260	13,008
Other income	99	100
Total	**84,743**	**83,150**
Goods purchased for resale		
Other purchases and external expenses	58,428	59,722
Taxes and duties	2,781	2,343
Wages	30,243	26,199
Social security charges	11,793	11,768
Depreciation, amortisation and provisions:		
• depreciation and amortisation on non-current assets	10,223	14,585
• depreciation and amortisation on current assets	0	0
• provisions on risks and expenses	1,065	1,428
Others charges	1,061	769
TOTAL OPERATING EXPENSES	**115,594**	**116,815**
Operating results	**-30,851**	**-33,665**
Financial income	134,553	89,685
Financial expenses	59,870	58,181
Net financial result	**74,683**	**31,505**
Net profit/(loss) from continuing operations	**43,832**	**-2,161**
Non-recurring income	301	139
Non-recurring expenses	597	277
Non-recurring profit/(loss)	**-296**	**-138**
Income tax	-18,333	-24,170
Net accounting profit/(loss)	**61,869**	**21,871**

NOTES TO THE INDIVIDUAL COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2017

As the Group's parent company, Korian SA, which has its registered office is at 21-25, rue Balzac, prepares the consolidated financial statements.

Accounting rules and methods

The financial statements were prepared in compliance with 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 between accounting periods;
- observance of general rules for preparing and presenting 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.

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. These Cash Flows are projected over the period from 2019 to 2022 included. The Cash Flow in 2022 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).

At 31 December 2017, the valuation of equity interests resulted in the recognition of a provision of -€650 thousand, net of reversals.

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 1.67% interest compounded daily.

Financial instruments and hedge accounting

The rules for hedge accounting are specified in the French Chart of Accounts ("PCG"), in articles 628-6 to 628-17, which were added subsequent to ANA Regulation No. 2015-05 on derivatives and hedging transactions. They apply to all hedges regardless of type.

ANA Regulation No. 2015-05 must be observed for all fiscal years that began on or after 1 January 2017 and constitutes a change in accounting policy.

The application of this regulation had no significant impact on the entity's financial statements at 31 December 2017 and therefore is not dealt with in the notes.

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

Statutory governance

Changes in the composition of the Board of Directors

At the Combined General Meeting held on 22 June 2017, the Company's shareholders decided to:

• renew the terms of office as Director of Christian Chautard and Jérôme Grivet, as well as of Office d'Investissement des Régimes de Pensions du Secteur Public ("Investissements PSP") for a term of three years that will expire at the conclusion of the General shareholders meeting convened to vote on the financial statements for the year ending 31 December 2019;

• appoint Markus Müschenich as an independent Director for a term of three years, which will expire at the conclusion of the General shareholders meeting convened to vote on the financial statements for the year ending 31 December 2019;

• ratify the co-optation of Elisabeth T. Stheeman as an independent Director, to replace Guy de Panafieu for the remaining duration of his term of office, *i.e.* until the conclusion of the General shareholders meeting that will be convened to vote on the financial statements for the year ending 31 December 2018; and

• approve the candidacy of Guy de Panafieu to the position of Observer for a term of two years, *i.e.* until the conclusion of the General shareholders meeting that will vote on the financial statements for the year ending 31 December 2018.

The appointments of Mrs Elisabeth T. Stheeman and of Mr Markus Müschenich reflect the Group's international development.

Internal governance

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

On 21 July 2017, Caroline de Jessey was appointed Director of Group Communication, replacing Cécile Jolly.

Increased financial flexibility

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

On 28 June 2017, the Group also issued €60 million in undated hybrid unlisted bonds that carry no rights to acquire equity.

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

Increase in share capital and dividend payment in newly issued shares

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

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

Equity investments

In 2017, Korian SA also created real estate vehicles to hold the new buildings in France (OPPCI Korian Immobilier France) and Germany. At 31 December 2017, OPPCI Korian Immobilier held 10 buildings, of which four had been delivered and six were still under construction. The German vector held three buildings, one existing building that was in operation and two under construction.

Main items on the Statement of Financial Position and the Income Statement

Non-current assets, depreciation and amortisation

Non-current assets	31.12.2016	Acquisitions	Disposals	31.12.2017
Concessions, patents and similar rights	30,168	6,882		37,050
Non-current assets in progress	2,016	117	-95	2,038
Business goodwill (technical merger loss)	0			0
General fittings	2,113	1,711		3,824
Office and IT equipment	13,380	4,200		17,580
Property, plant and equipment and intangible assets	**47,676**	**12,910**	**-95**	**60,492**
Equity interests and related loans and receivables	2,250,428	4,695		2,255,123
Other non-current financial assets	614,637	119,456		734,093
TOTAL	**2,912,742**	**137,061**	**-95**	**3,049,708**

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Annual financial statements at 31 December 2017

Depreciation and amortisation	31.12.2016	Allocations	Reversals	31.12.2017
Concessions, patents and similar rights	23,287	3,923		27,210
General fittings	692	237		929
Office and IT equipment	9,149	1,508		10,657
TOTAL	**33,127**	**5,668**	**0**	**38,796**

Provisions	31.12.2016	Allocations	Reversals	31.12.2017
On equity interests	4,031	845	-195	4,681
On the technical merger loss	-			-
On borrowings	-			-
TOTAL	**4,031**	**845**	**-195**	**4,681**

