



KORIAN

2015 Registration document

1	Overview of the Korian group	3	5	Consolidated financial statements for the year ended 31 december 2015	151
	1.1 Selected financial information	4		5.1 Consolidated financial statements as at 31 December 2015	152
	1.2 Stock-market performance	5		5.2 Statutory auditors' report on the consolidated financial statements	204
	1.3 History	6			
	1.4 Legal structure	8			
2	The Group's activities and markets	11	6	Annual financial statements for the year ended 31 December 2015	205
	2.1 The Group's businesses in support of Ageing Well	12		6.1 Annual financial statements for the year ended 31 December 2015	206
	2.2 The Group in France	13		6.2 Statutory auditors' report on the financial statements	221
	2.3 The Group in Germany	23		6.3 Statutory auditors' report on related party agreements and commitments	222
	2.4 The Group in Italy	27			
	2.5 The Group in Belgium	31			
3	Management report 2015	35	7	Information on the Company and the share capital	225
	3.1 Highlights	36		7.1 Memorandum and Articles of Association	226
	3.2 Change in business activities	38		7.2 Composition and allocation of the share capital	232
	3.3 Review of the financial position and results as at 31 December 2015	40	8	Persons responsible for the Registration Document	235
	3.4 Material events since the year-end	44		8.1 Person responsible for the information provided	236
	3.5 Foreseeable changes – Outlook	45		8.2 Declaration of the responsible person	236
	3.6 Risk factors	46		8.3 Entities responsible for auditing the financial statements	236
	3.7 Labour, environmental and societal information	58	9	Historical financial information and documents available to the public	239
	3.8 Research and development	97		9.1 Historical financial information	240
	3.9 Other financial information	98		9.2 Documents available to the public	240
	3.10 Administrative and management bodies	101	10	Glossary	241
4	Corporate governance and internal control	131	11	Cross-reference table	247
	4.1 Report prepared by the Chairman of the Board of Directors on corporate governance and internal control	133			
	4.2 Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Korian	150			



Message from the Chief Executive Officer

« Our ambition:
to be the reference company
in the **Ageing Well market**
in Europe »



GROUP REVENUE
€2,6 billion

OPERATING MARGIN
13.3%

PRO FORMA EBITDAR MARGIN
26.4%

DEBT RATIO
3.1x

"Korian has experienced 3 years of sustained acquisition-led growth, with in particular the successful integration of Medica and Curanum, during which time it almost tripled in size and saw revenue outside France exceed the €1 billion mark for the first time, a new departure for the Company. This transformation went smoothly without hitting any operational or labour barriers, but nevertheless impacted operational performance, particularly in France and Germany, resulting in a decline in EBITDA compared with 2014 (€342 million, 13.3% of revenue) and a sharper fall in net profit (loss) attributable to owners of the Group to €58.7 million. The Group nevertheless enjoys major strengths:

- its human capital, with close to 45,000 motivated and committed employees;
- its quality of service, with 92% of customers declaring themselves satisfied in 2015;
- its network of close to 700 facilities, located in all regions with strong economic potential; and
- its ability to innovate, in particular in terms of new therapeutic approaches and the monitoring of residents and patients.

For long-term care nursing homes and assisted living facilities, Germany is now the leading market for Korian. Thanks in part to the quality of its assets, the acknowledged expertise of its teams and the density of its network, as well as to the recent arrival of new, experienced management to head up Korian in Germany, the Group now has all the resources it needs to successfully pursue growth in the leading European market for services to the elderly.

In the short-term, the Group's General Management is focussing on restoring performance both in France and Germany, in particular by strengthening the teams, management and processes as well as through a policy of streamlining overheads. A performance review by facility is also being undertaken in these countries.

In parallel, it plans to continue expanding the Group, which is already number 1 in Europe. It is particularly focussed on strengthening the network and rolling out new offerings, while channelling the energy and expertise of the teams into quality of service for residents, patients and their families. In 2016, the Group expects to generate revenue of around €3 billion with profitability close to 2015 levels."

Sophie Boissard,
CHIEF EXECUTIVE OFFICER OF KORIAN



2015 Profile

No. **1**



Healthy Ageing specialist in Europe




nearly **45,000**
employees



nearly **70,000**
beds



nearly **700**
facilities

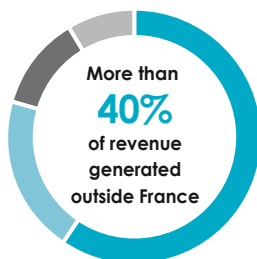


2014
2005
+20%
average annual
revenue growth

A range of additional services adapted to every stage of ageing

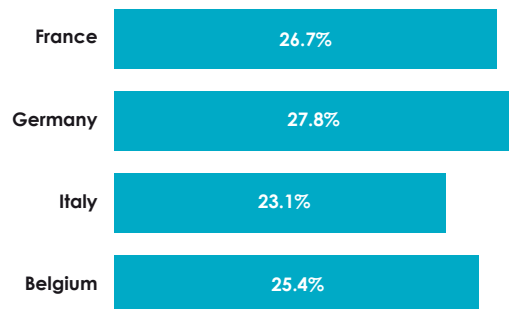


Korian: Revenue breakdown by region



France: **€1,535.9M**
Germany: **€519.0M**
Italy: **€306.1M**
Belgium: **€218.3M**

Korian: EBITDAR/Revenue ratio by country



International growth drivers
Access to different economic potentials and demographic trends
Opportunities to share best practice



Overview of the Korian group

1.1 Selected financial information	4	1.4 Legal structure	8
1.2 Stock-market performance	5	1.4.1 Simplified legal structure of Korian group as at 31 December 2015	8
1.3 History	6	1.4.2 Simplified legal structure of Korian group as at 23 March 2016	9

1.1 Selected financial information

The data relative to the income statement and statement of financial position for the financial year ended 31 December 2015 are compared with 2014 *pro forma* financial information. The rules governing the preparation of 2014 *pro forma* information are described in section 3.3 of this Registration Document.

In millions of euros	Group		France		Germany		Italy		Belgium	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue ⁽¹⁾	2,579.3	2,222.2	1,535.9	1,323.4	519.0	476.2	306.1	265.6	218.3	157.0
EBITDAR	680.2	613.1	410.1	366.4	144.2	143.9	70.6	63.8	55.4	39.0
Margin/revenue	26.4%	27.6%	26.7%	27.7%	27.8%	30.2%	23.1%	24.0%	25.4%	24.9%

(1) Revenue and other income.

In millions of euros	Group		France		Germany		Italy		Belgium	
	2015	2014 <i>pro forma</i>	2015	2014 <i>pro forma</i>	2015	2014 <i>pro forma</i>	2015	2014 <i>pro forma</i>	2015	2014 <i>pro forma</i>
Revenue ⁽¹⁾	2,579.3	2,499.5	1,535.9	1,503.3	519.0	476.2	306.1	312.4	218.3	207.6
EBITDAR	680.2	689.2	410.1	420.8	144.2	143.9	70.6	73.6	55.4	51.0
Margin/revenue	26.4%	27.6%	26.7%	28.0%	27.8%	30.2%	23.1%	23.6%	25.4%	24.6%

(1) Revenue and other income.

Strong growth

2015 revenue reached €2,579.3 million, a growth of 16.1% on a consolidated basis and 3.2% on a *pro forma* basis. In France, revenue grew by 16.1% to €1,535.9 million. *Pro forma* growth reached 2.2%. The international subsidiaries generated revenue of €1,043.4 million, up 4.7% on a *pro forma* basis, and representing over 40% of the Group's revenue, led primarily by Germany, where revenue rose 9%.

The number of beds operated by Korian at 31 December 2015 had increased by more than 2,800 units (openings of new beds and acquisitions).

2015 EBITDA margin lower than expected

Group EBITDAR reached €680.2 million, representing a margin of 26.4% of revenue, down by 120 basis points compared to the 2014 financial year.

This decline in the EBITDAR margin is linked firstly to a stricter definition, by the new management of the Group, of some non-current items. This approach resulted in the reclassification of certain expenses (primarily personnel contributions) in current operating profit in France and Italy and consequently in EBITDAR.

Secondly, this decline was due in France to more restrictive financing conditions by the public authorities, the impact of the harmonisation of employment conditions between Korian and Medica and heavy losses recorded at a recently acquired facility.

Finally, the decline in Germany was due to poor cost management as well as the inclusion of new entities acquired in 2015, comprising a portfolio of more recent and operationally less mature facilities.

Management has already put in place a plan to restore performance. This plan contains measures designed to improve the Group's operational management and get overheads and personnel contributions under control. Furthermore, there is an ongoing review of the individual performance of the various facilities in France and in Germany.

A solid financial structure

Net indebtedness was €1,645 million as at end-December 2015, an increase of €171 million compared with the financial liabilities as at 31 December 2014. The increase resulted from investments made in the context of integration and to prepare the Group's future expansion.

The financial structure remains sound, with a leverage ratio restated for immovable property debt of 3.1x, i.e. well below the covenant limit set at 4.5x. The syndicated credit and bonds (*Schuldschein* and Euro PP) are subject to banking covenants. Changes in the banking covenants are notified to the banking institutions every 6-months and annually for bonds.

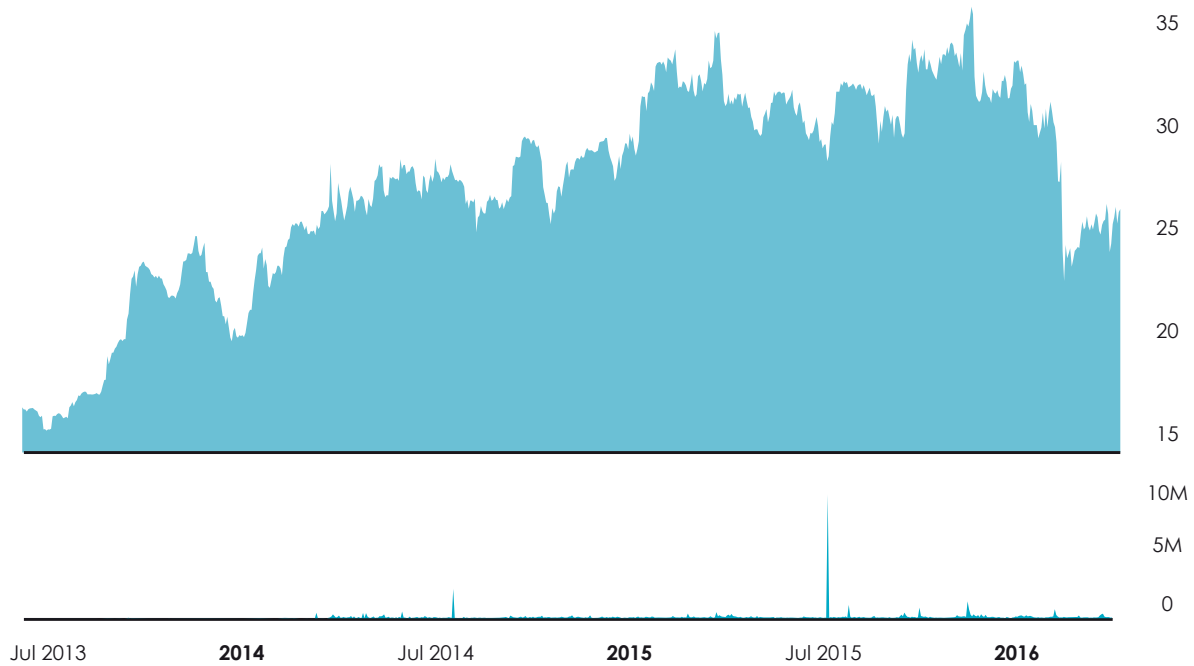
1.2 Stock-market performance

The chart below shows movements in the share price and daily volumes over a period of 3 years, from 2 April 2013 to 1 April 2016.

Over the past 3 years, Korian's share price has risen 52%. The stock benefited from improved investor sentiment about Korian following the acquisition of Curanum and the merger with Medica (*fusion-absorption de Medica par Korian*) (the "**Merger**"), which resulted in an increased free float. Clearly, the share price rose in an uninterrupted manner over the period, until the completion of the Merger on 18 March 2014. There were a number of events during the 2015 financial year, including the placement of the 4.7% equity investment in Covea in October 2015. The announcement of the acquisition

of Casa Reha on 10 November 2015, a major deal in Germany, drove the stock to a historic high of €36.25 on 17 November. The announcement of a change in General Management on 18 November 2015 followed by a profit warning on 10 February 2016 led to a sharp fall in the share price between 17 November 2015 and the end of the reporting period. The share price is down almost 28% from its historic high on 17 November 2015. Korian's market capitalisation is around €2.1 billion, with a free float of some 55% of the share capital. The average daily trading volume over a 3-month rolling period is €4 million.

The Korian stock is listed on NYSE Euronext compartment A and was added to the SBF 120 index.



Source: Euronext

1.3 History

Establishment of a leading French group offering dependency care services, listed on the stock exchange (2003-2006)

Korian (the “Company” or “Korian”) was created in March 2003⁽¹⁾, with the aim of creating a benchmark operator in the comprehensive dependency care sector, by the successive combination of the Finagest, SérIENCE, Réacti-Malt and Medidep groups.

Korian rapidly signed a partnership agreement with Foncière des Murs, a listed real estate company whose business consists in acquiring commercial properties from industrial and services groups. As part of this agreement, between 2004 and 2005, Foncière des Murs bought 53 real estate properties from the Korian group for an asset value of €224 million.

Following this transaction, the Korian group firmly refocused on the operation of medico-social and post-acute and psychiatric facilities and now holds only minor real estate assets.

The year 2006 was dedicated to the operational alignment of these groups, with the goal of building an integrated group around a shared and unifying plan. Therefore, a single organisation was established for the two groups' operational and support functions, based notably on centralising administrative tasks (accounting, information systems, purchasing systems, etc.) at the head office level. The Korian group also divided its operations into two large operational divisions: the long-term care nursing homes division and the post-acute and psychiatric division (which is in turn split into a post-acute and rehabilitation care sub-division and a psychiatric care sub-division).

In order to implement in particular the operational synergies and equip the Korian group with additional means to fund the growth of its businesses, strengthen its position as the leader in its industries and gain the trust of new investors, Korian absorbed Mediped and was then listed on the stock exchange at the end of November 2006. Employees were involved in the business plan through an employee stock ownership policy (creation of a group savings plan and of an approved “Korian shareholding” fund).

At 31 December 2006, the Korian group had 168 facilities, representing almost 13,800 beds in France.

Expansion of the Korian group in Europe and brand development (2007-2011)

One of the main goals of the IPO was to strengthen Korian group's equity base with the ambition of finding growth drivers abroad, particularly in Germany and Italy where the fundamentals were similar to those of the French market (rapidly ageing population, strong barriers to entry and increasingly strict standards of operation, inadequate supply of beds to meet demand or a very fragmented market that is still evolving).

With this in mind, Korian's strategy was to implement real growth platforms with skilled and ambitious local teams, capable of reproducing and structuring a growth model in these countries similar to that applied by the Group in France.

As a result, in April 2007, Korian acquired 92.5% of the Italian group Segesta, the 2nd leading private player in Italy specialising in dependency care. The remaining capital was then held by the management. Segesta operated seven facilities for a total of 909 beds.

In addition, in October 2007, Korian acquired a 92.5% stake in the Phönix group, a company based in Bavaria operating 26 facilities, i.e. 2,922 beds. The remaining capital was then held by the management.

Meanwhile, in the first half of 2008, Korian signed an agreement with the Belgian real estate company Cofinimmo to sell 19 real estate properties for a value of almost €144 million over 2 years (14 real estate properties for €104 million in 2008 and 5 real estate properties for €40 million in 2009). Cofinimmo thus became the Group's second property partner.

Until 2011, the Korian group focused on consolidating its position as a European leader in Ageing Well, through targeted acquisitions, internal restructuring and organic growth.

As of 31 December 2011, the Korian group had:

- 169 facilities, representing close to 14,530 beds in France;
- 43 facilities, representing more than 5,000 beds in Germany and;
- 31 facilities, representing close to 4,350 beds in Italy.

In addition, Korian continued its policy of maintaining a high level of quality and growing medical care (setting up a scientific committee, examining new forms of care), combined with a number of operational improvements.

Change in governance and new corporate project (2012-2013)

On 21 March 2012, the General Shareholders' Meeting decided to adopt a form of governance with a Board of Directors.

Upon closing its first meeting, the Board of Directors decided to opt for the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer. This resolution became effective on 30 April 2012, when the Chief Executive Officer, Yann Coléou, effectively took office.

The change in governance resulted in a comprehensive strategic review and restructuring of the organisation at the end of 2012. This led to the development of a new corporate project known as Korian First, launched in early 2013 and based on 4 pillars: Performance, Development, Innovation and People. In this context, Korian notably:

- launched a number of initiatives (for example, work aimed at expanding the service offering) to optimise revenue;

(1) The Company was registered on 25 March 2003 under number 447 800 475 in the Besançon Trade and Companies Registry, for a period of 99 years from said date of registration, as a Société Anonyme with a Supervisory Board and an Executive Board. The Company's registered office was transferred within the jurisdiction of the registry of the Paris Commercial Court from 8 June 2006.

On 21 March 2012, the Company was transformed into a French Société Anonyme with a Board of Directors, with its registered office, since 15 June 2015, at 21-25, rue Balzac – 75008 Paris (switchboard: +33 (0)1 55 37 52 00) (it was previously at 32, rue Guersant – 75017 Paris).

- took control of Curanum in March 2013, which allowed the Group to become a leader in Germany, opened 6 long-term care nursing homes and 2 post-acute and rehabilitation care clinics in France and Italy and acquired a clinic in Italy;
- finished refocusing its business activities in France by selling Korian's psychiatric division (comprised of 7 clinics) and 2 long-term care nursing homes.

This transformation has allowed Korian to become a leader in internationalisation and innovation.

At the end of 2013, the Korian group had the capacity to accommodate more than 34,000 residents/patients in Europe (France, Germany and Italy) and employed more than 26,000 employees. The Group managed almost 270 long-term care nursing homes, 50 post-acute and rehabilitation care clinics, had the capacity to accommodate more than 2,200 people in assisted living facilities and provided home care services.

Creating the European leader in Ageing Well (2013-2016)

On 18 March 2014, the General Shareholders' Meeting of Korian and of Medica approved the merger with Medica (*fusion-absorption de Medica par Korian*), which took place on the same day, thereby creating the European leader in Ageing Well. The Company was then renamed "Korian - Medica".

Following the Merger, the Group had the capacity to accommodate more than 57,000 residents/patients in Europe (France, Germany, Italy and Belgium) and employed approximately 40,000 people. The Group managed almost 506 long-term care nursing homes, 87 post-acute and rehabilitation care clinics, had the capacity to accommodate more than 2,400 people in assisted living facilities and provided home care services to 9,000 patients.

In order to reflect the Group's resolutely international reach, a new functional structure was established following the Merger with the restructuring of the Group's Executive Committee, to include the Group's 4 country managers.

In parallel with this new organisation, the Group updated its strategic project with the addition of a fifth pillar, the Customer, to the 4 existing pillars (Performance, Development, Innovation and People).

The Merger made it possible to pool networks and complementary expertise, to better tackle the needs of customers and in terms of the preservation of independence.

This combination made it possible to establish a prominent French group in Europe, generating employee pride, but also offering additional security through financial soundness and stronger ties with health authorities and local governments.

2015 saw the first synergies in terms of purchasing, with alignment with the best conditions in terms of unit costs by purchasing category (food, laundry, protection, etc.). In addition, the labour framework between Korian and Medica was successfully harmonised in 2015, at a cost representing around 1% of payroll. However, a certain number of areas still require work: process, single quality policy, review of networks for optimisation, etc.

Looking forward, the Merger boosts the growth potential of the new Group, in particular through:

- organic growth in regional markets with high potential;
- a potential for external growth to strengthen its network in existing markets and develop on new attractive areas;
- a sound financial structure, with controlled debt.

As a result of this successful operational integration and the organisational integration that should be completed in 2016 (joint steering and control frameworks, industrialised processes, cross-Group functions, offering synergies), 2012-2015 thus represents a new departure for the Group.

In the international subsidiaries, revenue exceeded €1 billion for the first time in Korian's history in 2015, following the acquisitions in Germany, Italy and Belgium. In January 2016, with the acquisition of Casa Reha, Korian strengthened its position as the leader of the nursing homes sector in Germany. This is now the Group's most important country in the nursing homes sector with almost 28,000 beds and apartments in operation.

The change in General Management (since 26 January 2016)

Conscious of the need to strengthen General Management for the next stage of the Company's development, Korian's Board of Directors unanimously decided on 18 November 2015 to:

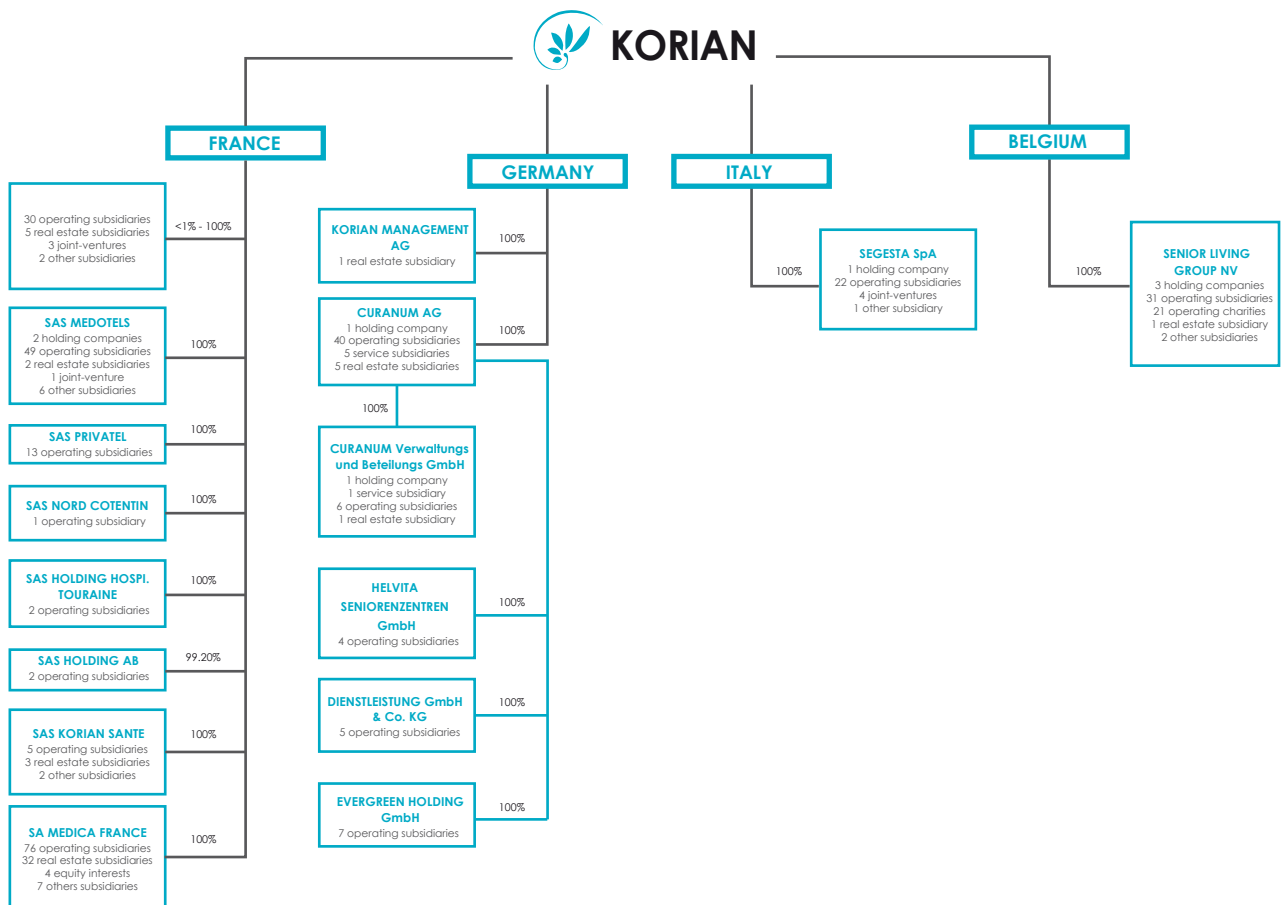
- terminate the mandate of Yann Coléou, the Chief Executive Officer;
- appoint Sophie Boissard as Group Chief Executive Officer for the next phase of the Group's growth strategy. She took up her mandate on 26 January 2016;
- appoint its Chairman, Christian Chautard, as temporary Chairman & Chief Executive Officer of Korian group. Once Sophie Boissard took up her mandate, the governance reverted to separate Chairmanship and General Management.

At 23 March 2016, the Group had the capacity to accommodate almost 70,000 residents/patients in Europe (France, Germany, Italy and Belgium) and employed approximately 45,000 people. The Group manages nearly 700 facilities in 4 business lines: nursing homes, post-acute and rehabilitation clinics, assisted living and home care services.

1.4 Legal structure

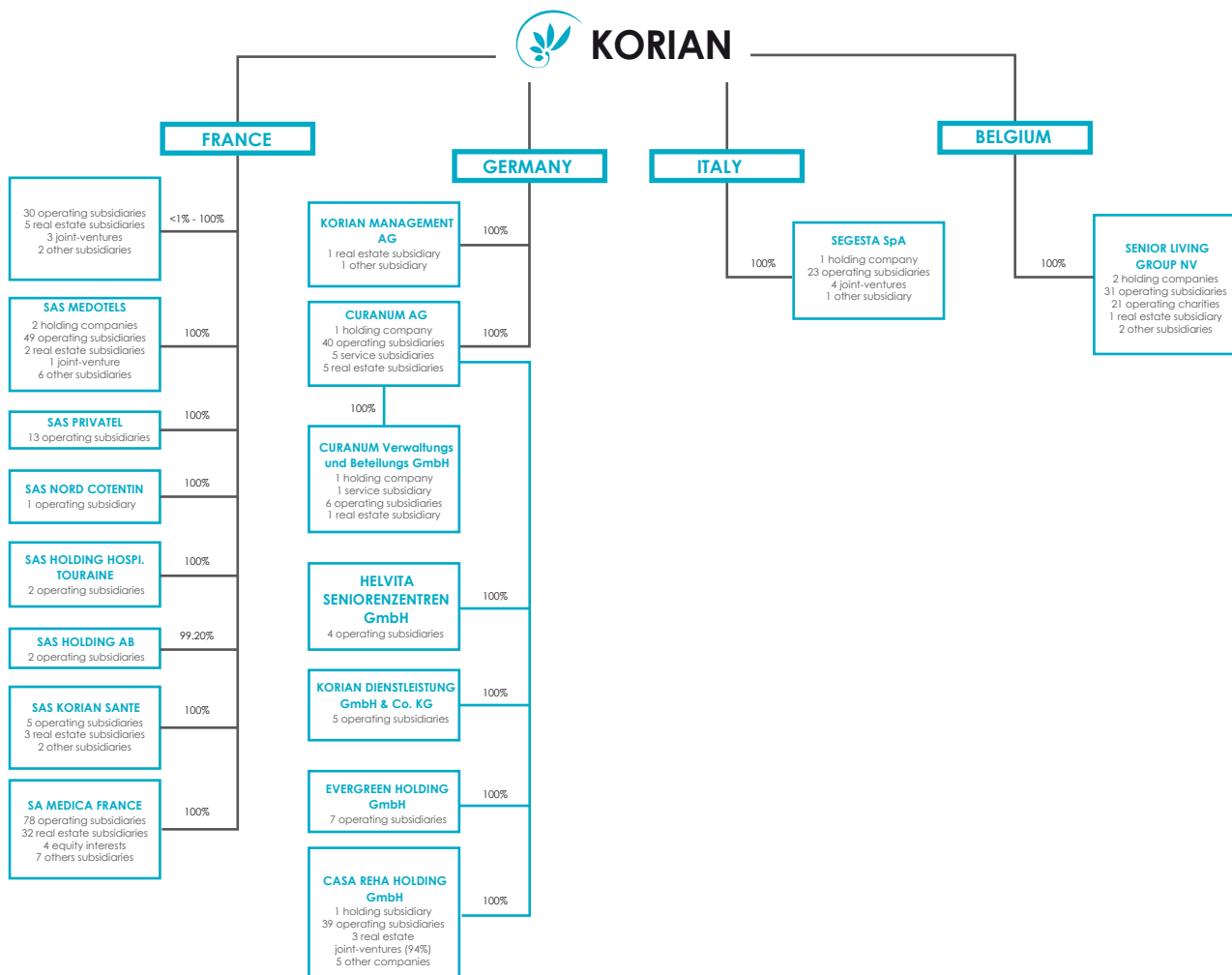
1.4.1 Simplified legal structure of Korian group as at 31 December 2015

As at 31 December 2015, the Group included 400 consolidated companies. The simplified legal structure of the Group as at 31 December 2015 is shown below.



1.4.2 Simplified legal structure of Korian group as at 23 March 2016

The simplified legal structure of the Group as at 23 March 2016 is shown below.





The Group's activities and markets

2.1 The Group's businesses in support of Ageing Well	12	2.4 The Group in Italy	27
2.2.1 The Korian offer	13	2.4.1 The Korian offer	27
2.2.2 The regulatory framework and the funding	15	2.4.2 The regulatory framework and the funding	28
2.2.3 The market players	19	2.4.3 The market players	30
2.2.4 The market trends	20	2.4.4 The market trends	30
2.3 The Group in Germany	23	2.5 The Group in Belgium	31
2.3.1 The Korian offer	23	2.5.1 The Korian offer	31
2.3.2 The regulatory framework and the funding	23	2.5.2 The regulatory framework and the funding	31
2.3.3 The market players	24	2.5.3 The market players	33
2.3.4 The market trends	25	2.5.4 The market trends	33

2.1 The Group's businesses in support of Ageing Well

As Europe faces the challenge of an ageing population, the Korian - Medica group is now Europe's leading specialist in Ageing Well. It operates in 4 European countries (France, Germany, Italy and Belgium), managing nearly 700 facilities (long-term care nursing homes, post-acute and rehabilitation care clinics, assisted living facilities and home care services) holding more than 70,000 residents/patients, and employing approximately 45,000 people.

Ageing Well means preserving independence as long as possible, which means providing respect, responsibility, usefulness, mobility and medical care to suit each person's individual wants and needs, which will evolve over time.

Ageing Well also means ageing in an environment of safety, trust and comfort - bodily, emotional and psychological - by being cared for, helped, accompanied and supported.

For the Group, Ageing Well means allowing people to continue pursuing happiness and enjoying life.

The Group's offer of care, services and products (facilities, technology, entertainment, etc.) responds to this challenge. Through the development of the personalised care and life plan, this offer supports the independence of the elderly.

Within the Group, support for Ageing Well is based on 4 different but complementary sectors.

- **Long-term care nursing homes**, which take long-term care of elderly people who find it hard to stay at home due to the complexity of their care requirements and the related costs. The vast majority of residents are elderly, although some people may also suffer temporary or permanent loss of capacity earlier in life.

These structures come together in a personalised care and life plan, high-quality accommodation and active social life at facilities that are open to their surroundings.

- **Post-acute and rehabilitation clinics**, which provide short-term care (typically for around 30 days) to physically dependent patients to reduce their functional incapacity and restore their independence following hospitalisation or illness. Post-acute and rehabilitation clinics treat:

- patients who need complex post-operative medical care for a limited time;
- patients with slow progressive or chronic illnesses who have suffered a downturn in their condition requiring medical care that cannot be given at home.

These populations mainly represent elderly people with several illnesses, requiring geriatric expertise or rehabilitation programmes. Patients enjoy personalised therapeutic support, in accordance with their medical needs and their pace.

Some facilities have specialised to meet the needs of the public health in their region. They can provide care for a wide range of conditions.

- **Assisted living facilities**, which take in independent elderly people eager to maintain social ties, end their isolation and enjoy the warmth of an open but secure shared space while maintaining privacy. Laid out in a contemporary style, the apartments offer qualitative services and fittings designed to promote independence and well-being. They are designed to provide unparalleled quality of life in city centres or nearby. Depending on their needs, residents can also choose complementary services (catering, laundry, secure parking, sauna and spa therapy, etc.). Tailored services, including restaurants and entertainment, are also available close to these facilities, which helps foster social cohesion.

- **The home care sector**, which covers hospital home care ("HAD") and home nursing services ("SSIAD"), offers an alternative to hospitalisation and takes place at the patient's residence (home, long-term care nursing homes or collective housing). Its aim is to shorten or even avoid hospital stays altogether. Home care covers 3 types of care:

- temporary care: complex techniques for non-stabilised pathologies;
- ongoing care: more or less complex techniques including nursing for progressive pathologies (unlimited duration);
- rehabilitation care at home (limited duration).

Home care offers patients comprehensive and coordinated care conducted by a multidisciplinary team of employees and self-employed healthcare professionals. They include comprehensive, palliative and oncology care pathways. Home care services are provided in partnership with medico-social and post-acute and psychiatric healthcare facilities, health networks, home care associations and various self-employed healthcare professionals. This division ensures continuity of care after hospitalisation, in the security and comfort of patients' homes.

2.2 The Group in France

2.2.1 The Korian offer

The Group provides and develops a complete range of services in France under the Korian brand in support of Ageing Well, with high quality standards in its facilities located throughout France.

It manages its portfolio of facilities by focusing on increased medical care in its long-term care nursing homes and enhanced specialisation where its post-acute and rehabilitation care clinics are concerned. The Group also offers an alternative to nursing homes and home care through non-medical structures adapted to independent elderly people, namely, assisted living facilities. Lastly, it provides home care services through its HAD and SSIAD.

2.2.1.1 Ageing Well in Korian's long-term care nursing homes

Long-term care nursing homes accommodate elderly people for whom it is difficult to provide adequate home care due to their physical or psychological condition. They are designed to encourage the resident's independence, offering a universal core level of care, but different accommodation areas according to the pathology in order to ensure personalised care tailored to the needs of each individual. They accordingly provide medical and paramedical care to residents depending on their degree of dependency and their pathologies. These facilities offer premium hotel and catering services adapted to individual needs.

Long-term care nursing homes designed or equipped as places to live

The Group aims to provide the best lifestyle possible for residents in its facilities, and to maintain their mobility and intellectual capacities for as long as possible. To do this, it pays particular attention to the layout of its facilities: the structure must encourage residents' independence and be designed to function as a secure environment while allowing as much freedom as possible. Residents' rooms therefore contain functional equipment geared to any disabilities, and additional services can be provided at residents' request (servicing of personal belongings, availability of a telephone line or television, etc.).

It prioritises the layout of different lounge areas in each facility to offer residents convivial places to meet or welcome their family.

To ensure that residents settle in to their new environment, the Group aims to enable them to be supported without changing their habits, and aims to recreate real living places. They can for example have their own furniture and personal belongings

in their rooms. There are also rooms for leisure activities, hairdressing, beauty treatments, newspaper kiosks and spaces reserved for leisure activities (music, reading, cooking, etc.) in most facilities. Varied events (socio-cultural, cognitive, physical or manual) are offered to promote exposure to the outside world and the exercise of residents' mental faculties.

Lastly, the Group's staff strives to maintain the social interactions between both the residents and the residents and their families, particularly by welcoming them for visits and always being there to listen to residents' needs and protecting the privacy of their visits.

Facilities staffed by healthcare professionals to provide appropriate care

Care for residents in long-term care nursing homes is delivered by a group of professionals in each facility who treat dependency and age-related conditions, notably comprising general practitioners, geriatric specialists and psychologists.

As required by French regulations, a geriatric physician coordinates care at each long-term care nursing home, in particular by establishing a care plan that factors in each resident's degree of dependency. In order to tailor resident care to their needs more effectively, some of the Group's facilities have also developed a specialised care capability in the treatment of people with Alzheimer's disease and related disorders. Facilities are integrated with the existing post-acute and psychiatric and social network. They place great emphasis on contact and the signature of partnerships with the hospital world, as well as nearby long-term care nursing homes and post-acute and psychiatric facilities.

Treatment of residents in facilities is provided by multi-disciplinary medical teams. The Group has access to a significant number of practitioners in complementary specialities, particularly geriatric specialists, rehabilitation specialists, physiotherapists, occupational therapists, psychologists, speech therapists and pharmacists, facilitating a personalised treatment plan for each resident.

Since short-term dependency care in post-acute and psychiatric facilities has become increasingly technical, owing to the shorter length of short-stay hospital admissions, the Group has equipped its facilities with the resources needed to meet the needs resulting from this sector trend, installing high-quality infrastructure to facilitate residents' return to independence, notably including physiotherapy rooms, spa pools and occupational therapy rooms (re-education and rehabilitation through physical activities, and especially handicrafts).

2.2.1.2 Korian's post-acute and rehabilitation care clinics, an effective and specialised offer for medium-term stays

Specialised and individual care delivery in post-acute and rehabilitation care clinics

Post-acute and rehabilitation care clinics have high-quality and diversified technical facilities so that they can deliver the best medical care for each illness. Individual therapeutic monitoring allows patients to get the most out of the facilities at each of the Group's clinics.

The Group has decided to specialise certain of its facilities to meet public health needs as effectively as possible in the regions where it operates.

Korian's post-acute and rehabilitation care clinics look after patients coming out of hospital or coming from home so that they can recover as much independence as possible. They provide comprehensive post-acute care, but also geriatric care and physical and rehabilitative medicine, cardiac or ENT rehabilitation, alcoholism aftercare and other services.

Some of its facilities have the ability to provide care for a diverse range of conditions. These notably encompass rheumatology, orthopaedic, cardiovascular and respiratory diseases, neurological, nutritional (treatment of diabetes or obesity) conditions or even patients in a chronic vegetative state. Others are equipped to provide rehabilitative care for geriatric patients over 75 years old with multiple conditions and a high level of dependency.

The goal is to help patients return home as soon as possible, or, when necessary, or refer them to long-stay facilities, when necessary.

Our post-acute and rehabilitation care clinics work to a therapeutic care plan for each patient, based on an overall personal assessment (medical, paramedical and psychological). All parameters required for successful rehabilitation are taken into consideration, from medical care needs to re-education in carrying out everyday tasks or psychological support.

A high-quality offer based on an innovative medical approach in psychiatric clinics

The Group's psychiatric clinics accept patients who need treatment for acute and progressive mental illness, bipolar disorders, behavioural problems, problems related to addictions, or following a stroke, etc. They offer individual or group psychotherapies alongside drug treatments to guarantee that each patient gets the individualised care they need.

2.2.1.3 Korian's assisted living facilities: homes suitable for the independent elderly

In keeping with the Group's aim of providing a comprehensive offer of support for Ageing Well, the Group offers fully equipped apartments in assisted living facilities. The individual apartments, common areas and the activities proposed in these assisted living facilities are suitable for the independent elderly.

Assisted living facilities are an alternative to long-term care nursing homes and home care for independent elderly people. These take the form of individual apartments specifically designed for the elderly (customised equipment) and they include à la carte services to provide a safe and suitable lifestyle for residents. The challenge for these residences is to offer the type of care that meets the needs of an ageing yet independent elderly population.

Services offered in addition to the basic rent may include:

- accommodation services (residents can use common areas: reception, dining room, lounges, bar, terraces, etc.);
- catering services (breakfasts served in the apartment, dinners served at the restaurant, etc.);
- entertainment and social activities;
- occasional services performed by outsiders that can be chosen by the resident from time to time (hairdresser, beautician, etc.).

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

2.2.1.4 Home care

Medico-social sector

Home nursing care services enable the dependent to remain at home, and provide medical care for the elderly while enabling them to stay in a familiar environment. These services also delay the institutionalisation of the elderly (primarily Iso-Resources Groups ("GIR") 2 to 4).

They provide, on a doctor's prescription, nursing services in the form of technical care provided by nurses involved in the treatment and monitoring of pathologies afflicting patients. In addition, they participate in the supportive care and the life of patients by helping them with hygiene needs, mobility, and comfort among other things. These services are generally provided by caregivers, and are mainly given in patients' homes, but may also be provided in non-medical social or medical-social structures.

Post-acute and psychiatric care sector

Hospital home care facilities provide an alternative to traditional hospitalisation. Their purpose is to shorten or even avoid hospital stays when the patient's condition so allows. Hospital home care is a developing area that is gradually taking root in the French post-acute and psychiatric landscape. It now represents a separate form of hospitalisation providing ongoing and coordinated care to patients with serious, acute or chronic

illnesses. Inherently multi-disciplinary, hospital home care involves numerous actors, particularly self-employed healthcare professionals.

Intermittent treatments (chemotherapy, etc.), home rehabilitation care (after heart disease in particular) and palliative care can all be provided as part of hospital home care.

Hospital home care is prescribed by the general practitioner, in consultation with the hospital home care service doctor. Hospital home care services cover the following⁽¹⁾:

- temporary care for sufferers of diseases that have not yet been stabilised;
- home rehabilitation care following various diseases (heart disease, etc.);
- palliative care.

2.2.2 The regulatory framework and the funding

To summarise, Korian's business in France is characterised:

- by high barriers to entry in terms of operating licences and/or increasingly stringent operating standards;
- in long-term care nursing homes, by public sector funding (the French National Health Service and local authorities) of part of the cost of funding medical care and dependency care, which makes up around 35% of the total cost;
- for post-acute and rehabilitation care, by social security funding by speciality representing 80% of the total cost;
- for hospital home care, by the funding of 80% of care by the French National Health Service (100% for long-term care);
- for home nursing care services, by reimbursement made exclusively by the French National Health Service for care given to the person at home.

As a medico-social sector activity, accommodation for people with long-term dependency is tightly regulated, both when setting up and when running long-term care nursing homes. The 2002 reforms increased the regulatory burden, which effectively represents a restrictive entry barrier against new and inexperienced companies entering the field.