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 (€2,038 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 securities owned	Nb. of securities issued	% of interest	Gross value of securities	Net value of securities	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	267,423	501,617	150,000	0
CENTRE DE RÉÉDUCATION FONCTIONNELLE DE SIOUVILLE	70	6,000	1.17%	537,749	485,851	96,000	632,613	1,589,083	8,133	0
LES FLOTS	44	1,057	4.16%	967,416	884,300	16,172	-1,293,416	903,256	0	0
CENTRE DE SOINS DE SUITE DE SARTROUVILLE	3,700	3,700	100.00%	11,319,598	11,319,598	37,000	724,452	1,607,341	1,044,438	0
CENTRE MÉDICAL INFANTILE MONTPRIBAT	2,505	2,505	100.00%	9,439,235	8,380,264	38,188	550,017	785,507	0	1,192,912
CENTRE WILLIAM HARVEY	4,000	4,000	100.00%	18,425,594	18,425,594	308,000	769,697	1,678,248	1,107,500	843,412
CLINIQUE CARDIOLOGIQUE DE GASVILLE	2,500	2,500	100.00%	4,492,332	3,118,685	37,500	307,207	-359,002	0	992,033
CLINIQUE DE LIVRY-SULLY	3,500	3,500	100.00%	10,488,743	10,488,743	140,000	631,980	1,785,965	846,140	0
CLINIQUE DE SACLAS	1,000	1,000	100.00%	14,811,685	14,811,685	701,000	896,901	2,014,180	1,188,334	0
CLINIQUE DE SOINS DE SUITE ET DE RÉADAPTATION CHÂTEAU DE GLETEINS	6,250	6,250	100.00%	7,078,053	7,078,053	100,000	326,030	401,176	0	0
CLINIQUE DU CANAL DE L'OURCQ	3,700	3,700	100.00%	987,532	-1,083,404	37,000	-228,356	-8,517,126	0	9,977,648
FURTADO GESTION	2	10,420	0.02%	248,200	0	NC	NC	NC	0	0
GRAND'MAISON	2,500	2,500	100.00%	7,138,788	7,138,788	38,112	637,869	2,598,119	0	0
HAD YVELINES SUD	3,700	3,700	100.00%	7,162,403	7,162,403	37,000	391,115	663,227	419,305	0
HOLDING AB	20,017	20,177	99.21%	3,967,264	3,967,264	403,540	745,221	5,554,301	1,139,178	0
HOLDING HOSPITALIÈRE DE TOURAINE	2,520	2,520	100.00%	1,551,438	1,551,438	40,320	567,239	485,190	0	2,025,196
KORIAN BRUNE	500	500	100.00%	17,902,471	17,902,471	38,500	1,242,124	8,118,707	1,146,117	0
KORIAN DEUTSCHLAND	121,478	121,478	100.00%	237,404,144	237,404,144	121,478	-5,234,955	104,956,426	0	0
KORIAN FLORIAN CARNOT	8,500	8,500	100.00%	12,798,013	12,798,013	136,000	1,115,398	5,466,250	853,143	0
KORIAN IMMOBILIER	200	200	100.00%	3,203	3,203	3,049	-459,513	-1,647,992	0	81,427,798
KORIAN LES ARCADES	504	504	100.00%	14,953,525	14,953,525	40,320	1,027,413	5,377,553	942,204	0
KORIAN LES LILAS	504	504	100.00%	11,415,425	11,415,425	40,320	877,424	5,395,931	470,746	0

Equity interests	Nb. of securities owned	Nb. of securities issued	% of interest	Gross value of securities	Net value of securities	Share capital	Annual profit / loss	Net assets excluding share capital	Dividends received by Korian SA	Loans and advances granted by Korian SA
KORIAN LES OLIVIERS	1,000	1,000	100.00%	11,528,594	11,528,594	304,898	686,760	1,735,447	1,154,279	0
KORIAN MANAGEMENT	70,100	70,100	100.00%	800,275	800,275	120,000	-38,390	325,664	0	0
KORIAN PARTENAIRE	500	500	100.00%	5,000	-50,939	5,000	-6,433	-60,997	0	50,939
KORIAN SANTÉ	4,000	4,000	100.00%	8,000,920	8,000,920	60,980	3,184,101	992,089	0	40,210,436
LA BASTIDE DE LA TOURNE	2,500	2,500	100.00%	12,707,293	12,707,293	38,112	845,109	3,587,186	793,920	0
LA MOULINIÈRE	100	100	100.00%	1,996,919	427,196	76,225	2,058	347,794	0	0
LA PINÈDE	100	200	50.00%	2,855,691	2,855,691	38,250	499,346	2,447,798	0	0
LE CLOS CLÉMENT 77 RÉSIDENCE DU BOIS CLÉMENT	2,500	2,500	100.00%	4,609,661	4,609,661	38,112	584,877	2,385,945	0	0
LE MONT BLANC	30	60,000	0.05%	1,906	1,906	960,000	123,830	-7,912,797	0	8,419,703
LE NORD-COTENTIN	15,000	15,000	100.00%	10,637,761	10,637,761	915,000	905,541	1,290,066	3,726,259	0
LES BÉGONIAS	24,301	28,568	85.06%	121,707,160	121,707,160	1,057,016	12,224,976	33,914,826	4,775,795	0
LES ISSAMBRES	63,282	63,282	100.00%	2,495,000	2,495,000	964,728	728,932	3,469,778	0	0
LES TROIS TOURS	1,606	5,606	28.65%	3,481,187	3,481,187	85,463	1,504,952	2,589,350	598,835	0
LIERRES GESTION	40,000	40,000	100.00%	5,114,002	5,114,002	448,000	585,702	1,366,718	0	0
MEDICA FRANCE	3,353,685	3,353,685	100.00%	1,005,896,274	1,005,896,274	50,976,012	33,440,483	141,968,394	24,264,967	259,803,522
MEDIDEP FONCIER	500	500	100.00%	2,875,031	2,875,031	7,500	1,673,700	2,675,667	1,817,458	0
MEDOTELS	73,763	73,763	100.00%	149,254,403	149,254,403	1,124,886	38,751,951	136,774,063	26,437,611	80,688,253
NEWCO BEZONS	6,966	6,966	100.00%	8,160,371	8,160,371	111,456	387,162	845,355	527,179	0
PRIVATEL	23,400	23,400	100.00%	7,419,922	7,419,922	356,731	778,781	-760,081	0	16,418,874
RÉSIDENCE MAGENTA	500	500	100.00%	18,272,718	18,272,718	40,000	1,178,856	7,956,024	1,310,929	0
SAINT-CYR GESTION	76,004	76,004	100.00%	2,233,644	2,233,644	2,147,040	557,168	762,851	0	0
SCI LE TEILLEUL	1,650,000	2,750,000	60.00%	1,650,000	1,650,000	1,375,005	-55,998	-174,324	0	3,978,310
SCI PERREUX	0	0	NC	60,980	60,980	NC	NC	NC	40,502	0
SEGESTA	5,265,567	5,265,567	100.00%	285,511,361	285,511,361	5,265,567	32,606,455	162,575,874	35,000,000	0
SLG	4,738	4,738	100.00%	138,942,728	138,942,728	25,595,679	7,727,100	43,682,604	0	0
SOCIÉTÉ CLINIQUE SOINS DE SUITE NOISY-LE-SEC	2,500	2,500	100.00%	8,217,300	8,217,300	38,112	473,773	1,010,197	560,633	0
SOCIÉTÉ D'EXPLOITATION CLINIQUE DU PERREUX	2,500	2,500	100.00%	15,259,708	15,259,708	38,112	949,738	1,896,452	1,649,415	0
SOCIÉTÉ GÉRONTOLOGIQUE DU CENTRE OUEST - SGCO	128	2,500	5.12%	34,139	34,139	38,112	830,955	1,297,589	23,312	0
SOCIÉTÉ HOSPITALIÈRE DE TOURAINE	1,310	3,899	33.60%	2,736,389	2,736,389	58,485	1,260,238	2,472,302	184,417	0
SOCIÉTÉ NOUVELLE DE LA CLINIQUE DU MESNIL	382	382	100.00%	18,403,554	18,403,554	131,100	489,377	2,969,295	0	0
LA NORMANDIE	0	0	NC	584,388	584,388	487,500	431,899	1,460,436	0	0
SAS KORIAN IMMOBILIER FRANCE	55,100	55,100	100.00%	5,510,000	5,510,000	5,510,000	-339,818	-339,818	0	61,053
SCI HOLDING IMMOBILIÈRE	1	100	1.00%	100	100	10,000	-1,147	-1,147	0	330,866
SAS KORIAN IMMOBILIER ALLEMAGNE	100	100	100.00%	10,000	10,000	10,000	-7,844	-7,844	0	0

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Annual financial statements at 31 December 2017

Receivables maturity schedule

Statement of receivables	Total	Due in < 1 year	Due in > 1 year
Loans and receivables related to equity interests	733,890	1	733,889
Other non-current financial assets	203		203
Other trade receivables	76,336	76,336	
Personnel and related accounts	301	301	
Social security and other welfare organisations	64	64	
Government and local authorities			
• Income tax	0	0	
• Value added tax	4,012	4,012	
• Sundry	142	142	
Group and associates	636,239	636,239	
Sundry debtors	365	365	
Prepaid expenses	2,533	2,032	501
TOTAL	**1,454,085**	**719,492**	**734,593**

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. The table below shows the change in treasury shares over the year.

In euros	Number	Amount
Balance at 31.12.2016	**33,872**	**911,117**
2017 Purchases	817,544	23,218,253
2017 Sales	812,562	22,979,870
2017 Net gain/(loss) on disposal		*249,552*
BALANCE AT 31.12.2017	**38,854**	**1,149,500**

Prepaid expenses

Prepaid expenses are shown in the table below.

Prepaid expenses	2017	2016
Maintenance	480	459
Swap cash payments and interest expense on derivative instruments	682	1,010
Other	748	529
Rent	622	591
TOTAL	**2,532**	**2,589**

Deferred income

Deferred income is shown in the table below.

Deferred income	2017	2016
Management commissions	611	1,441
Work and project management	0	12
TOTAL	**611**	**1,453**

Accrued income and expenses

Accrued income or expense	Income	Expense
Accrued interest on loans	10,271	1,568
Accrued interest on bonds		11,147
Accrued interest on swaps		956
Suppliers, invoices not yet received		6,345
Non-Group trade receivables, invoices to be issued	5,407	
Group trade receivables, invoices to be issued	1,233	
Social security liabilities	365	6,865
Social security contributions on social security liabilities		4,263
Accrued income/expenses – Government	4,154	8,815
Accrued interest on current accounts	8,398	3,728
Accrued bank interest	110	13
TOTAL	**29,938**	**43,700**

Changes in shareholders' equity

Statement of changes in equity

Changes in shareholders' equity	In thousands of euros
At start of year	**1,562,871**
Capital increase	4,022
Additional paid-in capital	18,519
Legal reserve	1,094
Other reserves	0
Retained earnings	-28,448
2016 dividends paid	-21,871
2017 profit/(loss)	61,869
Regulated provisions	3
AT YEAR END	**1,598,058**

The 'Regulated provisions' cover accelerated depreciation on share buyback costs.

Provisions for risks and expenses

Provisions for risks and expenses are shown in the table below.

	31.12.2016	Allocations	Reversals		31.12.2017
			Used	Not used	
Provisions for risks and expenses					
Other provisions for risks and expenses	736	985	-1,245		476
Provisions for wage-related claims and disputes	1,457	1,065	-1,346	-38	1,138
TOTAL	**2,194**	**2,050**	**-2,591**	**-38**	**1,614**

The provision for wage-related claims and disputes pertains mainly to remuneration-related restructuring costs and labour disputes.

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Annual financial statements at 31 December 2017

Financial liabilities

Amounts owed to credit institutions

	2017	2016
Bank overdrafts	13	26
Total	**13**	**26**
Bank loans		
• < 1 year	68,056	49,568
• > 1 year	504,200	662,280
Accrued interest	1,568	2,318
Total bank loans	**573,824**	**714,165**
Issuance of short-term negotiable debt securities	**115,000**	**50,000**
TOTAL BANK DEBT	**688,837**	**764,191**

On 31 December 2017, Korian's gross borrowings consisted of:

- €500 million under the syndicated loan;
- €72.2 million of medium-term borrowings;
- accrued interest of €1,568 thousand;
- €115 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	1,331,647	48,647	654,000	629,000
Loans and other borrowings	688,837	184,637	504,200	
Sundry loans and other financial liabilities	1,014	1,014		
Trade payables and related accounts	26,749	26,749		
Personnel and related accounts	6,865	6,865		
Social security contributions, other social contributions	4,263	4,263		
Gov.: Income tax	3,066	3,066		
Gov.: VAT	4,622	4,622		
Gov.: other taxes	1,127	1,127		
Suppliers of non-current assets	1,841	1,841		
Group and associates	443,345	443,345		
Other liabilities	3,616	3,616		
Deferred income	611	611		
TOTAL	**2,517,603**	**730,403**	**1,158,200**	**629,000**

Breakdown of affiliated company Statement of Financial Position and Income Statement items

Financial income or expense	Amount for affiliated companies	Amount for equity interests
Loans	733,890	
Gross equity interests	2,255,639	309
Debit balance current accounts	641,240	
Credit balance current accounts	448,349	
Financial expenses	3,729	
Financial income	131,527	41

Revenue

Revenue is broken down below.

	2017	2016
Subsidiary management fees	52,884	48,704
Project management assistance for subsidiaries	1095	0
Reinvoiced employee expenses	2,075	3,554
Other reinvoiced items	2,310	1,788
Service agreements	18,088	14,702
Reinvoiced property rental expenses	293	287
TOTAL	**76,745**	**69,035**

In 2017, Korian generated revenue of €72,141 thousand in France and €4,604 thousand abroad.

Transferred operating expenses

These expenses totalled €4,866 thousand.

They include:

- reimbursement of training costs (€257 thousand);
- reimbursement of sick pay and benefits in kind (€729 thousand);
- the cost of bond issuance and expenses related to loans from credit institutions (€3,880 thousand).

Operating expenses

Purchases and external expenses

The most significant purchases and external expenses are shown in the following table.

Expense	2017	2016
Purchases to reinvoice	2,331	1,769
Subcontracting	4,146	1,306
Real property Leases	2,435	2,548
Equipment rental expenses	842	1,240
Maintenance	2,680	2,512
Temporary employee expenses	736	167
Technical assistance services	12,417	13,089
Professional fees	13,694	12,691
Travel expenses	3,303	2,744
Telecommunications	1,331	1,025
Banking services	8,616	15,160
Recruitment costs	548	566
Other expenses	5,349	4,905
TOTAL	**58,428**	**59,722**

In 2017, Korian SA paid its statutory auditors, Mazars and Ernst & Young, total fees of €446 thousand for the statutory auditing and certification of its annual accounts. The fees for other auditing and related services (mainly concerning the CSR report, financial due diligence and the CICE certificate) totalled €234 thousand.

4 ANNUAL FINANCIAL STATEMENTS

Annual financial statements at 31 December 2017

Taxes

See the table below.