For post-acute and psychiatric and rehabilitation care with full hospitalisation, the reimbursement of patients' medical expenses is also highly regulated. The reform of the authorisation system in 2008 led to much greater medicalisation of Korian's facilities and defined a national regulatory framework. Authorisations are now issued by the ARS (Agence Régionale de Santé - Regional Health Agency) based on the medical care needs specified in the SROS-PRS (regional healthcare organisation plan). Post-acute and psychiatric care activities also include alternatives to full hospitalisation. The patient can be treated within a framework of partial hospitalisation or home hospitalisation depending on his or her needs. Authorisation in such cases is also issued by the ARS (Agence Régionale de Santé - Regional Health Agency) based on the medical care needs specified in the Health delivery regional plan (SROS-PRS).

2.2.2.1 Means of obtaining and renewing licences

Medico-social activity

The creation, transformation or extension of any long-term care nursing home is subject to a project application procedure and the subsequent issuing of a license by both the President of the local departmental authority of the department concerned

and the Chief Executive Officer of the ARS where the facility is located. This license is valid for 15 years as from the date of the decision (10 years for facilities created before 2002). Moreover, since the introduction of the French HPST Act in 2009 (concerning hospitals, patients, health and territories), the license can only be used if the funding related to the functioning of the facility (treatment allowance) has been granted by the relevant authorities. The Group cannot undertake the construction, creation, transformation or extension of a facility unless it has obtained this funding.

The renewal of the license is subject to internal and external evaluation procedures in accordance with the terms and conditions and time frame set out in the implementation decree of the HPST Act, in addition to the provisions of the decree dated 15 May 2007 and ANESM recommendations. The purpose of these evaluations is to appraise the facility's ability to perform the assignments entrusted to it, and the quality of its activities in respect of its license.

The facilities authorised to provide care to dependent elderly persons must also have signed a 5-year tripartite agreement with their region's local Departmental Authority and the ARS, defining the operating conditions and development of the facility from a financial standpoint and in terms of managing the people and the medical care provided to them.

Home nursing care services are, within the meaning of paragraphs 6 and 7 of Article L. 312-1 of the French Social Action and Family Code, medico-social services that provide home care, notably for elderly and disabled adults. As such, home nursing care services are subject to the rights and obligations of all social or medico-social structures, particularly in terms of authorisations and pricing.

The French law on the adaptation of society to population ageing (law No. 2015-1776 of 28 December 2015) establishes new pricing formulae that apply, from 1 January 2017, to all our long-term care nursing homes under Multi-Year Targets and Resources Contracts ("MYTRC") and the production of Draft Estimates of Income and Expenditure ("DEIE"). The MYTRC will be signed for 5 years, is meant to simplify the funding provided to facilities and provides for the transition from pricing administered based on historical charges to transparent, multi-annual, empowering pricing based on available resources.

Post-acute and psychiatric care activities

Post-acute and psychiatric care facilities are also subject to a licensing regime. The application must be submitted during a specific period set by the ARS (depending on the region, predominantly within a 2-month period, twice a year). For such

(1) Source: Service-Public.fr.

periods, the ARS draws up a quantified summary of the care services indicating the facilities available by health area based on the needs defined in the Health delivery regional plan (SROS-PRS) whose prime objective is to coordinate the post-acute and psychiatric, out-patient and medico-social sectors according to the needs of the local population in order to improve people's health and reduce inequalities in access to medical care. The SROS is an operational tool to implement the PRS, which includes the assessment of healthcare needs and healthcare offering, as well as the defining of the region's strategic policies in terms of healthcare. An additional objective has been assigned to the SROS-PRS to improve the efficiency of the regional health system. It must thus continue the restructuring of the healthcare offering in order to ensure the quality and safety of the medical care and structure the offering around alternatives to full hospitalisation, while taking account of the macro-economic context.

A license is granted when the project meets the healthcare needs of the population targeted by the schemes, and when it is compatible with the objectives set by the schemes and when it meets the conditions in terms of location and technical operation.

The licenses, initially granted for a number of beds or places, are now delivered according to target activity volumes. The number of beds actually installed in a facility is now solely a question of organisational choice for the facilities. We have thus gone from a supply-based approach to an approach that takes account of needs.

The implementation of the decrees of 2008 aimed at defining a national regulatory framework has enabled post-acute care and recuperative care facilities to apply for licenses confirming their care activities in 2010. Following the granting of these new licenses, the operating conditions (general and per speciality) of the post-acute and psychiatric care facilities were adjusted and the last compliance inspections took place in the first half of 2013.

A license given before the start of construction automatically entitles its holder to operate, subject to the positive outcome of a compliance inspection, carried out within 6 months of the start of the medical care activities. A license granted to a facility may lapse if its operation hasn't started within 3 years, or if its construction isn't completed within 4 years.

In principle, the licence is valid for 5 years, and an assessment report must be filed no later than 14 months before its expiry. Should the findings of the assessment report point to inadequacies, the ARS may request the submission of a licence renewal application following a formal request.

Licences may be suspended or withdrawn in the event of a major dysfunction in the facility.

Within this framework, in 2015, Korian renewed the licences for all of its post-acute and psychiatric care facilities.

An MYTRC is signed for a 5-year period. Its objectives are to define the facility's strategic policies, define indicators aimed at improving control of expenses and professional practices. Non-compliance with MYTRC can result in financial penalties. Moreover, the MYTRC may be terminated or suspended by the ARS in the event that the facility commits a serious breach of regulatory or legal provisions or its contract obligations.

Assisted living facility activities

Assisted living facilities are not considered as social and medico-social structures for the elderly, and are governed by Article L. 312-1-6° of the French Social Action and Family Code, meaning that they are not part of the licensing regime as described by the Code (Articles L. 313-1 to L. 313-9), unlike long-term care nursing homes.

The French law on the adaptation of society to population ageing (law No. 2015-1776 of 28 December 2015) introduces, in Articles 14, 15 and 47, a special status for assisted living facilities, known as second generation. This status separates out condominium fees, charged under a commercial lease, from those connected with individual and individually identifiable services, payment for which is subject to actual use by the beneficiary. Assisted living facilities are governed by the French Building and Housing Code.

Hospital home care activities

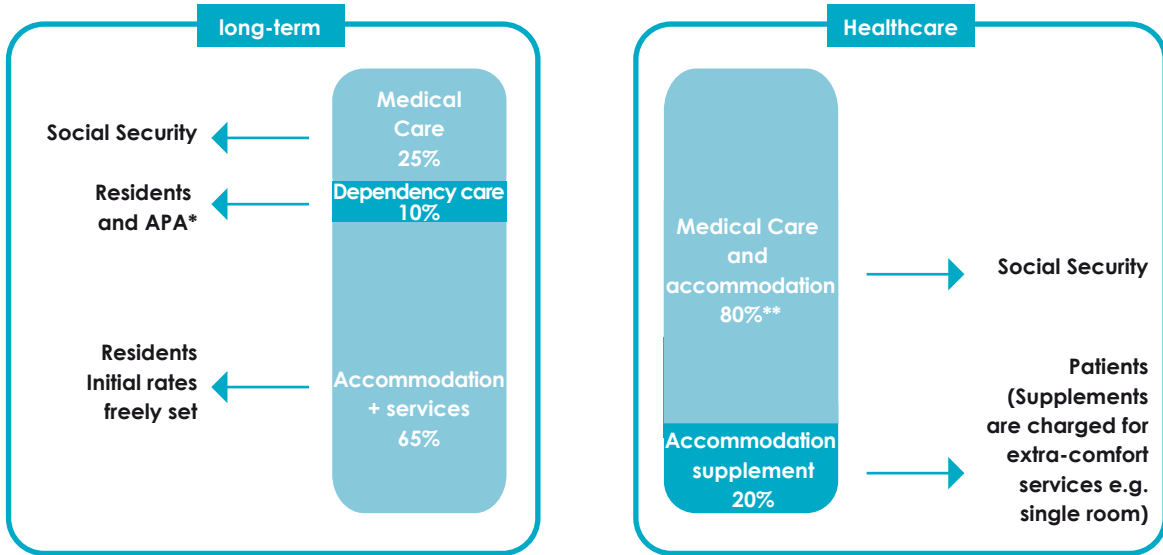
Article L. 6122-1 of the French Public Health Code subjects hospital home care activities to authorisation for "the creation, conversion and regrouping of health care activities, including as alternatives to hospitalisation or hospital home care".

Licences are granted for a 5-year period and can be renewed (Articles L. 6122-8 and R. 6122-38 of the French Public Health Code).

The tacit renewal procedure provided for in Article L. 6122-10 of the French Public Health Code allows the renewal of the licence without the need for an application to be filed with the ARS. However, the actual renewal of the authorisation depends on the results of an assessment of the hospital home care facility. This assessment must be filed no later than 14 months before the expiry of the authorisation, thereby allowing an appreciation of the place represented by hospital home care in the activity carried out by the facility for the relevant care activity.

2.2.2.2 Rates for facilities

The rates for the Group's facilities break down as follows⁽¹⁾.



* Personal independence allowance (APA)

** Around 70% of this corresponds to the daily rate

Hospital home care treatments are 80% funded by the French National Health Service (100% for long-term care). The hospital home care facility receives funding from the French National Health Service (and sometimes private health insurance funds), corresponding to the payment of a lump sum for each day of home hospital care for each patient, established in accordance with the intensity of care delivered, the degree of patient dependency and the length of the stay.

Home nursing care services are fully funded by the French National Health Service as a single payment. The person receiving care is not required to make any payments.

Rates for long-term care facilities

The French law of 2 January 2002 and its implementation decree of 22 October 2003 defined the basic system for long-term care nursing home rates. The budget allocated to a long-term care nursing home by the regulatory authorities under the tripartite agreement is directly related to its residents' level of dependency (classified by GIR).

Since it was first introduced, this regulation has undergone a host of modifications and extensions, most notably in the laws on social security funding for 2008 and 2009 and the 2009 Finance law, which sought to standardise rates and so allowed ministers to set a price ceiling and define rules for calculating rates, now based on an algorithm for evaluating the amount of medical care needed in light of the patient's medical condition.

The rate paid for long-term care nursing homes is set under a tripartite agreement and has 3 components.

ACCOMMODATION RATE (COVERING ACCOMMODATION, FOOD AND RESIDENTS' SERVICES)

The accommodation rate is payable by the resident (except where entitled to social welfare payments) and can be negotiated freely by the facility when a new resident arrives under a residence contract, which specifies the arrangements regarding the resident's accommodation and care as well as the corresponding rate and details of how the accommodation expenses will be paid. Thereafter, annual increases are capped at a level set by the Minister for the Economy and Finance.

The accommodation rate accounts for around 61% of the Group's revenue in its long-term care business.

Certain facilities are entitled to partial or total social welfare payments. Accommodation rates for these beds and annual adjustments are set by the local departmental authority. Residents may also, depending on their means, receive a housing allowance covering their accommodation in a long-term care nursing home (housing allowance, personal independence allowance, tax rebate, etc.).

The French law on the adaptation of society to population ageing (law No. 2015-1776) provides for basic minimum benefits covered by an aggregate price known as the "basic rate". decree No. 2015-1868 of 30 December 2015 contains the list of minimum accommodation services provided by long-term care nursing homes that are included in this basic rate. This new legislation applies to elderly people that enter long-term care nursing homes on or after 1 July 2016 (See Annex 2-3-1 to decree No. 2005-1868 of 30 December 2015).

(1) Source: Korian.

TREATMENT RATE (NURSING AND TECHNICAL MEDICAL CARE)

The treatment rate is set by the ARS, and represents approximately 26% of the Group's long-term care revenues. It covers the medical services required to treat the residents' medical conditions and the paramedical services associated with loss of autonomy. The system thus covers 70% of the care assistants' salaries as negotiated with the ARS, 100% of the salaries for registered nurses, physiotherapists, occupational therapists and the coordinating physician and 100% of expenses incurred for disposal of medical waste. Since August 2008, facilities have also received a fixed sum per resident to cover medical care.

This rate is not passed on to residents but is paid directly to the facility by the French National Health Service as a single payment depending on the level of medical care provided at each facility. It is negotiated with the ARS based on the projected budget of each facility.

It is generally subject to annual adjustment.

However, facilities have the option of seeking the renegotiation of new rates if, for example, the average degree of dependency of their residents or the medical care workload increases significantly. Accordingly, every year, the facilities provide the regulatory authorities with a statement of their income and expenditure.

DEPENDENCY RATE (MAINTENANCE OF PREMISES, LAUNDRY, INCONTINENCE AND DAILY LIVING ASSISTANCE SERVICES)

The dependency rate is set by the local departmental authority, and makes up around 11% of the Group's long-term care revenues. It covers all assistance and monitoring services required to perform essential everyday tasks unrelated to medical care. Further to negotiations with each local Departmental Authority, a fraction of miscellaneous expenses (such as the salaries of qualified care assistants, nursing aides and psychologists and expenses related to incontinence and accommodation supplies, maintenance products, laundry and amortisation of equipment used in dependency care).

These rates are set and reviewed each year following negotiations between the facility and the local departmental authority based on a prospective budget submitted by the facility. The local departmental authority may choose not to cover all the facility's costs, in which case the facility would incur an additional expense. The dependency rate for IRG 5 or 6 residents is not covered by the personal independence allowance (APA) and must therefore be paid by the resident. This works as a client's contribution.

The flat rate dependency charge is paid either by the resident, who may be entitled to the personal independence allowance, depending on his/her level of dependency and income (the client's contribution is charged to the resident), or directly by the local departmental authority for residents entitled to welfare payments.

The system clearly defines the financial responsibilities of those involved:

- the elderly people and their families pay for accommodation, the amount up to the dependency "excess" and the balance of the dependency rate if they are not eligible for APA cover;
- the French National Health Service pays for the medical care-related component; and
- the local departmental authorities, via the personal independence allowance, fund all or part of the dependency rate above the client's contribution and accommodation charges for the most underprivileged through social welfare.

Rates for post-acute and psychiatric care facilities

Since the French Social Security Financing Act of 2000, discussions on setting rates for the commercial private sector are carried on directly between the government and professional bodies. Each year, the ARS sets, by order, the rates applicable to facilities.

A national agreement between the ministers for health and social security and at least one of the main representative bodies of the private hospitals (FHP or FEHAP) then decides:

- the average national adjustment rates for services and its regional variations;
- the variation band above and below the regional average rate; individual rate increases negotiated by the ARS with each facility must fall within this band.

Each year, the ARS can amend the rate increase of facilities within the limit set by the national agreement, under the terms defined by an agreement reached with at least one of the regional bodies that signed the national agreement.

The ARS can also set rates for new facilities, or for new activities authorised in an existing facility, based on regional average rates.

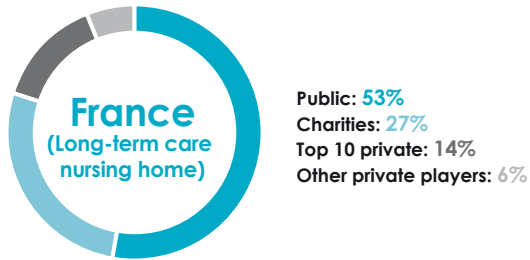
In addition to the daily rate paid by social security, clinics can receive supplements related to comfort services (private room, television, telephone, etc.) for which rates are set freely. These supplements are paid directly by the patient using the services, or by their supplementary mutual insurer.

2.2.3 The market players

The long-term care nursing homes market in France

Of the 592,900 long-term care nursing home beds in France in 2011, 80% were in the public and charitable sectors. The private market is consolidating, but remains fragmented⁽¹⁾.

Aside from the Group, the key players in the dependency sector are Orpéa, DomusVi and Le Noble Age.



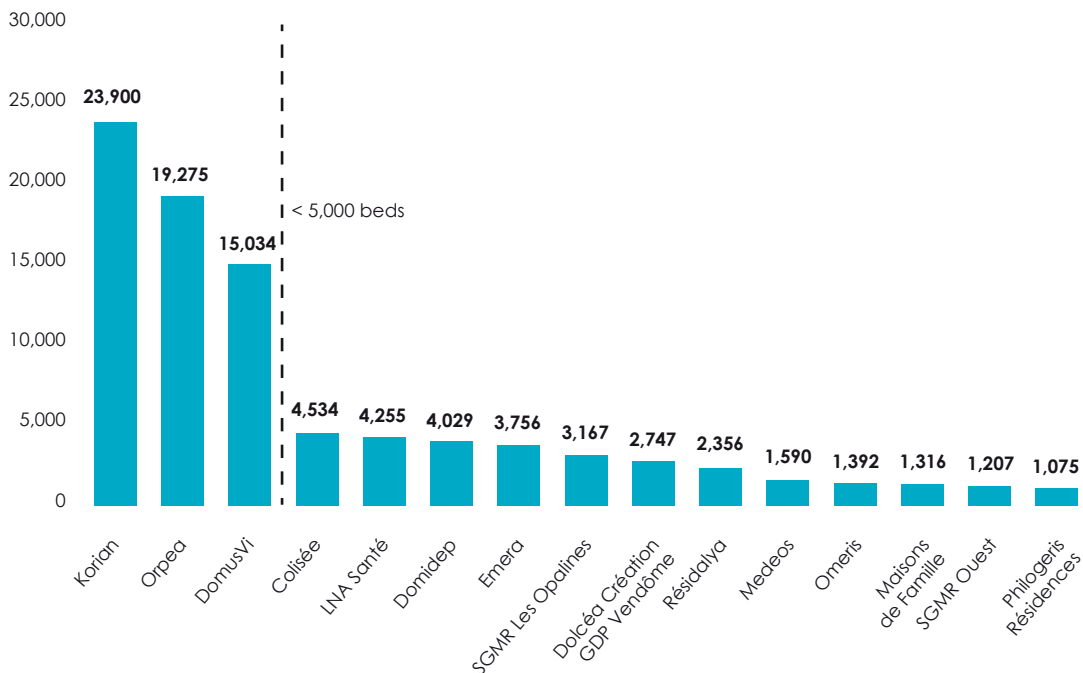
Long-term care nursing homes are managed by a very large number of participants of very different sizes from the commercial private sector, the charitable sector or the public sector.

While overall market capacity is dominated by the public sector (around 52.7% of the number of beds available at year-end 2011, compared with 27.3% in the charitable private sector and 19.9% in the commercial private sector), most of the development in recent years has come from the commercial private sector, which has grown at a much higher rate than the public sector. As a result of their financial resources, commercial private sector groups are more readily able to invest in the requisite medical treatment facilities and to expand the accommodation capacity in long-term care nursing homes.

Competition in the commercial private sector is primarily between 2 main categories of participant:

- the major listed groups and other market participants with bed capacity of over 15,000; and
- smaller, independent groups or entities that are principally owned by their directors or founders.

The following chart shows accommodation capacity by number of beds of the top 15 commercial private operators in France as of 31 December 2015⁽²⁾.



(1) Source: DREES, *Études et Résultats* No. 877, February 2014.

(2) Source: *Mensuel des Maisons de Retraite*, January 2016.

In 2015, only 3 private operators managed more than 4,500 beds, and approximately 10 groups operated between 1,000 and 4,500 beds. In spite of the emergence of major national players in the commercial private sector, the market remains very fragmented and has shown signs of consolidation. The gap is widening every year between the top 3 players in the commercial private sector and the remainder of the sector. In fact, the No. 3 operator has over 15,000 beds whereas the No. 4 only has 4,534.

The French post-acute and psychiatric care market

The main post-acute and psychiatric care facilities in the commercial private sector (Korian, Orpéa) represent over 12,000 beds, namely over 35% of this segment's total⁽¹⁾.

In 2012, France had capacity of approximately 111,000 beds in post-acute care and rehabilitation care clinics, of which approximately 43,500 in the public sector (39.20%), 33,700 in the charitable private sector (30.30%) and 33,900 in the commercial private sector (30.50%). Although the public sector accounts for circa 40% of post-acute care and rehabilitation beds, the

proportion operated by the commercial private sector has been steadily increasing over the past number of years. At the same time, capacity in psychiatric clinics totalled close to 58,000 beds, of which approximately 37,600 in the public sector (65%), approximately 7,400 in the charitable private sector (13%) and close to 12,900 in the commercial private sector (22%)⁽²⁾.

These facilities are managed by a very large number of participants of very different types and sizes, from the commercial private sector, the charitable private sector and the public sector. The landscape of the French commercial post-acute and psychiatric sector remains dominated by small facilities owned by one or more doctors or their families, and appears to be even more fragmented than the long-term care nursing home sector. The vast majority of facilities are still independent, and a round of consolidation is underway, owing notably to the general move towards greater specialisation of facilities. This is leading to the conversion of multi-disciplinary facilities into centres specialising in care for particular conditions, which generates higher revenue per bed.

2.2.4 The market trends

In short, Korian's activity is characterised by a rapidly ageing population. The market is growing strongly, driven by favourable demographic trends and with structurally short supply.

sharp rise reflects, among other trends, the arrival of the baby boom generations at these ages. Thus, by 2040, the number of people aged 85 or over will have risen by 83% to 3.6 million⁽⁶⁾.

2.2.4.1 A demographic, economic and social environment that favours the expansion of the dependency care market

Dependency is one aspect of a general demographic ageing of the French population. There will be more than 10.3 million people aged over 75 in 2040 (compared with 6 million today, an increase of more than 71% in 25 years)⁽³⁾.

The rise of the elderly is largely due to longer life expectancy thanks to healthier lifestyles and better diagnosis and treatment of serious illnesses. In 2015, life expectancy at birth was 78.9 years for men and 85.0 years for women⁽⁴⁾. According to INSEE's central scenario, projections for the age distribution of the population put life expectancy at 86.0 for men and 91.1 for women by 2060⁽⁵⁾.

INSEE analyses also confirm that the elderly and very elderly segments of the population will expand sharply until 2040. This

2.2.4.2 Demand for dependency care increases as the population ages and new needs emerge related to new illnesses

The dependency care sector can look forward to structural growth.

Demographic boom of seniors

The number of people over 80 is set to rise sharply in coming years as a result of the overall ageing of the population in Europe. This is a critical threshold when it comes to dependency: past 80, the likelihood of becoming dependent becomes higher and higher. In France, only 8% of people over 60 are dependent, but the rate rises to 20% of people over 85 and to 63% of people over 95 (qualifying for APA, source: INSEE Groupe "Society and Ageing"). Moreover, 1 APA recipient in 2 was over 85 in 2011⁽⁷⁾.

(1) Sources: *Companies and Panorama des établissements de santé 2014*, May 2015.

(2) Source: *Panorama des établissements de santé 2014*, May 2015.

(3) Source: Eurostat, *Population aged over 75*.

(4) Source: INSEE, *Demographic report 2015*, January 2016.

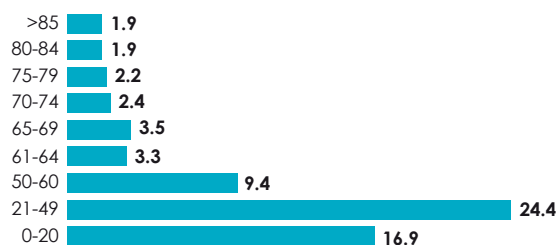
(5) Source: INSEE, *Population projections*, No. 1320, 2010.

(6) Source: Eurostat, *Population aged over 85*.

(7) Source: DREES, *Études et Résultats* No. 876, February 2014.

As shown in the age distribution below, in France, 11.8 million people, in excess of 18% of the population, were over 65 in 2014⁽¹⁾.

**AGE DISTRIBUTION AT 1ST JANUARY 2015
IN MAINLAND FRANCE:**
(by age band, millions of people)⁽²⁾



The number of dependent people first began to rise from 2005 with the ageing of the generations born between 1920 and 1940, and replacing previous generations whose numbers had been fewer, with a particular slump in births during the First World War. The second critical factor in terms of the dependent elderly is that the baby-boom generations will begin to turn 80 in 2030⁽³⁾.

DREES carried out dependency-related projections. In the central scenario, there would be 1.4 million dependent elderly in 2020, and 1.5 million in 2030⁽⁴⁾. This would mean that the number of dependent elderly would increase by a factor of 1.4 between 2010 and 2030⁽⁵⁾.

In 2011, 693,000 people lived in long-term care nursing homes and assisted living facilities, primarily in long-term care nursing homes, i.e. 5.5% more than at end-2007; however, the average age of residents rose 10 months over these 4 years to 85.

People are entering facilities at an increasingly late age, but residents were more dependent in 2011 than in 2007. The number of personal independence allowance beneficiaries aged over 60 increased by 10% between 2007 and 2011⁽⁶⁾. At end-2011, 476,000 people aged 60 or over living in long-term care nursing homes received the personal independence allowance (APA)⁽⁷⁾.

By 2040, the number of dependent elderly and the age when people start to lose their independence will both be higher than today. The change in the number of dependent people reflects the interplay of 2 opposing trends: the fall in the rate of dependency at any given age and the populousness of the succeeding generations which determines how fast the number of elderly rises. For elderly people under 80, the declining trend in dependency predominates and the overall number of dependent people in this cohort will fall. However, beyond the age of 80, the generational effect is predominant and causes the number of dependent elderly persons to double.

The impact of age-related illness

At the same time, the increase in the number of people affected by age-related illnesses such as Alzheimer's disease and related illnesses and the number of people suffering from multiple conditions will also lead to an increase in the number of dependent people and, therefore, to a rise in associated accommodation and care needs. In France, long-term care nursing homes have the appropriate level of medical provision to provide such care.

The effects of ageing are often complicated by chronic illnesses making people extremely frail, which affects both post-acute and dependency care. The most frequent illnesses, particularly among people over 85, which come on top of people's general decline in health, are:

- cancer and cardiovascular disease (heart disease, heart failure and atrial fibrillation or strokes). These are the main killers of elderly people and also make them very frail;
- neuro-degenerative diseases, which are becoming increasingly common: Alzheimer's disease (around 225,000 new cases diagnosed each year), Parkinson's disease (10,000 new cases each year), depression among the elderly (responsible for nearly 3,000 cases of suicide each year) and sleep disorders;
- neurosensory disorders including deafness and eye diseases can lead to disability if not adequately 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 equipment.

Alzheimer's and related diseases are the main reason that people move into care facilities. This disease affects 15% of the population aged 80 whereas it only affects 2 to 4% of people aged 65. There are currently more than 900,000 people with this disease in France. Given the ageing population and better diagnosis, the number of people with such illnesses is set to rise sharply: and could reach 1.3 million in France by 2020⁽⁸⁾.

This trend requires the medical care available to be adapted to suit the social and psychological needs of patients and their families.

(1) Source EUROSTAT.
 (2) Source: EUROSTAT, January 2015.
 (3) Source: DREES, Elderly population projection – September 2013.
 (4) Source: DREES, Elderly population projection – September 2013.
 (5) Source: DREES, Elderly population projection – September 2013.
 (6) Source: DREES, Études et Résultats No. 909 – March 2015.
 (7) Source: DREES, Études et Résultats No. 899 – December 2014.
 (8) Source: INSERM.

2.2.4.3 New economic and social factors will drive up demand and needs for dependency care

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

The reduction of hospitalisation periods spent in short-stay units in favour of post-acute and rehabilitation care clinics

Changes in medical and surgical practices have reduced the average hospital stay in a short-term facility, thus creating a growing need for care further downstream where the need for short-term dependency care has become greater and often more complex. Furthermore, the reform of rates paid for these services has amplified the trend: medical, surgical and obstetrics facilities are tending to or being strongly encouraged to reduce average length of stay as much as possible in order to ensure greater patient turnover.

The preponderance of post-acute and rehabilitation care activity, particularly in full hospitalisation

Post-acute and rehabilitation care in healthcare facilities increased by 6.7% across all types of hospitalisation between 2008 and 2012. This activity is thus continuing the growth it embarked upon several years ago.

This upsurge in activity is more significant in private clinics. The number of days of post-acute care in the commercial private sector increased by 15.6% between 2008 and 2012. The number of beds and places in commercial private post-acute care facilities increased by 18.2% during the same period, whereas public sector facilities saw an increase of only 5.6% and charitable private facilities were almost unchanged (-0.02%).

The share of partial hospitalisation in terms of places in post-acute care and rehabilitation facilities was still low in 2012 compared with full hospitalisation: it accounted for 8.7% of all types of hospitalisation (5.8% for the public sector, 12.1% for the charitable private sector and 8.1% for the commercial private sector).

In 2012, over 1.36 million stays were made in post-acute and rehabilitation care facilities, representing 36.5 million days of hospitalisation⁽¹⁾.

2.2.4.4 Dependency care: a manageable demand

The demand for dependency care can be structurally financed in a viable way and players in the market can invest in it because there is limited risk of insolvency.

In France, as we explained above, the revenue of a long-term care nursing home is split into 3 components (accommodation, medical care and dependency). The accommodation component, which continues to be paid by the resident and/or his or her family, based on the average daily accommodation rate per bed in these facilities. On average, it is estimated that around 1/3 of this is paid for by the resident's family, the rest being paid for from the person's own income. In addition, an economically disadvantaged elderly person in a long-term care nursing home may, depending on their personal resources, receive various types of government aid, including "social welfare" from the local departmental authorities, to cover accommodation costs.

In the post-acute and psychiatric care sector, the daily rate in France is met by the social security system apart from a "client's contribution", which acts as an "excess". The daily flat-rate may also be paid by mutual insurers as may surcharges for additional comforts, such as a private room. The combination of social security authorities and, in some cases, mutual insurance companies, supports the solvency of the demand for post-acute and rehabilitation care clinics.

Lastly, particularly in France, the financial resources elderly people have available to fund their dependency care are likely to increase over the next few years:

- increase in the number of women who were once in the workforce and hold their own pensions rather than just those inherited from their husbands;
- gradual increase in dependency insurance offered by life insurance companies;
- general ageing, as the current generation has greater resources than before to support their parents.

2.2.4.5 Overall structural deficit in dependency care

Between 2007 and 2011, residential homes for the elderly increased their capacity by 5%. As at 31 December 2011, there were 10,481 facilities representing 719,810 beds, 82% of them within long-term care nursing homes (compared with 75% in 2007)⁽²⁾.

However, 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 (GIR 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 for 1,000 people aged 75 and over (of which 95.1 long-term care nursing home beds), despite the implementation of proactive policies since the early 2000s⁽³⁾.

(1) Source: Panorama des établissements de santé 2014, March 2015.

(2) Source: DREES, Études et Résultats No. 877, February 2014.

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

On top of the overall shortage of accommodation, there are large differences in the spread of facilities across France. At the end of 2011, the rate varied from 22 to 185 places depending on the department; the south of France and the inner suburbs of Paris are the least well equipped areas, while the Loire valley and Auvergne enjoy the highest rates⁽¹⁾.

Moreover, support needs in terms of dependency in the post-acute and rehabilitation care sector are constantly growing

due to the strategic placement of this sector between short stays in the upstream segment and long-term care nursing homes in the downstream segment. Policies aimed at reducing healthcare expenditure and improving surgical practices have resulted in a decline in the average length of hospitalisation in short-stay facilities in favour of post-acute and psychiatric care facilities for increasingly common temporary dependency.

2.3 The Group in Germany

2.3.1 The Korian offer

The Group is developing its activity in Germany, under the Curanum, Casa Reha, Phönix, Evergreen, Helvita, Sentivo and HaBloch brands, mainly in the long-term care nursing home segment (*Pflegeheime*). Some of their facilities also have small special care units, structures suitable for chronic vegetative states or the treatment of different symptoms of dependency and addiction.

The Group also operates in a number of activities:

- assisted living facilities as annexes to long-term care nursing homes;
- out-patient or home care services from long-term care nursing homes.

The German healthcare system is based on the major reforms of 1995 and 1996, which codified the system for medico-social care

(SGB XI) and health insurance (SGB V). Accordingly, anyone who is affiliated to a public or private health insurance fund is obliged to take out dependency insurance from the same fund. Also, anyone earning above a certain salary can opt to contract health insurance from a private insurance company.

The system is highly decentralised: federal law leaves the authorisation and control of medical care provision to the individual *Länder* (states), which have in turn set up 2 bodies:

- at the regional level a *Medizinischer Dienst der Krankenversicherung* ("MDK"), a high authority responsible for overseeing the quality of services provided by the facilities (through on-site inspections);
- at the local level, long-term care nursing homes and home care services are overseen by the *Heimaufsicht*.

2.3.2 The regulatory framework and the funding

Since 1996, Germany's social security system has had a fifth branch to fund dependency care, the *Pflegekasse*, which governs all of the Group's activities in Germany. Dependency care insurance is thus mandatory in the same way as health

insurance, and is funded by employee and employer contributions.

The degree of dependency is measured on a scale of 1 to 3+ according to the following criteria.

Degree of dependency	Assessment criteria
Pflegestufe 1	Needs help with at least 2 tasks or several types of basic medical care at least once a day Assistance for 90 minutes a day plus 45 minutes of medical care
Pflegestufe 2	Needs basic medical care at least 3 times a day and household assistance several times a week Assistance for 180 minutes a day plus 120 minutes of medical care
Pflegestufe 3	Needs medical care and assistance every hour including at night in addition needs household assistance several times a week Assistance for 300 minutes a day plus 240 minutes of medical care
Pflegestufe 3+ Härtefall (exception)	For special and individual cases which require an exceptionally high level of medical care (personal care, feeding, mobility) for at least six hours a day and at least 3 times in the night <i>Vollstationäre Pflege</i> : full hospitalisation Ongoing medical care for hospitalised patients with staff continually present

(1) Source: DREES, *Études et Résultats* No. 891, September 2014.

As soon as a person is classed as dependent, the healthcare system pays them a monthly allowance based on the type of care required and their degree of dependency. An assessment rubric is used to classify residents by care level (*Pflege*). The German system tries to encourage home support services for the

elderly by offering higher allowances to those using home care services. Elderly dependent people in assisted living facilities declared dependent also receive this benefit, depending on their degree of dependency.

€/period	Pflege 1	Pflege 2	Pflege 3	Pflege 3+
Family	€244/month	€458/month	€728/month	
Out-patient care	€468/month	€1,144/month	€1,612/month	€1,995/month
Home care services	€1,064/month	€1,330/month	€1,612/month	€1,995/month

In addition, for low-income people, the local authority funds the rest (30% of Korian group residents in Germany). In this case, the IK rate (see below) is also regulated.

For long-term care nursing homes, the operator will negotiate some components of its rate on a completely independent basis with local authorities (*Sozialhilfeträger*) and health insurance funds:

- the medical care portion (*Pflege*) includes all expenses that are not related to services (U+V) or property (IK);
- the services portion (U+V) covers expenses associated with accommodation (food, laundry) and is set by the dependency care insurance (*Pflegeversicherung*);
- the investment portion (IK) covers rent and associated costs;
- the training portion (*Ausbildungsumlage*) funds training of apprentices (between €0.50 and €3.50 per day) depending on the state and the nursing home).

The first 2 components of the rate are regulated, but the authorities allow facilities to make a margin and there are no requirements for retrospective adjustment accounts. The IK rates are set freely for residents not receiving public aid. Rates are established from the outset for the first 2 years. Rates are then renegotiated on a case by case basis.

By contrast, rates for assisted living facilities are set freely by the operator.

Lastly, home care service rates are negotiated with the health and dependency insurance funds within each state, in the form of a catalogue of services. The operator sets the prices of additional services independently.

In the case of long-stay care, which is a Federal Government priority, Health Insurance subsidies funding this care rose following the promulgation of 2 new laws.

Furthermore, the federal "Zweites Pflegestärkungsgesetz" law of 21 December 2015 (the "PSG II" law) redefined the notion of "medical care need" ("*Pflegebedürftigkeit*"), applicable from 1 January 2017, under the terms of which a difference will no longer be made between physical and mental incapacity, with medical care need being assessed in 5 different areas (mobility, cognitive faculties and communication, behavioural and mental difficulties, autonomy, ability to fund their treatment, organisation of daily life and social contacts). From 1 January 2017, the PSG II law will also improve the funding of treatment for people with medical care needs by their families, and since 1 January 2016, has implemented stricter requirements for healthcare funds to provide information and advice.

Moreover, in certain states (Baden-Württemberg, Bavaria, Berlin, North Rhine-Westphalia and Schleswig-Holstein), regulations specify new proportions of single rooms in long-term care nursing homes, of between 60% et 100%, unless otherwise stated, with compliance required between 2018 and 2036. More specifically, in the regions of Baden-Württemberg and North Rhine-Westphalia the size of long-term care nursing homes may not exceed 100 beds (with compliance required between 2019 and 2034) and 80 beds (with compliance required by 31 July 2018), respectively.

2.3.3 The market players

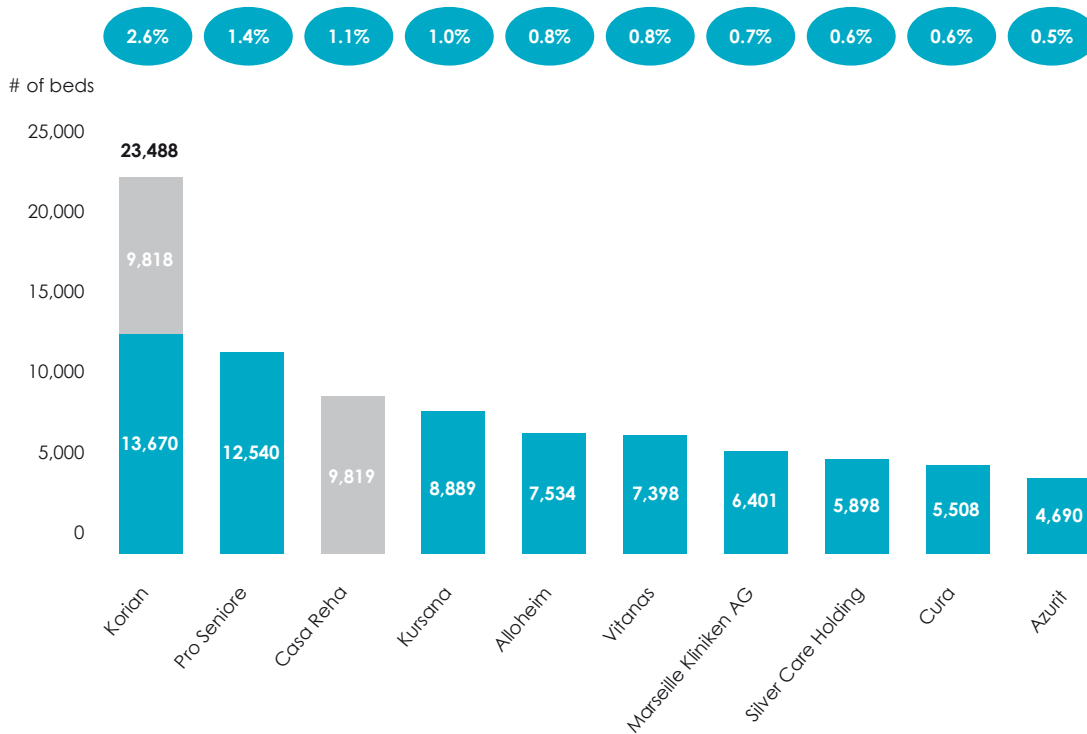
Of the 13,000 long-term care nursing homes in Germany, 54% are managed by charities. The highly fragmented private sector accounts for 41% of long-term care nursing homes and the public sector 5%.

Almost 20% of long-term care nursing homes offer nearby assisted living facilities.



Public: 5%
Associative property: 54%
Other private players: 41%

The following table sets out the private players on the German long-term care nursing home and assisted living facilities market⁽¹⁾.

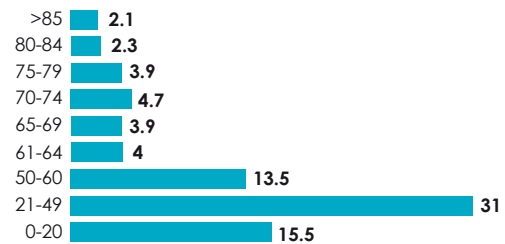


2.3.4 The market trends

2.3.4.1 A strong growth market driven by favourable demographic trends and with structurally short supply

Basically, the business activities of Korian group in Germany are dominated by a rapidly ageing population and a shortage of bed numbers compared to demand.

GERMAN AGE DISTRIBUTION IN 2014
(by age band, millions of people)



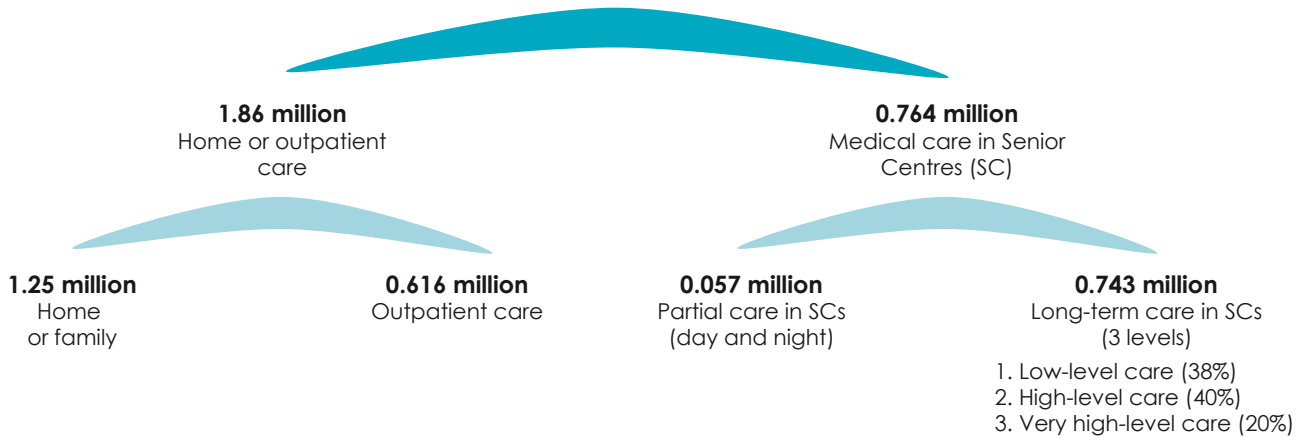
(Source: Eurostat)

(1) Source: Bloomberg, 2016 public information.