Expense	2017	2016
Taxes and duties on compensation	1,498	1,256
Corporate value-added tax/Corporate real estate contribution	488	426
Real estate tax	273	273
Non-recoverable VAT	273	248
Vehicle tax	76	68
Organic	97	58
Other taxes	76	13
TOTAL	**2,781**	**2,343**

Wages and social security contributions

See the table below.

Expense	2017	2016
Salaries and remunerations	30,243	26,199
Social security charges	11,793	11,768
TOTAL	**42,036**	**37,967**

Financial income and expenses

See the table below.

	2017		2016	
Financial income and expenses	**Income**	**Expense**	**Income**	**Expense**
Financial income from equity interests	112,181		65,059	
Interest on current accounts	8,399	3,729	10,614	4,052
Interest on borrowings		46,706		39,702
Cost of financial instruments		8,294		13,614
Income from loans	10,989		11,581	
Provisions	1,430	976	1,264	126
Other	1,554	165	1,168	687
TOTAL	**134,553**	**59,870**	**89,685**	**58,181**

Non-recurring income and expenses

See the table below.

Non-recurring income and expenses	Income	Expense
Disposal of property, plant and equipment	0	95
Tax accelerated depreciation	0	3
2016 tax adjustment	108	
Sundry non-recurring income	193	0
Projects abandoned	0	469
Sundry non-recurring expenses	0	29
TOTAL	**301**	**596**

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: 1.30%;
- collective bargaining agreement: CCU;
- retirement age: 60 to 64 years;
- retirement is at the employee's initiative.

Severance payments at 31 December 2017 amounted to €1,347 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 December 2017	Nominal
Swap	-9.63	710.0
Cap	2.42	627.5

The swaps entered into when absorbing Medica are recognised as liabilities and have an after-tax value of €76 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 the 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, 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 targets based on the market share price, EBITDA and revenue.

For French tax residents, the allocation of free shares vested on 31 March 2017 and the ownership of these shares was transferred to their beneficiaries, subject to their continued employment. Beneficiaries will also not be authorised to dispose of the shares thus received until 31 March 2019.

For foreign tax residents, these shares will vest on 31 March 2019 and may be freely disposed of.

At 31 December 2017, there were 8,832 free shares available under this plan, subsequent to the departure of certain beneficiaries in 2017.

When these departures are taken into consideration, the cost of the free share plan pursuant to IFRS standards is about €636 thousand (excluding social security charges) on 31 December 2017.

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 targets 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. Beneficiaries will also not be authorised to dispose of the shares thus received until 31 March 2020.

For foreign tax residents, these shares will vest on 31 March 2020 and may be freely disposed of.

At 31 December 2017, there were 23,906 free shares available under this plan, subsequent to the departure of certain beneficiaries in 2017.

When these departures are taken into consideration, the cost of the free share plan pursuant to IFRS standards is €485 thousand (excluding social security charges) on 31 December 2017.

The 2017 Free Shares Plan

On 18 July and 13 September 2017, with the authorisation granted by the General Meeting of 22 June 2017, the Board of Directors approved a free shares plan for certain members of General Management. This plan provides for the granting of up to 340,615 shares in the Company, subject to the achievement of performance targets based on the market share price, EBITDA and revenue.

In accordance with the powers delegated by the Board of Directors, the Chief Executive Officer, after selecting the beneficiaries, noted that 334,095 shares in the Company were to be granted under this plan.

The granting of the free shares will vest and their ownership will be transferred to their beneficiaries on 4 August 2020 or on 13 September 2020, depending on the grant date, subject to continued employment. The shares thus granted may be freely disposed of.

At 31 December 2017, there were 334,095 free shares available under this plan.

The cost of the free share plan pursuant to IFRS standards is €4,504 thousand (excluding social security charges) at 31 December 2017.

Other information

Average workforce

The average workforce over the year was 407 employees. For more information see the table below.

Type of employee	2017	2016
Managerial staff	294	268
Other employees	112	101
TOTAL	**407**	**369**

Compensation paid to executive bodies

The following compensation was paid to the executive bodies for fiscal year 2017:

- 2017 Fixed compensation: €4,146 thousand;
- Variable compensation: €1,619 thousand;
- Company car allowance: €72 thousand.

Compensation paid to management bodies

For 2017, €378,410.96 in attendance fees were paid to the members of the Board of Directors and the Observer.

The members of the Board are also entitled to reimbursement, upon presentation of vouchers, of travel expenses incurred in attending Board and special committee meetings. Directors, other than the Chairman of the Board, and the Observer received no other compensation from the Company for 2017.

The Board of Directors' meeting held at the conclusion of the General Meeting of 22 June 2017 adopted new Internal Regulations, which change the method for allocating the total amount of attendance fees to the directors and the Observer. Article 1.9 of the Board's bylaws provides for the following allocation of directors' fees:

Of the annual total 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;
- €50,000 will be used to pay an additional fee to independent directors who are not French residents and to remunerate the Observer(s) for his/her (their) services.

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 22 June 2017 are described on page 113 of the 2016 registration document filed with the AMF on 26 April 2017 under number D.17-0432.

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 125 companies in 2017 (including Korian).

In the absence of a tax consolidation agreement, the Group's net income tax expense for 2017 would have been €44,625 thousand.

The tax consolidation regime generated a tax profit of €18,690 thousand for the parent company.

The consolidated tax group's ordinary taxable income for 2017 was €75,393 thousand.

The Group received €28,400 thousand in CICE tax credits for 2017.

The Group also received €490 thousand in tax credits for its patronage and apprenticeship initiatives.

Korian SA alone posted tax income of €18,333 thousand in 2017, consisting mainly of a €18,690 thousand gain on tax consolidation, plus tax credits for corporate philanthropy, research and apprenticeship initiatives totalling €609 thousand, less the corporate income surtax.

Taxes

	Before tax	Income tax	After tax
Net profit/(loss) from continuing operations	43,832	0	43,832
Non-recurring profit/(loss)	-296	0	-296
Impact of tax consolidation and tax credits		-18,333	-18,333
Accounting profit/(loss)	43,536	-18,333	61,869

Increases and decreases in future tax liabilities

Increases

• Reallocation of tax deficits to subsidiaries	€60,643,156
• For a future tax expense of	€20,879,439

Decreases

• Organic	€96,619
• For a future tax reduction of	€32,206

4.2 Statutory auditors' report on the annual financial statements

This is a free English translation of the Independent third party's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Financial year ended 31 December 2017

To Korian's General Meeting of shareholders:

Opinion

In performance of the assignment for which we have been appointed by your General Meetings of shareholders, we have audited Korian SA's annual financial statements for the financial year ended 31 December 2017, as appended to this report.

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.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis for the opinion

Audit framework

We have performed our audit in accordance with the accounting standards applicable in France. We consider that the information that we have collected is sufficient and appropriate as a basis for our opinion.

Our responsibilities under these standards are described in the section of this report entitled "Responsibilities of Statutory auditors in relation to the audit of annual financial statements".

Independence

We performed our audit assignment, from 1 January 2017 to the date of our report, in accordance with the independence rules applicable to us and, in particular, we did not provide services prohibited by article 5 (1) of regulation (EU) No. 537/2014 or the code of ethics for the Statutory auditor profession.

Observation

Without calling into question the opinion expressed above, we draw your attention to the note to the annual financial statements entitled "Principal methods used", which discusses the first-time application of French Accounting Standards Authority (ANC) regulation 2015-05 on forward financial instruments and hedging transactions.

Justification for our assessments - Key audit matters

Pursuant to the provisions of article L. 823-9 of the French Commercial Code regarding the justification for our assessments, we draw your attention to the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the annual financial statements for the period, as well as the responses we provided to these risks.

These assessments were made in the context of the audit of the annual financial statements taken as a whole and the opinion we formed, as expressed above. We do not express an opinion on any items in these annual financial statements considered separately.

Measurement of equity interests

Identified risks

At 31 December 2017, equity interests are recognised as assets for a net carrying amount of €2,250 million. They are recognised for their acquisition cost, including ancillary costs, and impairment is recognised if this value exceeds their value in use or their market value.

As stated in the note entitled "Main accounting methods" of the notes to the financial statements, the value in use of each equity interest is estimated using the Company's forecasts, which are based on the subsidiary's prospects and financial structure at the balance sheet date.

The calculation of the value in use of each equity interest is based on assumptions and estimates made by management, in particular the discounted future Cash Flows projected over five years taken from the 2018 budget.

Due to the weight of equity interests on the balance sheet and the importance of management's judgment in determining the assumptions on which the value in use estimates are based, we deemed that the measurement of equity interests is a key audit matters.

Our response

To assess whether the estimate of the value in use of equity interests is reasonable, on the basis of the information provided to us, our work consisted primarily of:

- reviewing the budget process and key controls associated with this process;
- obtaining the methods used to calculate the value in use, in particular Cash Flow and operating forecasts for the facilities operated by the entities representative of these equity interests, in order to:
  - assess the consistency thereof with the 2018 budgets established by management and approved by the Board of Directors;
  - review the consistency of the assumptions used (occupancy rates, changes in prices, etc.) with the economic environment at the balance sheet date;
  - assess whether the assumptions used to project flows over the 2019-2022 period are reasonable;
  - comparing the forecasts used for prior impairment tests with the corresponding performances in order to assess the performance of prior objectives;
- verifying, on a test basis, the arithmetical accuracy of the calculations of the values in use applied by the Company.

Verification of the management report and other documents sent to the shareholders

In accordance with the auditing standards applicable in France, we have also performed the specific verifications required by law.

Information provided in the management report and other documents sent to the shareholders on the financial position and the annual financial statements

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 on the financial position and the annual financial statements, or its consistency with said annual financial statements.

Report on corporate governance

We confirm that the Board of Directors' report on corporate governance contains the information required by articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

With respect to the information provided pursuant to article 225-37-3 of the French Commercial Code on the compensation and benefits paid to Company agents, 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, if 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.

With respect to the information relating to factors that your Company has deemed likely to have an impact in the event of a takeover or an exchange offer that is provided pursuant to the provisions of article L. 225-37-5 of the French Commercial Code, we verified its consistency with the documents from which it was taken and that were furnished to us. On the basis of this work, we have no observations to make on this information.

Other 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.

4 ANNUAL FINANCIAL STATEMENTS

Statutory auditors' report on the annual financial statements

Information based on other statutory or regulatory obligations

Appointment of Statutory auditors

Mazars was appointed as Statutory auditor of Korian SA in the original articles of association of 2003, and Ernst & Young et Autres was appointed by the General Meeting of 23 June 2011.

At 31 December 2017, Mazars was in the fifteenth uninterrupted year of its assignment (including twelve years since the Company's shares were admitted to trading on a regulated market) and Ernst & Young et Autres was in its seventh year.

Responsibilities of management and corporate governance officers in relation to the annual financial statements

Management is responsible for preparing annual financial statements that present a true and fair view in accordance with French accounting principles, as well as for setting up the internal controls it deems necessary to prepare annual financial statements that are free of material misstatements, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for presenting in the financial statements, if appropriate, necessary information relating to the continuity of operations, and for applying the going concern accounting principle, unless it intends to wind up the Company or cease doing business.

The Audit Committee is responsible for overseeing the process used to prepare financial information and for monitoring the effectiveness of the internal control and risk management systems, as well as, if applicable, the internal audit system, with respect to the procedures relating to the preparation and processing of accounting and financial information.

The annual financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory auditors in relation to the audit of the annual financial statements

Audit objective and approach

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole do not contain any material misstatements. Reasonable assurance is a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice can systematically detect all material misstatements. Misstatements may be due to fraud or error and are considered material if it can reasonably be expected that, taken individually or cumulatively, they may influence the economic decisions that users of the financial statements take based thereon.

As specified by article L. 823-10-1 of the French Commercial Code, our assignment to certify the financial statements does not consist of guaranteeing the viability or the quality of the management of your Company.

As part of an audit conducted in accordance with the professional standards applicable in France, the Statutory auditor exercises its professional judgment throughout such audit. In addition:

- it identifies and assesses the risks that the annual statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to address these risks, and collects evidence that it deems sufficient and appropriate to form the basis for its opinion. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error, because fraud may involve collusion, falsification, voluntary omissions, misrepresentations or circumventing internal controls;
- it reviews the internal controls relevant to the audit in order to define appropriate audit procedures under the circumstances, and not in order to express an opinion on the effectiveness of the internal control system;
- it assesses whether the accounting methods used are appropriate and whether the accounting estimates made by management are reasonable, as well as the information about them provided in the annual financial statements;
- it assesses whether management's application of the going concern accounting principle is appropriate and, depending on the information collected, whether or not there exists significant uncertainty about events or circumstances that may jeopardise the Company's ability to continue its business. This assessment is based on the information collected up to the date of its report, but it should be noted that subsequent circumstances or events could jeopardise the continuity of operations. If it concludes that there is significant uncertainty, it draws the attention of the readers of its report to the information provided in the annual financial statements about such uncertainty or, if this information is not provided or is not relevant, it issues a qualified certification or refuses certification;
- it assesses the overall presentation of the annual financial statements and assesses whether the annual financial statements reflect the underlying transactions and events in a manner that gives a true and fair view thereof.

Report to the Audit Committee

We submit a report to the Audit Committee that, in particular, outlines the scope of the audit work and the work programme implemented, as well as the conclusions based on our work. If applicable, we also draw the Committee's attention to significant internal control weaknesses we have identified with respect to the procedures for preparing and processing accounting and financial information.

The information provided in the report to the Audit Committee includes the risks of material misstatement that we consider to have been the most significant for the audit of the annual financial statements for the period and that, therefore, constitute key points of the audit that we are required to describe in this report.