2.3.4.2 A demographic, economic and social environment that favours the expansion of the dependency care market

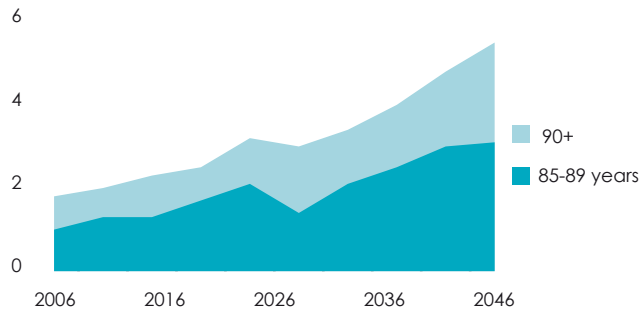
29% of Germany's 2.6 million dependent elderly live in *Pflegeheime* (most of which permanently), and 71% of them receive home or out-patient care⁽¹⁾.

CLASSIFICATION OF CARE DEPENDENT SENIORS BY TYPE OF ACCOMMODATION BASIC: CARE DEPENDENT GERMAN SENIORS (COVERED BY THE NATIONAL HEALTH SERVICE) =2.6 million



The number of elderly over the age of 85 is set to rise sharply over the coming years, faster than in France in the years to 2020⁽²⁾. This is due to the higher birth rate in Germany in the 1930s, the cohort of people that is now entering the eldest tier of the population.

CHANGE IN NUMBER OF PEOPLE OVER 85, VARIANT V1W1* (age bracket, in millions)



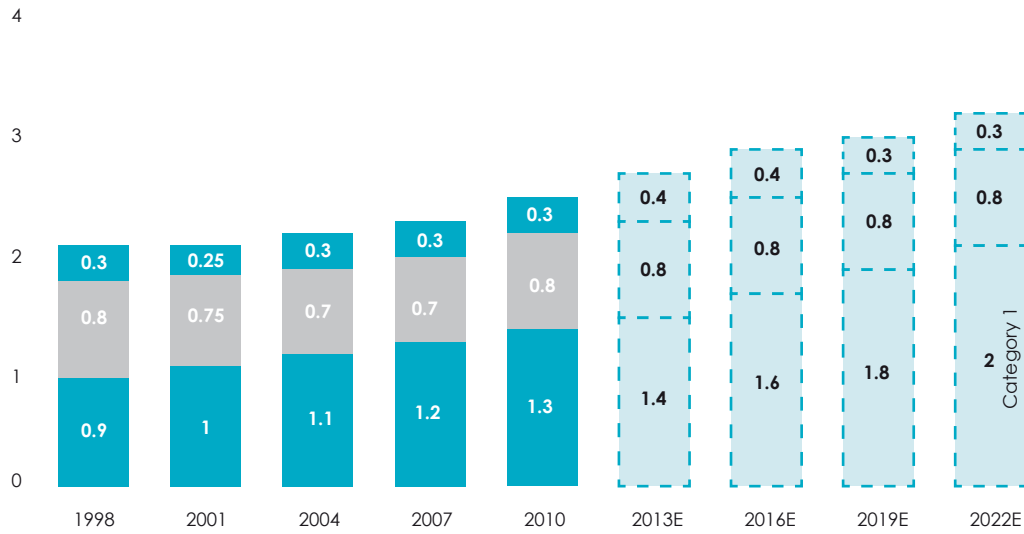
* Variant V1 W1: birth rate of 1.4 children per woman until 2050, life expectancy increasing by 7.6 years for men and 6.5 years for women, net annual immigration of 100,000.

Other characteristics of the French market (scale of dependency, changing lifestyles, etc.) are identical in the German market.

(1) Source: Destatis, Pflegestatistik 2013.

(2) Source: Destatis.

NUMBER OF PEOPLE NEEDING MEDICAL CARE
(in millions)



By combining these characteristics we can forecast dependency needs in future years⁽¹⁾.

This model thus projects a 30% increase in the number of dependent elderly people by 2022, which would represent the need for 200,000 new long-term care nursing home beds within 10 years⁽²⁾.

2.4 The Group in Italy

2.4.1 The Korian offer

With 55 sites spread across 9 growth regions in Italy, Segesta is the only organisation active in all branches of healthcare in Italy (long-term care nursing homes, post-acute and rehabilitation care clinics, assisted living facilities and home care services). By virtue of its expertise and its ability to meet the expectations of the Italian authorities, Segesta is a leading player operating at the highest quality standards.

This huge range of services reflects the way the Italian healthcare system is organised to cover a continuum of medical care needs: the regional health authority manages all healthcare providers out of a single budget, from hospitals to home care, and is free to make whatever trade-offs it deems necessary between them. 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 regional health authority is largely free to manage itself and make its own decisions. An authority may decide to prioritise post-acute and rehabilitation care clinics, another long-term care nursing homes, and a third home care services. Finally, quality standards, care and rate policy vary from region to region (see section 2.4.2 below).

In response to these arrangements, the Group's Italian offering focuses on the philosophy of a care continuum, with the main goal of offering a comprehensive integrated service, personalised care treatments, improved quality of life for residents and patients, respect for personal dignity, guarantee of care continuity and the option for residents and patients to choose between different care solutions along with a high level of professionalism and dedicated staff.

2.4.1.1 Long-term care nursing homes - Residenze Sanitarie Assistenziali (RSA)

The Group operates 48 RSAs in 8 different regions. These facilities accommodate partly or wholly dependent elderly people for long- or short-term stays and provide the following services:

- care tailored to each resident based on his or her degree of dependency and Alzheimer's units in most facilities;
- services including accommodation, laundry, food and various kinds of entertainment.

In coordination with the head office, each RSA is free to offer activities appropriate to those in its care. Residents can engage

(1) Destatis; ADMED/HCB/RWI; Litsearch; Bain interviews - Assumptions: growth in medical care provided in facilities by families and similar professionals; people whose medical care needs fall in categories 1 (little need for medical care) to 3 (high need for medical care).

(2) Source: Destatis, ADMED/HCB/RW, Bain analysis.

in social activities such as sewing, music, sculpture and painting or light exercise. To promote and maintain family interactions, close family members are invited to take part in the activities offered.

Segesta runs day care centres in 12 long-term care nursing homes, with total capacity of 295 places. These centres provide care for the elderly, Alzheimer's sufferers or people with mental disabilities or mobility problems, enabling them to receive appropriate assistance once or twice a week. This sort of provision makes it easier for families to care for their relatives on a short- or long-term basis. Activities encourage meetings and communication between people; physical and neurosensory stimulation is also on offer.

2.4.1.2 Post-acute and rehabilitation care clinics

There are 7 Italian clinics of 3 different types:

- post-acute and rehabilitation care clinics take patients with severe physical conditions that need orthopaedic or neurological re-education. These clinics help patients recover as much as possible of their physical, cognitive and psychological resources before returning home or going onto a long-term care nursing home;
- psychiatric clinics provide treatment for patients suffering from acute mental illness;
- certain other specialist clinics look after patients in comas or chronic neuro-vegetative states (to allow patients with severe neurological conditions to receive high quality medical care within a long-term day-to-day care environment, including through neurological stimulation and while encouraging ongoing relationships with patients' families).

Other clinics specialise in geriatric care (rehabilitation, long-term hospitalisation, dialysis, orthopaedics, and notably, hip replacements and out-patient activities).

2.4.1.3 Assisted living

Segesta operates 3 assisted living facilities in Lombardy, which are attached to RSAs. Their apartments are designed for independent elderly people, accommodate 1 or 2 people and are equipped so as to guarantee residents the greatest possible independence, respect for privacy, continuity of social and family life, while also providing a safe day-to-day environment and post-acute or psychiatric support as required.

2.4.1.4 Home care

In Lombardy, Veneto, Lazio and Apulia, Segesta provides rehabilitation and home care for more than 9,000 residents and patients. These facilities, whose cost is borne fully by the authorities, provide nursing, rehabilitation sessions, blood tests, care for complex conditions such as vegetative states and palliative care in the home for patients at the ends of their lives.

With a view to expanding its range of home care services, Segesta has:

- formed partnerships with major test laboratories for blood tests;
- established in 2014, with the help of a highly qualified dedicated team (oncologists, surgeons, anaesthetists, nurses, etc.), a "pain therapy" service for palliative treatments for patients at the ends of their lives;
- developed in 2015, a partnership with the oncology departments of hospitals in Lombardy.

2.4.2 The regulatory framework and the funding

2.4.2.1 The regulatory framework

The overall framework

The Italian system is similar to the French model since the operation of a long-term care nursing home or a post-acute and rehabilitation care facility is subject to an authorisation and accreditation regime, which then entitles the facility to receive funding from the regulator. The authorisation process for all organisations (public or private) that wish to operate in the post-acute and psychiatric or social sectors was made compulsory by a legislative decree on 30 December 1992, which set minimum conditions in terms of structure, technology and organisation. This was amended by the Presidential decree of 14 January 1997, which required regions to set their own quality standards. These standards determine the award of accreditations and authorisations and may, if the regions chose, be more stringent than the national standards. In Lombardy, for instance, the regional health authority imposes a minimum time to be devoted to each RSA resident; since 2001, new facilities have not been allowed to have more than 120 beds.

All Group facilities comply with all regional standards so as to qualify for the necessary accreditations.

Each year, to ensure that quality standards are being met, unannounced inspections are carried out by the regulatory bodies.

Regulatory developments in Lombardy

At the end of 2010, Lombardy extended to long-term care nursing homes a budgeting system for healthcare costs, which had already been applied to clinics and medical labs for several years. This regulation was formally passed by the Regional Council on 1 December 2010 and requires the signing of an annual forecast budget for spending covered by the ASL.

At the end of each year, the manager of each long-term care nursing home approves a provisional budget for the coming year, based on amounts billed to the ASL over the past year. Under the new legislation, resources allocated to a facility may be transferred to another facility belonging to the same legal entity. In the medium term, this provision could prove attractive for structured groups with a well-established presence in Lombardy, such as Segesta.

The August 2015 "LR 23" law changed the following points in the organisation of the health system in Lombardy:

- overall management of the health and social welfare budget is devolved to the Region;
- the ability for long-term care nursing homes to offer post-acute and rehabilitation care;
- the requirement for hospitals to be licensed in order to provide services for the elderly.

2.4.2.2 Rates

Since the constitutional decentralisation law was passed in 2001, responsibility for all social policy in Italy, including long-

term care policy, has been transferred to the regions, which exercise exclusive control over such matters.

When a long-term care nursing home is accredited, its average rate is broken down as follows:

- the treatment rate represents between 30% and 50% of the total rate and is regulated with no margin allowed and funded by local ASLs;
- the accommodation rate makes up between 50% and 70% of the total and is set freely in all the regions where we operate. Depending on the resident's circumstances, a portion of this rate can be covered by the local authorities or mutual insurers.

Rates vary widely across the country. Treatment rates range from €29 to €66 per day, and accommodation rates are set freely in Lombardy and Veneto but capped elsewhere, such as in Piedmont.

	Service	Rate paid by the ASL (€/day)	Accommodation rate (€/day)	Total (€/day)
Emilia	RSA Level A	€41.30	€49.05	€90.35
	RSA Level B	€41.30	€49.05	€90.35
	RSA Level C	€32.05	€49.05	€81.10
	RSA Level D	€26.55	€49.05	€75.60
Lazio	RSA A	€59.20	€59.20	€118.15
	RSA B	€49.20	€49.20	€98.40
Liguria	Long-stay	€29.49	€49.69	€79.18
	RSA maintenance	€46.93	€42.00	€88.93
	Alzheimer	€57.88	€42.00	€99.88
Lombardy	RSA	€29 - €39 - €49	Freely set	-
	Alzheimer's unit	€52.00	Freely set	-
Piedmont	RSA base level	€35.78	€35.78	€71.16
	RSA medium-low level	€36.50	€36.50	€73.00
	RSA medium level	€38.68	€38.68	€77.36
	RSA medium-low level	€44.00	€44.00	€88.00
	RSA high level	€47.87	€47.87	€95.74
	RSA high-level plus	€52.22	€52.22	€104.44
	Total dependency	€66.31	€66.31	€132.62
Apulia	Retirement homes (RSSA)	€46.45	€46.45	€92.90
Sardinia	RSA low intensity	€59.00	€59.00	€118.00
	RSA high intensity	€64.00	€64.00	€128.00
Tuscany	RSA low intensity	€43.23	€43.23	€86.46
	RSA medium intensity	€57.97	€57.97	€115.94
	RSA high intensity	€60.00	€60.00	€120.00
Venice	RSA low intensity	€51.00	Freely set	-
	RSA medium intensity	€58.00	Freely set	-

The revenue of the post-acute and rehabilitation care clinics is dependent on the rates set by the regional authorities. As for long-term care nursing homes, there can be significant disparity in rates from one region to another.

In addition to the daily rate paid by the ASL, facilities (long-term care nursing homes and post-acute and rehabilitation care clinics) can receive supplements related to comfort services (private room, television, telephone, etc.) for which rates are set freely. These supplements are paid directly by the resident or patient using the services.

As for long-term care nursing homes, as soon as an assisted living facility is accredited, part of the rate is borne by the ASL and the remainder by the resident. In accordance with applicable regulations, Segesta is free to set rates for its assisted living facilities in Lombardy.

Revenue from the home care services business comes entirely from the ASL. Rates are set by region depending on the procedures performed. They can vary from one Region to another.

2.4.3 The market players

The dependency beds in Italy break down as follows:

- a very large majority operated by the public sector and by charities (82%);
- a highly fragmented private sector: the 5 biggest operators represent only 5% of total beds.

Aside from the Group, the main national players in dependency care are Kos, Sereni, Orizonti, Gruppo La Villa and Orpea.

There are many regional companies.



Public: 47%
Associative property: 35%
Top 5 private: 5%
Other private players: 13%

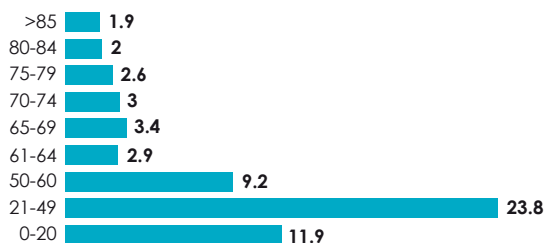
2.4.4 The market trends

The market is growing rapidly, driven by favourable demographic trends and with structurally short supply.

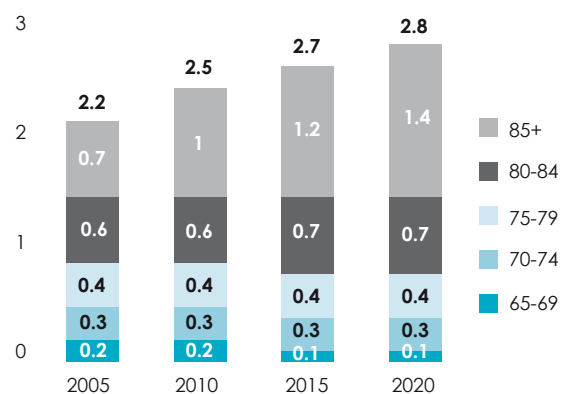
2.4.4.1 Ageing of the over-65 population

Italy has in excess of 12.9 million people aged 65 or over⁽¹⁾. This proportion of people over 65 makes Italy one of the countries with the most elderly in the world and one of the fastest ageing populations. In 2014, more than 20% of Italians were over 65.

ITALIAN AGE DISTRIBUTION IN 2014
(by age band, millions of people):



DEPENDENT ELDERLY BY AGE (2005-2020) (in millions)



We see here a substantial rise in people aged over 85 between now and 2020 (+3.7% annually between 2010 and 2020). This is due to the higher birth rate in Italy in the 1930s, the cohort of people that is now entering the eldest tier of the population.

This growth in the elderly sections of the population is also attributable to increased life expectancy. Italians have the highest life expectancy at birth of any European country, and one of the highest in the world: men can expect to live to 80.3 and women to 85.2⁽¹⁾.

(1) Source: EUROSTAT.

More than 43% of the population over 65 live in Lombardy, Piedmont, Liguria, Tuscany and Sardinia, the regions where Segesta operates.

Other characteristics of the French market (scale of dependency, changing lifestyles, etc.) are identical in the Italian market. However, the Italian market is distinguished by

the small share of dependent people in specialised institutions compared with other European countries: approximately 64 long-term care nursing home beds per 1,000 people aged over 75 in Italy, compared with approximately 127 in France. This is attributable to 2 factors: the limited capacity in the public sector and the major role played by families in the care of their older members, particularly in southern Italy.

2.5 The Group in Belgium

2.5.1 The Korian offer

In Belgium, the Group is mainly present under the Senior Living Group in the market for long-term care nursing homes. It supplements its offering with assisted living facilities (nearly 7% of the Group's business in Belgium).

Long-term care nursing homes cover several types of accommodation that can meet the demand in terms of Ageing Well:

- facilities known as "nursing homes" for people aged over 60⁽¹⁾. Nursing homes have 2 types of beds: nursing home beds for the elderly and nursing and care home beds. These 2 types of medical care have different care staffing ratios and different forms of financing. Nursing and care home beds are for people with higher degrees of dependency and are therefore better funded;

- day care centres look after elderly people with slight loss of independence for a day at a time;
- short-stay centres, which may or may not provide medical care, take in elderly people for periods of up to 3 months;
- rehabilitation centres host elderly people for short periods, particularly following hospitalisation.

Assisted living facilities accept independent residents and offer accommodation plus an à la carte range of other provisions. In Belgium, the elderly can rent apartments in these homes to live independently. These apartments have at least one living room, a small kitchen, a bedroom, a toilet and a bathroom. They are adapted and safe. The resident can also use shared services such as home help, hot meals and home care services. As such, assisted living facilities combine independent housing with (permanent) support and customised care.

2.5.2 The regulatory framework and the funding

2.5.2.1 Long-term care nursing homes

Regulations, at both federal and regional level, represent a substantial barrier to entry in the Belgian long-term care nursing home market. An operating licence must be granted, and accommodation rates are controlled. It is a solvent market, with approximately 44% of day costs reimbursed by the social security system.

Operating licences

Licences (or certificates of operation) are in principle issued under regional procurement programmes, and are subject to an agreement with the regional authority. Until 2018, the INAMI⁽²⁾,

a federal agency, will stand in for the region in calculating and distributing funds. The programmes take account of projections for the number of people aged 65 and over in each region. However, programming is determined at municipal level in Flanders, and by borough in Wallonia.

Licences are granted by the regional governments. Licensing rules for Flanders were changed in 2010 to encourage the building of more bed capacity (duration of licences reduced, minimum quality and hygiene requirements). Since 2013, the Flemish Government has applied a moratorium, pending the construction of beds already authorised.

(1) 65 in Flanders.

(2) Institut National d'Assurance Maladie Invalidité (INAMI).

The standards to be met in order to be granted special authorisation to qualify as a nursing and care home, initially set out in the Royal decree of 21 September 2004, were amended by the Royal decree of 9 March 2014. This decree also amended the standards required for the granting of special authorisations, in particular for day care centres, in order to strengthen the quality policy. Accordingly, nursing and care homes are now required to develop a quality policy and a quality of care programme, to retain records of certain events and to establish procedures to prevent and manage these events, and to have written procedures regarding hand hygiene, the isolation of residents suffering from an infection, and restraint measures.

Responsibility for initial authorisation, monitoring and quality control of facilities is held by the regions. Wallonia, for example, adopted the decree of 25 April 2014, requiring compliance with a quality charter that allows all qualifying facilities to obtain the Quality Label. Licences can be withdrawn if standards are not met.

Care funding

Medical care and dependency are subsidised by the regional governments, via INAMI until 2018. INAMI is a federal body that manages repayments for medical care throughout Belgium. Medical care costs can be claimed back in proportion to the resident's degree of dependency and illness ("Katz Index"). A series of standards must be met to claim INAMI financing. The key text is the ministerial order of 6 November 2003, which sets the amount and conditions for delivering the intervention.

Daily rates

Nursing homes are not free to set their own pricing policy. Control is exercised by the regional governments, which regulate annual increases.

The daily rates paid by residents for room and board are freely negotiated when the nursing home first opens, then indexed to the consumer price index. Larger increases in daily rates require approval from the regional authorities. The facility has to submit a specific file arguing its case⁽¹⁾.

According to SPF Economie, the average daily rate in the second half of 2014 was €44.91 (€1,347 per month). The average in Flanders was €49.71, €1,491 per month, but this does not include medical costs (doctors, physiotherapists, etc.) and some additional costs that are billed separately (telephone, laundry, etc.).

2.5.2.2 Assisted living

There are no regulatory barriers to entry in the market for assisted living facilities in Belgium.

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

The Belgian government has, moreover, recently amended the legislation applicable to the sector.

- Programming is free (in Flanders since 2013, in Wallonia since 2011), meaning that obtaining an operating licence (authorisation) is optional. Operators requesting a licence must meet certain operational and architectural rules. Once the licence has been obtained, the assisted residence is considered to be a healthcare institution, and the owner of the real estate benefits from a reduced rate of VAT (12% as opposed to 21%).
- The operator must organise "crisis care", meaning that it must provide an immediate and appropriate response in an emergency, as well as "transitional care", i.e. provide continuity of care for residents if their usual caregiver is absent for a short period.
- The operator must designate a residence assistant, who must be available for residents.

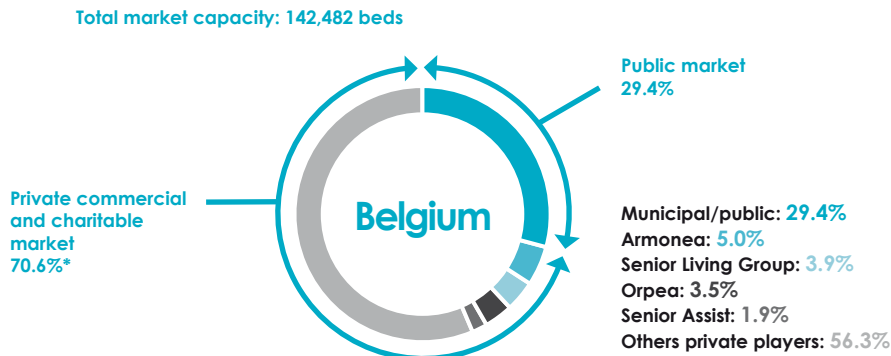
2.5.2.3 The 6th State reform: expected developments in the sector

The sixth State reform transferred powers regarding residential care for the "long care" elderly from the Federal Government to the Regions (home care still being the responsibility of the Federal Government). Pending the development of a new policy by the Regions, including in terms of their funding priorities, which is not expected to happen until 2018, the Federal INAMI continues to regulate the funding of medical treatment provided in nursing homes, on the instructions of the Regions.

⁽¹⁾ Annual increases are capped in some regions (5% per year in Wallonia).

2.5.3 The market players

The Belgian market for long-term care nursing homes remains fragmented. Capacity is currently split between 1,504 homes, which are owned by commercial private operators (43.5%), charities (27.1%) and the public sector (29.4%). The 5 biggest private operators account for 16.2% of the total market⁽¹⁾.



* Of which commercial (43.5%) / of which private charities (27.1%)

2.5.4 The market trends

The Belgian market is structurally growing for demographic reasons. The number of elderly in facilities should grow by an average of 2,500 people per year until 2025, with a steady increase in the dependency levels of the population.

Over the last 30 years, the increase in life expectancy has led to a faster-ageing population, and this has not been offset by a parallel rise in birth rates. Projections made in 2015 by the Plan Office show that people aged over 65, who made up 17% of the total Belgian population in 2010, will represent 21% in 2025 and 24.4% by 2050. Moreover, people aged over 85,

who represented 2.2% of the total Belgian population in 2010, will represent 3% in 2025 and 5.5% in 2050⁽²⁾. Belgium currently has approximately 2,030,000 people over the age of 65⁽³⁾, and the available supply of long-term care nursing homes is around 142,482 accommodation units⁽⁴⁾, covering barely 7% of the population concerned. To meet current demand, therefore, would mean creating more than 23,000 additional beds by 2025⁽⁵⁾.

(1) List of recognised nursing home beds for the elderly and nursing and care home beds (incl CS excl. CSJ), INAMI, 18 December 2015.
 (2) "Population at 1 January and by age (2015-2061)", SPF Économie (Statbel), December 2015.
 (3) "Population at 1 January and by age (2015-2061)", SPF Économie (Statbel), December 2015.
 (4) List of recognised nursing home beds for the elderly and nursing and care home beds (incl CS excl. CSJ), INAMI, 18 December 2015.
 (5) "Residential care for the elderly in Belgium: 2011-2025 projections", KCE, 2011.



Management report 2015

3.1 Highlights	36	3.7 Labour, environmental and societal information	58
3.1.1 Change of the Company name and transfer of the registered office	36	3.7.1 Information about the Group's workforce	58
3.1.2 Changes in the shareholding structure	36	3.7.2 Environmental information	78
3.1.3 Changes in the Articles of Association	36	3.7.3 Societal information	83
3.1.4 Ongoing effort to improve the financial structure	37	3.7.4 Reporting methods	92
3.1.5 Pursuit of the development strategy	37	3.7.5 Report by the independent third party, on the consolidated human resources, environmental and social information included in the management report	95
3.1.6 Dividend payment in newly issued shares	38		
3.1.7 Change in liquidity agreement provider	38		
3.2 Change in business activities	38	3.8 Research and development	97
3.2.1 Evolution of Group revenue	39	3.9 Other financial information	98
3.2.2 Growth of 2.2% in the French business	39	3.9.1 Results and other data concerning Korian	98
3.2.3 Growth of 9.0% in the German business	39	3.9.2 Activity and results of the Company's subsidiaries and consolidated companies	99
3.2.4 Italian business down 2.0%	39	3.9.3 Dividends paid over the past 3 years	99
3.2.5 Growth of 5.2% in the Belgian business	40	3.9.4 Allocation of surplus for 2015	99
3.3 Review of the financial position and results as at 31 December 2015	40	3.9.5 Sumptuary expenses and overheads to be added back	99
3.3.1 Consolidated and <i>pro forma</i> financial statements	40	3.9.6 Share buyback programme and liquidity contract	100
3.3.2 Annual financial statements	42	3.9.7 Significant acquisition of equity interests	101
3.4 Material events since the year-end	44	3.10 Administrative and management bodies	101
3.4.1 Changes in internal governance	44	3.10.1 Presentation of administrative and management bodies	102
3.4.2 Pursuit of the development strategy	45	3.10.2 Compensation of administrative and management bodies	111
3.4.3 Company share capital increase	45	3.10.3 Transactions carried out by the administrative and management bodies	126
3.5 Foreseeable changes – Outlook	45	3.10.4 Conflicts of interest - Family ties	126
3.6 Risk factors	46	3.10.5 Summary of currently valid authorisations and of authorisations used	127
3.6.1 Risk identification	46		
3.6.2 Risk management and control	49		
3.6.3 Hedging of risks inherent in the Company and its business	57		

3.1 Highlights

3.1.1 Change of the Company name and transfer of the registered office

Following the post-merger integration of the Korian and Medica groups, the Combined General Meeting held on 25 June 2015 (the "**2015 Meeting**"), decided to change the Company name to "Korian". A single stock market name and brand name will make it possible to extend the reach of the Korian brand.

On the same date, the 2015 Meeting also approved the Board of Directors' decision of 25 March 2015 to transfer the Company's registered office to 21-25, rue Balzac, 75008 Paris, from 15 June 2015.

3.1.2 Changes in the shareholding structure

On 10 July 2015, the Office d'investissement des régimes de pensions du secteur public (hereinafter known as "**PSP Investments**"), one of Canada's largest pension fund managers, acquired a 14.04% stake in the Company at a price of €30.70 per share, from the Covea group, the Batipart group and ACM Vie. The objective of PSP Investments is to leverage its long-term investment ability and its significant stake in Korian to allow the Company to make the most of the important growth potential offered by the development of the Ageing Well markets.

In addition, the shareholders' agreement, entered into by Batipart and Médéric Assurances on 15 September 2008 (AMF notice No. 208C1778 of 30 September 2008), which was amended twice on 17 November 2008 (AMF notice No. 208C2139 of 2 December 2008), was terminated early on 10 July 2015 (AMF notice No. 215C1093 of 21 July 2015), due to the fact that the percentage of the Company's share capital and voting rights fell below the 5% threshold. To the best of the Company's knowledge, this agreement did not constitute a joint action.

3.1.3 Changes in the Articles of Association

3.1.3.1 Changes in the Chairmanship of the Board

In accordance with the undertakings given on the occasion of the Merger, Jacques Bailet resigned his position as Director and Chairman of the Board of Directors at the Board meeting held on 25 March 2015.

Christian Chautard, who had been Vice-Chairman of the Board since 18 March 2014, was appointed Chairman of the Board of Directors to replace Jacques Bailet.

3.1.3.2 Changes in General Management

The Company's Board of Directors, meeting on 18 November 2015, voted unanimously to appoint Sophie Boissard as Group Chief Executive Officer and she took office on 26 January 2015.

The Board of Directors thus removed Yann Coléou from the office of Chief Executive Officer, a position that he had held since 30 April 2012.

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

3.1.3.3 Changes in the composition of the Board

After PSP Investments acquired a stake in the Company, the Board of Directors met on 15 July 2015 to co-opt PSP Investments as a Company director to replace MAAF Assurances.

PSP Investments was also appointed as a member of the Investment Committee.

In addition, Amélie Nun, Director representing the employees, resigned from her post on 11 September 2015, following her departure from the Company. She was replaced on 25 January 2016 by Hafida Cola who was appointed by the most representative trade union.

The Board of Directors now comprises Christian Chautard (Chairman), Jérôme Grivet, Predica (represented by Françoise Debrus), PSP Investments (represented by Niall Boland), Malakoff Médéric Assurances (represented by Hugues du Jeu), Batipart Invest (represented by Charles Ruggieri), Jacques Ambonville, Martin Hoyos, Anne Lalou, Guy de Panafieu, Catherine Soubie and Hafida Cola.

Jean-Claude Georges-François is the Observer.

3.1.4 Ongoing effort to improve the financial structure

In 2015, Korian continued the efforts to improve its financial structure initiated upon completion of the Merger by, on the one hand, diversifying its funding sources and, on the other, extending the maturity of its financing, whilst taking advantage of a low-rate environment.

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

On 16 January 2015, Korian issued a €16 million *Schuldschein* with a 7-year maturity, at a fixed rate, in addition to the €358.5 million issue, with an average maturity of 6.1 years, at fixed and variable rates, on 16 December 2014.

On 15 December 2015, Korian issued another *Schuldschein* for a total of €185.5 million (part of the proceeds of this issue, i.e. €12 million, having been received on 30 April 2015), with an average maturity of 6.1 years, at fixed and variable rates. On 20 January 2016, an additional *Schuldschein* was issued for a total of €41.5 million, with an average maturity of 6.4 years, at variable rates.

Initially planned for €125 million, the size of the *Schuldschein* was increased significantly in response to very heavy demand from European and Asian institutional investors (as had been the case with the *Schuldschein* issued in 2014/2015).

3.1.4.2 Issue of a Euro PP in bond format

On 8 July 2015, Korian issued a €179 million multi-tranche Euro PP in bond format. The Euro PP was placed among major European institutional investors. The notes (€28 million with a 7-year maturity, €135 million with an 8-year maturity and €16 million with a 10-year maturity) have been listed on NYSE Euronext Paris since 10 July 2015. The prospectus (AMF visa No. 15-349) relating to the notes is available on Korian's website (www.korian.com) and also on the AMF's website (www.amf-france.org).

On 30 October 2015, Korian also issued an additional €50 million Euro PP in bond format with a 7-year maturity, at a fixed rate.

3.1.5 Pursuit of the development strategy

3.1.5.1 In France

Reorganisation of HAD activities

Following the acquisition in July 2015 of the remaining 48.05% of 5 HAD facilities (previously 51.95% owned), Korian is now structuring its hospital home care division around 6 sites that are all now wholly owned, in Carcassonne, Vierzon, Castres, Epinal, Neufchâteau and in the Yvelines. This new organisation comes at a time when home care is on the rise in France.

Acquisition of a long-term care nursing home

In July 2015, the Group finalised the acquisition of a long-term care nursing home in the Aube department with 76 beds.

Through these various acquisitions, the Group is pursuing its development strategy in France and demonstrating Korian's commitment to offering a comprehensive range of services in support of Ageing Well.

In December 2015, a 9-bed facility in Aquitaine was removed from the scope of consolidation.

At 31 December 2015, the Group operated 29,695 beds across 364 facilities in France.

3.1.5.2 In Germany

Merger (fusion-absorption) of Curanum AG and delisting from the German Stock Exchange

After crossing the threshold of 90% of the share capital and voting rights in Curanum AG on 14 July 2014, the Group entered into negotiations with the non-controlling interests regarding the launch of a merger (fusion-absorption) process resulting in the delisting of the company Curanum AG in Germany. The extraordinary General Meeting of Curanum AG thus approved, on 19 December 2014, the merging of this company into Korian Deutschland AG. The merger took effect on 12 February 2015 and resulted in the delisting of Curanum AG from the Deutsch Börse on 13 February 2015. Korian Deutschland AG changed its corporate name on 3 March 2015 to "Curanum AG".

Increased Group presence in western Germany

In 2015, Korian acquired several regional groups based in western Germany:

- the Evergreen group, in January 2015, which operates 6 facilities with 601 beds in long-term care nursing homes, and developed 4 projects that will, over time, expand the network by over 1,100 beds in long-term care nursing home and assisted living facilities;
- the Helvita group, in August 2015, which operates 10 facilities (with 832 beds in long-term care nursing homes);

- the Sentivo group, in August 2015, which operates 3 facilities and opened 2 more in 2015 (with 458 beds in long-term care nursing homes).

Korian also acquired the Haßloch facility in August 2015, which operates 100 long-term care nursing home beds.

These operations are part of the Group's strategy of strengthening its position as the European leader in Ageing Well, particularly in Germany.

At 31 December 2015, the Group operated 17,725 beds across 146 facilities in Germany.

3.1.5.3 In Italy

In October 2015, the Group acquired 2 facilities in the Veneto region, with a total capacity of 163 beds in long-term care nursing homes. The Group is thereby increasing its presence in one of the strategic regions of northern Italy.

In 2015, 6 facilities were also removed from the Italian consolidation scope, accounting for 316 beds in long-term care nursing homes.

At 31 December 2015, the Group operated 5,846 beds across 54 facilities in Italy.

3.1.5.4 In Belgium

In April and June 2015, the Group finalised the acquisition of 4 facilities in Belgium, in the Antwerp region, East Flanders and Wallonia, totalling 244 beds in long-term care nursing homes and assisted living facilities.

In addition, between May and December 2015, the Group opened 3 facilities in the Antwerp and Limburg regions, totalling 323 beds in long-term care nursing homes and assisted living facilities.

The Group confirms its objective of increasing its presence in Belgium by continuing with its development plan.

At 31 December 2015, the Group operated 6,449 beds across 57 facilities in Belgium.

3.1.6 Dividend payment in newly issued shares

Following shareholder approval at the 2015 Meeting, the Company proceeded with payment of a dividend of €0.60 per share, with the option of payment in shares (based on a share price of €28.99).

This option resulted in the issue of 426,150 new shares, which were delivered and admitted to trading on the Euronext Paris market on 24 July 2015. The dividend rights are back-dated

to 1 January 2015 and the shares enjoy the same rights as the outstanding ordinary shares.

Following this transaction, the Company's share capital stood at €397,328,365 and was divided into 79,465,673 shares.

In addition, the amount of the dividend paid in cash amounted to the sum of €34.8 million and was paid to the shareholders on 24 July 2015.

3.1.7 Change in liquidity agreement provider

The Company decided to cancel the liquidity agreement signed with Oddo Corporate Finance and, as of 1 July 2015, charged Natixis with market-making operations.

3.2 Change in business activities

The consolidated financial statements at 31 December 2015 cannot be compared with the consolidated financial statements at 31 December 2014 due to the Merger, with Medica group having been consolidated from 1 April 2014.

Consequently, for the purpose of comparison, a *pro forma* income statement at 31 December 2014 was compiled to reflect the restatements associated with the business combinations occurring in 2014, i.e.:

- merger of the Korian and Medica groups on 1 January 2014;

- full consolidation of Kinetika Sardegna on 1 January 2014;
- restatement of expenses related to these business combinations (merger expenses, restructuring of financial hedging instruments, other restructuring impacts, the allocation of the purchase price, etc.), the tax effect of these expenses and charges related to the change in estimate of the provision for impairment of trade receivables.

3.2.1 Evolution of Group revenue⁽¹⁾

In millions of euros	2015	2014 consolidated	2014 pro forma	Change 2015/2014 consolidated	Change 2015/2014 pro forma
France	1,535.9	1,323.4	1,503.3	16.1%	2.2%
Germany	519.0	476.2	476.2	9.0%	9.0%
Italy	306.1	265.6	312.4	15.3%	-2.0%
Belgium	218.3	157.0	207.6	39.2%	5.2%
REVENUE	2,579.3	2,222.2	2,499.5	16.1%	3.2%

The Korian group generated consolidated revenue of €2,579.3 million in the year ended 31 December 2015, an increase of 16.1% and up 3.2% on a *pro forma* basis.

As a result of all these transactions, at end-2015 the Group operated more than 59,000 beds across 621 facilities, and generated close to 40% of its revenue internationally.

The occupancy rate and customer satisfaction, 2 major operational indicators, remain high. The occupancy rate at mature facilities stands at 95%, thanks to effective management of Group facilities and the quality of its network and of its services.

3.2.2 Growth of 2.2% in the French business

In France, 2015 consolidated revenue grew by 16.1% to €1,535.9 million. On a *pro forma* basis, revenue rose from €1,503.3 million in 2014 to 1,535.9 million in 2015, an increase of 2.2%. France now accounts for nearly 60% of Group revenue.

This sustained growth, in a challenging public funding environment, is mainly linked to an occupancy rate which was maintained above 96% in long-term care nursing homes, and average daily prices that held up well, thanks to an expanded

range of services for residents and better segmentation of these services. In post-acute and rehabilitation care clinics, revenue was driven by the sale of additional services.

Accommodation rates for long-term care nursing homes are discretionary upon the resident's entry; they are subsequently indexed annually according to the terms set by the Ministry of the Economy and Finance. In 2015, accommodation rates were adjusted by 0.05%.

3.2.3 Growth of 9.0% in the German business

Revenue stood at €519 million, recording growth of 9.0%.

This growth stems firstly from the positive impact of acquisitions closed since 1 January 2015, adding 1,991 beds in 22 facilities to Korian's German portfolio.

The German network will continue to grow, particularly following the acquisition of the German group, Casa Reha, the 3rd largest operator in the sector, which was completed in January 2016.

3.2.4 Italian business down 2.0%

Revenue stood at €306.1 million, up 15.3% on a consolidated basis compared with 2014 and down 2.0% on a *pro forma* basis.

The removal of 6 facilities from the scope of consolidation in 2015, partly offset by the acquisition of 2 facilities in the Veneto

region, explains this drop in revenue on a *pro forma* basis. Restated for these changes in scope, revenue was up 1.3% over the year.

(1) Revenue and other income.

3.2.5 Growth of 5.2% in the Belgian business

Belgium recorded revenue of €218.3 million, up 39.2% on a consolidated basis (5.2% on a 2014 *pro forma* basis). This was mainly due to the 4 targeted acquisitions and the opening of 3 new facilities in 2015, adding 567 beds to the Belgian portfolio.

3.3 Review of the financial position and results as at 31 December 2015

3.3.1 Consolidated and *pro forma* financial statements

Note that Korian uses EBITDAR as its benchmark indicator, as it makes it possible to appraise its operating performance independently from its real estate policy (the ownership or rental of the facilities' premises having an impact on operating income). EBITDAR consists of earnings from operations before rent (see Note 31 to the consolidated financial statements).

EBITDA consists of the above defined EBITDAR minus rental expenses.

Net profit (loss) from continuing operations is defined as net profit (loss) attributable to owners of the Group – (other income and expenses from the operating segments + gain/(loss) on acquisition and disposal of consolidated investments) × (1 – standard income tax rate of 34%), namely net profit (loss) attributable to owners of the Group adjusted for non-recurring items.

3.3.1.1 Simplified income statement

	31.12.2015	31.12.2014 consolidated*	31.12.2014 <i>pro forma</i> *	Change 2015/2014 consolidated	Change 2015/2014 <i>pro forma</i>
<i>In millions of euros</i>					
Revenue**	2,579.3	2,222.2	2,499.5	16.1%	3.2%
EBITDAR	680.2	613.1	689.2	11.0%	-1.3%
as % of revenue	26.4%	27.6%	27.6%	-1.2%	-1.2%
External rents	-338.2	-298.8	-332.4	13.2%	1.7%
EBITDA	342.0	314.2	356.8	8.8%	-4.1%
as % of revenue	13.3%	14.1%	14.3%	-0.9%	-1.0%
Operating income	179.0	180.3	234.6	-0.7%	-23.7%
Net financial result	-65.0	-73.9	-59.6	-12.2%	8.9%
Profit/(loss) before tax	114.0	106.4	174.9	7.2%	-34.8%
NET PROFIT GROUP SHARE	58.7	61.3	104.0	-4.2%	-43.6%
CURRENT NET PROFIT GROUP SHARE	85.2	95.0	112.3	-10.4%	-24.1%

* Restated of IFRIC 21.

** Revenue and other income.

EBITDAR amounted to €680.2 million at 31 December 2015, down €9 million on a *pro forma* basis. The 2015 EBITDAR margin fell by 120 basis points to 26.4%. Details of this change are as follows for each country in which the Group operates.