We also provide the Audit Committee with the statement required by article 6 of regulation (EU) No. 537-2014 confirming our independence within the meaning of the rules applicable in France as laid down, in particular, by articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics for the Statutory auditor profession. If applicable, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris-La Défense and Courbevoie, 30 March 2018
The Statutory auditors

Ernst & Young et Autres
May Kassis-Morin

Mazars
Manuela Baudoin-Revert

4.3 Statutory auditors' special report on related party agreements and commitments

This is a free English translation of the Independent third party's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

General Meeting convened to approve the financial statements for the financial year ended 31 December 2017

To the General Meeting of Korian,

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. This work consisted in verifying that the information provided to us was consistent with the source documents from which it was taken.

Agreements and commitments submitted for approval by the General Meeting

We inform you that we have not been informed of any agreement that has been authorised and entered into during the past financial year that must be submitted 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 were informed that performance of the following agreements and commitments, which had already been approved by a General Meeting in prior financial years, continued during the past financial year.

With Sophie Boissard, the 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

• 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 your 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.

Courbevoie and Paris-La Défense, 30 March 2018
The Statutory auditors

Ernst & Young et Autres
May Kassis-Morin

Mazars
Manuela Baudoin-Revert

CHAPTER 5

Information on the Company and the share capital

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5.1 Memorandum and articles of association

The information below describes the Company's operating procedures, which were unchanged in 2017 except for the duration of the terms of office and the compensation of the Board observer(s).

The Company's articles of association have been updated to reflect the resolutions adopted by the Combined General Meeting of 22 June 2017 on the powers of the Board of Directors with respect to transfers of the registered office and the duration of the terms of office of the Board Observer(s), as well as the Chief Executive Officer's decisions of 19 July 2017 and 31 March 2018 confirming the capital increases following, respectively, (i) the exercise, by certain shareholders, of the option for payment of the dividend in shares, and (ii) the acquisition of (free) shares by certain members of General Management. In addition, at its meeting of 14 March 2018, the Board of Directors resolved to bring article 15.1 of the Company's articles of association into compliance with Decree No. 2014-1466 of 8 December 2014 by changing the date for establishing the list of persons entitled to participate in shareholders' meetings as a shareholder of the Company, subject to ratification of such change by the General Meeting scheduled for 14 June 2018.

5.1.1 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".*

5.1.2 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, disqualifications 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 same procedure shall apply 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-appointed".

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 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 two (2) 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.

In consideration for services rendered, the observer(s) may receive compensation pursuant to terms decided by the Board of Directors and which will be deducted from the attendance' fees awarded to Board members by a 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 anywhere in France may be decided by the Board of Directors, subject to ratification of such decision 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 may 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 a case, these commitments shall be subject to the approval procedure for related party agreements".

5.1.3 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."

5.1.4 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 second (2nd) 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 elect 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".

5.1.5 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".

5.2 Composition and allocation of share capital

At 31 December 2017, Korian's share capital was divided into 80,982,343 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 2015 and 31 December 2017 are shown in the table below.

	31 December 2017			31 December 2016			31 December 2015		
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	18,586,876	22.95%	22.95%	19,007,812	23.71%	23.71%	19,007,812	23.92%	23.92%
Investissements PSP	11,100,000	13.71%	13.71%	11,100,000	13.84%	13.84%	11,100,000	13.97%	13.97%
Malakoff Médéric Group	5,203,892	6.43%	6.43%	5,203,892	6.49%	6.49%	5,089,185	6.40%	6.40%
Free float	46,091,575	56.91%	56.91%	44,866,338	55.96%	55.96%	44,268,676	55.71%	55.71%
TOTAL	**80,982,343(1)**	**100.00%**	**100.00%**	**80,178,042**	**100.00%**	**100.00%**	**79,465,673**	**100.00%**	**100.00%**

(1) Pursuant to the decisions adopted by the Chief Executive Officer on 31 March 2017 and 19 July 2017, respectively (i) following the final award of 26,361 shares to certain members of General Management (free share plan approved by the Board of Directors on 10 September 2014), in accordance with the provisions of article L. 225-197-1, paragraph 5, of the French Commercial Code, and (ii) following the issue, on 19 July 2017, of 777,940 new shares in connection with the payment of a share dividend, the share capital was increased by the amount of €4,021,505, by issuing 804,301 shares with a nominal value of €5 each, thereby increasing the share capital from €400,890,210 to €404,911,715, divided into 80,982,343 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 2015 to 31 December 2017.

In accordance with the provisions of article L. 225-197-1, paragraph 5, of the French Commercial Code, following the final award, on 31 March 2018, of 1,220 shares to management employees who hold key positions within the Group (free share plan approved by the Board of Directors on 16 September 2015), on 31 March 2018, the Chief Executive Officer acknowledged that the Company's share capital had increased by €6,100, from €404,911,715 to €404,917,815 (divided into 80,983,563 shares), by issuing 1,220 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.

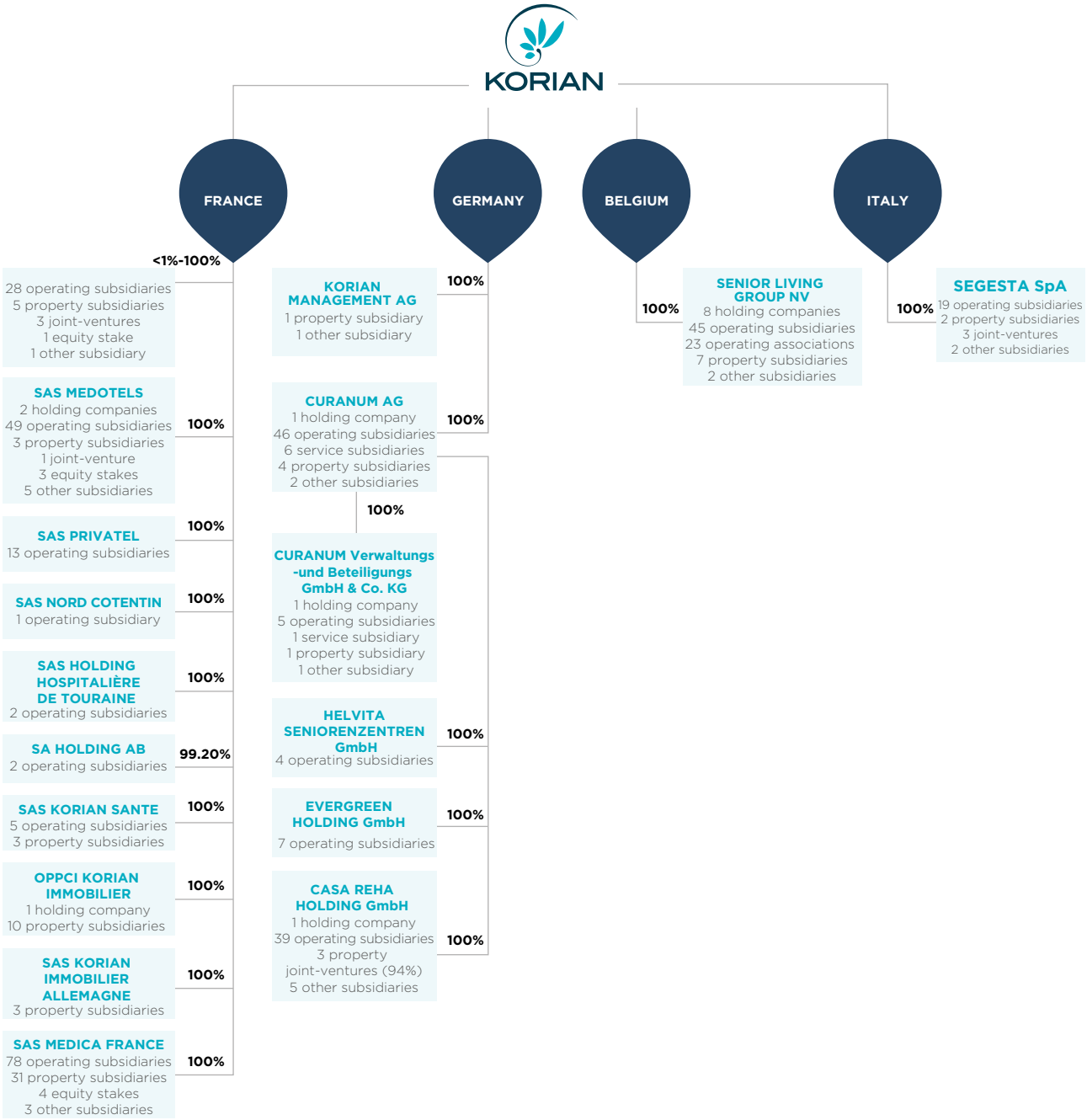
In addition, the Company's group employee shareholding plans held 97,733 Korian shares at 31 December 2017.

In financial year 2017, 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**).

5.3 Legal structure

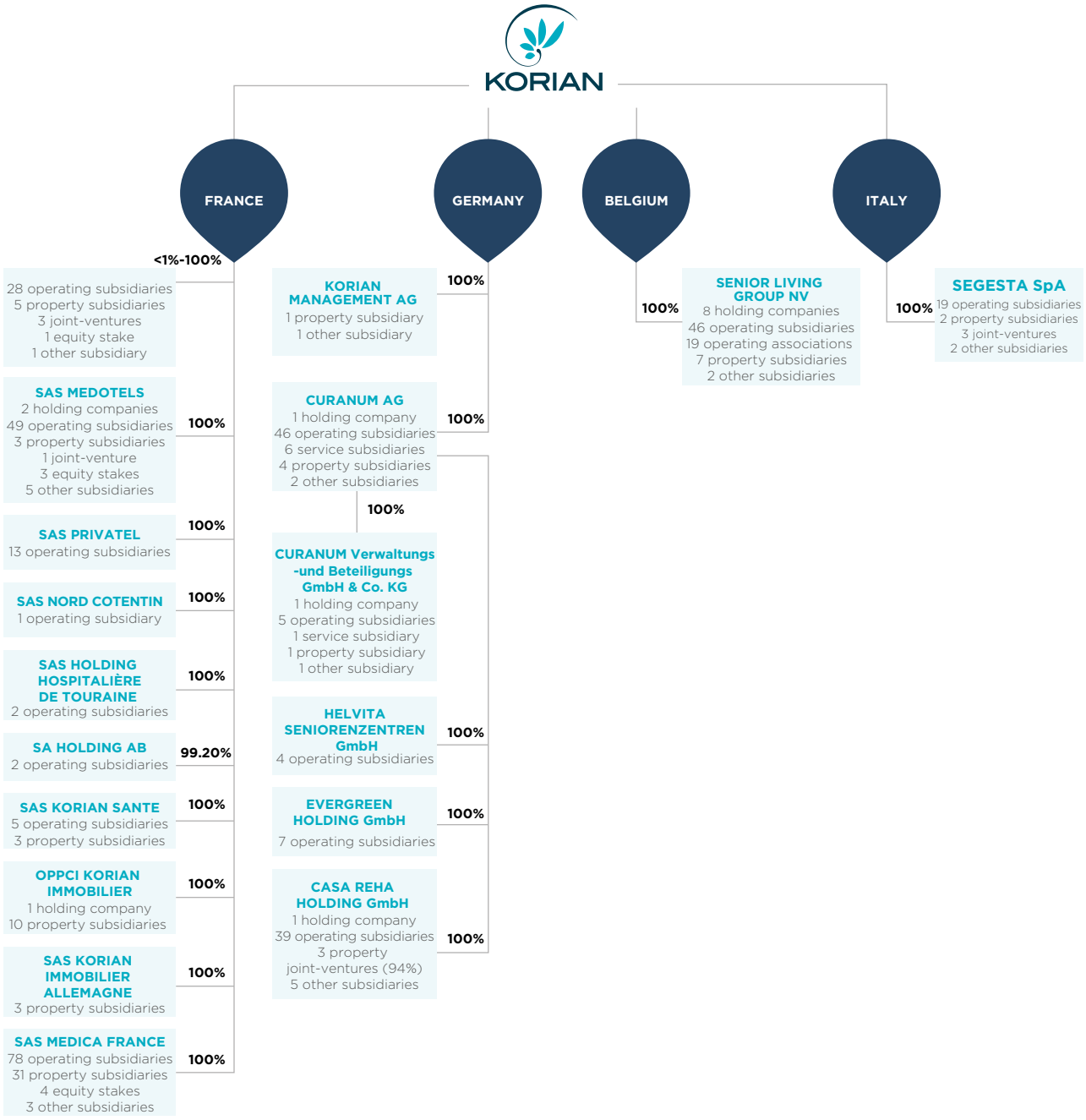
5.3.1 SIMPLIFIED LEGAL STRUCTURE OF KORIAN GROUP AS AT 31 DECEMBER 2017

The simplified legal structure of the Group as at 31 December 2017 is shown below:



5.3.2 SIMPLIFIED LEGAL STRUCTURE OF KORIAN GROUP AS AT 14 MARCH 2018

The simplified legal structure of the Group as at 14 March 2018 is shown below:



CHAPTER 6

Persons responsible for the registration document

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6.2 DECLARATION OF THE RESPONSIBLE PERSON 246

6.3 ENTITIES RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS 247

6.1 Person responsible for the information provided

Person responsible for the registration document: Sophie Boissard, Chief Executive Officer.

6.2 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.

Executed in Paris, on 26 April 2018

Sophie Boissard

Chief Executive Officer

6.3 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	22 June 2017	Annual General Meeting voting on the financial statements for the year ending 31 December 2022

ALTERNATE STATUTORY AUDITORS(1)

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

(1) 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, which expired at the conclusion of the Annual General Meeting convened to vote on the financial statements for the year ending 31 December 2016, i.e. 22 June 2017.