	Group		France		Germany		Italy		Belgium	
	2015	2014 <i>pro forma</i>	2015	2014 <i>pro forma</i>	2015	2014 <i>pro forma</i>	2015	2014 <i>pro forma</i>	2015	2014 <i>pro forma</i>
<i>In millions of euros – pro forma</i>										
Revenue	2,579.3	2,499.5	1,535.9	1,503.3	519.0	476.2	306.1	312.4	218.3	207.6
EBITDAR	680.2	689.2	410.1	420.8	144.2	143.9	70.6	73.6	55.4	51.0
margin/revenue	26.4%	27.6%	26.7%	28.0%	27.8%	30.2%	23.1%	23.6%	25.4%	24.6%
EBITDA	342.0	356.8	230.9	244.0	51.9	54.5	37.3	37.8	21.9	20.5
margin/revenue	13.3%	14.3%	15.0%	16.2%	10.0%	11.5%	12.2%	12.1%	10.0%	9.9%

In France, EBITDAR declined by €10.7 million for the following reasons:

- more restrictive public financing conditions, which primarily impacted on the post-acute and psychiatric care sector and, to a lesser extent, on the medico-social sector;
- the impact of the harmonisation costs to address employment conditions across Korian and Medica;
- heavy losses registered by a recently acquired facility;
- the reclassification of certain lay-off costs, previously accounted for under non-recurring items until 2014.

Whereas the foregoing was partially offset by the synergies captured through the Merger, the EBITDAR to Revenue ratio nevertheless fell by 130 basis points.

In Germany, EBITDAR was almost flat in absolute terms but margin declined by 240 basis points. This can be explained by:

- an unusually high increase in expenditure against an internal backdrop of managerial difficulties and successive integrations, reorganisations and acquisitions;
- the new entities acquired in 2015 coming on stream with a portfolio of more recent facilities that are operationally less mature.

In Italy, the EBITDAR to Revenue ratio remained stable on a like-for-like basis. However, the reclassification of redundancy costs as current expenditure adversely affected the EBITDAR to Revenue ratio by 50 basis points.

In Belgium, profitability improved by 80 basis points thanks to tight management of operations against a background of significant numbers of openings and acquisitions across the country.

Rent rose 1.7% to €338.2 million from €332.4 million in 2014. Rent accounts for 13.1% of the Group's total revenue (13.3% 2014 *pro forma*).

The Group's EBITDA stood at €342.0 million, down €14.7 million on a *pro forma* basis. The 2015 EBITDA margin was down 100 basis points.

2015 operating income stood at €179.0 million, down €55.6 million on 2014 on a *pro forma* basis, i.e. a drop of 23.7%. It should be noted that a number of adjustments have been made to *pro forma* operating income to reflect the impact of expenses associated with business combinations in 2014.

The net borrowing cost totalled €65 million, up 8.9% from €59.6 million in 2014 on a *pro forma* basis. 2014 Net financial income has been adjusted on a *pro forma* basis to reflect the early unwinding of financial instruments following the restructuring of the hedging portfolio in the first half of 2014.

The tax rate was 46.5% at 31 December 2015. This rate includes the CVAE in France and the IRAP in Italy.

Net profit/(loss) attributable to owners of the Group stood at €58.7 million, down 43.6% on the previous year on a *pro forma* basis. The net profit (loss) from continuing operations attributable to owners of the Group totalled €85.2 million, down 24.1% on a *pro forma* basis.

3.3.1.2 Consolidated statement of financial position

In millions of euros	31.12.2015	31.12.2014
Non-current assets	4,883.9	4,618.4
Current assets	881.0	617.6
Assets held for sale	0.1	19.0
TOTAL ASSETS	5,765.0	5,255.0
Own capital	1,933.9	1,902.6
Non-current liabilities	2,878.2	2,378.1
Current liabilities	953.0	961.5
Liabilities held for sale	0.0	12.9
TOTAL LIABILITIES	5,765.0	5,255.0

Assets

■ Non-current assets can, in the main, be broken down as follows:

- goodwill stood at €1,707.3 million, up €89.7 million, mainly due to acquisitions closed in Germany and France for €62.2 million and €8.5 million respectively, as well as the adjustment for Medica goodwill of €9.7 million;
- intangible assets accounted for €1,700.9 million. They mainly comprise operating licences for facilities and lease rights. The €12.4 million drop in the item was due to an increase of €12.5 million in the gross amount, mainly corresponding to newly-consolidated companies, less changes in depreciation, amortization and impairment of €24.9 million.

The value of these licences and goodwill are tested for impairment in accordance with IAS 36 based on their fair value less exit costs and their value in use determined using the discounted cash flow method;

■ tangible assets were up €130.1 million over the financial year and stood at €1,295.6 million, mainly due to changes in the scope of consolidation.

■ Current assets mainly comprised the following:

- trade receivables stood at €154.2 million, up €11.6 million;
- Cash and cash equivalents stood at €519 million, up €283 million: the high level of funds is the result of the proceeds of the *Schuldschein* issue on 15 December 2015;

Liabilities

■ Consolidated equity stood at €1,933.9 million. Consolidated equity attributable to owners of the Group increased by €18.6 million to €1,922.7 million, mainly due to:

- the impact of the Net Profit of €58.7 million attributable to owners of the Group;
- the business combinations amounting to -€9.2 million;

- the distribution of -€47.3 million in July 2015 notably in respect of 2014 profit;
- the €12.4 million capital increase;
- the impact of hedge accounting on interest rate hedging instruments, amounting to €1.8 million;
- actuarial gains and losses relating to the calculation of the provision for end-of-career salary amounting to €2.4 million.
- As at 31 December 2015, Korian share capital consisted of 79,465,673 shares.
- Borrowings stood at €2,163.7 million, up €447.6 million.

The Group's net indebtedness breaks down as follows:

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Bank and bond financing ⁽¹⁾	1,532.9	1,178.8
Real estate debt	535.1	442.7
Employee profit sharing	0.0	0.0
Other financial liabilities	0.4	16.7
Non-current financial liabilities	2,068.5	1,638.2
Bank and bond financing ⁽¹⁾	15.3	13.3
Real estate debt	62.3	43.7
Bank overdrafts and advances	8.9	6.7
Other Short-term financial liabilities	8.8	14.1
Short-term financial liabilities	95.2	77.9
Financial liabilities	2,163.7	1,716.1
Marketable securities	9.6	108.3
Cash	509.3	127.2
Cash	518.8	235.5
Cash provided as collateral	0.0	6.8
NET INDEBTEDNESS	1,644.9	1,473.8
Net indebtedness adjusted for real estate debt	1,047.5	987.4

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

At 31 December 2015, net financial liabilities thus amounted to €1,644.9 million, including immovable property debt of €597.4 million. Excluding immovable property debt, Korian's net debt/EBITDA ratio is thus 3.1x, well below the covenant limit of 4.5x. The syndicated credit and bonds (*Schuldschein* and Euro PP) are subject to banking covenants. Changes in the banking covenants are notified to the banking institutions every 6 months and annually for bonds.

- Current liabilities notably include trade payables totalling €228.1 million, €10.5 million down on 2014.

3.3.2 Annual financial statements

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

3.3.2.1 Income statement

<i>In millions of euros</i>	31.12.2015	31.12.2014
Revenue	67.1	40.9
Other operating income	5.3	15.9
Total operating income	72.4	56.8
Other external purchases and expenses	-47.9	-36.3
Income and other taxes	-2.8	-2.3
Employee expenses	-32.9	-30.5
Depreciation, amortisation and provisions	-10.1	-7.4
Others charges	-0.6	-0.5
Total operating expenses	-94.3	-77.0
Operating results	-21.8	-20.2
Net financial result	71.1	87.0
Non-recurring profit (loss)	-1.9	-7.5
Income tax (consolidation gains)	19.8	15.0
NET INCOME	67.2	74.3

3.3.2.2 Operating results

Korian's income mainly consists of Group fees paid by its French and foreign subsidiaries. These fees, which totalled €48.4 million in 2015 (up €24.3 million), are allocated according to the number of beds operated. This increase in billing was due to a change in the way head office overheads were calculated in 2015. Korian recorded an expense of €17.3 million under operating expenses corresponding to head office overheads borne by its subsidiary Medica France and re-invoiced by same.

Korian also re-invoices other expenses to its French subsidiaries, including other services, rental expenses and various other activities: this re-invoicing totalled €1.9 million in 2015, (down €1.5 million). External services are also invoiced outside the Group and amounted to €12.7 million (up €2.6 million).

Totalling €32.9 million for an average workforce of 337 people, personnel contributions accounted for approximately 36% of total operating expenses.

3.3.2.3 Net financial income

As the Group's holding company, Korian also receives dividends from its subsidiaries. These dividends increased from €123.1 million in 2014 to €100.8 million in 2015.

3.3.2.5 Statement of financial position

Assets	31.12.2015	31.12.2014
Intangible assets	272.3	272.1
Property, plant and equipment	3.2	2.0
Non-current financial assets	2,199.7	2,046.3
Non-current assets	2,475.2	2,320.5
Trade receivables	12.9	4.8
Other receivables	553.5	606.0
Cash	387.7	105.5
Prepaid expense	8.4	13.0
Total current assets	962.6	729.2
Debt issuance costs and bond discounts	13.0	13.3
TOTAL ASSETS	3,450.8	3,062.9

Equity & Liabilities	31.12.2015	31.12.2014
Share capital	397.3	395.2
Reserves and premiums	1,079.6	937.1
Retained earnings	23.2	128.5
Profit/(loss)	67.2	74.3
Regulated provisions	2.4	4.8
Net position	1,569.7	1,539.9
Loans with special terms	0.0	0.0
Provisions for risks and expenses	2.5	3.7
Financial liabilities	1,846.0	1,497.7
Trade payables	9.3	5.9
Tax and social security liabilities	15.1	14.3
Other liabilities	5.9	1.1
Deferred income	2.3	0.3
Total operating liabilities	1,878.6	1,519.3
TOTAL LIABILITIES	3,450.8	3,062.9

Korian bears most of the Group's debt and financial instruments. The financial expense arising from the financial liabilities amounted to €30.5 million in 2015 (€7.0 million up on 2014) given the rise in indebtedness. Korian also recognised a €10.3 million expense for financial instruments (down €17 million on 2014). Please note that, the 2014 cost included a cash expense of €11.3 million relating to a part of the balance paid in connection with the restructuring of the derivative instrument portfolio in the first half.

As head of the cash pooling arrangement, Korian paid €4.5 million (compared with €5.3 million in 2014) in interest expenses on current accounts and received €11.6 million (down €1.1 million) in interest earned on the current accounts of its subsidiaries.

3.3.2.4 Non-recurring profit (loss)

The non-recurring loss of €1.9 million mainly breaks down as follows:

- income of €2.5 million associated with the reversal of tax depreciation;
- -€1.9 million in development costs;
- -€2.6 million in costs associated with governance restructuring.

The statement of financial position total of Korian amounted to €3,451 million. It mainly consisted of the following:

Assets

- Non-current assets amounted to €2,475 million, representing close to 72% of the statement of financial position. They mainly consist of:
 - €264 million in net merger losses relating to the Korian/Medidep merger in 2006;
 - €1,983 million in shares of subsidiaries: Segesta was the subject of a €100 million capital increase. Some of Korian's French and foreign subsidiaries disappeared as a result of intragroup mergers in 2015. Various internal restructuring operations failed to have any material impact on gross equity investments;
 - €217 million in loans to subsidiaries.
- The other main items on the assets side of the statement of financial position are:
 - current accounts with subsidiaries amounting to €512.2 million;
 - €387.7 million in cash and cash equivalents;
 - €13 million in deferred expenses, relating to bond issuance costs to be deferred;

- €8.4 million in prepaid expenses, including €8.0 million of the cash payment paid in 2014 in connection with the restructuring of the financial instrument portfolio. This sum was spread over the term of these financial instruments.

Liabilities

- Net position of €1,570 million, up €30 million, mainly due to:
 - the distribution of -€34.8 million in July 2015 in respect of 2014 profits and the €12 million capital increase resulting from the payment of the dividend in shares;
 - the profit for the period of €67.2 million;
 - €2.4 million in reversals of tax depreciation.
- Financial liabilities, which amounted to €1,846 million at 31 December 2015, broke down into €987 million in bonds, €621 million in bank loans, and €238 million primarily in current accounts with subsidiaries.
- Trade payables amounted to €9.3 million, and broke down as follows:
 - €4.4 million in provisions for invoices not yet received;
 - €4.9 million in trade payables.

As at 31 December 2015, the payment schedule for these liabilities was the following.

<i>In millions of euros</i>	Due +60d	Due -60d	Not yet due	Total
Operating trade payables	0.5	0.5	3.2	4.2
Trade payables, Group	0.7			0.7
TOTAL	1.2	0.5	3.2	4.9

Note that the payment schedules for these liabilities as at 31 December 2014 was the following.

<i>In millions of euros</i>	Due +60d	Due -60d	Not yet due	Total
Operating trade payables	0.3	2.0	1.4	3.7
Trade payables, Group	0.7	0.0	0.0	0.7
TOTAL	1.0	2.0	1.4	4.4

3.4 Material events since the year-end

Since 1 January 2016, the Group has carried out the following transactions.

3.4.1 Changes in internal governance

On 26 January 2016, Sophie Boissard took office as Chief Executive Office of the Korian group. In addition, a new Chief Finance Officer, Laurent Lemaire, took office on 26 February 2016, to replace Jean-Briec Le Tinier, who resigned his position on 31 December 2015⁽¹⁾.

(1) Investor Relations and Finance Director Didier Laurens has been acting Chief Finance Officer.

3.4.2 Pursuit of the development strategy

3.4.2.1 In France

In January 2016, Korian acquired 2 long-term care nursing homes, 1 in Val de Marne and 1 in Aude, with 241 beds.

3.4.2.2 In Germany

In January 2016, Korian acquired the Casa Reha group, the 3rd largest long-term care nursing home operator in Germany, which operates 70 facilities with more than 10,000 beds and around 4,100 employees. Casa Reha also has a project portfolio of 782 beds yet to be created and reports revenue of around €270 million. Casa Reha has been consolidated since 1 January 2016.

This acquisition, which balances up Korian's European offering, enables the Group to optimise its coverage of the German market and to consolidate its position as the leading operator on the most dynamic European elderly care market, with potential revenue of €800 million.

3.4.2.3 In Italy

In March 2016, Korian sold a 100-bed long-term care nursing home.

3

3.4.3 Company share capital increase

In accordance with the provisions of Article L. 225-178 paragraph 3 of the French Commercial Code, following the exercise of 3,000 share subscription options in 2015, the Board of Directors at its 21 January 2016 meeting recorded the €15,000

increase in the Company's share capital, by means of the issue of 3,000 new shares with a par value of €5 each, thereby increasing the share capital from €397,328,365 to €397,343,365.

3.5 Foreseeable changes – Outlook

Following continued consolidation and integration in 2015 and against a backdrop of international expansion, 2016 will witness the materialisation of a new phase of the Group's rapid growth with an improved management structure and accelerated roll-out of new services.

With nearly 70,000 beds, Korian is consolidating its position as European leader in the Ageing Well market. This geographic diversification enables the Group to continue its expansion, while benefiting from growth drivers internationally, in Germany in particular. Following its acquisition of the Curanum group and other regional groups, then Casa Reha in January 2016, the Group confirms its development strategy in this country.

Korian has good visibility on its business and encouraging prospects. In 2016, the Group is targeting revenue of almost €3 billion, a performance recovery plan and profitability (EBITDA/revenue) approaching that of 2015.

In the medium term, through its 2020 strategic plan, the Group is aiming to become the reference player in care and services for the elderly and their families, and to be chosen and recommended for the quality of its innovation and services. In order to enable dynamic and profitable growth, the Group will prioritise critical-sized geographic platforms and take full advantage of its network synergies.

3.6 Risk factors

The Company continually reviews its risks. The risk management and internal control systems are described in section 4.1.2 of this Registration Document.

The risks presented below are those that the Company considers, on the date of this report, as liable to have a significant impact

on the Group, its business, its financial position and its results or its development. It should, however, be clear that the list of risks presented below cannot be considered as exhaustive because the Group cannot rule out the possibility of other risks materialising in the future that might have a significant negative impact on it.

3.6.1 Risk identification

There follows a description of the risk factors specific to the Company's business sector namely Ageing Well activities, as well as risk factors specific to the Group by virtue of its organisation and the operation of its facilities.

3.6.1.1 Risk factors intrinsic to the Group's business sector

Regulatory risk involved in obtaining and maintaining operating permits and subsequent agreements as well as legal and regulatory operating conditions

The Group's operations in France, Germany, Italy and Belgium are subject to strict laws and regulations, as detailed in sections 2.2.2, 2.3.2, 2.4.2 and 2.5.2, respectively, of this Registration Document.

The Group, whose business is subject to the health delivery regional plans defined by the competent health authorities, may fail to obtain new licences, potentially holding back its development. Furthermore, the non-renewal, suspension or withdrawal of licences in use, resulting in a loss of customers directly or due to the harmful effects on the Group's image and reputation, could have a direct impact on its business.

Similarly, regulatory changes, notably in Germany, could impact upon the Group's business and lead to a loss of customers.

Risks associated with changes in rates and social policies

As the rates charged by Group facilities are directly linked to social policy and the subsidies provided, in particular in terms of medical care, as detailed in sections 2.2.2, 2.3.2, 2.4.2 and 2.5.2, respectively, of this Registration Document, an unfavourable change in social and rate policy in a country in which the Group operates could have an adverse effect on its business, strategy, results, financial position and outlook.

In France, the accommodation rate is freely set when a resident enters a long-term care nursing home; annual adjustments thereto are set by decree. Thus, during the period of a residence

contract, the Group has no control over pricing changes and the amounts payable by residents. Furthermore, a portion of the revenue of long-term care nursing homes is fixed and covered by public authorities on the basis of the costs borne by these facilities. Accordingly, a reduction in this financing would possibly result in their margins being squeezed. Similarly, for post-acute and psychiatric care facilities, any reduction, freeze or insufficient adjustment in rates set by the social security bodies could have a negative impact on the Group's profitability and financial position.

In Germany, prices are negotiated with regional health insurance bodies, namely the 5th column of the German social security known as "long-term care insurance" (Pflegekasse), and the regional social welfare authorities. All of the services provided are charged to the resident, who receives a fixed monthly allowance from the social security office, depending on the person's dependency level. Rate risk is nevertheless lower in Germany because funding is provided through employee and employer contributions. At the beginning of 2014, an increase in these contributions was decided upon and will ensure the ongoing development of the sector.

In Italy, rates are composed of a medical care fee and an accommodation fee. The medical care rate is covered by the public authorities (ASL) while the accommodation rate is payable by residents (or by municipalities for persons with low income). The accommodation rate is regulated at regional level and varies greatly from one region to another. Thus, it is totally discretionary in Lombardy but is capped in the Piedmont region. A drop or freeze in the budget allocated by the ASL or each region could have a negative impact on the Group's profitability and financial position.

In Belgium, accommodation and meal rates are freely negotiated when a home opens, and then automatically indexed to consumer price inflation. On the other hand, the medical care and dependency rate is subsidised by the Social Affairs and Health Ministry via the INAMI and depending on the resident's level of dependency (Katz scale).

Employee-related risks

The shortage of medical staff and/or a possible increase in staff turnover, especially concerning qualified medical staff, could have an impact, in particular, on the quality of service within

the Group's facilities, affect its image and its development prospects or drive up wages. Any such eventuality could adversely affect margins and, in certain instances, endanger operating licences. Moreover, the Group cannot rule out a possible deterioration in employer-employee relations liable to cause strikes or other union actions, affecting its financial position and operating results.

Commercial risks

As a provider of personal services and, to an even greater extent, within the scope of the care we provide to dependent persons, the Group's facilities may be exposed to claims and complaints by residents or their families, concerning the quality of the medical monitoring, the treatments administered, or the care and accommodation services provided. In addition, although the civil liability of physicians working independently in Group facilities covers the risks relating to their work, the reputation of the facility and hence its business and results could nevertheless be affected by any such liability.

Climate risks

Certain climatic events can exacerbate chronic diseases already affecting residents and patients and endanger their health. By nature, the assessment of the facilities' climate risk is a delicate matter. If Group facilities were unable to cope with this risk, they could be held liable and their image could be affected, which, by reducing their attractiveness, could possibly negatively impact the Group's business and results.

Risks of epidemic

An epidemic is the rapid and broad geographical spread of a new virus subtype triggered by a genetic change and against which residents and/or patients have no immune defence. The development of an epidemic would be liable to have a negative impact on the Group's business, financial position or results, especially through the possible subsequent loss of business and the additional cost of setting up special healthcare measures.

Main operational risks

RISKS TO THE SAFETY OF PEOPLE AND PROPERTY

Any non-compliance with building regulations by certain Group facilities could result in the Group's civil and/or criminal liability and damage its reputation, whether in terms of fire safety, a failure to comply with asbestos usage at its facilities, or indeed legionella in its water supply network. In addition, major regulatory changes could entail additional expenses for the Group (installations, equipment, personnel, etc.) thereby altering its capital investment plans, operational expenses or operating conditions, thus delaying the implementation of its strategy. Non-compliance with regulatory obligations could result in the suspension of operations and have a negative impact on the Group's business, financial position and results.

In addition, patient care may require the use of biomedical equipment and devices for diagnostic, therapeutic or rehabilitation purposes, the improper maintenance of which could induce a diagnostic error or performance shortfall resulting in a medical accident or inappropriate treatment. Furthermore, the use of reusable "multi-patient" devices could lead to infections. Nevertheless, the risk associated with this equipment is limited due to the fact that no surgical activities are performed and no implantable medical devices are fitted.

As the Group cares for persons who are on occasion disoriented because they are suffering from Alzheimer's or related diseases, all staff receive training on the prevention of the risks of residents and patients falling, as well as their wandering from the facility without the staff's knowledge. These situations, which are specific to the Group's business sector, can have serious consequences on the elderly person's health and expose the facility to liability.

RISKS OF INFECTION - HYGIENE

On the one hand, the regulations applicable to medico-social facilities are changing continuously and are backed by guidelines and best practices. On the other hand, due to their medical or paramedical nature, the Group's post-acute and psychiatric care facilities come under stringent regulations concerning the safety of people, hygiene, health, the environment (in particular the handling of medical waste from activities with risk of infection) and ethics.

The facilities' failure to comply with these regulations could result in the Group's civil and/or criminal liability and damage its reputation, with an ensuing negative impact on its business and financial position. Furthermore, major regulatory changes could entail additional expenses for the Group (installations, equipment, personnel, etc.) thereby altering its capital investment plans, operational expenses or operating conditions, thus delaying the implementation of its strategy.

RISK OF MEDICATION ERROR

Each step in the medication circuit is liable to generate errors, giving rise to risks for residents or patients, ranging from the inhibition of active principles to the toxicity of the medication given. In the event of a dysfunction in the medication circuit, the facilities could be rendered liable, in particular following the lodging of a complaint for endangering the life of others, a temporary or permanent disability or the death of a resident or patient.

RISK OF ABUSE

Although the Group pays close attention to complying with strict ethical values in the course of providing Ageing Well services, the risk of abuse, real or alleged, cannot be ruled out. lawsuits may thus be brought against employees or the Group in this respect. The occurrence of any 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, development prospects, financial position and results. The Group has put in place very strict procedures designed to prevent the risk of abuse, as detailed in section 3.7.1.3 of this Registration Document.

3.6.1.2 Group-specific risk factors

Real estate risks

The Group mainly rents the buildings in which it operates its facilities and its rents are thus subject to indexing. Just like in Germany, where rents rise in line with the country National Index, rents in France are linked either to the rent review index (IRL), to inflation (IPC), or to the construction cost index (ICC), or a combination of the ICC, IPC and IPT (intervention rate of 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, this risk being considered against the background of the Group's "asset light" real estate strategy and changes in rental fees.

THE GROUP'S REAL ESTATE STRATEGY: AN "ASSET LIGHT" MODEL

With around 20% of its real estate assets wholly owned and around 80% leased at 31 December 2015, the Group's real estate strategy follows an "asset light" model, in order to ensure flexibility and strengthen its bargaining power. This strategy is based on 4 key principles: (i) the holding of operating permits, (ii) the unbundling of these permits from the real estate assets, (iii) the selection of a limited number of long-term partners and (iv) assets that are highly sought-after by real estate investors.

CHANGES IN RENTAL FEES

At 31 December 2015, external rent, including charges, amounted to €338.2 million, on a *pro forma* basis (up 1.7% compared with 31 December 2014).

Risks relating to information systems

The Group uses a certain number of IT tools and information systems for managing the records and data of its residents and patients, as well as its human resources. As these systems are used in the management of its daily operations, a significant failure of these systems could temporarily paralyse the business and have a negative impact on the Group's results. However, each country in which the Group operates has an Information Systems Department, making it possible to safeguard and, insofar as possible, prevent any management system failure, thereby ensuring business continuity.

Development-related risks

As part of its external growth policy, the Group is and will be, sooner or later, seeking development opportunities through strategic acquisitions, equity investments or partnerships, which will allow it to actively take part in the consolidation trend in the Ageing Well sector. However, the Group cannot guarantee that such opportunities will arise, particularly combined to favourable market and financial conditions; nor can it be sure to integrate any new entities and deliver the anticipated synergies in a successful and profitable manner while maintaining harmonised internal processes and 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. The Group's management team has significant experience in structuring new value-added business groups, setting up partnerships and putting teams and large-scale networks in place and managing them. The country management teams have in-depth experience of the markets in which the Group is developing, expertise in all of its business lines and a proven ability to integrate acquisitions. If the Group were to lose the services of its key managers, or should the latter become less involved, it could have difficulties replacing them or its growth could experience a temporary slowdown.

Legal and tax risks

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

Financial risks

RISKS RELATED TO THE GROUP'S INDEBTEDNESS

The Group's net indebtedness stood at €1,645 million at 31 December 2015.

The Group has a broad range of credit facilities:

- an €550 million syndicated loan maturing in March 2019. At 31 December 2015, Korian had €400 million available on the revolving credit facility;
- immovable property debt in the amount of €597 million. These debts consist primarily of leasing contracts with long maturities (10 to 12 years);
- other liabilities totalling €39 million; and
- bonds placed with private investors in a total amount of €979 million.

Details of the ongoing effort to improve the financial structure in 2015 can be found in section 3.1.4 of this Registration Document.

Furthermore, the Group's net cash position at 31 December 2015 was €510 million.

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

The Group's indebtedness is presented in detail in sections 3.3.1.2, 3.3.2.5, 5.1 (Note 17) and 6.1 of this Registration Document.

INTEREST RATE RISK AND HEDGING POLICY

At 31 December 2015, most of the Group's indebtedness was at variable interest rates. The Group has financial instruments to hedge against fluctuations in interest rates. It uses standard derivative instruments (interest rate swaps, caps, floors, etc.). Including financial instruments, 80% of variable-rate borrowings are hedged with an average maturity of 3 years, reflecting the Group's cautious management policy.

In addition, marketable securities mainly comprise term deposits or euro-denominated open-ended investment funds with variable capital (SICAV). Pursuant to IAS 7.6, they are defined as short-term investments, highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value. At 31 December 2015, our financial instruments were valued at minus €19.7 million.

RISKS RELATING TO OFF-BALANCE SHEET COMMITMENTS

All these off-balance sheet commitments are set out in Chapter 6 of this Registration Document, in the notes to the annual financial statements for the financial year ended 31 December 2015.

MARKET RISKS (CURRENCY AND EQUITY)

At 31 December 2015, the Group held 0.03% of Korian shares in treasury stock.

As at the date of this management report, excluding this position, the Group is neither exposed to currency risks nor is it exposed to equity risks.

RISK RELATING TO FINANCIAL COMMUNICATIONS

Control of compliance of accounting and financial information as well as of information flows is done at a number of levels:

- the functional entities apply tailored internal control processes and check that the procedures are appropriate 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 the accounting and financial information and matters pertaining to the preparation and control of this information. It does the groundwork for the Board of Directors in connection with the approval of the annual financial statements or the review of the half-year financial statements; and
- the Board of Directors approves the financial statements and checks the integrity of the financial information released to the market by an AMF accredited distributor.

Chapter 4 of this Registration Document on corporate governance and internal control provides details on this control. Furthermore, and in line with the AMF's recommendations, all the accounting and financial information, including investor presentations, can be found on Korian's website (www.korian.com).

FINANCIAL CO-OPTION RISK

The Group is extremely vigilant about the risk of financial co-option and prohibits altogether the giving of gifts, contributions or money to staff members by persons under care in its facilities and their close relatives.

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

Outsourcing and supplier risks

The Group works with a number of service providers and suppliers in its business activities. Although the Group does not believe it is dependent on one or more of its service providers 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. More specifically, it could lead to a decline in the quality of daily services and a rise in related costs, particularly if it has to replace a defaulting service provider with a more expensive one. This could also have an adverse impact on the Group's reputation and image and, therefore, on its operations, financial position and results.

Given the specific nature of the Ageing Well business, a new service provider might also need a period of transition to acquire the same level of knowledge about the Group's facilities as the previous supplier, resulting in a reduction in the quality of services provided and the satisfaction of the Group's residents and/or patients and of their families.

3.6.2 Risk management and control

The Group firstly endeavours to ensure the safety of its residents and patients within its facilities, but also provide them with a level of service in line with their expectations. The approach of all Group teams is based on respect for individuals and the provision of services, the quality of which is always the Group's primary focus. Day-to-day risk management is an integral part of the procedures implemented by the Group as part of its quality assurance process and best business practices disseminated to all facilities.

The Group established a Group Internal Audit Department in 2014, of which the Internal Control Department is part.

This department is responsible for monitoring the implementation of internal control systems within the Group, in compliance with the recommendations of the AMF's framework (called the "Framework for risk management and internal control systems") (the "**Framework**"). This department reports functionally to the Group Finance Department and hierarchically to the Audit Committee. Its approach is based on a single annual mapping

of Group risks and it coordinates the local entities to assess the level of internal control within the Group.

The main responsibilities of the Group Audit and Internal Control Department (both in France and abroad) are to:

- identify the major risks;
- propose improvements to the risk management processes; and
- ensure compliance with internal control procedures and check 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.).

In 2014, it created the risk mapping, updated in 2015, focussing on 2 areas: risks affecting the whole Group and country-specific risks. It is updated annually and the top 10 Group risks and the top 10 country risks are presented (for approval) to the Audit Committee with the resulting 2016 audit plan.

In 2016, the Audit Committee will review progress on the audit plan as well as the findings of the work carried out.

3.6.2.1 Risk prevention policy

Management of safety-related risks

MANAGEMENT OF BUILDING SAFETY

Ensuring the physical safety of the persons cared for and of property is a prerequisite for any medico-social or healthcare facility. In this respect, regulatory provisions are increasingly stringent and complex. Every year, the Group invests the required amounts to enable its facilities to comply with the public authorities' safety directives concerning health and fire prevention. In addition, the Group has set up partnerships with professionals, and specialist and independent suppliers tasked with monitoring the safety of the installations (equipment, buildings, etc.) and which ensure ongoing compliance monitoring and control.

In France, the facilities fall under the regulations applicable to facilities open to the public. A 15-person team working in the Real Estate Department is tasked with supervising the maintenance and safety of facilities. In this respect, the main aspects which have or will be upgraded to meet the new regulatory standards concern the following: smoke extraction and fire safety systems, improvement of water circuits to combat legionella, the modernising of lifts, the identification and treatment (if appropriate) of materials containing asbestos, and access for persons with reduced mobility.

In Germany, the director of each facility is responsible for complying with applicable standards and the proper maintenance of the buildings, under the control and with the support of the Head Office's Real Estate Department. Within this department, a risk manager anticipates the work to be carried out to keep up with standards and for proper operation.

In Italy, in each facility, a post-acute and psychiatric director is responsible for the hygiene and safety of the residents, the personnel and the building. To meet their legal obligations, the facilities sign maintenance contracts with qualified service providers. Internal safety procedures have been set up in accordance with Act 81/08 relating to the control of safety-related risks. Prevention activities are aimed at eliminating or reducing the risks associated with the workplace and exposure to chemical, physical or biological agents, as well as training and informing employees on risks in their workplace.

In Belgium, a team of engineers monitors the safety of buildings and structures. Each facility has a prevention advisor in order to reduce safety-related risks. External service providers are also retained to carry out the necessary checks (fire alarm, lifts, heating, etc.). All facility staff have access to an internal emergency plan containing the necessary numbers and the procedures to be applied for each risk.

Every year, in all countries where the Group operates, new measures ensuring improved safety are defined through the adoption of codes of good conduct and best practices, the defining of emergency measures and the maintenance of the buildings.

MANAGEMENT OF FIRE RISKS

The Group pays special attention to compliance with fire safety regulations. In this area, the Group's policy rests 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), the display of evacuation plans and emergency instructions and the recording of data in a safety register.

In France, under applicable regulations, once a building has been built, the appropriate Municipal Security Commission carries out a check as a precondition for granting permission to open to the public. The check is then renewed every 3 years in all facilities.

In Germany, the facilities' fire safety systems comply with applicable regulations governing building safety. All of the residences are directly linked to a fire station and have a regulated access reserved for fire vehicles. The fire prevention plan, present in all facilities, also includes an evacuation plan. The staff is trained in its implementation.

In Italy, the provisions of Act 81/08 are included in the risk management document of each facility. As in the other countries, the Group's policy in Italy is based on prevention (compliance with standards, staff training, etc.): the evacuation plans are displayed in all facilities and fire drills are conducted once a year. There is a specific prevention plan for risks associated with third parties (residents, patients, personnel and subcontractors). In each region, periodic compliance checks are carried out by fire-fighters.

In Belgium, the facilities are subject to the decree of 7 July 1994 on the prevention of fires and explosions, amended by Royal decree of 12 July 2012, with which buildings must comply (safety system, fire-fighters' access route, inclusion of a machine room, etc.). The layout of premises by floor, extinguishers and water outlets (with accompanying photos) are included in the internal emergency plan, along with the initial procedures to be applied and the people to contact. The internal emergency plan must be placed in 2 separate and accessible areas within the facility.

MANAGEMENT OF ASBESTOS-RELATED RISKS

Like all facilities open to the public, the Group's post-acute and psychiatric care facilities and medico-social facilities must comply with standards concerning asbestos-related health risks.

In France, each facility at risk keeps a specific record (the DTA), listing the components liable to contain asbestos and their state of conservation. In order to assess changes in risk exposure, visual checks of the materials and products listed in the DTA are carried out every 2 years. Even if a few facilities' building components are liable to contain asbestos according to control offices' reports, the materials concerned (sheaths or ducts, flooring materials, floor slabs, etc.) are deemed in good condition; in principle, there is thus no exposure to any asbestos risk at present.

In Germany, the authorities signed voluntary agreements with certain businesses in 1979 in the aim of eradicating asbestos within 10 years. A 1990 decree prohibits the presence of asbestos and lays down procedures to ensure compliance with this regulation. Building owners are obliged to remove the asbestos only in the event of total renovation of the building. Employees must be informed of the presence of asbestos in their workplace.

In Italy, checks are carried out by relevant authorities to detect the presence of asbestos. In the facilities where asbestos was detected, work has been carried out. On the sites where there was a risk of the presence of asbestos, samples were taken and analyses were conducted.

In Belgium, all facilities have an inventory of materials potentially containing asbestos. Tests are done and if these reveal the presence of asbestos representing a potential health hazard for residents and/or patients, work is immediately carried out.

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

MANAGEMENT OF RISKS ASSOCIATED WITH MEDICAL EQUIPMENT AND DEVICES - MEDICAL DEVICE VIGILANCE

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

In France, a limited number of post-acute and psychiatric care facilities are equipped with imaging devices for which a specific license is required. These devices undergo regulatory audits and the staff exposed to risks is monitored in order to control exposure to ionising radiation (dosimetry).

In Germany, authorities require medico-social facilities to have a minimum amount of medical equipment. Compliance with this requirement is verified by the Group's quality assurance manager in Germany and by the German authorities. The maintenance of the equipment is handled by the local teams and certified by external bodies such as Ecomed System & Management, Gedias and TÜV.

In Italy, the facilities' medical equipment and devices are listed and inventoried in an individual record giving their characteristics, certifications and all the audits and repairs carried out during their useful life. Every year, the medical equipment is audited by a qualified service provider in accordance with Act 81/08 and standards IEC 62/148 and IEC EN 62353. Internal and external assessments are also carried out on a regular basis. Lastly, in each region, the health authorities check the compliance of the medical equipment once a year.

In Belgium, a specialist company carries out an annual audit of the healthcare beds and patient lifts to ensure they are working properly. Furthermore, since the Group has installed ionizing radiation imaging systems in one of its homes, the Belgian Federal Agency for Nuclear Control (AFCN) carries out an annual audit in this facility in accordance with applicable regulations.

MANAGEMENT OF RISKS ASSOCIATED WITH HOT WATER (LEGIONELLA)

As part of the prevention of legionella-related illnesses, the Group has installed risk management systems in all countries in which it operates and monitors compliance with applicable legal and regulatory provisions.

In France, an analysis of the water supply network is done in all facilities by a control body or approved service provider. A network control plan is drawn up and, where necessary, network improvements are made. A specific analysis for legionella is conducted once a year by approved laboratories, using samples from 10 points, which are representative of the hot water network, from production to distribution. The defining of sampling points takes account of the structure of the water networks, the number of users, the uses, as well as hazardous areas.

In Germany, tests are conducted for the presence of legionella under the control of the competent health authorities. Corrective measures are taken should legionella be identified.

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

In Belgium, facility maintenance staff carry out weekly checks. In addition, a specialist company takes on-site samples annually. Should legionella be identified, a special corrective procedure is activated.

MANAGEMENT OF RISKS TO WATER POTABILITY

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

In France, the water networks undergo checks at defined intervals and maintenance in accordance with the facilities' maintenance policy. In all post-acute and psychiatric care facilities and medico-social facilities, an analysis of the water network is conducted on a regular basis by a control bureau or by a COFRAC-certified external service provider. Audits are conducted at control points: sampling frequency is adapted to reflect the structure of the water networks, the number of users, the uses, as well as hazardous areas. Audits are also conducted under the responsibility of the municipality or ARS, and under the Prefect's authority. The results are sent to the facility upon request. Moreover, bacteriological and physico-chemical analyses (D1 analyses) are performed annually by an external laboratory. In addition, the water fountains are maintained either by in-house staff or by an external service provider.

In Germany, the drinking water system is checked every 2 months by the relevant authorities.

In Italy, the drinking water is stringently controlled in accordance with Act 31 of 2001. Water quality and potability tests are conducted every 6 months in all Group facilities by its own staff as well as by the relevant authorities.

In Belgium, tap water is not specifically checked in facilities. However, when a facility uses well water, annual audits are performed by an external body.

Management of employee-related risks

The Group's human resource policy, which advocates proactive dialogue and promotes employee career development through an ambitious training policy and internal mobility plans, is aimed at preventing employee-related risks.

In France, partnerships have been formed with business schools and universities to create talent pools for future facility directors. In addition, in order to retain staff and ensure the quality of services provided in its facilities, the Group promotes access to qualifying training courses and accreditation of prior learning and experience. Further information on the Group's training policy can be found in section 3.7.1.2 of this Registration Document.

In Germany, the organisation of the medical care in long-term care nursing homes is centred on nurses. Regulations in force require a minimum of 50% qualified nurses amongst medical staff to maintain the number of authorised beds. The recruitment and retention of staff, in particular qualified nurses, is thus a major challenge when faced with a shortage of qualified staff. The main efforts in this area focus on local programmes conducted by regional HR Managers to retain key staff, the development of occupational training, and a specific multi-year programme aimed at nursing students. In terms of recruitment, Phönix group launched a major recruitment campaign called *pflieg mich* (in particular through the media). For its part, Curanum entered into a partnership with the German employment office and its Chinese counterpart, which led to an experimental project involving the recruitment and support of Chinese nurses in Germany, a trial that could be extended. Curanum pays particular attention to the continual improvement of working conditions in the facilities. In order to identify the expectations of their employees, Phönix thus joined the great place to work programme, while Curanum undertook annual satisfaction surveys.

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

Although Belgium experienced a staff shortage in 2013, the situation has improved significantly since 2014 following a restructuring of the hospital sector. Management is very mindful of the need to maintain good industrial relations with the social partners and to negotiate collective agreements in order to minimise labour disputes.

In 2015, the Group's General Management undertook an employee satisfaction survey in the 4 countries where the Group operates, the results of which can be found in section 3.7.1.3 of this Registration Document and which will make it possible to fine-tune the diagnostic to national concerns.

Management of operational risks

MANAGEMENT OF INFECTION PREVENTION

The Group ensures the application of strict procedures and the sharing of best practices in order to prevent any infections within its facilities.

In France, the management of the risk of infection revolves around the following measures: supply of the resources necessary for the implementation of best practice recommendations in terms of hygiene, implementation of preventive measures in hygiene and medical care, compliance with basic hygiene rules (hand hygiene in particular), control of technical care, control

of the environment (water, medical waste from activities with risk of infection, linen cycle, etc.), management of epidemics and vaccination policy, raising the awareness of the persons at risk (residents, patients and families), training of employees and external personnel, and the development of partnerships with specialised health bodies such as Committees for the Campaign Against Nosocomial Infections ("**CLIN**"). An annual self-assessment of the management of the risk of infection is carried out in both the medico-social and post-acute and psychiatric sectors.

In healthcare facilities, the existing system is supplemented by the defining of a local plan for each facility, including an epidemic control plan: monitoring of the measures to prevent nosocomial infections (presence of a CLIN and operational hygiene team ("**EOH**") in each French clinic); implementation of preventive actions in the areas of hygiene and medical care, including the proper use of antibiotics (procedures, protocols, training); organised monitoring of nosocomial infections, Multi-resistant bacteria ("**BMR**") and the consumption of antibiotics, as well as the evaluation of best practices; tracking of national indicators (use of antibiotics, use of hydro-alcohol solutions, staphylococcus aureus).

Infection vigilance (internal and external reporting of nosocomial infections) is organised in all facilities; every year, each one fills out a standardised report on the measures taken to combat nosocomial infections based on the model requested by the supervisory authorities.

In Germany, the risks associated with nosocomial infections are subject to standardised hygiene procedures implemented by all employees. Certain diseases need to be reported to the authorities and isolated; the medical staff in contact with infected persons must wear appropriate protective equipment. Moreover, each facility must comply with rules regarding hygiene, which are laid out in written procedures and made available to employees at all times. These procedures are standardised and are monitored and checked by a team of 12 Total Quality Managers ("**TQM**") (namely 2 TQM per region), in addition to health authority inspections which check that procedures are in place and complied with.

In Italy, in addition to complying with applicable regulations, the Group has set up internal quality control procedures in its long-term care nursing homes and its post-acute and rehabilitation care clinics. Like in France and Germany, internal best practice procedures (hand hygiene, prevention and control of legionella, etc.), drawn up by the medical department, are disseminated to all facilities and updated on a regular basis. The implementation and monitoring of these best practices are then placed under the responsibility of the health director in each facility. The proper application of these procedures is subsequently checked in the course of the annual internal and external quality assessments of facilities.

In Belgium, particular focus is placed on hand hygiene, and regular training is provided by the coordinating physicians at each facility. For each infection risk identified, the applicable procedure can be found in the facility's internal emergency plan.

MANAGEMENT OF EPIDEMICS

As it cannot eliminate the risk of epidemics occurring outside its facilities, the Group has put in place, in each country in which it operates, appropriate preventive measures required to minimise to the extent possible the consequences of an epidemic on its residents and patients.

In France, while standard precautions limit the risk of a nosocomial epidemic within the facilities, the latter take measures to tackle a possible epidemic from an outside source. General prevention measures were introduced in 2009 as part of a national plan focused on preventing an influenza pandemic. The healthcare facilities must take the required measures to be able to cope with an abnormally high influx of patients. Long-term care nursing homes and post-acute and rehabilitation care clinics do not typically provide emergency services but take measures to cope with exceptional situations, as described in their white plan or blue plan. These are now defined with the ARS (in line with the work initiated with the DDASS), in the same way as a BCP is drafted, which must provide for organisational and operational procedures for the degraded organisation in the event of the absence of employees and supply shortages. The post-acute and psychiatric care facilities have added an "epidemic control" section to their white plan. Every year, Group facilities carry out a vaccination campaign for their teams (flu and whooping cough) and for the elderly people in their long-term care nursing homes (flu and pneumococcal vaccines).

In Germany, the facilities are obliged to immediately inform the regional health authorities in the event of an epidemic. These will then assist them in the implementation of the appropriate treatments.

In Italy, in the event of epidemics/pandemics threatening the health of the elderly, the Ministry of Health gives precise instructions on the required response and the protocols to follow. Every week, a newsletter summarising the spread of the epidemic is sent by the regional authorities to the facility directors. The ASLs monitor the vaccination plan (flu and pneumococcal vaccines) and supply the vaccines to the facilities. To keep track of the progress of the vaccinations, facility medical directors input the list of the persons vaccinated on the ASL's web portal. In accordance with the national procedures, each facility suspected of suffering an epidemic is reported to the ASL by the medical director of long-term care nursing homes. The Government regularly provides all facilities with a list of the diseases to be reported together with the protocols to follow. In the event of contamination of a facility, after having informed the competent authorities, the medical director undertakes a decontamination of the facility in accordance with the protocols defined by the health authorities.

In Belgium, an epidemic is defined as being 5 recorded cases with 3 new cases per day. Should an epidemic occur, the Belgian health authorities must be immediately informed thereof and a special procedure is activated (wearing of gloves and of masks, systematic use of the hydroalcoholic gel available in each facility), with the possibility of quarantine should this prove necessary. In order to prevent certain epidemics, such as flu, Belgian facilities organise annual vaccination campaigns.

MANAGEMENT OF WASTE FROM ACTIVITIES WITH RISK OF INFECTION

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

In France and Italy, medical waste collected by facilities is handled by specialised companies.

In Belgium, medical waste is stored in special easily identifiable containers (yellow bags) allowing them to be transported without risk. A specialist company is responsible for their removal.

MANAGEMENT OF THE MEDICATION CIRCUIT

The Group implements a prevention policy based on the control of the medication circuit, pharmacovigilance and identity monitoring. Prescribing medication is a medical act; dispensing it is a pharmaceutical act; administering the medication is an act performed by professionals authorised to do so by medico-social and post-acute and psychiatric care regulations.

In France, in the medico-social facilities, the organisation of the medication circuit (prescription, dispensing and administration) is increasingly governed by a standardised agreement, put forward by the Group and prepared jointly by the dispensing pharmacy and the long-term care nursing home. The prescribing doctors must thus now sign an agreement defining rules that ensure the safety of the prescriptions. A commission composed of representatives of all of the facility's medical personnel (Geriatric Coordination Committee ("**CCG**")) meets at least twice a year to review the topic of medication.

In the post-acute and psychiatric care facilities, the organisation of the medication circuit (prescription, dispensing and administration) is highly regulated, particularly since the RETEX order which requires a collective, multi-disciplinary approach, with a strong commitment on the part of the facility's management and the Facility Medical Commission ("**CME**") to conduct projects and promote communication between services or players. A team tasked with working on the medication policy is clearly identified, with 4 key players: the head of the facility, the CME, the risk management coordinator and the head of the quality assurance system and medication management.

In addition, all the Group's French facilities must carry out an annual self-assessment of the medication circuit and include the actions to be implemented in the quality improvement plan of each facility. A chronoprescription effort has been undertaken by the medical staff to improve the monitoring of patient treatment, and reduce the medication-related risk and workload for the medical care team. Furthermore, a medication booklet was produced over the past 3 years and disseminated to all facilities. It lists the molecules most suited to elderly people, in light of the current French National Authority for Health ("**HAS**") recommendations, a major review of the literature, existing formulations and the analysis of practices in 60,000 prescriptions from city doctors.

Moreover, the computerisation of the medication circuit has become essential with the introduction of electronic patient records ("**DPIs**") in our post-acute and psychiatric care facilities and the finalising of an interface between dispensing pharmacies and our electronic resident records ("**DRIs**") in our long-term care nursing homes. These systems allow the automatic analysis of prescriptions, avoid the need for transcription and also provide indicators which the Group can use. They finally allow the specific traceability of opiates as well as expiry dates.

In Germany, medical prescriptions are issued by residents' GPs. The medications are purchased from local dispensing pharmacies and stored in locked cupboards in accordance with applicable regulations. Only the nurses in charge of a section of the facility are allowed to prepare and administer the medications. The data concerning the administration of the medications and their effects is fed into a monitoring tool, allowing the GP to monitor resident treatment.

In Italy, medications are prescribed and recorded in the patient's or resident's records by the doctor. The data is updated each time medication is changed. Internal procedures prohibit staff from leaving medication at the disposal of residents. Nurses are responsible for administering medication and must ensure that the entire dose has been taken. The nurse on duty must validate and sign the resident/patient record each time medication is administered. All medication is stored in a locked room only accessible to authorised staff. At the beginning of each month, an inventory is conducted and all of the products expiring during the month are destroyed.

In Belgium, medication prescribed by the physicians is recorded along with its dosage in the resident's medical records. Two nurses are responsible for medication monitoring, the first preparing the residents' daily doses, the second checking the prescriptions against the medical records when administering. All medications are stored in a locked room.

MANAGEMENT OF RISKS OF FALLS AND/OR WANDERING

Given that they accommodate and treat the elderly, who are in many instances dependent, facilities cannot wholly eliminate the risk of falls amongst residents and patients. Cognisant of the effects on the health of its residents and/or patients, the Group looks to provide special training on fall prevention, sharing of best practices and communication, in particular by posting notices in its facilities, providing information on the first steps to be taken in the event of a fall.

The risk of residents/patients wandering from the facility without the staff's knowledge is a constant concern for teams and the speed at which staff respond is essential. When such an incident occurs, the ancillary risk of falls and serious injury is high. In order to be able to effectively respond, the Group has established a series of prevention and risk management systems that notably involve staff training actions and ongoing sharing of Best Practices.

The reporting procedure for serious adverse events described in section 3.6.2.2 of this Registration Document notably involves these incidents.

MANAGEMENT OF RISKS ASSOCIATED WITH FOOD

Food safety is ensured in all Group facilities, whether the food is prepared by external service providers or prepared in-house. Collective food poisoning ("TIA") is a risk which is mitigated by the use of the Hazard Analysis Critical Control Point ("HACCP") method to identify and analyse critical control points in the food production process, from the delivery of the products to the consumer's plate. It involves hygiene assessments and microbiological tests on prepared "control" dishes and on kitchen work surfaces.

In France, these assessments and tests are entrusted to independent COFRAC-certified firms. A similar methodology for testing the

catering process is also applied in Germany and Italy jointly by the public authorities (in the same way as the Departmental Directorate for the Protection of Populations ("DDPP") in France), subcontractors and the Group's professional staff.

In Germany and Italy, the control of kitchen hygiene is based on the HACCP method. Internal procedures describe the steps to follow and designate the person who supervises the testing.

In Belgium, checking of food temperature and quality and compliance with procedures are done daily by the chefs. An external control is also done annually by the Federal Agency for the Safety of the Food Chain (FASFC).

MANAGEMENT OF CLIMATE RISKS

Climate risks are managed in every country in which the Group operates, in compliance with applicable legal and regulatory obligations.

In France, measures have been taken to control risks associated with a heat wave. Every year, the Ministry of Social Affairs and Public Health publishes a national heat wave plan (the PNC) organising the activation of an alert system accompanied by a preventive communication and information system, as detailed in section 3.7.3.2 of this Registration Document. All French facilities have heat insulation solutions (mobile air-conditioning units, shutters, etc.). In addition, management in charge of medical and nursing teams has established "Hydration & Prevention – Treatment of Dehydration" protocols and trainings in order to identify and closely monitor those at risk. Finally, Power Failure Risk Analysis Documents ("DARDE") and procedures have been prepared, and provide, in particular, for the installation of generators, making it possible to supplement the system for ex ante risk control and management of any crisis triggered by a climate event causing an interruption in the electricity supply.

In Germany, the facilities are not air-conditioned. The temperature is monitored by a private subcontractor.

In Italy, all facilities have rooms which are either air-conditioned or cooled via a cooling system and for which maintenance contracts have been signed. The heating systems are checked on a regular basis and the filters are changed in compliance with applicable regulations. Like in France, "Hydration & Prevention – Treatment of Dehydration" protocols are disseminated to all employees of the facility in order to limit risks.

In Belgium, special procedures have been established in the event of a heat wave. Nevertheless, 90% of residents have access to air-conditioned rooms.

3.6.2.2 Ethical development, management of risks and the quality assurance process

In 2015, the Group continued to increase the consistency of its ethical approach, identify and prevent all levels of risk inherent in Group activities as well as improve the overall quality of its practices and services for persons in care (residents and patients).

Ethical development vital to Group requirements

Details of ethical development can be found in section 3.7.1.3 of this Registration Document.

Group risk management policy: serious adverse event (EIG) procedures

Following the Merger, the updating of the risk mapping made it possible to pool the experiences of the Korian and Medica groups. A certain number of priority Best Practices have already been shared since July 2014 within the Group in order to prevent the main operational risks as identified in section 3.6.1.1 above.

In France, the Ethics, Medical and Quality Department ("DEM-Q") introduced a centralised system to facilitate the monitoring of the facilities and the rapid detection of Serious Adverse Events ("EIG") or Serious Exceptional Adverse Events ("EIGE"). The alert process connected with the EIG and EIGE has been more specifically defined since July 2014 with different classification levels: EIG in connection with the health of persons in care, EIG in connection with safety, EIG with respect to the operation of the facility. EIGE are events representing a genuine public and/or reputational threat for the Company due to their extraordinary and/or dramatic nature (fire, event requiring the transfer from the facility of some or all of its residents/patients, strike action, threat of adverse media coverage, threat to business continuity, etc.).

Under the EIG reporting procedure for serious adverse events, any adverse event is reported by the Facility Director to his/her Regional Director who assesses the level of control of the EIG and, on the basis of the assessed level (insufficient or genuine threat, or even an exceptional or dramatic situation), notifies either the Executive Director France Medical-Social sector or the Executive Director France Post-acute and Psychiatric Care sector (depending on the facility in which the event occurred) or the select Management Committee. In serious cases, the latter may, in agreement with the relevant Management, call a meeting of the crisis unit. Externally, reporting such events is also recommended and controlled in order to transmit appropriate information (event and precautionary measures in place and/or planned) and to work in partnership and transparency with the authorities (ARS in particular). If it is well controlled or does not represent a reputational threat for the Company, the Regional Director informs the Executive Director Operations France Medical-Social sector or the Executive Director Operations France Post-Acute and Psychiatric Care sector of the situation and forwards the EIG file to the risk prevention and management unit within 48 hours. In any event, the alert procedure underlines the need for direct contact and not to settle for an exchange of information via voice mail. Every report is retained and recorded. Since March 2015, the new "K-RIS" management tool, rolled out in France, makes it possible to report all adverse events and to build up a database making it possible to facilitate the prevention of risks in the future.

The following priority best practices are applied in the sphere of EIGE: the appropriate behaviour should mistreatment be suspected; the identification and prevention of the risk of wandering from the facility without the staff's knowledge; the appropriate behaviour in the event of wandering from the facility without the staff's knowledge; the identification and prevention of suicide risk. Best practices have been formalized since late 2014 and have been widely distributed in France since mid 2015, through the "K-GED" database.

In Germany, Curanum has established a reporting table identifying 7 risk categories.

A crisis procedure, including the people to contact, is included in the quality manual (the Facility Director must contact the Regional Director who, where necessary, informs management at Korian Germany). EIG are not systematically reported in writing to the extent that there is no requirement to notify the regulatory authorities; however, the police are contacted where the event falls under criminal law and regulatory matters.

In Italy, management has carried out risk mapping using the top down method since 2011, applicable to all long-term care nursing homes and post-acute and rehabilitation care clinics.

With regard to crisis management and the reporting of undesirable events, management uses the concept of a "particularly serious" event, under which an event is considered particularly serious when it involves a reputational and/or financial risk for the Group's operations in Italy (danger to the safety and health of residents/patients, staff, threat to the continuity of the business, etc.). All events are recorded in the reports and forwarded to the Regional Director, who assesses the severity of the risk. The crisis unit consists of 6 directors and reputational risk is managed by the Marketing Department.

In Belgium, every long-term care nursing home has an internal emergency plan that lists the internal and external risks. Should an extraordinary event occur, the head of the long-term care nursing home decides how the event is to be dealt with and whether it is necessary to inform country management thereof. In the case of criminal or reputational risk, management is systematically informed. The internal emergency plan available in each facility details an alert chain (head of the long-term care nursing home/other person if necessary such as the INAMI in the event of an epidemic/residents and visitors/General Management in Belgium); the composition of the crisis unit in each long-term care nursing home, which includes a representative from each function, and the contact details of people to contact, depending on their geographic proximity, as well as an action map by identified risks with accompanying facility plan and supporting photos (evacuation plan, extinguishers, fire hydrants, etc.).

Finally, in the 4 countries in which the Group operates, any of these events that represents a genuine public and/or reputational threat is classified as exceptional/dramatic and must be immediately reported to Group General Management by the relevant Country Head. Where appropriate, monitoring and/or support may be provided by Group General Management, in particular in the event of a crisis.

Quality assurance process and ongoing improvement of practices

A WIDESPREAD QUALITY POLICY

The Group has established a quality policy in order to reflect in particular the risks inherent in its business presented above.

In France, the quality assurance process is initiated by the DEM-Q and primarily aims to ensure the safety of medical care, the safety of persons and the quality of the services provided. The reporting of undesirable events is promoted both in-house and externally, as detailed above. The DEM-Q thus provides 3 types of functional support: a control action, personalised assistance and possible support. All facilities are subject to an annual quality review of all their services. Depending on the results of this review, an action plan may be drawn up and support

provided. A unit comprising 15 regional quality assurance officers is dedicated to all the Group's business sectors in France. It provides the necessary methodological assistance for facilities, ensures processes are monitored and shapes the quality approach. The regional quality assurance officers assist the facilities with tasks such as the gradual roll out of a quality-focused management process. They carry out cross-functional assignments in order to continually improve the process and the tools available to the facilities such as in particular the roll-out of the "Korian Standard" through the application of Korian Best Practices, tools and processes, the proper carrying out of self-assessments, quality reviews and regulatory documents (DARI, blue plan, white plan, facility plan, etc.). They also play a role in oversight and in identifying the level of risk at each facility. Where required and depending on the issue, specific support is also provided by members of the unit: the 2 Medical Directors, the Medical Care Director, a Pharmacist, a Regional Medical Care Expert, the Head of Non-Pharmacological Treatment and 2 State registered support matrons ("IDEC").

In France, the "K-RIS" management tool makes it possible to more closely monitor adverse events within the facility (falls, non-compliance by suppliers, medical care events, etc.). Each employee can log incidents or anomalies. The declarations made using this tool enable the Group to build an extremely useful database, providing it with greater insight into operational risks and enabling it to draw up corrective and preventive actions. The "K-REC" tool also centralises the logging and monitoring of customer complaints received at facilities and at head office. It means that sensitive claims can be managed together with the Customer Feedback unit ("Écoute Client") at head office, thanks to a shared interface.

In addition, a "Quality Manual", a veritable guide to the Korian organisation, sets out the Group's overall policy in France, the organisation of its departments but also the main tools and Best Practices for facility directors and managers of long-term care nursing homes. Updated annually, it in particular sets out the Group's CSR commitment, ethical approach and values.

In Germany, 3 people in the Quality Department, working in the Operations Department, are responsible for drafting and updating the common 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. These quality standards mainly focus on medical care procedures and relations with residents, as well as pain management, prevention of falls, and nutrition; they also list those people to be contacted should an adverse event occur. The legal and regulatory requirements are approved by the MDK units which carry out at least one formal quality review *per annum* per facility and also carry out unannounced inspections of the quality of facilities in terms of medical and care services, the care provided to residents with dementia, social welfare and activities during the day, accommodation, meals, housekeeping and hygiene, as well as resident satisfaction. The rating between 1 and 5 attributed following these quality reviews must be added to the facility's website and displayed within the facility. This rating is also specified in the resident's residence contract. At regional level, bodies responsible for improving quality also carry out unannounced

inspections to ensure the dignity and quality of life of residents. In parallel, the team of TQMs ensures the proper application of the quality procedures in each facility. These regionally-based TQMs each supervise approximately 10 facilities and conduct a comprehensive review of each facility at least once a year. The TQMs forward the reports of their internal reviews to each appropriate regional director. In addition, a quality dashboard is drawn up and transmitted to German General Management, to keep track of the continuous improvement of practices. Lastly, in terms of training, the *Curanum Akademie* offers technical training courses backed by specific behavioural and management courses.

In Italy, the Quality Department, overseen by Corporate Management, is composed of 3 employees. This department is responsible for drawing up the "quality protocol" applicable to long-term care nursing homes and post-acute and rehabilitation care clinics. The main assignments of the department are: the training of employees, the management of relations with certification bodies, and the supply and deployment of internal procedures. Every facility also has a quality officer, a member of the facility's staff, who implements the procedures disseminated by the central quality department. The 31 facilities with ISO 9001-2008 certification have a Quality Management System (SGQ) 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 servers of the facilities. As a result, each facility can do its own reporting via the shared platform, to which only the Quality Department has global access. Segesta has a dedicated training centre which analyses training needs, defines ad hoc training plans and ensures their implementation and pertinence. In each facility, a training officer assists the Facility Director in defining annual training programmes. The main topics are the medical care protocols, specific programmes for healthcare professionals, specific programmes for training officers, and the development of personal skills.

In Belgium, the long-term care nursing homes are subject to federal and regional regulation, reformed by the Royal decree of 9 March 2014, designed to strengthen the quality policy. Previously, long-term care nursing homes applied procedures that complied with internal standards. This regulation differs from one region to the next, but broadly speaking the long-term care nursing homes must now (i) develop a quality policy and a medical care quality programme, (ii) keep records of the number of bed sores, nosocomial infections, falls, incontinent people, restraint and/or isolation measures, and (iii) have written procedures on hand hygiene and isolation of residents suffering from infections. For example, the long-term care nursing homes in Flanders must have a quality schedule and manual. In the Brussels region, MRS staff must complete 30 hours *per annum* of ongoing training courses and the director of the MRS must complete 3 days *per annum*.

GREATER RECEPTIVENESS AND APPRAISAL

Information on listening to residents and patients can be found in section 3.7.3.3 of this Registration Document.

3.6.3 Hedging of risks inherent in the Company and its business

3.6.3.1 Operational risk coverage

The Group aims to align its coverage limits on the redemption value of the goods insured, or, with regard to liability coverage, on the estimated risks specific to the Group and risks inherent in its business sector.

In France, following the Merger, the Company decided to sign a new insurance policy in order to harmonise insurance coverage across the new French scope. This policy covers property damage and business interruption as well as any financial consequences arising from Group companies' liability as a result of their activities in France. All facilities are thus insured within the limits of the ceilings and coverage for all general and particular risks. The Real Estate Department takes out an insurance policy for each project, covering property damage, builder risks (excluding design and planning) and all risks related to the project.

In Germany, the Group's business is insured against property damage and business interruption as well as civil liability, subject to contractual limits.

In Italy, all facilities are covered by insurance policies that cover damage and civil liability. While the contractual limit of the property damage coverage is specific to each facility, the civil liability coverage is capped depending on the facility involved.

In Belgium, an insurance policy covering property damage, business interruption and civil liability was also signed to cover residents, medical staff of facilities and volunteers, subject to the excess and contractual ceilings.

3.6.3.2 Directors and officers liability insurance

The Company has taken out insurance to cover the civil liability and criminal defence of its senior executives arising from personal misconduct committed in the course of working for the Group. In this context, company agents and senior corporate executives are insured de facto as well as or any individual sued on the grounds of professional misconduct committed in the course of management or supervisory activities carried out with or without a formal mandate or delegation of powers.

German, Italian and Belgian senior Group executives are also covered by the same policy.

3.6.3.3 Crisis management

The Company took out a "crisis management" insurance policy in order to cover any prolonged business interruption which could lead to immediate financial losses or bad publicity arising from a major disruptive event affecting the Company, such as the death or arbitrary detention of a key person, an investigation or similar legal proceedings against the Group, change in the financial statements or announcement concerning a deterioration of results or revenue, workplace violence, disasters (major fires, building collapse, attacks, etc.), labour movements of more than 48 hours involving at least 20% of the personnel, investigations on potential fraud issues, blackmail or intrusion into the Company's network to obtain confidential information.

3.7 Labour, environmental and societal information

The Korian group is committed to acting responsibly towards its employees, society and the environment. In 2015, the Company embarked on a major project to define its corporate social responsibility (CSR) strategy, in a bid to improve the labour, environmental and societal impacts of its business. This process will continue in 2016.

- The commitment and expertise of staff: Korian is in the business of helping vulnerable people. Its success depends above all on the quality and know-how of its staff and their commitment towards its residents and patients.
- Reducing the environmental impact of its facilities: to combat climate change, Korian is committed to significantly reducing its energy and water consumption, as well as its waste production.
- Proper places to live, open to the outside world: an important part of the local community and region in which they are located, the Group's facilities prioritise the health and well-being of their residents and patients.

In 2015, the position of Group CSR Manager was created within the Group Communications, CSR and Operational Marketing Department. The role of the CSR Manager is to define a Group CSR strategy and oversee its deployment in each country, while demonstrating that this process is a source of performance

for the business through the monitoring not only of labour, environmental and societal indicators, but also of financial indicators.

The Korian group's ambition is to become the first player in the Ageing Well sector to develop a global CSR policy fully integrated with the Group's strategy. It also wants to galvanise its facilities so that they take concrete measures, customised for their needs, and thus make sustainable development a permanent part of staff procedures.

In 2015-2016, Korian will focus on reducing the environmental impact of its facilities through better energy, water and waste management. In order to define the priorities, targets and environmental action plan that will be implemented in 2016 in all facilities in France, a CSR Steering Committee and cross-functional working groups have been set up.

The indicators shown below have been calculated for the entire Korian group. Furthermore, it has been possible for data to be collected across all countries in which the Group has a presence using the same methodology, so that, for most indicators, comparable data from one country to the other has been obtained. Cooperatives have been excluded from the 2015 data for Italy.

3.7.1 Information about the Group's workforce

A Group Human Resources Department was created in 2015. Its role and duties are to define the ambitions and potential of the Group's human resources, as well as to coordinate specific cross-cutting projects to encourage the exchange of best practices between countries and leverage the expertise of each team to ensure a common and comprehensive HR policy.

With a dedicated 3-year plan (2015-2017), the Human Resources Department is intent on making Korian the leading employer in the Ageing Well sector. However, various challenges need to be met:

- to be the first to build a strong employer brand in the Ageing Well sector;
- to become an international group by fostering a common culture while maintaining the flexibility and simplicity that are part of Korian's identity;
- to vitalise the Korian brand by developing a distinct management style and service culture;

- to help improve performance by optimising the organisation and developing operational excellence.

To achieve these goals, the Group Human Resources Department has built an ambitious strategy based on 4 key pillars: optimisation of the organisation, skills development, differentiation and attraction of the Korian brand as an employer.

3.7.1.1 Creating a flexible and innovative global organisation

The Korian group strives to support change within its organisation, to identify talent and to optimise the governance of a steadily growing business. By developing an innovative management style and organisation, Korian's HR policy drives the Group's performance and transformation.

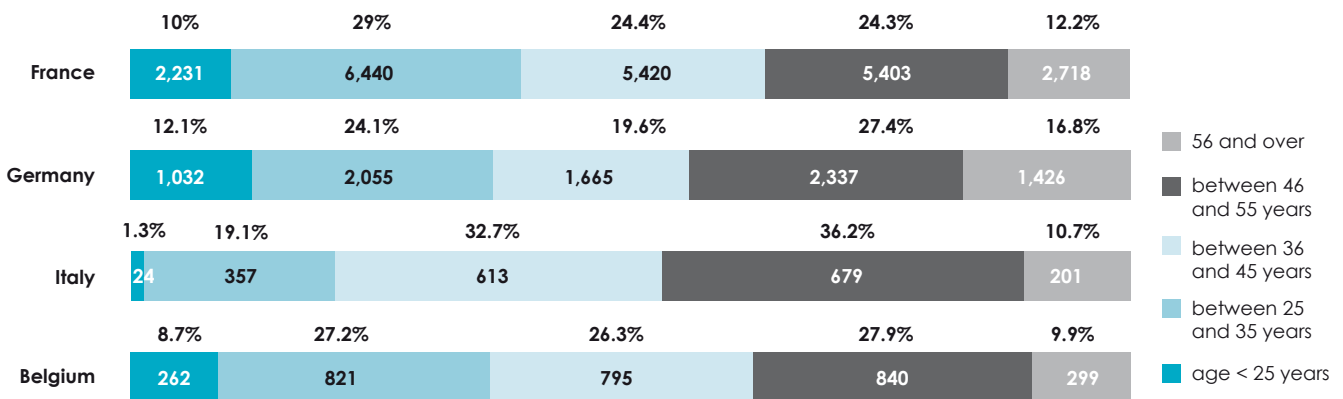
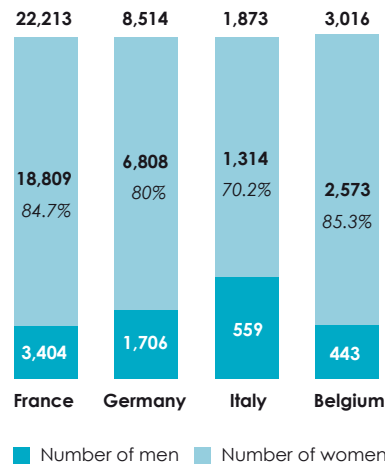
Employment at Korian

TOTAL WORKFORCE AND BREAKDOWN OF EMPLOYEES BY GENDER, AGE AND GEOGRAPHICAL AREA

The graphs below summarise the total workforce in full-time equivalent ("FTE") and the breakdown of employees by age and gender in France, Germany, Italy⁽¹⁾ and Belgium in 2015. Only employees on fixed-term, open-ended or professional training contracts, present as of 31 December 2015, were counted (internships and temporary contracts were excluded).



France: **22,213**
Germany: **8,514**
Italy: **1,873**
Belgium: **3,016**



RECRUITMENT AND DISMISSALS

The following table shows the number of new hires and dismissals between 1 January and 31 December 2015 for open-ended contracts in France, Germany, Italy and Belgium in 2015. Information about dismissals is not available for Germany.

	France	Germany	Italy	Belgium	Total
Recruitment	3,120	713	193	670	4,696
Dismissals	767	N/A	52	90	909

(1) The Italy scope excludes cooperatives, for which data are unavailable. Therefore, the 2015 data for Italy are not comparable with those of 2014 in this chapter.

COMPENSATION

The following table shows the total amount of gross annual wages for fixed-term, open-ended and professional training contracts, paid between 1 January and 31 December 2015 in France, Italy and Belgium. This information is not available for Germany. Where it exists, the amount includes bonuses but excludes incentives and profit-sharing.

	France	Germany	Italy	Belgium	Total
Total compensation in €	591,485,823	N/A	42,822,525	97,837,383	732,145,731

To continue the progressive alignment of wages and bonuses in France between Korian and Medica employees following the merger, negotiations undertaken in the various entities led to an increase of over 1.7% in the wages of 6,000 former Medica employees, and an increase of over 1/3 in the end-of-year bonuses of former Korian employees (who also benefit from a further increase in the unsocial hours payment for working on Sundays and public holidays).

At the time of its flotation on the stock exchange, Korian had already implemented a stock ownership policy for its French employees by reserved share capital increases and the creation of a Group savings scheme (after negotiating and signing an agreement with the trade unions). As part of this policy, stock option and free shares plans had been implemented in 2007, followed by another stock option plan in 2010. In 2008, Medica had created a group savings scheme, so that all employees who so wished could build up savings. Over 3,000 employees (i.e. over 50% of the total workforce of the former group) subscribed to units in the collective employee investment fund ("FCPE") when Medica was floated on the stock exchange in February 2010, in a show of confidence in the former group's management and future. As of 31 December 2015, employees at facilities in France held 133,158 shares.

The Board of Directors approved the implementation in France of 2 free share plans for certain members of the Group Executive Committee and key managers in 2014 and 2015. The allocation of free shares, which is subject to strict performance conditions as well as continued employment, is mainly intended to reward performance, retain key managers and align the interests of General Management with those of shareholders. The features of these plans are described in section 3.10.2.2 of this Registration Document.

In France, an employee savings agreement was unanimously approved on 30 June 2015. The agreement provides for a single profit-sharing scheme for all Korian France employees, regardless of which entity they work for. It makes the profit-sharing system fairer by putting an end to the coexistence of more than 40 different employee savings schemes within Korian in France. The first payment will be made in April 2016.

In Belgium, an extensive 4-year process of harmonising pay will be completed in 2016 – particularly concerning meal vouchers. There is also a pension fund for care home employees in Belgium. This pension fund is open to all organisations employing staff, irrespective of whether or not they receive federal funding. The Collective Working Agreement sets up the supplementary sector-based pension scheme from which employees can benefit. This employee savings programme is therefore open to all Belgian employees, irrespective of the nature of their employment contracts. For each quarter worked, an amount of €7 is paid into a savings-pension account. Labour agreements

additionally provide for an annual contribution from the federal government.

There is no formal employee stock ownership or employee savings policy in Germany or Italy.

ORGANISATION OF WORKING TIME

The Human Resources Department in each country ensures that the facilities comply with employment legislation and contractual provisions and manages the recruitment of their employees. In France and Germany, a network of Human Resources Managers assists Facility Directors with the implementation of employment legislation and, where appropriate, contractual provisions (collective branch or business statutes). They also provide support with recruitment management and staff training plans, as well as the follow-up to action plans resulting from the internal social barometer (section 3.7.1.3 of this Registration Document).

In France, working time and the planning of working hours within Group companies are decided and implemented in accordance with the law in force, various applicable collective bargaining agreements and, in particular, company agreements on the reduction of working hours. Overtime is also managed in accordance with legal provisions and collective bargaining agreements. Each facility manages its own schedule. Memorandums on human resources management and the current legal and labour-related framework are drawn up by the French Employee Relations Department and distributed to the entire French operational line.

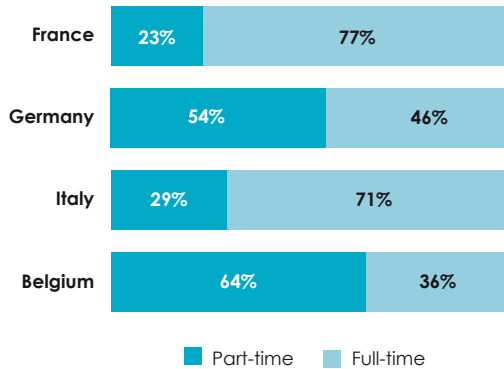
In Germany, work time is not subject to many regulations. The branch agreements set the maximum work time to 48 hours per week. The employment contracts define the work time, terms, conditions and obligations for each employee. In general, weekly work time is between 35 and 40 hours for full-time contracts. Part time contracts are entered into depending on the Company's needs.

In Italy, staff generally work a 38-hour week.

In Belgium, the statutory work time is 38 hours a week, with a maximum of 11 hours per day. New software will be rolled out to all facilities to digitise and centralise the management of staff working hours and schedules. The "Docuweb" application also enables Facility Directors to manage contracts and download new Group procedures and documents (Internal Regulations of the facility, new employee welcome pack, etc.).

The following graphs show the percentage of part-time employees on open-ended contracts, present as of 31 December 2015 for France, Germany, Italy and Belgium.

The following graphs show the percentage of part-time employees on open-ended contracts, present as of 31 December 2015 for France, Germany, Italy and Belgium.



Definition and optimisation of the organisation

In order to create a flexible and innovative global organisation, Korian optimises and harmonises its organisation and its procedures at the local, regional, national and international level.

AN INTERNATIONAL HUMAN RESOURCES COMMITTEE

Coordinated by the Group Human Resources Department, this committee was formed in 2015 with representatives from France, Germany, Italy and Belgium. It covers the main functions of the department. Its aim is to:

- facilitate the adoption of the Group human resources strategy;
- put in place common procedures between countries for key projects: careers and promotions, succession plan, adoption of values, sharing and deployment of best practices, implementation and follow-up of action plans resulting from the social barometer, etc.;
- define and disseminate a shared identity for human resources.

Responsibility for specific projects is thus shared between the 4 countries. Each project has a project manager and steering committee tasked with validating and implementing the proposed methodology and tools. The Group Human Resources Department coordinates all projects that it presents to members of the Group Executive Committee for approval. This cross-functional, cross-border operation involves all countries in the definition and implementation of Group projects, while enabling the various teams to share best practices.

In terms of reporting, new monthly performance indicators, developed in France in 2015, allow the Group Human Resources Department to monitor changes in the workforce, absenteeism and staff turnover. These will shortly be rolled out to other countries.

REGIONAL TEAMS DEDICATED TO SERVICE IN THE FACILITIES

To maintain the flexibility and simplicity that are the Group's strengths, and to improve internal communication on the ground, it is essential that Korian continue its hands-on management. Across Europe, Regional Directors support and assist Facility Directors in their day-to-day work.

In France and Germany, regional teams working under a division director provide hands-on support to Facility Directors in specific areas: human resources, quality and care, management control, maintenance and security, regulation and oversight, sales & marketing. They provide operational support on a daily basis, particularly for facilities Management Committees, and sometimes act as trainers or auditors. This arrangement means that a close working relationship is maintained with Facility Directors and the Regional Director, while creating additional opportunities for promotion and allowing support functions to focus on their primary role.

In France, 13 Support Director posts have also been created for long-term care nursing homes and post-acute and rehabilitation care clinics. They are managed by the General Management of the French Operations Department, which assigns them to temporary management roles. The purpose of these roles is exclusively to fill vacant positions to ensure the smooth continuity and continued good control of operations, for both residents and patients and the teams. These are stepping stone missions, leading towards director positions, providing internal mobility for people wanting to move into operations.

In Belgium, each Regional Director, or OMA (Operational Manager), is responsible for an additional cross-cutting function such as human resources, quality and ethics, etc.

HARMONISATION AND DISSEMINATION OF BEST PRACTICES

The Group has a Group Strategy, Development and Strategic Marketing Department and a Communications, CSR and Operational Marketing Department, which are active in all countries. Regular discussions between the General Management of the countries and these departments promote the exchange of ideas and best practices.

In France, a "Quality Manual", an invaluable guide to the Korian organisation, sets out the Group's general policy in France, the organisation of its departments and the key tools and best practices available to Facility Directors and managers of long-term care nursing homes. Updated annually, it sets out the Group's CSR commitment, ethical approach and values.

Various other management tools have been available since June 2015 to all Group employees in France, namely:

- **K-GED:** this document management database contains the network's best practices on all topics that concern facilities, such as care, meals, human resources, etc. As a source of ongoing improvement for professional practices, it also allows facilities to disseminate and share best practices. A search engine makes it easier to search for documents. Users only have access to the latest versions;
- **K-RIS:** this programme improves monitoring of adverse events. Falls, supplier non-compliance, care-related incidents, etc. Each employee can log incidents or anomalies. The reports made using this tool enable the Group to build an extremely useful database, providing it with greater insight into operational risks and enabling it to draw up corrective and preventive actions;
- **K-PAQ:** this software allows permanent oversight of the quality assurance process and risk management of facilities. It provides an overview of priority actions and filters tasks and actions to be taken by project leaders and organisational bodies, etc. It is also a *pro forma* communication tool for

the regulatory authorities (the self-evaluation report can be generated automatically, summarising the various entries);

- **K-REC:** this tool centralises the logging and monitoring of customer complaints about facilities and at head office. It means that sensitive claims can be managed together with the Customer Feedback unit ("Écoute Client") at head office thanks to a shared interface.

A team of Regional Risk Management and Quality Assurance Managers, based in Regional Departments in France, ensure that best practices are circulated and support any members of staff initiating a quality assurance process in existing, purchased or newly created facilities (see section 3.6.2.2 of this Registration Document). Since the merger, Quality Assurance teams in France have embarked on extensive project to harmonise quality assurance procedures. In 2015, an inventory of best practices was undertaken. Updating the harmonised procedures will be finalised and published in K-GED in 2016. In January 2016, 56 quality assurance procedures had already been harmonised.

In France, a Quality Assurance audit team will be appointed in 2016 to perform an annual audit of "Korian business imperatives" across a wide range of topics: care, safety, accommodation, human resources, etc. This annual evaluation will provide an overview of how each facility operates by applying essential best practices and ensuring day-to-day risk management by staff. For facilities that do not apply these business imperatives, Regional Risk Management and Quality Assurance Managers will assist them in setting up and monitoring a quality improvement plan.

France has also implemented a deployment process for Korian best practices, known as "Optim'2". This process consists of harmonising and consolidating facility practices in the field of management and sales & marketing. A team of Facility Directors (referred to as "Mentor Directors") coordinate the process within their region and assist the sites in implementing set best practices. These could include the induction of new employees, occupational well-being or meeting prescribers, for example. This continuous improvement process furthers the work begun in 2013 as part of "Optim'1". It will cover all long-term care nursing homes and post-acute and rehabilitation care clinics in France by the end of June 2017. Long-term monitoring of best practices in France will be carried out by regional branches of the DEMQ, Human Resources and Sales & Marketing Departments.

In France, 106 Korian long-term care nursing homes are AFNOR certified (a standard composed of the standard NF X 50-058 and NF 386 certification rules). In practice, it is about committing to a quality monitoring process based on self-evaluation and annual external checks by AFNOR. This quality assurance process also brings the teams together at each facility and acknowledges their daily commitment to people made fragile with age.

In Germany, extensive harmonisation of HR procedures is planned in 2016 for new contracts. Today, certain procedures are harmonised at the regional level, such as the validation process for temporary contracts. As in France, a Quality Manual containing "Korian standards" on key topics such as the induction of new employees or health and safety practices is distributed to all Group facilities. Its application is audited by Quality Assurance Managers. In 2015, a large-scale document

digitisation project was launched to provide all facilities with the same online access.

In Italy, a person was recruited in 2015 to visit every Korian group facility in the country to check compliance with a defined list of mandatory documents and regulatory and/or company-specific criteria. As well as auditing the implementation of HR management procedures (employment contracts, qualifications, etc.), she ensures that the facility meets the safety requirements (insurance, etc.). In the event of non-compliance, an appropriate action plan is drawn up for the Facility Director, who has 15 days to respond. In 2015, 28 facilities were audited internally in this way.

In 2016, the Italian HR teams plan to boost the sense of belonging to the same company among Group employees and those working for cooperatives providing services to Korian, strengthening the bond between staff and the employer (rather than the facility). The progressive harmonisation of employment policies and internal procedures will help to achieve this goal.

In Belgium, the "Docuweb" application allows Facility Directors and staff at head office to download all new Group procedures and documents (internal facility regulations, welcome pack for new employees, authorisations, master agreements, etc.). Employees in each facility have access to a folder containing this information, which is updated directly by the Facility Director.

As described in section 3.7.1.4 of this Registration Document, a new procedure for managing absenteeism is now in place at all facilities in Belgium. This involves regular interviews during and after the employee's absence to assess the reasons and impacts and improve attention and dialogue. Considered best practice, there are plans to introduce this new procedure in France, Germany and Italy in the near future. In 2016, Belgium also intends to harmonise the individual appraisal procedure at the national level.

Succession planning for key posts

To prepare fully for the growth of its organisation, Korian identifies, develops and retains talent through dedicated recruitment and training programmes. The Group is also studying ways of coordinating internal talent pools based on specific themes relating to their role or the Company strategy.

A SYSTEM TO IDENTIFY AND RETAIN TALENT

The Group Human Resources Department is working on the definition of "Korian talent" for each occupation. The aim is to introduce a system for career and mobility committees to identify key posts and talent and draw up succession plans for each country.

For example, each year Korian France recruits management trainees to create a pool of future Deputy Directors, Support Directors or even Quality Assurance or Accommodation Managers. In 2015, around 136 trainees joined Korian facilities in France, taking part in operational projects linked to Korian's activities and their future occupation. In June 2015, 70 of the most promising trainees, as evaluated by directors, were invited to an event at which a Regional Director presented a case study. A total of 29 trainees have been recruited from this pool:

2 Facility Directors, 2 Regional Risk Management and Quality Assurance Managers, and 23 Executive Assistants and Deputy Facility Directors.