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;
- May Kassis-Morin, Ernst & Young et Autres' signatory partner, certified the Company's financial statements for the first time for the financial year ended 31 December 2017, at the conclusion of a three-year period during which the financial statements were certified by Sophie Duval.

CHAPTER 7

Historical financial information and documents available to the public

7.1 HISTORICAL FINANCIAL INFORMATION 250
7.2 DOCUMENTS AVAILABLE TO THE PUBLIC 250

7.1 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 6, and the consolidated financial statements and corresponding Statutory auditors' reports as presented on pages 143 to 204 of the 2016 registration document filed with the AMF on 26 April 2017 under No. D.17-0432;
- 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.

7.2 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 8

Glossary

8 GLOSSARY

The table below contains the definitions of the terms and acronyms specific to the medical-social and post-acute and psychiatric sectors that are used in this registration document.

Terms or 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 and 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 medical-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 Anti-Nosocomial Infection Units (ARLIN)	In France, healthcare structures specialised in the prevention of nosocomial infections.
Regional Health Authority (RHA)– *Azienda Sanitaria Locale*	In the Italian healthcare system, a public regional authority which manages, under a single budget, all healthcare operators, from hospitals to home care.
Benevolence, 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 (DCC)	Term used in Belgium to refer to, or 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	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 subsequently, 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.
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 of users' rights and facilitate their processes so that they can express their difficulties.
Multi-Year Targets and Resources Contract (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.
Social Life Committee	Framework through which residents and families are invited to participate in the life of the facility.
Medical waste from activities with risk of infection	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.

Terms or acronyms	Definition
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.
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, and company employees, as well as during work inspections.
Full-Time Equivalents (FTE)	A unit to measure employed persons or students in a way that makes them comparable although they may work or study a different number of hours per week. The FTE is obtained by comparing the number of hours an individual devotes to work or studies with the average number of hours of a full-time worker or student.
Long-term care nursing home	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	In France, public or private places open to customers or users, which are subject to specific regulations, as opposed to public or private places receiving employees (regular employees or state employees), which are protected by regulations pertaining to health and safety at work.
Statement of Actual Receipts and Expenses	A legally required statement that documents the receipts and expenses of public and private health facilities.
Draft Estimates of Income and Expenditure (DEIE)	A legally required document that estimates 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.
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	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	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.

8 GLOSSARY

Terms or acronyms	Definition
State-Accredited Nursing Coordinators (IDEC)	In France, State-Accredited Nurses handling hands-on management duties.
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 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	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.
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.
Pflegeheime	A German term for long-term care nursing homes.
***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 operations. In coordination with the technical managers in each facility, they ensure best practices are implemented and monitor them.
Regional healthcare organisation plans - Regional healthcare 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, 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 medical-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 (QMS)	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.
Musculoskeletal discorders (MSD)	Conditions that affect structures in the area of the joints (muscles, tendons, nerves, ligaments, synovial bursa, joint capsules, blood vessels, etc.).

Terms or acronyms	Definition
Validation of Acquired 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 9

Cross-reference table

9 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	6.1 (246)
1.2	Statement of the person responsible	6.2 (246)
Chapter 2: Statutory auditors		
2.1	Identity of the Statutory auditors	6.3 (247)
2.2	Resignation or new appointment of a Statutory auditor	6.3 (247)
Chapter 3: Selected financial information		
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3.2	Key operating figures	1.4 (32)
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5.1	History and development of the Company	1.1 (8 & 9) / 2.1 (36 & f.) / 2.4 (45)
5.2	Investments	2.10.7 (93) / 3.1 Notes 2 (151 & f.), 3.1 (155 & f.), 3.2 (159 & f.)
Chapter 6: Overview of the Group's business		
6.1	The Group's main business activities	1.3 (10 & f.)
6.2	The Group's main markets	1.3 (10 & 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	1.3 (10 & f.)
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7.1	Issuer's position within the Group	5.3 (242 & 243)
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9.1	Financial position of the Korian group	2.3 (39 & f.)
9.2	Operating profit/loss	2.3 (39 & f.) / 3.1 (145)
Chapter 10: Cash and share capital		
10.1	Share capital	3.1 (144 to 148) Notes 2 (151 to 155) / 4.1 (212, 215, 218, 223, 224 & 225)
10.2	Cash Flow	3.1 (146)
10.3	Borrowing terms and financing structure	3.1 Note 3.9 (172 to 176) / 4.1 (220)
10.4	Restrictions on the use of capital	3.1 Note 3.9 (172 to 176) / 4.1 (220)
10.5	Expected sources of funding	N/A
Chapter 11: Research and development		**2.9 (89 & 90)**
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Chapter 14: Management and supervisory bodies		
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Chapter 15: Compensation and benefits		
15.1	Amount of compensation paid	2.11.2 (127 & f.)
15.2	Total amount provisioned or otherwise recognised	3.1 Notes 3.7 (165 & f.) & 3.8 (171)
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16.1	Terms of office of members of the management and administrative bodies	2.11.1.2 (95 & f.)

CROSS-REFERENCE TABLE

European Commission Regulation (EC) No. 809/2004 of 29 April 2004 – Annex I	Reference Paragraphs (pages)
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	2.11.2 (127 & f.) / 3.1 Note 5.1 (183)
16.3 Specialised committees formed by the Board of Directors	2.11.1.2.3 (116 & f.)
16.4 Corporate governance principles	2.11 (94 & f.)
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17.2 Profit-sharing and stock options of corporate officers	2.11.2 (128; 129 & f.; 134 to 138) / 3.1 Note 3.7 (169 & 170)
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18.3 Control of the Company	2.10.9 (93) / 5.2 (241)
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Chapter 19: Related party transactions	**3.1 Note 5.1 (183) / 4.1 (220)**
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20.2 Pro forma financial information	N/A
20.3 Financial statements	3.1 (144 & f.) / 4.1 (212 & f.)
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21.1.3 Shares held by the issuer or its subsidiaries	2.10.6 (92 & 93)
21.1.4 Convertible or exchangeable securities or securities with warrants	2.11.1.4.2 (123) / 3.1 (147 & 148)
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	2.11.1.4.2 (123) / 3.1 (147 & 148)
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	5.2 (241)
21.2 Articles of association and bylaws	1.1 (8) / 5.1 (234)
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	**7.2 (250)**
Chapter 25: Information on holdings	
25.1 Equity investments	2.10.7 (93) / 3.1 Notes 2 (151 & f.) & 5.7 (185 & f.)
25.2 Disposals of equity interests	2.10.7 (93) / 3.1 Notes 2 (151 & f.) & 5.7 (185 & f.)
25.3 Revenue and earnings of Korian and its subsidiaries	4.1 (216 & f.)

Designed and published by

Ruban Blanc

KORIAN
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under No. 447 800 475