In France, HR teams have also organised a "Master Klass" since 2014. With 15 participants, mainly Deputy Facility Directors in post (with potential to become future Facility Directors), this in-house training facilitates the transfer of knowledge and associated processes in key areas of facility management, as well as retaining and training talent in the challenges facing the business, and integrating Korian's strategy. During 2 days of training in human resources, finance and regulation, the selected trainees alternate between theory and case studies presented by internal experts, while benefiting from one-to-one coaching from trainers. It is also an opportunity for general discussion and networking with peers, bringing talent together to establish a class mentality. Buoyed by this success, there will be a new intake in September 2016, when the course will include a Quality Assurance module.

In Germany, specific trainee programmes are currently in development, particularly for future managers of the Group. Over a 2-year period, trainees will be taught all the knowledge and skills necessary for the role of Facility Director.

BOOSTING THE ATTRACTIVENESS OF THE GROUP TRAINING CENTRE

Each year in France, Korian's experts give various presentations throughout the country on the Group and the different occupations involved in Ageing Well, both in care and in management and accommodation. At student forums and job conferences, the Group meets undergraduate and postgraduate students, such as at the Universities of Aix-Marseille, Paris Dauphine or the Institut Léonard de Vinci. Sponsorship schemes and partnership agreements will be finalised in 2016.

In Italy, members of the Group's Management Committee give regular presentations to the Faculty of Economics in Milan to talk about their experiences and share their vision of the Ageing Well profession with students on management and management control courses.

In Belgium, all facilities are in contact with local nursing colleges and host trainees on internships.

3.7.1.2 Developing the skills base and business line expertise

The Korian group prioritises training to develop and enhance the performance of its teams and boost professional expertise within the Ageing Well sector. The Company offers a training programme tailored to the different needs of its staff. Its aim is to develop their skills, motivate them and educate them on new professional practices within the sector.

The Group's training policy

With 35,000 employees trained in 2015, staff training is a constant priority for the Group. Actions designed to maintain and develop the professionalism of its employees are the key to ensuring that residents and patients receive excellent care and a high quality of service in general. The training of Group employees also plays a key role in bringing teams together around shared objectives

and in continuously offering residents and patients innovative accommodation solutions and medical care to better match their needs.

The Korian group training policy has 3 major objectives:

- to develop key competencies through shared experiences;
- to encourage staff loyalty by fostering a Korian corporate culture and sense of belonging;
- to encourage internal career progression and facilitate the development of Group employees.

In 2016, the Group will seek to enhance the skills and professional expertise of teams across Europe and replicate the training policies and programmes implemented in France for a number of years in Germany, Italy and Belgium. A Korian Academy will be set up in each country to replace the existing training centres. Each Korian Academy will be coordinated at Group level (validation of common management programmes, values, service culture, etc. and sharing of available modules, depending on the country's requirements). The training needs of each occupation will also be identified, partly with a view to providing emotional support to teams, for example through one-to-one coaching, discussion groups or counselling units.

IN FRANCE

In France, the training policy was implemented in 2015 by the Korian Training Institute (formerly Formadep). An association governed by the 1901 law on non-profit organisations, the Korian Training Institute has trained nearly 65,000 Group employees in France since it was created in 2002. Its mission is to strive for excellence among the Group's employees, thereby benefiting residents and patients at its 364 facilities in France.

Composed of 40 expert trainers – nurses, physiotherapists, occupational therapists, gerontologists and legal practitioners – identified and chosen for their expertise and teaching abilities, teaching staff at the Korian Training Institute apply their wealth of knowledge to:

- designing innovative training courses in response to the Korian group's strategy, in association with support and operational divisions;
- forecasting skills requirements to map out career paths;
- developing a customised teaching programme to meet the specific needs of the facilities;
- creating fun and interactive teaching tools and methods;
- identifying official partners, such as the Ministry of National Education or INSEEC, to promote training excellence.

To achieve the objectives set by the Group's training policy in France, the Korian Training Institute has set itself the task of contributing to well-being at work, consolidating and broadening the skills of staff, furthering the professional development of all employees and establishing career paths. By designing courses tailored to the needs of each facility and encouraging multidisciplinary work centred on discussions, techniques and practical case studies, the Institute improves professional knowledge, expertise and attitudes.

In 2015, a new website was unveiled for the Korian Training Institute, where all employees can find details of training courses and the latest news about the Institute, as well as videos, quizzes, educational games and practical guides on how to improve

procedures. The practical guides can be downloaded from the website and contain recommendations, instructions and advice on workplace well-being and safety – a key priority of the Korian Training Institute – such as helping residents get ready for bed, changing residents while in bed, washing, or even golden rules on caring for residents with dementia.

In France, Continuous Professional Development ("DPC") is compulsory for all health professionals (in accordance with decrees published in January 2012). The aims of DPC are to maintain and update knowledge and skills, as well as improve practices. Since April 2015, health professionals have had to provide evidence of DPC for the previous 3 years. DPC must include continuous training, analysis, evaluation and improvement of practices and risk management. The Korian Training Institute is an accredited provider of DPC, with 36 training programmes currently registered. In 2015, around 9,000 employees (caregivers and State-registered nurses) received DPC training certificates.

At the end of January 2015, the Group, via the Korian Training Institute, signed an agreement with the French State education system and the GRETA network (a professional continuous training body) represented throughout France, to roll out 2 of its key measures: support for validation of prior experience ("VAE"), and accommodation training. The Versailles regional education authority will be responsible for the pedagogical and administrative management of this system.

The Korian France training department is responsible, in parallel with the work of the Institute, for administrative and financial management of external training records. It ensures optimisation of training for the benefit of the Group's facilities in France and their employees. It also manages relations with the branch Authorised Training Fund Collection Body – Organisme Paritaire Collecteur Agréé.

IN GERMANY

In Germany, training was implemented in 2015 by the Korian Academy, or *Akademie*. Founded in 2011, the *Akademie* develops training programmes for staff in Germany. It offers 174 internal training courses on 65 different topics, grouped into 3 categories: care and quality assurance, management training and employee development.

The teaching faculty at the *Akademie* is composed of around 40 mainly external trainers, chosen for their expertise, experience and teaching abilities. The aim is to broaden and enhance the skills, know-how and professional expertise of staff and offer career development courses for managers, ultimately with a view to improving residents' well-being. The *Akademie* also provides employees with professional guidance on how to improve the quality of their working life and day-to-day practices, as well as communication between managers and teams.

The *Akademie* trained some 1,600 employees in Germany in 2015, an increase of around 20% per year since 2013. It organises courses in around 40 facilities located in the 6 regions in Germany where the Group is active. The aim is to provide increasingly local training, tailored to the needs of teams on the ground, so as to facilitate arrangements and reduce travel costs for participants.

Until 2016, as a non-profit organisation, the *Akademie* had to make all courses available and marketed to individuals outside

the Korian group. It has since changed its name and status, so from 2017 it will be able to devise a training programme based on the Korian strategy and tailored to the local needs of the Group's employees in Germany.

IN ITALY

In 2015 Korian also set up an internal training centre within the Italian Human Resources Department to analyse training needs, define *ad hoc* training plans, ensure their relevance and oversee their implementation. Furthermore, in each facility, a training officer assists the Facility Director in defining annual training programmes.

The main topics are care protocols, personal skills development (communication, conflict resolution, team-building, etc.) and prevention of abuse. Facility Directors and Regional Directors have a special programme comprising 7 sessions per year on topics such as crisis management, communication, human resources management, etc.

In 2016, the Italian Human Resources Department will mainly seek to establish a common management practice for resident and patient care in all facilities and among all employees (including cooperatives). The aim is to ensure that Korian values become part of everyday life and to bolster the sense of belonging to the Korian brand, regardless of the employer. It will offer nearly 2,000 employees an e-learning module on CSR, and the Italian Legislative decree No. 231 of 8 June 2001 on the prevention of all forms of misconduct, which made it compulsory to provide employees with information on issues such as safety, the environment and the fight against corruption.

IN BELGIUM

In 2015 Belgium set up its own training centre, "GNOSIS", coordinated by the Belgian Human Resources Department. Each year, a training programme is designed according to the Group's priorities and adapted for each facility. However, in Belgium, training obligations are different for each region: employees are required to complete 10 hours of continuous training each year in Flanders, 30 hours in Brussels, and 12 hours in Wallonia. In Belgium, the training priorities are palliative care and dementia, as well as health and safety and quality of care.

Korian training programmes

In France, the Korian group's training plan for 2015-2017 is centred on 4 major themes: diploma-based training, safety and well-being for all, "core occupation" expertise, and management.

RECOGNITION AND PROMOTION OF KORIAN'S OCCUPATIONS THROUGH DIPLOMA-BASED TRAINING

The Korian group prioritises access to diploma-based training. In France, 759 employees attended a diploma-based training course in 2015, equivalent to a total of 180,237 hours. This information is not available for Germany. Italy and Belgium did not yet offer diploma-based training in 2015.

Validation of prior experience (VAE)

In France, Korian encourages access to qualifications in each occupation, particularly through validation of prior experience. This allows employees who can demonstrate 3 years of

professional experience to gain a qualification in recognition of their expertise, without having to attend a formal course.

To support employees who want to convert their experience into a qualification, Korian undertakes to provide them with:

- a comprehensive, customised pathway with individual interviews and group workshops in the region;
- preparation for the oral examination before the VAE examination board;
- à la carte training modules to enhance employees' skills as part of the qualification they are applying for;
- methodological guidance on writing booklets (administrative and professional);
- feedback and support throughout the training pathway.

IDE/IDER/IDEC course

In view of the Group's commitment to promoting the nursing profession and preparing for the future by creating a network of registered support matrons ("IDEC") with the Korian culture, in particular in France, in 2015 the Korian Training Institute introduced a course especially designed for nurses. This specific course is designed to consolidate and extend the skills of State-registered nurses ("IDE") to those required for hands-on manager positions, enabling them to learn how long-term care nursing homes operate in conjunction with the supervisory authorities, how to divide the workload between teams according to personalised plans, and to acquire operational methods and tools to optimise the work of the teams.

This modular course, which covers a period of 36 months and a total of 203 hours, is equivalent to 1/3 of the Masters degree in "Healthcare Facility Director". In addition to theoretical knowledge and practical case studies, the trainee must submit a project for the improvement of resident care and the involvement of the medical care team in his or her facility. Although the initial training modules are taught by the Korian Academy (as described below), the advanced certificate in long-term care nursing homes is obtained in partnership with INSEEC.

HELPING MANAGERS ENSURE GROUP VALUES AND COHESION

The manager is a key player when it comes to making residents, patients and their families feel welcome and ensuring that they receive a high-quality, personal care plan. Hands-on managers are also ambassadors for the Group's management values, in line with the spirit of Benevolence, Responsibility, Initiative and Transparency.

To support and enhance the competencies of managers in France, and to foster a management culture built on team cohesion and Korian group values, the Korian Training Institute has made the "Booster management" programme one of its key priorities for 2016. By revisiting management fundamentals, hands-on managers and Facility Directors can acquire the tools and managerial stance they need to face the challenges of their role and develop a common language.

In Germany, the *Akademie* offers compulsory 4-day interdisciplinary courses for Medical Care Directors and hands-on managers of facilities. Modules on project management or employee health and well-being are supplemented by modules on regulatory updates. The *Akademie* also offers customised training for managers, for example in employment law, project management, team leadership, conflict management, change

management, marketing, etc. A total of 719 managers benefited from 1,040 hours of dedicated training provided by the *Akademie* in 2015.

In Italy, all Regional Directors, including those newly appointed following the reorganisation of the regions after the merger, received specific management training in 2015, representing 747 hours of training in total.

The Korian Academy in France

The Korian Academy is an integral part of training in France. It allows hands-on managers – Matrons, Accommodation Managers, etc. – of all French facilities to:

- develop a common language and managerial stance;
- acquire the management methods and tools necessary for their role;
- manage change effectively within their facility;
- provide an impetus to make the facility more open to the outside world.

This training course takes place at the Valpré conference centre in Lyon. Each intake comprises 25 managers. The course consists of several modules taught over a minimum of 7 days, covering management and human resources (positioning, leadership, delegation and control, etc.), work organisation and methodology, communication on change management (project management, public speaking, etc.), or for staff at long-term care nursing homes, improving the facility's performance through structured and effective marketing.

Korian Campus: the corporate university for Facility Directors

Facility Directors of long-term care nursing homes play an essential role in the success of the Korian group. As operations manager, team leader and head of business development, the Facility Director is responsible for guaranteeing the excellence of care and efficient operational management of human resources, while promoting the facility and developing its reputation and that of the Korian group as a whole.

Hence Korian is in the process of setting up a corporate university, the "Korian Campus", for all Facility Directors. In partnership with leading academic establishments, the aim of the Korian Campus is to allow each Facility Director to fulfil the requirements of an increasingly complex profession and contribute to the success of Korian's ambitions and corporate vision. It offers training modules on the key issues surrounding facility management, reaching out to Facility Directors on common managerial practices such as team management, sales & marketing strategy, business performance and quality of employees' work.

Professional development courses for Accommodation Managers

The Group is keen to support its staff so that everyone in the organisation can uphold the values of Ageing Well at Korian. It can only achieve this if care facilities are seen as comfortable places to live. Through the professional development course for Accommodation Managers, the Korian Training Institute and Accommodation and Catering Department in France are keen to develop a culture of high standards and customer service excellence among staff, to remove the barriers between care and accommodation, and ensure effective quality control of catering and accommodation services.

This dedicated training course consists of 4 stages:

1. first, each Accommodation Manager attends a personal interview to discuss his or her background and experience and gain an insight into the Group's commitments;
2. during the interview, Managers can choose whether to have their experience recognised through an experience-based qualification, ranging from a vocational diploma to a professional degree;
3. they also attend the Korian Academy, where they can take advantage of the entire catalogue of training courses on offer;
4. they can receive 28 hours of dedicated training, mainly at the Accommodation School, to learn and strengthen their knowledge of the basics: how to set the table, how to improve dining room service, how to create a warm and comfortable living space for residents and patients.

BUILDING EXPERTISE IN OUR CORE BUSINESS

To be a frontrunner in the Ageing Well sector means consistently meeting the highest standards in patient care and services. To do this, the Korian Training Institute is breaking new ground in France by launching a new speciality: the "Geriatric Care Passport". This new certificate represents a one-of-a-kind speciality for all caregivers and is designed to secure professional recognition for the Korian group's geriatric care business as part of a wider quest for excellence.

2 training options exist, catering for the medico-social or post-acute and psychiatric professions. Structured around 5 areas of expertise – elderly care and welfare, personalised care plans and continuity of care, stimulating elderly people, end-of-life care and support, and procedural analysis – it is split into 10 modules covering 23 competencies.

This unique training course allows the employee to gain a qualification after accumulating the skills required for the passport over a maximum of 5 years. As Europe's leading player in geriatric medicine, the Korian group is keen to bestow real recognition on the Group's occupations. Ultimately its aim is for this qualification to become a recognised national diploma.

In Belgium, nursing staff can attend special external training courses and become "experts" in a particular area within their facility, such as palliative care or dementia. Employees are issued with a certificate, recognised throughout the sector, as evidence of their professional expertise.

ENSURING SAFETY AND WELL-BEING FOR ALL

Caring for residents and patients, as well as looking after oneself, are the challenges faced by health professionals. The Safety and Well-being for All ("BEST") training course, launched in France in 2011, is emblematic of Korian's commitment to

caring for residents and patients, as well as looking after its employees. BEST training ensures that everyone adopts the right approach to care, promoting benevolence and preventing abuse, through personal care or treatment plans. It also seeks to prevent occupational risks by making preventive actions and behaviours an integral part of professional practices, notably through the "preventive action of the month", published on the website of the Korian Training Institute in France.

To test staff knowledge of the measures ensuring everyone's safety and well-being, the Korian Training Institute has devised a game based on BEST training. Rather like snakes and ladders, the game involves asking staff questions about clinical situations and theory to test and improve their knowledge in a fun way. An "Inkollables" memo summarising EU hygiene requirements is also available to employees.

In 2015, 1,522 employees in France received BEST training, equivalent to 31,662 hours of training on this method.

In France, staff can also be trained in the Montessori method, which improves the cognitive skills of patients with Alzheimer's or related disorders by testing their faculties and memory. This training is delivered over 3 days to a dozen employees per facility. In 2015, 938 French employees received Montessori training, equivalent to 18,620 hours in total. The Montessori method is described in more detail in section 3.7.3.2 of this Registration Document.

In Germany, training courses are offered to employees by the Akademie to improve communication between colleagues and with the families of residents, improve conflict management, and prevent musculoskeletal disorders and burnout.

In Belgium, training in workplace wellness, particularly stress and conflict management, is organised by the Occupational Health Service. Employees who are hygiene "experts" and the medical director are responsible for training teams in the correct hygiene procedures. In all, 498 hours of training were given on this subject in Belgium in 2015.

Total number of training hours

The table below shows the number of training hours and the number of employees enrolled in training in 2015 for France, Germany⁽¹⁾, Italy⁽²⁾ and Belgium for employees on fixed-term, open-ended and professional development contracts, including study days, individual training leave and e-learning, where applicable.

	France	Germany	Belgium	Italy	Total
Number of training hours	393,980	2,680	21,758	66,381	484,799
Number of persons enrolled in training	17,045	1,129	4,064	13,221	35,459

(1) Only training offered by the Akademie is counted, and not training offered by external organisations.

(2) Includes cooperatives.

3.7.1.3 Unique service delivery and management style

The Group is keen to foster a service mentality and define a Korian management style that will strengthen employee initiative and empowerment, underpinned by a common culture and shared values. Ethical awareness represents the cornerstone of its managerial practices and medical care, as well as being a key feature of the Group's identity and unique character.

A strong cultural identity based on 4 fundamental and inseparable values

Korian employees all share the same culture bound by the Korian spirit. Embodying the Group's identity, this mind-set is based on 4 values: the spirit of Benevolence, Responsibility, Initiative and Transparency.

All Korian employees are guided by these values towards a common goal: providing first-class care and support to residents and patients. Closely interwoven, Korian's values are centred on Benevolence, the linchpin for all actions by its teams. Their determination to deliver on the promise of Ageing Well for clients reflects a spirit of Responsibility, while their ability to build trust with partners, residents and patients is emblematic of a spirit of Transparency. Staff are also driven by a spirit of Initiative, a testament to the ongoing improvement in procedures.

FOSTERING A KORIAN MANAGEMENT CULTURE BASED ON VALUES

Korian subscribes to fundamental values. Together these shape the identity and unique character of the Company, and lend meaning to its actions. This bedrock of values translates as concrete principles that inform everyday actions, as well as the behaviours and attitudes expected from managers. The objective is to turn these 4 values, and their implementation within facilities, into the essential ingredients of a unique and distinctive Korian management style.

In 2016, the Group Human Resources Department will organise group training in 20-minute modules to provide managers with insights into how they can apply Korian values on a daily basis in their facility and ask themselves the right questions individually and collectively. Through dedicated training sessions, the aim is to produce leaders who are facilitators, entrepreneurs and team players, as well as ambassadors of Korian values. In addition, facilities will be provided with training modules and videos to provide all staff with realistic scenarios, adapted for each expected behaviour.

THE SPIRIT OF BENEVOLENCE

Showing consideration towards others is central to what we do. Naturally this means having compassion and empathy for residents and patients from the moment they arrive – which Korian hopes will be calm and enjoyable for them – but also day to day, by taking time out for a chat or giving a reassuring smile. The spirit of Benevolence also means that confidentiality and privacy are an absolute priority, respecting the choices of residents and patients and protecting their information.

Yet for Korian, Benevolence also takes the form of the well-being of employees within their work environment. The Group attaches particular importance to the integration of new employees, with a full induction process as well as *in situ* training with hands-on involvement for management teams, as detailed in section 3.7.1.4 of this Registration Document.

Managers are the guardians of this spirit of Benevolence, and thus responsible for the well-being of their clients and staff, and must ensure on a daily basis that this remains a priority for everyone. They must be sensitive to the feelings of residents and patients, while taking the utmost care of their facility. They must ensure that information is exchanged at the right time and in the right place, to protect the confidentiality and privacy of clients. Finally, they must respect the individuality of their residents and patients, as well as their teams, irrespective of whether their differences are cultural or religious or related to age, experience or occupation.

THE SPIRIT OF RESPONSIBILITY

Our mission is to ensure that together we deliver on our promise of Ageing Well for residents and patients. Everyone – not least of all, the manager – is responsible for the quality of service provided by the facility, and must scrupulously follow safety regulations and company procedure. To ensure the legality and compliance of its business practices, Korian continuously develops the skills of its teams through training. Managers are responsible for the operational and financial performance of facilities and for empowering their teams.

Korian regards everyone as responsible individuals and is committed to helping residents and patients remain independent through making the right choices. As soon as the client arrives at the facility, a personal care plan or treatment plan is drawn up and regularly reviewed on a multidisciplinary and consensus-led basis.

In France, Korian puts safety first by anticipating and addressing potential risks at quarterly meetings of the Monitoring and Risks Coordination Committee ("COVIRIS"), and by enabling all staff to report any adverse events via the K'RIS system.

THE SPIRIT OF INITIATIVE

By empowering each individual, Korian grows its business day by day. It is essential to challenge the *statu quo*, sharing local best practices at the national and international level each year and encouraging their deployment within the Group.

Yet showing initiative also means that everyone – at all levels – must be allowed to suggest solutions, new practices and events within the facility. Managers must therefore involve teams in planning facility projects and welcome any new suggestion that strengthens social bonds. Managers must be approachable and open to ideas on how to improve practices, encourage discussion and allow everyone to express his or her point of view, including the client.

THE SPIRIT OF TRANSPARENCY

Building trust by being clear and honest and engaging in open and honest dialogue with clients and families is one of Korian's essential values. The Facility Director and his or her teams must be on hand to provide information and reassurance about the physical and emotional state of residents and patients, the daily schedule and the activities organised, but also remain transparent and open to dialogue on a problem or a practice that needs to be improved.

Employees encourage families, partners and local stakeholders to participate in the life and events of the facility to ensure that it remains in touch with the outside world. By inviting residents, patients and families to become involved in the facility, under the aegis of the Social Life Council ("CVS") in long-term care nursing homes or User Relations and Dependency Care Quality Commissions ("CRUQPC") in post-acute and rehabilitation care clinics, for example, Korian facilitates the sharing of best practices and the exchange of ideas for improvement.

By sharing knowledge and feedback with total transparency, Korian can improve care for the elderly, for example through meetings between doctors and healthcare managers within each region. Participation in the work and research of the Korian Ageing Well Institute also allows teams and industry stakeholders across the Board to explore new ways of improving quality of life for the elderly.

Ethics central to staff practices

Respect for the individual and his or her dignity and wishes are key when it comes to looking after residents and patients in Korian group facilities and inform the Company's thinking on ethical issues.

REGULATORY PRACTICES

In accordance with regulatory requirements, all facilities must respect the rights of residents and patients. These regulatory requirements are used by facilities in developing a concrete ethical approach. Across Europe, Quality Assurance teams are responsible for the introduction and coordination of tools and actions associated with the ethical examination of practices.

ANESM recommendation in France

In France, ethics is largely inspired by the recommendations of the French national agency for the assessment and the quality of social and medico-social facilities and services ("ANESM") on the subject of: "*Ethical considerations in medico-social and social departments and facilities*". This recommendation, published in 2010, seeks ways of encouraging dispassionate and objective thinking on ethical issues within a department or facility. Adapted to the specific requirements of the sector, ethics is defined as an overarching approach towards examining the significance of the work and role of health professionals, as well as the benefits for clients, families and staff.

For example, the ANESM recommends appointing an ethics committee in each facility to oversee the implementation by stakeholders of this examination process. In 2015, all Korian facilities in France had such an ethics committee, meeting at least once a year to discuss ethical issues affecting the practices of the facility. The facilitators of these ethics committees are encouraged to involve external experts to ensure the independence and plurality of views essential for neutral dialogue and decision-making. Residents and patients, as well as representatives of the families – notably through the CVS and CRUQPC – can also participate in these meetings.

Staff have access to tools on K-GED to help them implement this ANESM recommendation on a daily basis. PowerPoint presentations and fact sheets provide an informative and concrete summary of ways of looking at ethical issues within facilities. Other ethics-related subjects are also clearly explained, such as the prevention of abuse, help for sufferers of Alzheimer's disease and related disorders, and quality of life in long-term care nursing homes.

In France, the proactive policy in the field of Benevolence was widely coordinated by DEMQ around key areas:

- the development of specific tools to help the teams in their ethical approach, including the "BEST" and Montessori training programmes (discussed in section 3.7.3.2 of this Registration Document), MobiQual kits, Group intranet in France, K-GED sheets, etc.;
- the ethics committees recommended by the ANESM;
- group discussions within the CVS for long-term care nursing homes or the User Relations and Dependency Care Quality Commission ("CRUQPC") for post-acute and rehabilitation care clinics and the Healthcare Risk Management and Supervision Committee ("COVIRIS");
- the use of external ethics centres in the event of difficulties beyond the facility's capacities.

German care charter

The German *Pflege-Charta*, or "care charter", was set up by the Ministry for Families, Senior Citizens, Women and Youth. It aims to define the rights of dependent persons and as such recommends the creation of ethics committees or meetings facilitated by trained employees to review concrete case studies. Quality Assurance managers responsible for compliance with the charter also have access to self-assessment and awareness-raising tools for teams within the facility.

In Germany, ethics is regarded as a quality issue and is described in the Quality Manual for each facility. It is enforced by the medical department of German Health Insurance and Healthcare Funds, responsible for performing quality assurance inspections. The Quality Manual describes the Quality Assurance procedures to be followed and covers various ethical issues (management of adverse events, abuse, independence of residents and patients, pain management, nutrition, etc.).

ETHICS COMMITTEES

Ethics and Quality Assurance Committee of the Board of Directors

The Ethics and Quality Assurance Committee, a specialised committee of the Company's Board of Directors, is responsible for validating and monitoring the implementation of the Group's Ethics and Quality Assurance Process. It validates the mapping of business risks, evaluates occupational risk prevention procedures within the Group and recommends improvements to the Board, particularly on the implementation of specific procedures for the monitoring of complaints.

It formulates proposals on the ethical issues raised by the Ageing Well concept in Korian's facilities and thus acts upstream of and in parallel with the formalisation of policies, systems and internal procedures.

Ethics Committee in Germany

In Germany, an Ethics Committee was created in 2013, under the aegis of Helen Kohlen, PhD, Professor at the Faculty of Philosophy of Vallendar. With 14 internal and external members (doctors, professors, HR specialists, representatives of residents), it meets twice a year to monitor and develop the tools for reflection on ethics available to teams. In 2015, it produced a document based on the German care charter, which covers a wide range of ethical issues and will shortly be made available to all facilities.

It provides insights on topics such as palliative care for residents with dementia, communication with the families and doctors, and preserving the independence of residents. Its findings – medical and non-medical – are forwarded to the Quality Department. They are used to draft documents and procedures for standardising practices.

Dedicated working groups

An international working group, largely comprising the Human Resources Departments and Quality Departments of each country, is coordinated and led by the Group Communication, CSR and Operational Marketing Department. Set up in 2015, the working group has conducted an extensive review of existing regulations and practices relating to ethics in the 4 countries. It has also organised a 1-day workshop to define the business of the Korian group and lay the foundations of a common approach to ethical questions.

The aim of the working group is to harmonise policies and define a structured Group-wide process for the examination of ethical issues that is more coherent and concrete for staff. With the help of the General Management, human resources and quality assurance teams in each country, the working group has thus drawn up a clear plan of action for 2016-2017 in order to roll out the Group's new approach to examining ethical issues, first with managers and then with all teams.

Ethics working groups also exist in each country. In Belgium, for example, it consists of a Regional Director, the Quality Assurance and Ethics Director for the country, a Medical Director and the Human Resources Director.

CONTINUOUS IMPROVEMENT OF DAY-TO-DAY CARE

Dissemination of best practices

The Group's ethics policy is translated into action at grass-roots level within facilities. It demonstrates a firm commitment to the day-to-day care of residents and patients: respect for the individual and his or her dignity and wishes. The best practices implemented thus make it possible to respect the pace of life of each person, their food choices, their freedom to "come and go" while ensuring their safety, complying with regulations concerning restraint and the person's consent to care, respect for the person's choice of the place where they want to spend the day and the things they want to do.

In France for example, medical care teams at long-term care nursing homes use the EVIBE diagnostic tool on a daily basis, created in September 2014 by the Korian Ageing Well Institute. It is the first simple, instant evaluation tool for the well-being of residents and patients. The long-term care nursing home charter also defines the fundamentals in terms of support, respect, ethics and professionalism, which are critical for the care of residents.

In France, medical staff at facilities can make use of the MobiQual kits provided by the Société Française de Gériatrie et de Gérontologie to implement best practices. By calling for joint discussions among professionals and by acknowledging simple actions and good attitudes, these kits help improve the quality of medical care provided, and above all, they also help create smoother relationships between the medical staff and people cared for.

In Germany, additional monitoring of the complaints and grievances of residents and families helps keep track of

potential risks relating to quality and adverse events. The results of these reports are analysed by the German Ethics Committee.

In Italy, a Code of Ethics specific to each Group company communicates ethical principles to all stakeholders and informs conduct and decision-making within the business. The principles enshrined in the code are as follows: impartiality, honesty, legality, respectability, quality of service, transparency in the event of possible conflicts of interest, respect for confidentiality, the value of human resources, personal integrity, health, safety, responsibility to society, transparency, comprehensiveness and environmental protection. In addition, each facility has its own service charter outlining the services available to the Client, with emphasis on respect for the dignity and privacy of residents and patients and quality of care.

Belgium has a code of conduct that is given to all new recruits, as well as to clients and their families. The code sets out the standards, values and behaviour expected from staff, both towards residents and other employees. All employees must refer to and abide by this code.

Staff training

Care and respect are a priority for Korian, which some years ago introduced a series of appropriate measures, including: training sessions, introduction of quality review procedures, debriefs, etc.

In France, BEST training ensures that everyone adopts the right approach to support and care, promoting welfare and preventing abuse through personal care or treatment plans. In 2015, 1,522 employees in France received BEST training, equivalent to 31,662 hours of training.

In Germany, the Ethics Committee's findings form the basis of the *Akademie's* training programme for the following years. The courses, which until the end of 2015 were open to external participants, include an "Ethics Advisor" module for medico-social facilities, mainly concerning the evaluation of the resident's palliative care needs. Although recommended by the regulations, ethical advisors are not yet commonplace in Germany. The concept will be tested more widely in 2016.

In France and Germany, leaflets on the prevention of violence or on welfare are distributed to residents and their families as needed, for example during consultation interviews.

In Italy, the issue of welfare is a particular priority. A special 6-day training course on the detection of abuse in medico-social facilities is arranged for quality assurance specialists. Monthly indicators for monitoring and evaluation were also introduced in each facility in 2015.

In Belgium, medical care teams are experimenting with immersion, where they place themselves in the resident's shoes. The students then become the caregivers. Each session ends with an interview and leads to an ethics discussion between participants, management staff and an ethics specialist based on the immersion experience. Stepping into residents' shoes allows them to experience their feelings, see things from their perspective and identify personal areas for improvement once they return to their role. In 2015, 11 immersion days, each lasting 8 hours, were organised for staff.

Belgium also trains its medical care teams on the question of end of life through the "Advanced Care Planning and Euthanasia" programme. This training, conducted by the medical director,

covers the relevant laws, requirements and procedures and guides staff through the essential process of discussion and communication on the resident's end-of-life needs and wishes: what questions to ask when, how, etc. In 2015, Belgium delivered 306 hours of training via this innovative programme.

Internal cohesion reinforced through dialogue and feedback

With nearly 45,000 employees in Europe, Korian has a duty of active communication and dialogue. It must also listen to its employees, to bolster their sense of belonging to the Group and internal cohesion within the teams.

REGULAR AND DYNAMIC INTERNAL COMMUNICATION

Intranet and internet platforms

In France, the Communication Department launched a new intranet in early 2016 to provide teams with a coordinated and structured way of disseminating information and to stimulate discussion of the Group's various projects and news. Accessible from a PC, tablet or smartphone, this platform consists of a news feed and a selection of resources for Directors, members of facilities' Management Committees and employees at head office. Plans to replicate this intranet project in Germany in 2016 are currently under review.

At the Korian group headquarters in Paris, a screen continuously broadcasts information about the Company, as well as a round-up of the latest news. With this dynamic display, the Group's communication teams can update messages daily and include images and photos of the work of medical care teams, as well as of residents and patients in facilities.

In Germany, the post of Communications Manager was created to design the Group's internal and external communication tools in the country. Employees can visit the website "We are Korian" for the latest news and a discussion forum on current issues.

In Italy, staff can read the My Korian blog, hosted on the Group's corporate site. The website features news about the Company and its facilities, as well as articles, stories and information about Korian's Benevolence policy.

E-newsletters

In France, the Communications Department sends out the twice-monthly "Korian News" to Facility Directors and employees at head office. In all, 20 issues were sent out in 2015 to over 800 people. This unique newsletter means that information can be targeted at facilities, by inviting each head office department to submit a round-up of its news. Facility Directors therefore receive less mail and get a cross-section of current issues and projects.

In Germany, a "Letter from the Board" is emailed once a month to head office staff. Facility Directors also receive communications intended for all employees, which are printed out and displayed on site.

In Italy, the Communications and Marketing team also publishes a quarterly newsletter, "Korian Informa", which features information about the Group's activities in Italy. In all, almost

3,000 contacts (employees, stakeholders, partners, experts, etc.) receive this electronic newsletter.

In Belgium, a regular e-newsletter (the "SLG Newsflash") containing the latest news about the Group is emailed by the Marketing and Communications team to Facility Directors and head office staff (about 100 people). Internal messages are also sent to teams in the event of press coverage or events concerning employees.

Internal events

To mark International Nurses Day, celebrated around the world on 12 May 2015, a letter to be displayed in treatment rooms was addressed to Matrons in France, praising the work done every day for residents and patients. A similar letter was sent out on 26 November 2015 for International Caregivers Day.

To help facilities put on events for Alzheimer's Day on 18 September 2015, many employees from head office came along to one of the facilities welcome visitors and set up and run special events. The day was also an opportunity for employees at head office to mix with staff at facilities.

As part of its campaign to promote quality of life at work and the spirit of Benevolence – an integral part of the Korian group's values – the Human Resources Department in France also invited all facilities to take part in an event to celebrate World Kindness Day on 13 November 2015. The aim of the event was to encourage positive interaction and recognition among employees and between caregivers, residents and patients. Each employee was sent a postcard with a "compliments flower", which could be given to colleagues, residents and patients so that they could write a compliment in one of the petals.

In Italy, a day is set aside each year to raise awareness of abuse. In 2015, postcards were handed out in all facilities as a reminder of the Group's commitments and to educate residents, patients and their relatives on the subject. Elderly guests also had the chance to visit Expo 2015 in Milan, accompanied by Korian group employees.

Regular internal meetings

Annual conferences are held in Korian's 4 host countries. These events are valuable opportunities for exchange between the General Management of each country and Facility Directors. The conferences are an opportunity for positive, dynamic communication on the Group's values and priorities, as well as fostering a shared corporate culture and strengthening the sense of pride among staff.

In France, regional roadshows have been regularly organised since 2013 to allow members of the French Management Committee to meet members of facilities Management Committees (composed of Facility Directors, Medical Directors and Matrons, Accommodation Managers, Deputy Directors, etc.). A total of 14 regional meetings were held between April and June 2015, when strategic priorities were unveiled. Facility Directors also attend quarterly regional meetings.

At the Korian group headquarters in Paris, an informal breakfast event is held several times a month to inform employees of the flagship projects of each department. During this event, a 15-minute presentation on the topic by the department concerned is followed by a 15-minute Q&A session. The discussions then continue over breakfast. In 2015, 5 events took place on various topics, such as the presentation of a new Korian mutual scheme, the Group's financial results and non-drug treatments for facilities.

In Germany, meetings with Regional Directors and members of the Management Committee take place at the Group's head office each month. Facility Directors in each region are also invited once a year to meet head office teams. In addition, a major annual conference is held for Facility Directors and head office departments.

In Italy, a conference is held once a year for Facility Directors, Regional Directors, Medical Directors and head office employees – a total of around 180 people. Facility Directors and Regional Directors are also regularly invited to head office to take part in special sessions on topics such as crisis management, communication, human resources management, etc.

In Belgium, 2 plenary meetings are held each year in March and October with Facility Directors and head office employees.

THE RESULTS OF THE EMPLOYEE SATISFACTION SURVEY CONDUCTED IN THE 4 COUNTRIES

Between 22 June and 15 August 2015, the Group's General Management, in association with the market research company Ipsos, organised an employee engagement survey for staff in Europe (excluding employees of service provider cooperatives in Italy), dubbed "*Kommunity*". This latest social barometer, which follows previous surveys carried out by Korian and Medica in France, consists of around 50 questions. It assesses employee satisfaction on topics such as personal pride, organisation and quality of life at work, accountability and team skills, management listening skills and approachability, etc. This European social barometer, which is anonymous and confidential, is held every 2 years. The survey is conducted in paper and electronic format.

The results of the survey, which revealed that 92% of employees were proud of their work, are available via dedicated online software to HR staff in the 4 countries, Facility Directors and heads of department at the head offices. Summary reports generated automatically in PowerPoint format allow them to present the results to staff. Action plans are then drawn up and implemented at the national, regional and local level. The action plans can be monitored directly in the survey application, and in K-PAK for teams in France.

Coordinated by the Group Communications Department and Human Resources Department, a European committee composed of one representative from each country was set up in 2015 to oversee deployment. More generic questions sent to employees working in private firms (all sectors combined) in the medico-social sector, accommodation and catering sector or public hospitals service, are used to compare the results against a national benchmark in the 4 countries.

In France

The results in France demonstrate a solid participation rate (61%, 11,775 respondents). The level of commitment is in line with European benchmarks and is largely based on satisfaction and pride in their work, as is often the case in the medico-social sector. The survey also reveals that the working conditions and environment are seen as key elements of job satisfaction, particularly the work/life balance and safety. The relationship with management is also key for employees, particularly by being hands-on (approachability, listening skills, support, etc.).

In 2016, Korian will implement specific action plans for each facility in France, in order to meet employee expectations following this internal satisfaction survey. The key priority actions are: improvements in the work environment (uniform, relaxation areas, amenities, etc.), optimising working arrangements (teamwork, workload management, etc.) and staff support in managerial practices and conflict management. The sense of belonging to the Group must also be reinforced through more systematic communication on business priorities and projects on the ground.

In Germany

Germany has the highest participation rate in Europe (73%, 6,912 respondents). It shows an above-average level of commitment compared with the rest of the Group, particularly in terms of job satisfaction. As in France, the work environment is seen as crucial, particularly amenities and equipment (uniforms, relaxation area, etc.). Hands-on managers also like the day-to-day autonomy and training opportunities they are given.

In view of the diversity of the sites, specific action plans for each facility will be drawn up in 2016. Germany in particular will need to focus on fostering a sense of belonging to the Group among staff at Phönix facilities. Managerial practices will also be consolidated, including at head office, particularly in terms of the organisation and management of conflicts.

In Italy

Italy also demonstrates a high rate of employee participation (62%, 1,493 respondents). Since employees of service provider cooperatives were not included in the survey, the sample of respondents is predominantly biased towards the care sector (82% of the Italian sample, vs. 63% overall). This factor was taken into account during internal benchmarking. As in other countries, job satisfaction plays a major role in employee engagement, with above-average results compared with the rest of Europe. The majority of employees were pleased with the work environment, particularly in terms of safety, as well as the hands-on management.

Korian's General Management in Italy will need to reinforce the Group's identity and share its vision and values with teams on the ground. Training in Korian group values is already planned for employees in 2016.

In Belgium

Despite a slightly lower response rate than other countries (50%, 1,815 respondents), Belgium still shows a high level of engagement, outperforming internal and external benchmarks

with results that are fairly uniform across the country. As in France and Germany, the work environment is considered a priority and is generally liked by staff, particularly the balanced rotas. Staff also feel supported during conflicts (more common in Belgium than elsewhere in the Group).

As in France, Korian's General Management in Belgium will need to work actively on improving the physical aspect of working conditions (relaxation areas, amenities, etc.), as well as on the organisational aspect (communication, integration, etc.). Staff in facilities also expect to be more informed of and involved in Group strategies.

A SOCIAL SERVICE FOR EMPLOYEES

Promoting well-being at work also involves initiatives to listen to and support staff personally. The Group in France offers the services of 2 full-time, salaried assistants. This provision reflects a direct will to support employees encountering personal difficulties which could affect their ability to remain in their jobs.

Following the decline in the last 2 years, and to respond to the need for a local presence identified in certain high-demand labour pools, one of the social assistants will now be based in the Paris region and the other in Aix-en-Provence. The personnel well-being function is a link between the personal and daily life of employees and the specific features of our company.

In Belgium, the Group has formed a partnership with the association "Petra VZW", founded by members of staff. The association's aim is to reach out to the Group's employees in Belgium in a spirit of friendship and solidarity. Under the slogan "care for carers", it can also provide physical, psychological or financial support to employees in difficulty, in the form of a loan or grant. The association may also, at the request of staff, support specific cases referred by other organisations.

3.7.1.4 Establishing an identity as ethical employer of choice

Korian attaches huge importance to the safety, well-being and integration of its teams. The Group is convinced that diversity is a mark of progress. Therefore, respect and consideration for others are central to its managerial practices.

Prioritising workplace well-being

The health, well-being and safety of employees are essential to the proper provision of care and support that the Group strives for. Korian actively encourages its staff to adopt the correct movements and posture to reduce the risk of accident and work-related illness.

GUARANTEEING AND PROMOTING HEALTH AND SAFETY CONDITIONS AT WORK

Reduction in workplace accidents and work-related illness

In France, the Korian group has published a "preventive action of the month" since September 2014. It is a reminder of the main safety recommendations to be aware of in terms of workplace risks (risk of fires, falls and slipping, chemical products, handling,

accidental exposure to blood, road risks, etc.). This is uploaded every month to the new Korian Training Institute Intranet, and is also available on the K-GED document management database. These topics are dealt with each month at a team meeting in the presence of staff representatives, at all Group facilities in France. The preventive action must also be displayed in the facility to provide better information to all employees.

In France, at the start of each winter, the Group launches a national vaccination campaign against seasonal flu, not only for residents and patients, but also for its employees.

A healthcare control plan outlines the measures taken by the facility to ensure the hygiene, health and safety of its catering activities in relation to biological, physical and chemical hazards. This document translates the standards into informative guidelines: employee hygiene, traceability, control of foodstuffs, etc.

In November 2015, all employees at the registered offices received training in small groups, on fire risks and first aid, as well as on organising building evacuation plans.

In Germany, as a result of best practice, the workplace and medical safety database (ECONOMED) used by the Phönix group was rolled out in all German facilities. This management system includes annual instructions on preventing workplace accidents, as well as a regular medical examination. These instructions include preventing accidental needle pricks by using special disposable medical materials and avoiding back pain, using technical equipment when moving and positioning residents. In addition, unannounced inspections are regularly conducted by the authorities.

In Italy, compulsory training has been delivered on workplace safety. The Group is committed to circulating and consolidating a safety culture by improving awareness of risks and encouraging responsible behaviour by all employees. Furthermore, the provisions of Act 81/08 are included in the risk management document of each facility. There is a specific prevention plan for risks associated with third parties (residents, patients, personnel and subcontractors). Before a fire safety certificate can be issued, staff must be trained by the fire service. By law, at least one employee with a fire safety certificate must be on the staff roster. In each region, periodic inspections are carried out by the supervisory authorities to check that this regulation has been complied with.

On each site in Italy, emergency and evacuation plans are drawn up and include the procedures to be followed in case of critical events (fire, power cuts, lift breakdowns, etc.). Moreover, the facilities are equipped with fire extinguishing equipment (extinguishers, fire hydrants) and signage, detection and alarm systems and equipment, as well as regulatory safety signage. Emergency and first aid teams undergo regular training, refresher training and practical preparation. Each year, evacuation drills take place at all sites.

In Belgium, each year, the workplace health public authority checks the working conditions within each facility. Furthermore, the Group is implementing numerous health and safety measures and workplace improvements. Thus in 2014, it carried out an analysis of psychosocial risks on work-related stress within

its facilities. Following this analysis, more regular team meetings have been introduced to identify excessive workloads and reduce absenteeism.

The facilities also organise monthly meetings of the internal health and safety committee, attended by trade union representatives. The aim of these meetings is to ensure that workplace prevention, well-being and health measures are implemented and that they are monitored by occupational health and counsellors. The committee's role is to identify and prevent the risk of accidents, as well as to suggest improvements

to the well-being at work of employees. Finally, each facility has an internal emergency plan containing all the safety procedures to be applied if a facility has to be evacuated.

The table below shows the number of workplace accidents (resulting in a work stoppage the day after the accident) and the number of calendar days of stoppages due to a workplace accident (from the day after the accident) for fixed-term and open-ended contracts in France, Italy and Belgium in 2015. This information is not available for Germany.

	France	Italy	Belgium	Total
Number of workplace accidents	1,650	120	181	1,951
Number of calendar days off work	109,778	1,867	4,522	116,167
Frequency rate ⁽¹⁾	47.42	46.31	47.69	N/A
Severity rate ⁽²⁾	3.15	0.72	1.19	N/A

(1) Number of accidents causing work stoppage for 1 day or more/number of hours worked × 1,000,000.

(2) Number of work stoppages/number of hours worked × 1,000.

Preventing musculoskeletal disorders

Preventing musculoskeletal disorders ("TMS"), assessment of occupational risks, managing work-related stress are all key focus areas to which the Group pays special attention.

In France, the Group has followed a bio-cleaning procedure since 2012. This significantly improves the working conditions of staff in charge of cleaning each facility, using ergonomic equipment designed to reduce and prevent TMS. By restricting the number of movements in cleaned areas, bio-cleaning also helps to reduce loads carried, uncomfortable and painful postures, cleaning time and repetitive tasks and movements. Korian aims to reduce back and shoulder problems experienced by employees by 30%.

In 2013, 2 educational films were produced, one on preventing TMS, and the other on chemical-biological risks; they are now shown to all employees concerned in France, i.e. medical care and bio-cleaning staff. These 2 educational tools were part of the national agreement on prevention of workplace risks and difficulties at work.

In Italy, ergonomics trainers teach employees how they can avoid TMS and work-related accidents. They also advise Facility Directors on the purchase of plant and equipment for residents and dependent patients. An internal workshop was held in 2015 for around 100 Facility Directors, Medical Directors and quality specialists to present the work carried out by ergonomics trainers in 2016 and educate managers on the risks of TMS.

In Belgium, occupational health organizes an awareness-raising day twice a year in each facility, to teach employees how to stay healthy.

Review of collective agreements on health and safety at work

On 26 January 2012, Korian entered into a group agreement in France regarding hazardous or arduous working conditions, which concerned all of its facilities, subsidiaries and entities owned by more than 50% in France. This agreement is essentially aimed at identifying all professional risks inherent in the business sector (risk of TMS, infection, psycho-social risks, chemical hazards, etc.) and to define preventive and corrective measures – both physical and mental – linked to working conditions. Korian has thus committed to equipping all of its facilities with patient hoists, rails for patient hoists, transfer

equipment, electric beds, laundry carts with height-adjustable bases and ergonomic relaxation chairs. This agreement has also enabled the French staff to benefit from a social assistant, whose role is to direct employees experiencing social difficulties towards social welfare institutions or non-profit organisations that can help them.

For Medica facilities, communication was one of the key expectations of the agreement signed with the social partners on workplace risk prevention. To make it easier for them to read the many documents provided to them, Medica's Research and Development unit published a collection of Health and Safety booklets, each dealing with a particular topic in summary form. In 2013, booklets were published on catering, medical care and maintenance roles.

These 2 agreements have been extended until 2016 and involve negotiations for the quality of life at work.

In Italy, the collective agreement signed in September 2012 on workplace health and safety is still in force.

In Germany and Belgium, no specific health and safety at work agreements with union organisations or staff representatives have been signed.

COMBATING ABSENTEEISM

Fully committed to the high level of service provided, fostering workplace well-being and limiting absenteeism are also part of the Group's priorities. On 25 August 2010, the Korian group's General Management signed a group agreement in France to create a "facility" attendance and stability premium with the trade unions. This bonus aims to build loyalty and retain employees, reward their effective presence and help to reduce absenteeism. The bonus amount is calculated every year and cannot be lower than a certain percentage of the conventional minimum wage. It is weighted according to seniority and is reduced according to the absences of the employee.

In Belgium, a dedicated plan to reduce absenteeism was unveiled by the Human Resources Department in October 2015. Any absence must be explained to the line manager at an interview to discuss the causes and anticipated duration. A follow-up interview during the absence and upon the employee's return to work also helps to maintain focus and communication. At the end of the 3rd period of absence, an

appraisal interview is held to identify the reasons and outline remedial actions. The aim is also to educate employees about the impact their absence has on the quality of service for residents and the increased workload for their colleagues. To prevent absenteeism, Belgium is working on reducing workloads, motivating employees who are rarely absent and simplifying the organisation and duty roster. Considered best practice, the Group plans to introduce this new procedure in France, Germany and Italy.

In Germany and Italy, there is no particular measure or collective agreement to tackle absenteeism.

The table below shows the absenteeism rate for France, Italy and Belgium, calculated from the number of hours of absence for ordinary or occupational sickness or commuting or work-related accident. Maternity and parental leave are excluded. This indicator is not available for Germany.

	France	Germany	Belgium	Italy
Absenteeism rate ⁽¹⁾	8.70	N/A	29.61	4.97

(1) See section 3.7.4.6 of this Registration Document.

Concrete measures taken to promote diversity and equal opportunities

Convinced that diversity is a real factor of modernity, innovation and efficiency, the Korian group and its social partners have decided to commit to promoting the diversity policy more widely.

AN EXEMPLARY COMMITMENT TO GENDER EQUALITY

In 2015, the Korian group rose from 3rd to 2nd place in the list of companies whose senior management structure includes the highest number of women. The list, published by the firm Ethics & Boards, features the 120 best French companies for gender equality.

These results reflect the implementation of the Group gender equality agreement signed by Korian in France on 26 January 2012, applicable to all of its French subsidiaries. Pursuant to this agreement, Korian committed, among all Facility Directors, to promoting the principles of non-discrimination between men and women, and particularly to ensure that:

- job opportunities address men and women, regardless of their gender;
- each job application will be received and treated the same way (a guide on best recruitment practices is distributed to all facility directors);
- each employee has equal access to promotion and to professional mobility based on the skills and competencies required for each position;
- the entry-level wages and levels throughout the professional career path are identical for men and women for a same level of responsibility, education, ability and professional experience and seniority in the Company;
- the wage level of part-time employees is identical to full time-employees if brought back to a full-time wage.

In addition, on 10 March 2015, an agreement on professional equality between men and women was signed unanimously. Emphasis is placed on measures relating to parenthood, notably with the implementation of a maternity booklet for each pregnant woman, summarising all her rights. Special attention is given to improving the gender balance at all levels of the Company.

With full parity in management positions and no inequalities in compensation, the Group is exemplary in matters of gender equality in France.

In Belgium, the collective labour agreement of 15 October 1975 on equal pay for men and women (No. 25) applies. This agreement eliminates any discrimination based on gender for the same work or for work of equal value.

There is no Group agreement regarding gender equality in Germany or Italy for the time being.

DISABILITY MISSION: FOR FULL PROFESSIONAL INTEGRATION OF WORKERS WITH DISABILITIES

For Korian, developing a disability mission is not just about hiring disabled workers, but is part of an overarching approach towards employee integration and retention.

On 4 November 2014, a Group agreement on disability was signed unanimously by management and labour representatives in France. Under this agreement, 180 new disabled workers will be recruited or have their status recognised within the existing workforce over a 3-year period. This commitment had already been exceeded in 2015: 59 people have already been recruited, and 152 existing situations have been taken into account. At 31 December 2015, the Group in France employed the full-time equivalent of 659.57 people with disabilities.

In France, an extensive information campaign on the employment of people with disabilities took place in the 1st quarter of 2015, mainly via a poster campaign. A letter was sent to the homes of each Group employee, accompanied by a booklet illustrating the commitments and actions linked to the disability mission (a flyer was also sent out with the employee welcome pack). The aim was both to inform teams about the work of the Group's Disability Mission and, for those who wish, to give them the chance to talk about their situation in a response letter. A total of 448 letters were received and support was given to 43 new disabled workers as a result of this action. The campaign was the subject of renewed focus during European Disability Employment Week, which took place from 16 to 22 November 2015. A booklet was sent out to all Group employees in France, containing first-hand accounts from employees with disabilities and setting out key figures.

To encourage recruitment of workers with disabilities by the Group's French facilities, a partnership has also been formed with a dedicated employment site to promote jobs and circulate job offers. An agreement was also signed with an organisation helping disabled people into work (**ESAT**) in Paris (Bastille), relating to hiring training rooms for the Korian Training Institute, as well as with the vocational rehabilitation centre in Mulhouse for interns to work in Korian facilities. The Group also attends various dedicated recruitment fairs.

Several partnerships have been formed with organisations specialising in training people with disabilities:

- the Mulhouse vocational rehabilitation centre, which mainly provides training for caregivers and activity leaders;
- the retraining and workplace integration centre in Montpellier, the only nurse training institute in France awarding the nursing diploma to workers with disabilities;
- the Valentin Haüy Foundation, which runs a training course for visually impaired physiotherapists and masseurs.

These various partnerships are a real opportunity for Korian to help integrate people with disabilities, initially by receiving interns at its facilities, and then by advising them of posts available within the Group once they have completed their training.

In 2015, the Group also introduced one-to-one coaching of disabled employees in France with the help of the Disability Employment Mission and an external firm, offering a career assessment where appropriate. This action seeks to provide employees with career guidance, by helping them consider specific opportunities for training, promotion, redeployment and job adaptation, to limit the risks of incapacity.

For facilities that are furthest from achieving their employment target, a 6-month action plan has been drawn up to assist staff with recruitment and job retention. In total, 26 facilities were monitored by a specialist firm in 2015, leading to 13 employees being recruited and 20 additional employees remaining in work. New training and awareness sessions on the subject have been organised with drama-based training provider "Théâtre à la carte", involving more than 140 employees in 2015.

In Italy, there were 92 employees with disabilities in 2015 (FTE).

In Belgium, there is no obligation to commit to disabled employment measures in the private sector. However, Korian had 26 full-time employees with disabilities in Belgium in 2015. The Belgian facilities were also adapted to people with limited mobility. Each year, during internal plenary meetings, the Group's General Management in Belgium asks Facility Directors to continue their efforts in recruiting people with disabilities.

ANTI-DISCRIMINATION POLICY

Attracting talent is a major goal of the Korian group's recruitment policy. Setting a good example is key to its success. All employees in charge of recruitment are aware of business ethics and non-discrimination rules. Diversity is a valuable asset that the Group endeavours to spread across all of the professional bodies of the sector through its recruitment communication. The Group's long-term performance hinges on the quality, the skills and the achievements of our employees, vectors to retain them in a sector experiencing shortage and therefore a tense employment market.

The Group has implemented a clear and fair career management policy in France, in order to easily reward talent without discrimination. This policy is applied particularly through the implementation of performance management, which involves an annual assessment of each employee so that they can further develop according to his/her wishes, abilities and results. Human resources staff chair career committees and

use these yearly assessments to study individual cases and growth opportunities in an impartial manner. Further to these career committees, talent reviews are organised every year to support the development of each employee and offer motivating career paths. For example, in order to encourage internal mobility, the Human Resources Department provides a list of all the jobs available in France on a monthly basis to employees (job alerts, etc.).

In France, Korian entered into an agreement with the representative union organisations in relation to generation contracts on 26 January 2012. This agreement aims to define the specific actions intended to promote the long-term employment of young people on an open-ended contract, as well as hire and retain older employees within the workforce to ensure the transfer of knowledge and expertise. This Group agreement supersedes the agreement on employment of older people signed on 29 December 2009 and seals the commitment of the Group to respect the principle of non-discrimination by providing equal access to employment as well as opportunities for advancement and training to each employee, regardless of age.

In Germany, the Group complies with the legislation in force on the prevention of all forms of discrimination.

In Italy, Korian prohibits any discrimination based on age, gender, sexual orientation, health, ethnic origin, nationality, political opinions and religious beliefs of individuals. Professional development and the management of employees are based on equal opportunities. Recognition of results, professional potential and personal skills are essential criteria for career progression and wage rises, which always reflects market conditions. This ensures the transparency of the evaluation method and the communication methods.

In Belgium, no form of discrimination is accepted. If necessary, specialised outside organisations may be approached.

A unique integration process

The recruitment policy in France is based on 3 main areas:

1. the promotion of internal mobility via job alerts, as well as an online tool accessible to all Group staff and listing all internal and external vacancies: Talent Link;
2. a strategy for communication and targeted external recruitment (e.g. with the signing of agreements with external key players, participation in job fairs) to attract young talent to medico-social and post-acute and psychiatric careers;
3. a specific integration process dedicated to new employees in order to build their loyalty and foster a strong sense of belonging.

In France, Korian has introduced an induction course tailored to the profile of the new employee. On arrival, each employee receives his or her contract of employment, job description, a list of the characteristics of the role and skills required, as well as an employee welcome booklet and a presentation about the organisation. This practice has provided inspiration for the Group Human Resources Department, which is working on a formal "induction kit" for 2016.

In France, 81 new employees, including 25 Directors and Deputy Directors, 28 matrons and nursing managers, and 9 doctors and Medical Directors, actively participated in monthly induction days held in 2015 at the Korian head office in Paris and led by members of the French Management Committee. Satisfaction levels are high, with 98.5% of participants reporting that the induction day gives them a real sense of belonging to the Group. Thanks to participant feedback, areas for improvement have been identified – for example, involving other departments (Marketing, Purchasing, IT, Communications, etc.), extending the induction to 2 full days, and providing a glossary on the various abbreviations used – and will be implemented shortly.

The French Human Resources Department also implements the integration policy through its innovative site immersion scheme, "Korian Start". This hands-on experience helps new employees gain an overview of the Group by finding out about the corporate project and its different operating versions, understand how a facility is organised, get an insight into key processes and learn how the main management systems work. For employees at head office, immersion is designed to teach them about the Group's business lines and how a facility operates, as well as enabling them to take on board the Group's values. This approach is also aimed at involving facilities in Group life, for those that want to, through the transfer of their know-how and expertise.

In 2015, 18 reference sites were chosen for the integration of Facility Directors and management employees at head office. 2 events were launched on 2 and 8 December 2015, bringing together directors and members of the facilities' Management Committees to recognise their contribution and thank them for their commitment since March and for being ambassadors of the scheme. To continue and reinforce this integration, a new call for applications to become a "Korian Start" facility was launched in January 2016. Since March 2015, 18 Facility Directors have been actively engaged in the immersion of directors and management staff from head office, involving all of their staff to make our integration policy a success. As such, they are true ambassadors of best practices and champions of the Group's values. Through their efforts, 74 employees, including 36 Facility Directors, were received by a "Korian Start" facility when they took up their post in 2015.

In Germany, a process of continuous integration of new employees involves, in particular, spending a day at a facility for head office teams, as well as meeting all Group departments.

In Belgium, all new employees receive a welcome pack on arrival. They are also guided by a "mentor", both during the first few days at work and afterwards, who can answer any questions and facilitate their integration into the workplace. In 2016, all new Facility Directors will be invited to the Group's Belgian headquarters to meet the various departments and support functions. New head office employees will also visit a facility for on-the-ground immersion.

3.7.1.5 Ensuring positive industrial relations and respect for employees' rights

In each country, Korian seeks to foster positive industrial relations with its employees and comply with the legislation in terms of staff representation and consultation and employment law.

Organisation of industrial relations, staff information and consultation procedures

The Group's social policy is based on careful listening and hands-on management by Facility Directors and the Human Resources Departments of each country. The Group is committed to fostering open, proactive communication between management and staff in each of its structures. In this way, it aims to develop positive industrial relations in order to achieve the targets set for the Company as a whole and its different operating units in particular.

REGIONAL HUMAN RESOURCES MANAGERS

In France and Germany, the Facility Directors, ultimately responsible for developing and respecting industrial relations, are assisted in their recruitment and retention efforts – as well as in the application of legislation and contractual provisions (collective branch or business statutes) – by the Human Resources Manager for that region. Together they foster proactive, open communication between management and employees, based on the values championed by the Group. They aim to engage in positive industrial relations to achieve the objectives set for the Company and its various operational entities.

In Belgium and Italy, human resources and personnel management are managed directly by the facilities, with coordination by the Human Resources Department for the country (except for head office employees, Facility Directors and Regional Directors). The largest sites in Belgium have their own human resources manager, a role otherwise performed by the Facility Director. Quarterly meetings are held with head office to discuss recent events concerning the Group and the latest procedures to follow.

EMPLOYEE REPRESENTATION

In accordance with the legal requirements, the Group's French subsidiaries have employee representative bodies. Under the Job Security Act of 14 June 2013, the most representative trade union must appoint a director to represent employees. Additionally, 2 members of the Korian Works Council attend meetings of the Company's Board of Directors, although they have no voting rights.

For the first time in 2016, 7,500 employees will benefit from the economic and social activities of a Works Council, since 4 committees have been elected: 1 for post-acute and psychiatric care activities, 2 for medico-social activities, and 1 for support services and Facility Directors. These committees will have a social and cultural budget of 0.6% of total payroll, i.e. an annual budget of up to €1 million per committee.

In Germany, there is no harmonised staff representation at the Group level.

Italy is planning to sign agreements between trade union organisations and employer representatives, at the national, regional and decentralised level, for each site.

In Belgium, employee representation is organised at facility level. All facilities have a Works Council and a Health and Safety Committee, which meet each month. An employers' delegation (for directors) and a union delegation (for the 3 trade unions), elected every 4 years, are present at these meetings. The next elections for employee representatives within these delegations will take place in 2016.

Summary of collective agreements

Following the merger, the General Management signed an agreement outlining the 7 items to be negotiated with Korian and Medica trade unions, as well as the timetable for these negotiations. This "post-merger" agreement gave rise to 30 meetings with trade unions between September 2014 and September 2015. Several agreements were signed:

- on 4 November 2014, an agreement on disability was signed unanimously. Under this agreement, 180 new disabled workers will be recruited or have their status recognised within the existing workforce over a 3-year period;
- on 10 March 2015, an agreement on professional equality between men and women was signed unanimously. Emphasis is placed on measures relating to parenting (creation of a maternity booklet) and balanced gender representation at all levels of the organisation;
- on 30 June 2015, an agreement on employee savings was signed unanimously. This agreement provides for a single profit-sharing scheme for all Korian employees in France. It makes the profit-sharing system fairer by putting an end to the coexistence of more than 40 different employee savings schemes within Korian in France.

No agreement was reached on the introduction of a new healthcare costs scheme, effective from 1 January 2016, for the legal reasons given to the trade unions. However, 9 negotiation meetings were held with the unions on the type of cover, number of options and family extensions. The new healthcare costs scheme was widely covered in internal communications. The diversity of the proposed cover gives each employee with the Company on 31 December 2015 complete freedom to decide whether to opt in or out of the new scheme and help with choosing a "customised" policy. In the interests of fairness, the new scheme is identical for managers and non-managers, and replaces more than 60 existing schemes. In January 2016, over 7,000 employees had already decided to join the new mutual scheme.

In May 2015, negotiations on working conditions began. To focus discussions on the concept of workplace well-being, the trade unions and General Management preferred to call these "quality of life at work" negotiations, with a focus also being given to priorities relating to "intangible working conditions". The negotiations are expected to be completed in 2016.

On 13 October 2015, one of the 7 items raised by the post-merger agreement was ratified by 2 trade unions. 2 agreements have therefore been signed: one recognising an Economic and Social Unit within Korian France, the other organising the staff representative bodies. A memorandum of understanding was signed ahead of the new elections in March 2016, which covered all 20,000 employees of Korian in France.

The Economic and Social Unit creates a virtual enterprise for staff representation. By formally recognising this, it can be organised separately from Korian's legal entities in France. The negotiations under way concern the arrangements for setting up 4 Works Councils covering all employees. The pre-election agreement provides for the establishment of a site delegation for each facility, bringing together staff representatives and members of the Committee for Health, Safety and Working Conditions (CHSCT) within the same body. Korian is thus one of the first companies to introduce these delegations in France.

In early 2016, further negotiations on workforce planning and career development will be undertaken, completing the negotiating schedule drawn up following the post-merger agreement of July 2014.

In parallel with these negotiations, instigated by the post-merger agreement, Korian and Medica have refocused the content of the Annual Obligatory Negotiations ("NAO") with a view to aligning this. In 2015, Annual Obligatory Negotiations took place in more than 70 different legal frameworks. In 2016, the establishment of the Economic and Social Unit will mean that an additional 9,700 employees are directly covered by the annual obligatory negotiations for the first time.

In 2015 these annual negotiations, held in the various Korian or Medica entities, allowed:

- for 6,000 Medica employees, priority to be given to the wage increase (€20 increase for anyone earning close to the contractual minimum wage, with a maximum spread of €15). This measure gradually brings Medica wages into line with Korian wages. It represents an increase of over 1.7% for the lowest wages;
- for Korian employees, priority to be given to 2 wage supplements: the facility attendance and stability premium to be increased by over 1/3, and a further increase in the unsocial hours payment for working on Sundays and public holidays. These adjustments mean that the target amounts of end-of-year bonuses of Korian and Medica staff can be progressively aligned each year, as well as the amount of the unsocial hours payment.

This single social contract would have been difficult to implement if the status of Facility Directors and facility management had not been aligned. In March 2015, 90% of Medica Facility Directors had contractually agreed to accept the new status of Facility Director, relating primarily to the bonus and reduction of working hours. As a result, for the first time, 66% of them received a portion of their bonus in September 2015. In August 2015, facility management status was 71% contractually aligned. As a result of this new status, in March 2016 the target amount of this bonus will increase by 25% for management at facilities that have agreed to the new bonus system.

Additionally, every year, wage negotiations take place in all the Group's French subsidiaries, which have union delegates.

To conclude, 2016 will be another productive year for industrial relations in France, with the negotiation of the single social contract, works council elections, the introduction of the mutual scheme, and the 2016 annual obligatory negotiations, which will allow near-alignment of Medica and Korian status. The signature of these agreements in France shows the Korian group's will to build responsible industrial relations.

In Germany, even though there is no collective agreement in force at national level, agreements were nevertheless entered into with the facilities. No new collective agreements were signed in 2015, although plans to standardise HR management will be drawn up in 2016.

In Italy, a collective agreement was entered into on 5 September 2012 with respect to the safety and health conditions of employees at work.

In Belgium, a collective agreement was signed in 2015 for the organisation of elections held in 2016 to elect employee representatives. All collective working agreements of the Conseil National du Travail are followed, as well as those specific to the sector. Belgium also has a specific collective labour agreement for meal vouchers.

Promotion of and compliance with the fundamental conventions of the International Labour Organisation

RESPECT OF THE FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

The Group ensures that the freedom of association and the right to collective bargaining are complied with, i.e. that all legal and conventional provisions are applied when negotiating either group or company agreements.

ELIMINATION OF FORCED LABOUR AND THE ABOLITION OF CHILD LABOUR

In France, Germany, Italy and Belgium the Group complies with the principles provided for by the fundamental conventions of the International Labour Organization ("OIT"), particularly with respect to the elimination of forced labour and the abolition of child labour.

3.7.2 Environmental information

The Korian group is making the reduction of its environmental impact one of the priorities of its CSR approach for 2016, and especially the monitoring and reduction of its water and energy consumption, as well as the waste generated by its facilities. Through technical investments and actions, but also active mobilisation of its teams and educating residents and patients, Korian is committed to progressively assisting facilities in the implementation of an environmental action plan, while maintaining the well-being and comfort of each person.

A CSR Steering Committee and dedicated cross-functional working groups have been created to define the priorities, goals and an environmental action plan that will be implemented in 2016 across all facilities in France.

3.7.2.1 Developing the Group's environmental approach

The Korian group's environmental approach is still being developed. A better insight into consumption at facilities means that this can be better managed and reduced, as well as defining the Group's priorities for the overall CSR strategy.

The aim: to reduce our environmental impact

MONITORING AND MANAGING CONSUMPTION AT FACILITIES

The Korian group is keen to cut the consumption of energy (electricity, gas, heating oil) and water as well as the waste generated by its facilities in Europe. To do this, tools for monitoring and analysing consumption are being rolled out.

In France, Germany and Belgium, the Korian group is installing smart meters: sensors installed at strategic points in facilities automatically record energy and water consumption on a continuous basis. This information is then consolidated in an online dashboard of performance indicators. The Facility Director, Site Technical Manager and head office staff in charge of the purchase of raw materials and building maintenance can thus monitor and analyse consumption patterns. Alerts can be set up which are triggered in the event of excessive overconsumption, as compared with a predefined ratio.

In France, over 2,000 smart meters have been fitted at 181 facilities since 2010. In addition to the dashboard of performance indicators available in the dedicated software, the service provider can provide monitoring, advice and clear recommendations for improvement in the form of worksheets specific to the facility. This system allows responsive, centralised management of the facility's energy performance – an innovation recognised in 2013 with a Healthcare Sustainable Development award in the "Environmental Initiative" category.

In France, a single national maintenance plan for all sites is also circulated each year by the Safety and Security Department. This is adapted for each facility using the field knowledge and technical expertise of a network of 14 Safety and Security Managers covering each region across France. The Technical Managers and Maintenance Technicians, in charge of implementing the plan, are asked to carry out the actions listed and record their progress in a logbook, which is then checked by the Safety and Security Manager. They also record the monthly water consumption of their facility.

In Germany, a similar remote monitoring system is used to collect data on electricity consumption. There are plans to install this system at all Group facilities in Germany in 2016. Audit reports and consumption analysis reports are published regularly. Overconsumption alerts are sent by head office to Site Technical Managers for information and action. Each month the Site Technical Managers enter water and gas meter readings in an internal dashboard of performance indicators. This is then analysed by Purchasing staff at head office according to predefined ratios.

In Italy, local Korian Safety and Security teams have special dashboards of performance indicators for monitoring consumption at facilities. Water, gas and electricity meter readings are not collected automatically by a remote system, but monthly by Site Technical Managers. A team of 8 Safety and Security Managers regularly visits facilities, particularly if overconsumption is detected, to analyse bills and recommend corrective measures.

In Belgium, an equivalent environmental management system was tested in 2015 in 2 facilities with a view to possible deployment. The idea is to control water leaks, monitor heating oil consumption and measure the reduction in electricity

consumption resulting from environmentally friendly practices. A specialised consultancy firm produces and finances renovation work, insulation and technical upgrades (new boilers, insulation, relamping, solar panels, etc.) at 18 of the Group's Belgian facilities to reduce their environmental impact and generate savings.

A PRELIMINARY STUDY IS ESSENTIAL TO TAKE STOCK OF THE GROUP'S ENVIRONMENTAL IMPACT

In 2015, before identifying priority actions and defining an effective and coherent CSR strategy, Korian took stock of the consumption of its facilities in France and their impact on the environment.

A detailed analysis of energy consumption at all of its facilities in France revealed significant differences in the energy mix used at the various sites – electricity, gas, heating oil – even for the same activity (heating, cooking, hot water, etc.). It is clear however that heating represents a major part of energy consumption, since ambient temperatures are regularly set too high – even at night – to ensure the comfort of residents and patients.

While it is easy to define an average annual ratio of water consumption – around 200 litres per day per resident or patient – this is more complicated when it comes to energy consumption, which varies with the seasons and outside temperatures. Nevertheless, the findings and reports of the 25 energy audits carried out in the 2nd half of 2015 in France and Italy provided an insight into consumption, as well as identifying concrete and effective actions for reducing this. In February 2016, relamping audits were also conducted at 6 facilities in France to produce an inventory of indoor and outdoor lighting and assess the potential savings that could be generated by fitting low-energy light bulbs. A relamping guide will be sent out to all sites in Europe in 2016, based on the findings of these audits as well as the Group's commitments on the subject.

Lastly, it is clear that waste management is currently not harmonised at Group level, which varies depending on the country, region, municipality and commitment of the 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 of the sites measure these quantities with a view to reducing them. A review of current practices at sites in France is therefore essential in 2016 in order to draw up a Group-wide strategy and commitments for waste management and reduction.

These various reports give Korian an insight into consumption at its facilities and enable it to identify potential savings to be implemented in 2016. They also show that it is essential to have an environmental action plan that is both ambitious and adaptable to the technical characteristics and operational situation of each facility.

MAKING SUSTAINABLE DEVELOPMENT A PERMANENT PART OF THE FACILITY'S PRACTICES

Simply monitoring and analysing consumption is not sufficient to reduce it. Korian is keen to galvanise all of its teams and coordinate an active network of stakeholders to drive sustainable changes in daily habits and make sustainable development a permanent part of the facility's practices.

To achieve this, effective technical actions must be widely disseminated and implemented by teams in charge of site

maintenance and security. For example, a major campaign for the gradual reduction in temperatures by adjusting boiler settings was launched in January 2016 at all of the Group's facilities in France. Other specific actions for reducing environmental impact will be integrated into the facility maintenance plan to be distributed by Regional Safety and Security Managers, such as the systematic repair of running toilets or adjustment of air conditioning settings.

To reinforce the positive impact of technical actions, Korian is keen to educate its teams and clients on environmentally friendly practices in 2016, through awareness-raising campaigns focusing on key areas such as lighting, heating, food waste, etc. The aim is to promote simple and impactful best practices to permanently change the habits and actions of residents, patients and employees – whether caregivers, chefs or maintenance staff – and thus significantly reduce the amount of water and energy wasted on a daily basis.

In Germany, audits are currently being carried out at 10 facilities to gain an insight into the day-to-day practices of staff and analyse the barriers to more responsible behaviour. This analysis will identify the most effective levers for reducing consumption – particularly of electricity – and lead to a practical guide on the key environmentally friendly practices being circulated to all facilities in 2016.

In Belgium, awareness-raising sessions on sustainable development were organised at the end of 2015 with the consultancy firm in charge of the renovation and fitting-out of 18 facilities, to link the technical actions put in place with essential environmentally friendly practices. The 2 facilities with smart meters also benefit from regular monitoring and information sessions. All Facility Directors were made aware of the importance of reducing energy consumption at the last annual conference.

Dedicated governance to manage the process in 2015-2016

In France, driven and coordinated by the Communications, CSR and Operational Marketing Department, the Korian group introduced dynamic and cross-functional governance in autumn 2015 to coordinate the definition and implementation of the environmental policy in 2016. This involved the creation of:

- a CSR Committee, headed by Operations General Management and working alongside the Communications, CSR and Operational Marketing Department, the Purchasing Department and the Maintenance and Security Department. The committee's task is to validate the strategic vision (priorities, objectives, timetable, implementation, etc.) and oversee the integration of CSR into the Group's strategy;
- a CSR Steering Committee, composed of members of the CSR, Maintenance and Security, Purchasing and Finance Departments. Its role is to define and implement the actions necessary for the environmental strategy to become established within the Group, to be validated by the CSR Committee;
- thematic working groups on food, energy, water, mobilisation, waste, relamping, etc. to fine-tune each project and compile best practices to be implemented within facilities. Each working group is composed of people with the best expertise in each theme covered.

This dedicated governance ensures continuous and cross-functional monitoring of actions in order to develop a CSR policy suited to the operational reality of the facilities.

No administrative penalty for non-compliance with environmental regulations was identified and no environmental incidents reported. In 2015, only Belgium set aside a provision for environmental risks, for the amount of €250,000.

The indicator for noise pollution is not considered relevant in view of the Group's business activity. Notwithstanding the above, this exclusion will be reviewed each year based on the Group's areas of operation and its business activity.

Total energy consumption of facilities in 2015

The tables below show energy consumption, i.e. gas⁽¹⁾ electricity and fuel oil, in 2015 for France, Germany, Italy and Belgium.

	Natural gas	Electricity	Fuel oil	Total
France				
In MWh	103,809	112,747	6,367	222,923
In €	4,696,725	14,576,471	362,708	19,635,904
Number of beds	19,193	27,257	2,071	N/A
Equivalent MWh/number of beds	5.41	4.14	3.07	N/A
Tonnes equivalent CO ₂	22,734	9,245	2,063	N/A
Germany				
In MWh	76,532	39,513	5,365	121,410
In €	4,181,274	7,956,759	347,214	12,485,247
Number of beds	11,432	15,330	998	N/A
Equivalent MWh/number of beds	6.69	2.58	5.38	N/A
Tonnes equivalent CO ₂	16,378	18,215	1,738	N/A
Italy				
In MWh	8,008	10,016	805	18,829
In €	339,648	1,617,733	71,621	2,029,002
Number of beds	1,177	1,939	279	N/A
Equivalent MWh/number of beds	6.80	5.17	2.89	N/A
Tonnes equivalent CO ₂	1,714	4,067	261	11,109
Belgium				
In MWh	30,042	12,919	6,586	49,547
In €	1,768,907	2,331,238	791,462	4,891,607
Number of beds	4,543	5,735	1,583	N/A
Equivalent MWh/number of beds	6.61	2.25	4.16	N/A
Tonnes equivalent CO ₂	6,429	2,842	2,134	N/A

Measures taken to reduce energy consumption and prevent pollution risks

In terms of energy management, the Group is developing a responsible and rigorous strategy, without limiting the consumptions needed by the residents and patients. Energy efficiency is a priority in terms of both environmental protection and cost reduction. In 2015, Korian's environmental commitments were framed by the regulations applicable to all facilities in France and abroad. However, these will be strengthened in 2016.

With almost 700 facilities in Europe, Korian has an extensive property portfolio and strives to integrate innovative solutions

3.7.2.2 Effectively reducing the energy consumption of facilities

Energy consumption – particularly heating – accounts for the most significant part of the environmental impact of facilities in Europe. Reducing the Group's spending on electricity, gas and heating oil is therefore a priority for 2015-2016.

to protect the environment in all of its property projects. Sharing these ambitions, the property partners also want to promote the Group's values during new projects.

Across Europe, whenever old equipment is replaced and wherever possible, the Group's facilities use low-energy light bulbs. Relamping audits were conducted at 6 facilities in France in February 2016 to review lighting at the sites and identify the potential savings that could be generated by fitting low-energy light bulbs. The aim of these audits is to produce a "relamping guide", which will be distributed to all sites in Europe in 2016. Germany also plans to be proactive in switching to low-energy light bulbs, not only when light bulbs require replacement.

(1) Only expenditure on natural gas is provided, not expenditure on propane (price variable depending on the supplier, period, amount, etc.).

In the same way, some facilities use solar panels for hot water and to heat new buildings with sufficient sunlight. In Italy, 6 facilities, including 2 near Bari, have solar panels.

In 2011, Korian was the 1st Group in the medico-social and post-acute and psychiatric sector in France to measure the carbon footprint of all its facilities. These assessments accurately analysed energy consumptions, identified the low efficiency buildings and allowed the Company to schedule works in order to save energy and therefore reduce emissions. Energy savings certificates were issued for lagging plumbing systems, insulating roof spaces and upgrading air-conditioning systems.

In 2015, nationwide calls for tender on electricity and gas supplies were issued following the end of the regulatory tariff in France. The new contracts include monthly monitoring of consumption on a dedicated website and a visible record of electricity consumption over 3 years. Lastly, when possible, the facilities make the choice of town gas rather than using energies, which are less efficient, such as fuel oil.

In Belgium, 18 facilities benefited in 2015 from renovation work, insulation and technical upgrades (new boilers, insulation, relamping, solar panels, etc.), fully funded and carried out by a specialist consultancy firm. The resulting savings will be apparent from 2016.

Water consumption

	France	Germany	Italy	Belgium	Total
In m ³	1,895,673	847,392	136,797	227,363	3,107,225
In €	6,634,857	1,553,896	280,641	1,057,387	9,526,781
Number of beds	28,430	15,330	1,298	5,781	50,839
Equivalent m ³ /Number of beds	66.68	55.28	105.39	39.33	N/A

Measures taken to reduce water consumption and pollution risks

In France, Technical Managers, present at all facilities, send their water meter reading once a month to the Regional Safety and Security Manager. This monthly monitoring identifies potential overconsumption of water at sites without a smart meter, by assessing the amount of water used each day relative to the number of residents or patients at that facility. Technical Managers also receive regular group training from the Safety and Security Manager in their region on technical actions to reduce water consumption, as well as on the risks of legionella and burns.

The Korian group has also introduced a bio-cleaning concept at all sites in France, as described in section 3.7.1.4 of this Registration Document. This approach reduces water consumption, chemicals used, single-use consumables, which pollute significantly, and waste generation. The equipment used secures and limits the access of residents and patients to detergents (particularly in protected care units). The concept eliminates products in sprays, which reduces the risk of people

3.7.2.3 Limiting the consumption of natural resources

With nearly 70,000 residents and patients, the water consumption necessary for medical care and accommodation impacts significantly on the Group's environmental footprint. To ensure the comfort and well-being of clients, priority is currently being given to the systematic identification of leaks and ways of reducing these.

Total water consumption of facilities in 2015

The Group's facilities in each country are supplied by the municipal water supply. The table below shows annual water consumption in m³ for France⁽¹⁾, Germany, Italy and Belgium in 2015.

Only facilities with actual consumption data for 12 months of the year were taken into account. Where no more than 3 months of statements were missing for a facility, an extrapolation based on the average annual consumption could be applied to include that facility within the scope.

The number of beds is counted on the basis of the number of facilities included in the dataset.

who are attending the facility of inhaling chemical particles. Reducing the quantity of water used for cleaning the floors shortens drying times and therefore limits the occurrence of wet floors. The combination of these 2 features reduces the risk of slipping and falling and improves safety for people at the facilities. The Group aims to reduce its facilities' water consumption and use of chemicals by 50%.

The management of the risks associated with the water network is described in section 3.6.2.1 of this Registration Document.

Raw materials consumption

The Group is keen to reduce printing and paper consumption. In France, 24 tonnes of paper were printed by external service providers, such as sales brochures, payslips, internal communication campaigns, etc. Plans to digitise certain documents are under review for 2016. In addition, staff at the Group's Paris head office must now use their pass to collect printing, which reduces printing errors and abuses and thus lowers paper consumption.

In Belgium, payslips will be 100% electronic from 2016.

(1) The amount for France was calculated from an average national cost of €3.50/m³.

Protecting biodiversity

In its responsible purchasing charter, the Group in France requires that its suppliers commit to sourcing raw materials that limit the depletion of natural and non-renewable resources (oil, natural gas).

Some facilities in France, such as Korian Parc de l'Abbaye in Saint-Cyr, have formed partnerships with local beekeepers to sponsor hives and offer jars of honey to employees or clients. "Insect hotels" have also been installed in some gardens to preserve local biodiversity and provide a fun, civic-minded activity for residents and patients.

3.7.2.4 Reducing and recycling waste

While medical waste from activities with risk of infection is tightly regulated and managed at all Group facilities in Europe, the management of other waste (household and recyclable) has not yet been standardised or evaluated. This is therefore a priority for 2016.

Collection of waste from activities with risk of infection

As described in section 3.6.1.1 of this Registration Document, and according to the laws applicable in each country, the management of medical waste from activities with risk of infection is subject to specific internal procedures within the Korian group. These procedures explain the precise steps to follow and standard precautions for identifying, storing and disposing of medical waste, in the interests of personal safety and to protect the environment.

In France, as explained in section 3.6.2.1 of this Registration Document, the management of medical waste from activities with risk of infection is regulated by the French Environmental Code (particularly article L. 541-2) and Public Health Code, and is the responsibility of each facility. While the collection of medical waste from activities with risk of infection is still

managed locally at some facilities, in 2015 Korian increased the number benefiting from a centralised service provided by the same external supplier. This single supplier is also in charge of facility and employee laundry, to reduce transport to and from the facility and thus reduce the carbon footprint of this activity.

To introduce a standard internal procedure at all facilities, in 2015 the Ethics, Medical and Quality Department produced and distributed a special file containing the rules to be followed. Staff must record the weight of each special container in the file prior to collection, accompanied by all collection and destruction forms. The file is checked by Regional Quality Managers, who regularly evaluate the quality of service provided by the service provider. They also ensure that the internal system of management of medical waste from activities with risk of infection (sorting, packaging, collection, transportation, storage and processing) is properly run.

In Germany, the management of medical waste from activities with risk of infection will be standardised in 2016.

In Italy, sanitary waste management is also outsourced to specialist suppliers. To ensure the correct sorting and management of the waste generated, each facility provides operators with various specific containers for the corresponding waste type. The packaging includes identification data, including the description (e.g. EWC 180109 "expired medicaments") and any additional specifications from the department which generated the waste. The operators responsible for internal waste logistics are trained and informed in advance of the risks of handling waste and are provided with individual protective equipment, in accordance with workplace health and safety regulations.

In Belgium, medical waste is stored in special easily identifiable containers (yellow bags) allowing them to be transported without risk. A specialist company is responsible for their removal.

The table below shows the total weight of medical waste from activities with risk of infection collected in France⁽¹⁾, Italy and Belgium⁽¹⁾ in 2015, according to the records of external service providers responsible for waste management. This indicator is not available for Germany.

	France	Italy	Belgium	Total
Tonnes of medical waste from activities with risk of infection	238.00	246.00	0.50	484.50

Management and recycling of other waste

Each facility is in charge of managing its own waste output. In France, household waste is collected by the local council, as well as recyclable materials such as cardboard, glass and plastic in most cases. Facilities also took initiatives regarding best practices and implemented measures such as promoting composting, collection and recycling Waste Electronic and Electrical Equipment ("DEEE") or the recovery of batteries. In 2011 the Group signed a contract in France with a supplier for used cooking oil. This supplier recycles oil into biofuel at a plant in Limay.

Facilities that participated in the European Week for Waste Reduction in 2014 in France pursued their commitment in 2015 by raising awareness among teams on waste reduction, more responsible consumption (reusable products, etc.), the extension of product life (repair, composting, donation, etc.),

but also by distributing a practical guide on where to dispose of different types of waste.

A pilot project will be conducted in 2016 at several facilities in France to understand the causes and assess the amounts of bio-waste generated by meal production. Catering teams will be reminded of the importance of reducing food waste and recycling bio-waste, through educational videos and self-assessment forms.

At the Korian group head office in Paris, employees separate waste, use paper from sustainable sources and try to recycle used equipment.

In Germany, recycling is regulated by the Recycling and Waste Management Act. This provides a legislative framework and practices that are now commonplace in Western Europe, such as selective waste sorting, returnable systems for recycling glass bottles, etc. The aims and responsibilities in terms of waste reduction are determined by Article 13 of the recycling law

(1) For 230 facilities only.

(2) Excluding collection by local laboratories.

(*Kreislaufwirtschaftsgesetz*). The producer or holder of the waste is responsible for recycling it. Recycling must be favoured over destruction. With this in mind, instructions and systems designed to encourage are in place. It is now the best way to ensure compliance with paragraph 6 of the *Kreislaufwirtschaftsgesetz* law.

In Belgium, nursing homes are encouraged to sort waste and collect plastic, metals and cardboard separately. This has been obligatory for care homes in the Flanders region since July 2013. Since 2014 this has also been the case for care homes in Brussels. In Wallonia, there is currently no obligation.

3.7.3 Societal information

Korian wants its facilities to be reassuring and friendly places to live and feel at home, adapted to the wide-ranging needs and expectations of its residents and patients. By creating an environment that is both secure and open to the outside, the Group offers excellent made-to-measure support for the elderly at every stage of their life to assist them in Ageing Well.

With nearly 700 facilities in Europe creating thousands of local jobs, Korian actively participates in the economic development and social life of the communities in which it is based. It regularly partners local hospitals, universities and non-profit associations to broaden its sphere of action and encourage best practices to be shared within the sector.

The safety and well-being of residents and patients is a priority for the Group. Korian's teams have unrivalled knowledge and expertise in caring for the elderly. They listen to their needs to help them in Ageing Well, to continue to enjoy life and remain independent, whether they live at home or in facilities.

3.7.3.1 Improving the local economic and social impact of the Company's business activity

With strong links to the local community, the Korian group's facilities are open to the outside world and play a key role in the regions where they operate, through their contribution to the local economy, involvement in local care provision, close cooperation with supervisory authorities and local councils, participation in intergenerational solidarity, sponsorship and partnerships. These actions reflect the Group's commitment and societal responsibility.

Regular dialogue with local, regional and national organisations

The Korian group's facilities regularly partner hospitals, universities, research centres and non-profit associations to support their activities, work and actions.

PARTNERSHIPS WITH HOSPITALS AND RESEARCH CENTRES

In France, the Group is developing close partnerships with hospitals and clinics through agreements and by ensuring the transfer of patients' medical records to guarantee continuity in terms of medical care. The Regional Directors play a key role in relations with the administrative bodies thanks to an active and consistent presence. Partnerships with hospitals also allow Facility Directors to take part in certain conferences.

In Belgium, there are cooperation agreements between SLG and general hospitals (particularly with geriatric services and palliative care). These partnerships are compulsory and organised in all facilities.

A partnership with Assistance Publique - Hôpitaux de Marseille (Public Assistance-Marseille hospitals)

At the end of April 2014, the 16 Group facilities in Bouches-du-Rhône signed an agreement with Public Assistance - Marseille hospitals (AP-HM) to optimise the path of medical care provided to the elderly between Group facilities in the region and the different hospitals in the city. This collaboration is beneficial to patients since the agreement includes procedures to streamline the care pathway for the elderly. The agreement also organises and facilitates the transfer of residents and patients (sharing of medical records, administrative information, etc.) to ensure optimum monitoring of each resident and patient and pool best medical and paramedical practices.

A partnership with the Maison Médicale Jeanne Garnier in the Paris region

This partnership, which aims to improve the care of end-of-life residents and patients involves sharing best practices between the teams of both structures and shared reflection on innovative treatment strategies for end-of-life residents. The Maison Médicale Jeanne Garnier receives end-of-life patients from the 19 Group facilities in Paris who need to be hospitalised. At the same time, the Group receives hospitalised patients at the Maison Jeanne Garnier who are no longer able to return home. Treatment in long-term care nursing homes is for stable residents and patients, provided they or their family have given consent.

Partnerships with universities in Italy

4 years ago, a Master's degree on the psychology of ageing was developed in Italy with Pavia University, enabling psychologists qualified in this field to undergo an internship in a Korian facility, ultimately leading to the possibility of recruitment. Additionally, Korian in Italy has entered into partnerships with certain universities in Milan (*Politecnico di Milano, Cattolica, Bocconi*) within the framework of its employee recruitment policy. Various other partnerships have also been formed locally to facilitate access to physiotherapist and nursing internships.

In 2015, around 10 conferences were held on Alzheimer's disease, Ageing Well and healthcare practices in medico-social facilities. These conferences, co-organised by Korian staff in partnership with universities or hospitals and attended by up to 400 people, took place all over Italy. The Italian programme "*Educazione Continua in Medicina*" allows conference delegates to earn training credits for attendance.

PARTNERSHIPS WITH ASSOCIATIONS

In France, the Group partners various associations to ensure the well-being of its residents, such as the S.I.E.L. Bleu association, which organises fall prevention workshops and light exercise for residents. The Group also supports the "Aidant Attitude" non-profit association, which works to provide as much information as possible to families with a dependent member. Korian's partnership hinges on the organisation of practical workshops within its facilities, the distribution of the new "Petites recettes entre aidants" guide and on implementing practical measures to assist families who are placing a member in a specialised facility.

Korian also partners the French association for Alzheimer's and related diseases, particularly to mark World Alzheimer's Day, which in 2015 coincided with the association's 30th anniversary. In addition to financial support, the partnership strengthens interaction between Korian facilities and local associations. Korian also attended the Village France Alzheimer in Paris for a special conference in September. A training session was also offered to employees at Korian's head office in France by directors of the French Alzheimer's association, to improve their understanding of the disease and educate them on the non-profit association's work and the everyday difficulties encountered by residents and their relatives.

In 2015, a 3-year partnership was signed with the non-profit organisation Innovation Factory and its Web School Factory, a centre of digital excellence based in Paris, which encourages dialogue between companies, students and start-ups. In April, Korian organised its first "Weekend Challenge", when students imagined what it was like to be over 80. Their challenge: to suggest technological solutions to help maintain communication and social bonds between residents and their families, but also with the outside world. The aim was to choose the best ideas and transform them in the medium term into concrete solutions that could be tested and then introduced at Korian facilities.

In Germany, there are also many partnerships with the public sector and non-profit organisations, yet these are generally not formalised.

In Italy, the Group has a strong partnership with the *Federazione Alzheimer*. As a sponsor of the non-profit association, Korian benefits from training and the opportunity of communicating with members on the services offered by the Group's facilities to support sufferers and their relatives. Korian also supports research into Alzheimer's disease through an annual donation to the Policlinico hospital in Milan.

Facilities open to the outside

As well as being a proper place to live, Korian facilities are open to the outside and an important part of the local community.

In France, for example, the "Petite Maison Korian" is a space run by the Korian Artémis long-term care nursing home, which can be privatised free of charge for the families. On World Alzheimer's Day, open days are held so that families can attend conferences given by the facilities and have discussions with the in-house psychologist about the difficulties related to this disease. To encourage interaction between different generations, some facilities have a "children's corner" with a drawing table, blackboard, games, etc.) or have signed an

agreement with a school or extracurricular establishment in the local area (for excursions, workshops, fêtes, etc.). Many sites participate in the annual Neighbourhood Day, an event that creates social ties based on community involvement, solidarity and citizenship.

In March 2016, Korian also opened "Chez Mathilde", the first restaurant in a nursing home to be open to the public. This innovative and unique idea was suggested by Korian Reine Mathilde in Grainville. It opens the facility up to the public, enabling people to discover a new restaurant while challenging preconceptions about nursing homes.

The facilities in France are also members of professional unions in the medico-social sector, such as the Syndicat National des Établissements et Résidences Privées pour Personnes Âgées (SYNERPA) and the Fédération de l'Hospitalisation Privée (FHP) in the post-acute and psychiatric sector. The professionals are involved in these unions and are therefore well informed and can exchange and actively take part in the transformation of the sector.

In Germany, all facilities form partnerships with local schools to encourage younger and older generations to meet. Some sites also open their cafeteria to the public in the morning or afternoon, serving hot or cold beverages to visitors as well as residents and patients.

In Italy, facilities hold regular open days, particularly for their inauguration. All facilities work with local schools and occasionally organise events for children and the elderly (e.g. Grandparents' Day, Neighbourhood Day, etc.).

In Belgium, students can do a placement in any care home (in care but also in other areas, such as cooking). Those in their dissertation year can do on-site research. Moreover, facilities often invite elderly people in the local area to events organised internally. Some sites also host a coffee morning once a month to introduce people to the facility and demonstrate the quality of service. In Belgium, the Group also plans to deploy a best practice adopted by a facility in the Flanders region, which regularly organises quizzes with local sports teams.

Support for local employment and regional development

A new facility is a source of local economic and social development for the surrounding region. As well as creating local jobs, a new site boosts local consumption, both in terms of building maintenance and in terms of the purchases necessary for its operation.

The establishment of a new facility in a region is strong growth driver. In France:

- a long-term care nursing home with 100 or so residents represents around 90 local jobs;
- a post-acute and rehabilitation care clinic of 100 or so patients represents around 121 local jobs.

Each new facility thus translates into local hiring. This local economic strength due to the arrival of a facility in the region goes beyond direct employment, since each facility is a large local consumer in terms of maintaining the building, its gardens and purchasing local consumer goods. In France, the Group

is mainly based around Paris and in the south-eastern part of the country (Provence-Alpes-Côte d'Azur). To support local manufacturing, the Group favours products made in France. Therefore, all beds, purchased from a French supplier, are made in France. The same goes for 60% of the medical products it uses in part of the France network.

With a consistent local demand in dependency care in France, the Group has shaped its strategy around the implementation and development of local gerontology businesses. The aim is to provide the dependent elderly with a continuum of medico-social (long-term care nursing home), post-acute and psychiatric (post-acute and rehabilitation care clinics, hospital home care) and social (home) care and limit unnecessary hospitalisation, which leads to disorientation issues for residents and patients and higher costs for the community. In addition to the improvement of the healthcare paths for medical care of dependent people, this approach promotes and shares best practices, creates synergies and allows neighbouring facilities or entities to share resources.

The impact on local populations in Germany, Italy and Belgium has not been assessed.

3.7.3.2 Prioritising the safety and well-being of residents and patients

Strict quality procedures are put in place in facilities to ensure the health and safety of residents and patients. Korian also pays special attention to the well-being of its clients and proper care for elderly with dementia.

Ensuring the health and safety of residents and patients

The Group takes numerous measures to limit its exposure to risks inherent to its dependency care, medico-social care and post-acute and psychiatric care activities, as outlined in section 3.6 of this Registration Document.

MINIMISING THE RISK OF EPIDEMICS

Reducing the mortality of residents in long-term care nursing homes during the epidemic season represents a genuine public health issue. A widespread study conducted over 12 months in 27 long-term care nursing homes in France by the Korian Ageing Well Institute, in association with the Conservatoire National des Arts et Métiers and ANIOS laboratories, revealed the short-term impact of good hand hygiene on mortality. Fewer deaths were observed in the intervention group than in the control group: 2.45%, compared with 3.64%.

On the basis of these results, operational recommendations have been implemented to improve the detection of epidemic at risk situations and the awareness of employees, residents and external stakeholders, and to allow the swift deployment of measures to reinforce hand hygiene practices and effectively combat the spread of epidemics. A special 3-step programme

has been developed for Korian facilities and will be deployed in 2016:

1. acquire key responses and basic practices through staff training by public health nurses and the systematic provision of a hand hygiene kit;
2. launch a specific communication campaign to educate the public, residents and professionals on the importance of hand hygiene and the availability of soap dispensers and alcohol-based solutions at strategic points within the facility;
3. introduce special measures during the epidemic season, such as systematic hand-washing, increased communication and bio-cleaning of the facility, wearing of masks, etc.

For information on the work and publications of the Korian Ageing Well Institute, see section 3.8 of this Registration Document.

Each long-term care nursing home in France performs a self-assessment of its infection risk control. This analysis is attached to the "blue plan", described in section 3.6.2.1 of this Registration Document.

In Germany, the Quality Manual contains clear instructions on the hygiene procedures to follow. All staff are trained in these practices and evaluated once a year by the Quality Managers or authorities.

In Belgium, a unique and regulatory hand hygiene procedure is implemented at all facilities. The application of this procedure is monitored by the government.

Flu vaccination campaigns are also held each year in the 4 countries where Korian operates.

PREVENTION OF CLIMATE RISKS

In France, in accordance with the national heatwave plan published by the Ministry of Social Affairs and as described in section 3.6.2.1 of this Registration Document, each facility prepares and updates its blue plan or white plan annually, chiefly to prevent and reduce the health consequences of a heatwave. The implementation of a plan by the Facility Director and the health workers enable that site to be involved in a quality driven process by drawing up a comprehensive inventory of its usual operational capacities and evaluating its ability to handle an extraordinary situation or a crisis. The blue plan also covers extreme cold weather or extreme climate events.

This management tool helps the facility anticipate the consequences of an identified risk, improve response in the event of an alert and work on procedures to further adapt and optimise the protection and the well-being and health of residents and patients. In order to deal with heatwaves, for example, all of the French facilities have air-conditioned or cooled rooms and mobile air conditioners, as well as blackout blinds that can be fitted on the windows of the bedrooms that are the most exposed.

In addition, the medical staff organises "Hydration & Prevention - Dehydration Treatment" protocols in order to identify the people at risk and adapt the treatments and therefore avoid certain residents becoming dehydrated during a heat wave. Thus, in French facilities, the Blue and White Plans are sent to the facilities every year in April so that they are ready by 1 June (alert levels, list of most vulnerable people, procedures for hydrating and cooling people, access to cooled rooms, use of air conditioners, adjustment of menus, reviews of prescriptions when necessary, inventory of staff and doctors present or to call, compulsory training courses for employees, emergency contact details, etc.). A power failure risk analysis must also be attached to the Blue and White Plans.

In Germany, a similar regulatory risk management procedure is also adopted during extremely hot or cold spells or extreme climate events.

In Italy, facilities are also equipped with air-conditioned rooms and we have maintenance contracts with an independent firm that is in charge of managing the temperature.

In Belgium, a heatwave plan comes into effect as soon as the outside temperature exceeds 29°C for 2 consecutive days or when requested by the Group or government. The plan sets out the rules to be followed within facilities, such as closing windows and shutters, not going out during the hottest part of the day, using fans or air conditioning, making water available at all times for employees as well as residents and patients, etc.

For more information on the subject, see sections 3.6.2.1 and 3.7.3.2 of this Registration Document.

REDUCING FALLS AND ACCIDENTS

In France, the Group partners and sponsors the "SIEL Bleu" association, which organises fall prevention workshops and light exercise for residents.

In Germany, a plan for the prevention of falls and pressure sores through mobility monitoring was launched in 2015. This equipment is used to monitor the movements of residents and patients and alert the medical care teams when patients must be moved or left in bed.

In Belgium, a national fall prevention week is held in April each year, when the elderly and their families are made aware of the issue through special events and documentation.

SAFETY OF BUILDINGS AND INSTALLATIONS

In France, Safety and Security Managers are responsible for enforcing regulations on fire safety, monitoring health risks and accessibility of facilities for disabled people.

In Germany, a legal obligation called BGVA3 requires technical equipment to be checked once a year. During 2014, Germany delivered training to Technical Directors and Facility Directors enabling them to inspect electrical equipment that could potentially injure residents (beds, medical equipment). Quality procedure instructions have been implemented to detect and measure risks that could harm residents and patients.

Risk management in relation to the safety of buildings and installations, asbestos and safe administration of medication is also described in section 3.6.2.1 of this Registration Document.

Promoting the well-being of residents and patients

As European leader in Ageing Well, Korian prioritises the well-being of the elderly, regardless of their level of dependency. Across Europe, the Company tends to prefer non-drug therapies for the treatment of residents suffering from dementia.

THE WORK OF THE KORIAN AGEING WELL INSTITUTE

A leader of Ageing Well in Europe, Korian has a duty to address the challenges of ageing. By 2050, 1/3 of the population will be over 60. While this represents the undeniable progress of our civilization, it is also a formidable challenge for society. What is at stake is not only the quality of care provided to the elderly, but their quality of life more generally. In 2013, the Korian group set up the Korian Ageing Well Institute to contribute to the collective awareness and improvement of resources on the subject.

By making innovation and thinking central to its approach, the Korian Ageing Well Institute seeks to advance knowledge, support professionals in the practice of their profession and improve the daily lives and care of the elderly, mainly through a rigorous documentary resource on the challenges of growing older and Ageing Well issues.

Accordingly, the extensive work carried out by the Institute involves:

- societal research, to pre-empt societal developments and continue research into ageing;
- applied research, to explore new solutions and continuously improve the everyday life of the elderly, their families and care assistants.

Since it was established, the Institute's staff have conducted studies at Korian facilities on subjects linked to communal living and enjoyment, such as the effectiveness of games in treating Alzheimer's disease in long-term care nursing homes, crushed tablets and the taste of food, or the importance of good hand hygiene to reduce elderly mortality. It has also published an Ageing Well Survey – the first of its kind in Europe – in association with Ipsos, to understand how the elderly live and their general attitudes towards issues such as health, family, recreation, etc. The results were presented in February 2015 to Laurence Rossignol, Secretary of State for the Family, Elderly People and Adult Care, and garnered extensive media coverage.

For information on the work and publications of the Korian Ageing Well Institute, see section 3.8 of this Registration Document.

PREFERENCE FOR NON-DRUG TREATMENTS

Korian prefers non-drug treatments for cognitive, functional and mood disorders (e.g. anxiety, etc.) or behavioural problems of residents and patients with Alzheimer's or related diseases. In France, these disorders are evaluated by the facility's medical director as part of the geriatric assessment of the elderly person, conducted by different therapists and practitioners in consideration of the person's needs and expectations.

Depending on the problems identified and the profile of the resident or patient (level of dependency, physical and cognitive abilities, etc.), tailored therapies are proposed and incorporated into the person's care plan.

- For cognitive disorders, stimulation therapy and cognitive rehabilitation, such as memory workshops or the HAPPY Neuron software from Creasoft for long-term care nursing homes, allow psychologists to stimulate the resident's memory and analytical skills. Social activities such as cooking, tidying and gardening also contribute to the support and care for the elderly person.
- To treat functional and practical disorders, physiotherapists and occupational therapists may suggest environmental therapies and/or stimulation of activity in a gym or physiotherapy room, based for example on special exercises to improve balance and prevent falls. The Silverfit tool helps to maintain functional skills and prevent osteoporosis by enabling residents and patients to remain independent and active and maintain their reflexes and coordination. Activities such as tai chi or osteopathy may also be offered alongside this.
- Non-drug therapies such as memory stimulation, empathy or improvement of self-esteem are used by psychologists to treat mood disorders, for example by simulating family presence (using videos, photos, etc.) or encouraging residents to reminisce about people or places from their past.
- To calm behavioural disorders, psychologists prefer therapies based on sensory or multi-sensory stimulation, such as "Snoezelen" rooms, balneotherapy, aromatherapy, art therapy, music therapy, etc. Mediation activities using the game "Ludim" (assembly, symbols, etc.) can also be used to entertain residents, ease anxiety and boost self-esteem. Recreating a familiar and soothing environment can also reduce the anxiety of people suffering from dementia (in Milan for example, a Group facility has recreated the interior of an old rail carriage).

In France, Korian has introduced an activity cart to offer an alternative to drugs for treating mood and behavioural disorders among residents. This innovative concept is designed to divert attention from negative stimulus – a source of distress, anxiety or stress – using recreational stimulation to alleviate behavioural problems. Like the emergency carts found in hospitals, the activity cart is left in the corridor so that it is always to hand and contains 11 emergency-response activities (for agitation, wandering, aggression, violent confrontations, delusions, etc.), such as newspapers and magazines, massage oils and creams, a CD or MP3 player with ambient mood music, modelling clay and felt-tip pens, relaxation balls and cushions, empathy dolls, etc. To evaluate the take-up among medical care teams and the impact of the cart on residents, the Korian Ageing Well Institute launched a 6-month experiment in February 2016 at 40 Korian long-term care nursing homes.

Traditionally used with young children, the Montessori method has been adapted for use with people suffering from Alzheimer's or similar diseases. Based on knowledge from neuroscience, it focuses on non-verbal, sensorial and motor communication. The Montessori method draws on the faculties of elderly disoriented people and their emotional memory to overcome cognitive difficulties. Its specific applications (adapted activities and environment, how to behave, etc.) have positive effects on

quality of life, social participation, self-esteem and behavioural problems in disoriented elderly people. Although it is very widespread in the United States and in 17 countries worldwide, the method is not currently widely known in France. The Korian Training Institute in France offers staff training in the Montessori method, which 938 employees took in 2015.

Another original example can be found at the Korian Rive de Sélune facility in France, which opened its "family home" in December 2015. This features a 1960's/1980's interior to create a familiar, nostalgic environment for residents. Residents' families can book to stay there for a weekend or a whole week. This unique concept helps to maintain an emotional connection by allowing families to spend time with their relatives and regain a sense of intimacy in a safe "home-from-home" environment, while being close to the safety of the facility. The aim is to maintain physical and mental abilities through sensory stimulation and encouragement, accompanied by a non-drug approach towards anxiety and agitation.

SPECIAL EVENTS AND AREAS FOR PEOPLE WITH ALZHEIMER'S

Within the medico-social facilities of the Korian group, communal living areas are specially designed to meet the specific needs of people with Alzheimer's or other related diseases. These spaces, which are open to the outside and have a fitted kitchen area, benefit from round-the-clock security. Medical staff are trained in alternative and non-drug therapies such as the Montessori method, and organise suitable activities, mainly based on games and domestic chores (laundry, housework, gardening, etc.).

In France, care units in long-term care nursing homes are now known as "Aloïs spaces", a reference to Aloïs Alzheimer, the German psychiatrist, neurologist and neuropathologist known for his description of the disease that bears his name. In 2015, facilities were asked to come up with a new name for these dedicated areas, not only to standardise the name but to soften the medical-sounding aspect of previous names.

Seasonal cues are important for the orientation of residents suffering from Alzheimer's or related disorders. In 2015, Korian France asked all facilities with an Alzheimer's area to install a coat hook in the living area and to hang garments and accessories on it reminding residents of which season it is (e.g. a gardening apron and sun hat in summer, wax jacket and rain hat in autumn, etc.).

On 18 September 2015, Korian's long-term care nursing homes in France also celebrated World Alzheimer's Day, when each facility was asked to organise events around a "wishing tree". Made from paper or cardboard, each tree was decorated with the hopes, dreams and wishes of residents, which were then entered in their personal life plan. Where feasible, the facility endeavours to make the wishes come true. The long-term care nursing homes could also submit a residents' wish to head office and request additional funding to achieve it. For example, 2 residents of Korian Le Rayon d'Or in Lagord were able to go sailing for a day, an emotional experience both for the residents and their escorts.

NUMEROUS AND VARIED EVENTS

The Group is committed to making events an important part of residents' cultural and social life. Activity leaders at facilities help to combat isolation and enhance the sense of fulfilment of residents in their everyday life by designing, organising and running social activities in line with the facility's vision and the social life plan of the elderly concerned. The aim is to improve their quality of life, taking into account their wishes, needs, level of dependency and health. Joint projects between long-term care nursing homes and the outside world are organised through trips, multi-generational events, partnerships, etc.

In 2012, Korian introduced a Korian activity policy in France, which it reviewed in 2015 following the merger. The policy includes 4 activity packages covering different types of activities:

- the "meeting and sharing" package consists of activities that help the person thrive within their social and sociocultural environment, through multi-generational events, board games, meeting people from other facilities, etc.;
- the "culture and creation" package includes jazz concerts, creative workshops, cognitive activities and writing workshops;
- the "balance and well-being" package is aimed at encouraging residents' independence, through walks, light exercise, beauty treatments, etc.;
- the "home life" package, with, for example, cooking, gardening, etc.

In Germany, the Quality Manual recommends the activities most suited to each patient and resident, with a wide choice of activities and non-drug therapies.

In Italy, each facility defines its own activity policy. Many initiatives have been implemented to improve the well-being of residents and patients. In 2015, a facility launched an innovative project: Dog Camp. This allows residents and patients to have their pet with them and engage in a gentle and calming non-drug therapy. This method, which is unique to Italy, has been widely publicised in the media and in Group communications within the country.

A new activity project was launched in Belgium in 2015. An audit was carried out at 12 facilities to assess the feasibility of a medical history on arrival and a personal activity plan. The aim of the audit is to gain an insight into the activity needs of residents in order to offer a more individual approach and organise group activities tailored to the preferences and abilities of participants. The project represents a whole new approach towards facility activities and will take effect in 2016.

EATING WELL MEANS AGEING WELL

Good food has always been a priority for the Group. This is a major expectation of residents and patients and their families, whose well-being largely depends on meeting this criterion. With around 76 million meals served each year in Europe, Korian embarked on a new phase in 2015.

Since the spring of 2015, Accommodation and Catering staff have defined and deployed a new catering proposition in France, which emphasises enjoyment and social interaction at mealtimes. By offering "home-style" cooking, Korian encourages its chefs and their teams to prepare meals using fresh seasonal ingredients and traditional recipes. The Group has also identified several recipes as menu essentials: salad dressings and home-made soups, apple tarts, savoury tarts, omelettes and snacks, made on the premises every day of the year. Serving fruit and vegetables when they are in season is basic common sense, since not only is the produce at its best at this time, but it also acts as the ideal seasonal cue for disoriented people.

Following the introduction of the new policy on food, prepared daily by Korian staff at each facility, the Group in France issued a nationwide call for tender in 2015 and chose Sodexo to supply raw ingredients and provide technical advice for its chefs. This 3-year partnership is designed to consolidate Korian's culinary identity based on a single ambition: to ensure the well-being of residents and patients by offering enjoyable, home-made, tasty and delicious food. With the help of food experts, with a Catering Advisor in each region and a network of 11 dieticians specialising in elderly health and nutrition, and by training its staff, notably with the assistance of the renowned Ecole LeNôtre and Ecole hôtelière Guillaume Tirelto catering schools, Korian is keen to develop the expertise and know-how of its chefs, particularly in terms of service and taste.

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

The Korian group follows the recommendations of the French government's task force on institutional catering and nutrition and recommended dietary allowances. The menu plan is approved by qualified nutritionists and the menus are nutritionally calculated each season. To help chefs, a dietary guide with menus is provided, as well as also an e-learning video on "nutrition and diets". All meals are available in different consistencies to cater for everyone's needs. Identical to the full menu, these meals are prepared by separating out each component to preserve the taste of the food.

Korian also has a training programme for its meal service, either with individual training on site, video training, or deployment of the "12 golden rules of dining room service".

In Germany, a similar post will be created in 2016 to compile the best practices to be included in the Quality Manual for staff. In Belgium, a new Catering Manager post was created in 2015 to evaluate the practices of kitchen staff and improve the quality and taste of the meals served in facilities.

A new approach to examining ethical issues

Section 3.7.1.3 of this Registration Document outlines this measure.

3.7.3.3 Listening to residents and patients

Korian listens to its clients and regularly analyses the satisfaction of residents and patients, as well as their families. By understanding what is most important to them, the facility is able to take swift action and effectively meet their expectations.

Results of the European client satisfaction survey

The Korian group regularly polls its residents and patients and their families to assess client satisfaction at its post-acute and psychiatric care facilities and medico-social facilities. The aim of these client "Satisf'aktion" surveys is to perform a strategic analysis for each country so as to understand the main drivers for improving satisfaction and to identify best practices to be introduced across the network. They also allow the operational management of client satisfaction to be optimised across each region, and especially each facility, in relation to its specific characteristics (client profile, key strengths, areas for improvement, etc.).

To ensure that the results for 2015 were comparable between countries, the Korian group's General Management decided to implement a single Europe-wide client satisfaction survey. Extensive standardisation was carried out in 2015 across the 4 countries by the Communications, CSR and Operational Marketing Department and research institute Research Experts. Together they designed a single European framework questionnaire for each of the 2 networks (medico-social and post-acute and psychiatric), to provide comparable and relevant indicators from year to year. In 2015 over 32,000 questionnaires were completed by post, email or directly on site within the Korian group's post-acute and psychiatric care facilities and medico-social facilities in Europe. Although Korian has chosen to conduct its medico-social survey once a year (from September to October), the regulations require post-acute and psychiatric care facilities to distribute satisfaction questionnaires year-round, whenever a patient leaves.

Clients are asked about key aspects of their care at Korian: medical care, daily care, comfort, bedrooms, catering, activities, dealings with staff, etc. Questions have been included in the medico-social questionnaire to assess the psychological and emotional well-being of residents, such as the personalisation of the room, the sense of feeling at home, involvement in decisions or making friends. To improve the analysis of results, a pre-qualification questionnaire was sent to facilities prior to the survey to better understand their specific features and interpret the results according to their inherent characteristics. In each country, a single methodological guide has been sent to staff to help them organise surveys. Each French facility is assisted by a Regional Quality Manager.

In France, the participation rate of residents in medico-social facilities and their families is over 44% (i.e. more than 14,000 completed and returned questionnaires), guaranteeing reliable results. The overall satisfaction rate is 95% for residents and 93% for families. In post-acute and psychiatric care facilities, over 10,000 questionnaires were completed in France, with an estimated overall satisfaction rate of around 92%. A new standardised questionnaire will be sent out in early 2016 to all of the Group's post-acute and psychiatric care facilities in France, as well as new satisfaction surveys for hospital day care patients and prescribers.

Participation in Germany is less than in other countries (33.5%). The overall satisfaction rate is 95% for residents of long-term care nursing homes and 93% for families; this rises to 98% for clients of assisted living facilities. The Group has no post-acute and psychiatric care facilities in Germany.

In Italy, 51.2% of those polled responded to the satisfaction survey. In total 94% of families and 93% of residents expressed overall satisfaction with their long-term care nursing home. This rises to 99% and 98% for day care centres.

Belgium recorded an excellent participation rate, higher than in other countries (58.7%). Overall satisfaction is less than in other countries, but good on the whole since 94% of residents and 91% of families say they are satisfied with their facility. In assisted living facilities, the satisfaction rate is 94%. The Group has no post-acute and psychiatric care facilities in Belgium.

The full results of the satisfaction survey in the medico-social sector were published in January 2016 on a special website accessible to all Facility Directors and Regional Directors. They are accompanied by a complete analysis report, customised for each site, to better understand the strengths and areas for improvement through general support and help with developing a suitable action plan. Post-acute and psychiatric care facilities can upload responses to questionnaires directly to the website and analyse client satisfaction in real time, either overall or in specific areas (e.g. staff listening skills, clarity of information, pain management, etc.). Each facility can also view the progress of results and compare them within the same region or nationally.

More importantly, it can analyse them according to the most impact factors for client satisfaction. These represent a priority for the Group and include the living environment, catering and social life for medico-social facilities, for example.

Lastly, facilities have PowerPoint documents and customised posters to present their results to residents, patients, families, visitors and employees, especially during meetings of facility bodies (Social Life Committee, User Relations and Dependency Care Quality Commission, etc.).

Continuous improvement of quality of service

Each country has a procedure for handling claims and complaints. New customer relationship management tools will be introduced in 2016.

HANDLING CLAIMS AND COMPLAINTS

In France, in July 2014, an "Ecoute Client" unit was established within the Quality and Risk Management Department of the DEMQ to handle all claims and complaints sent to head office, as well as to assist facilities handling and following up on claims sent to them. All claims (written and verbal) must be entered in a single management system and a response given within 5 days according to a standard procedure. The Regional Director must also be informed. In all facilities, the new management system for handling complaints and claims, "K-REC", was rolled out. In addition, in accordance with regulations, each long-term care nursing home has set up a Social Life Committee (CVS), while each post-acute and rehabilitation care clinic has set up a User Relations and Dependency Care Quality Commission (CRUQPC). These committees enable residents, patients and their families to meet and have discussions with the facility's management and staff.

In Germany, the Group has introduced a centralised and local claims monitoring system, which ensures that all claims are dealt with properly. This computer system allows facilities to assign complaints to one of 13 predefined categories (medical care, welcome, accommodation, etc.), and monitor their follow-up and progress in real time. Complaints must be handled within a maximum of 3 days. If the complainant is dissatisfied with how the facility handled the complaint, he or she can contact the claims management centre in Munich, which will then act as mediator. The centre also compiles statistics of claims logged in the computer system and publishes a monthly evaluation report for General Management.

In Italy, a customer relationship management system was developed in-house by the Marketing teams. It enables all of its users (call centre, facility reception, etc.) to find information on calls from residents, patients, families and prospective clients. This innovative software is completely adapted to the needs of the teams. It allows better monitoring, particularly of queries, claims or suggestions from families, and, quite simply, improves customer service. The system can also be used directly to update the occupancy rate of facilities in the Lombardy region. In 2016, France will have a similar tool, called UNIK.

In Belgium, the complaints and claims call centre is managed directly by the government. The regulations also require residents and families to have a dedicated mailbox at each facility.

LISTENING TO AND INVOLVING FAMILIES

In all Korian group facilities in Europe, dialogue with residents, patients and their families is fostered through mandatory regular meetings. These ensure that clients' rights are respected and make it easier for them to submit suggestions and complaints. They also improve the facility's care policy and the care of the resident and patient, as discussed in section 3.6.2.2 of this Registration Document.

3.7.3.4 Engaging in the fight against corruption and anti-competitive practices

Through its responsible purchasing policy and the deployment of strict internal control procedures, the Group fights against corruption and anti-competitive practices, particularly in dealings with its partners, suppliers and subcontractors.

Responsible purchasing policy

Korian has adopted a sustainable development process involving its partners, suppliers and subcontractors. To do this, the Group maintains collaborative, fair and long-term relationships with its suppliers, based on a partnership approach and shared CSR objectives.

KORIAN'S LABOUR, ENVIRONMENTAL AND SOCIETAL CRITERIA AND COMMITMENTS

In France, a responsible purchasing charter defines the labour, ethical and environmental commitments that the Company requires from all its suppliers and from their suppliers in turn. Mindful of the importance of establishing trust with its suppliers, the Purchasing Department in France is also committed to selecting them openly, fairly and transparently, respecting confidentiality and the fight against corruption and conflicts of interest.

Respect for human rights and working conditions

Korian group suppliers undertake to put in place internal actions and procedures ensuring respect for the principles of the fundamental conventions of the OIT and human dignity, at all of their sites and those of their suppliers. These include:

- the total abolition of child labour and respect for the statutory minimum age;
- the elimination of forced and compulsory labour and degrading practices in the workplace (corporal punishment, sexual and psychological harassment, working under duress or coercion, etc.);
- guaranteeing a fair minimum wage that allows employees to have decent living conditions, taking into account the local cost of living;
- respect for the freedom of association and the right to collective bargaining under the legislation of the country and freedom of expression on matters pertaining to their working conditions;
- the elimination of any form of discrimination based on gender, race, religion or political affiliation and a commitment to diversity;
- respect for all laws in force at the national level and international regulations laid down by the OIT on wages, benefits and working hours;
- protection of the health and safety of staff, subcontractors, the public and users (statutory health and safety conditions, compliance with standards and regulations, etc.)
- Combating the sexual exploitation of children and child pornography.

Reducing the environmental impact

Suppliers also undertake to control and limit the environmental impact of their activities and to adopt environmentally friendly practices, namely:

- respect for international, national and local environmental regulations, particularly concerning the ban on certain hazardous products, substances and processes;
- the introduction of a process for continuous improvement of environmental management, aimed at reducing consumption and limiting discharges and the risk of pollution (water, air and soil), converging towards environmental best practice for the industry;
- control of the environmental impacts of production sites and the products and services offered (knowledge of the impacts, analysis processes and publication of results);
- sourcing raw materials that limit the depletion of natural (biodiversity) and non-renewable (oil, natural gas) resources;

- the development of a waste management and recovery policy throughout the life cycle of the products or services offered and a procedure for end-of-life recovery of manufactured products;
- offering innovative solutions so that Korian can reduce its direct impacts and providing the information necessary for environmental assessments and regulatory reporting.

Fighting against corruption

Lastly, suppliers working with Korian undertake to combat all forms of corruption and anti-competitive practices, namely:

- the ban on offering Korian group employees any benefits (free goods or services, jobs or opportunities) aimed at facilitating their activities with the Company;
- respect for the confidentiality of information and intellectual property rights;
- fairness and transparency of information disclosed and in situations that could pose a risk of a conflict of interest.

All of the contracts and tenders related to catering in France include sustainable development provisions. In addition to resident and patient satisfaction, the main compulsory requirement is compliance with applicable European regulations and national legislation.

In addition, bio-cleaning tenders, for which the operational approach is outlined in section 3.7.1.4 of this Registration Document, were governed by 3 major objectives: quality (obtained by method standardisation), product training provided by the supplier for the whole bio-cleaning team in the Group's French facilities as well as cost optimisation and environmental protection by using product-saving dosage systems (such as dilution systems, washing/rinsing dosage systems, etc.).

The Group has surrounded itself with proactive suppliers and strives to favour products made in France, which generate economic activity in the country. Three of its main suppliers are signatories of the United Nations Global Compact. One of its distributors of hygiene and maintenance products is ISO 9001 certified, while its supplier of medical dressings and wound care products is ISO 9001, 13485 and 14001 certified. This supplier also has standard AC2009 applicable to the manufacture of medical devices.

In Germany, suppliers are asked to collect pallets when they make deliveries in order to reduce waste and avoid empty-running. They also offer staff training on the proper use of products, particularly chemicals, so as to reduce the environmental impact. Finally, they commit to minimising and recovering all unused packaging.

AUDITS AND INSPECTIONS

In France, the sustainable purchasing charter states that the Korian group reserves the right to evaluate or audit supplier practices and request documents proving the compliance of the practices with the principles set out in the charter. Suppliers are responsible for managing the reporting necessary for this evaluation (procedures, tools and indicators). In the event of non-compliance with one or more principles, the supplier undertakes to implement a continuous improvement plan in conjunction with Korian's staff. In the supplier fails to comply with this commitment, Korian may decide not to work with it again.

In Germany, suppliers must complete a self-evaluation questionnaire and send proof of their sustainable development certification. The supplier self-evaluation form includes the commitment to CSR, such as guarantee certificates for environmental protection or the ban on forced and child labour. Internal audits are organised once a year.

In Belgium, the Group works with 2 outside companies which conduct investigations, analyses then make recommendations for investments in long-term care nursing homes in new energy-efficient technologies (replacing old heating systems in care homes, replacing old lighting systems with LED lighting systems, etc.).

Fair practices

FIGHTING AGAINST CORRUPTION

As a rule, the prevention of fraud and corruption is based on strict internal processes regarding power delegation and responsibility, contracting, and payment terms, which are all subject to systematic and regular internal controls. Furthermore, the Group is committed to fair trade practices.

In France, Korian always selects its suppliers or places orders using a fair, competitive process. The selection is based on an analysis table that includes several objective criteria, such as the amount of the offer compared with either the hours planned or references. The criteria are weighted according to their importance and the context.

In Germany, the Group applies the anti-corruption practices defined by the applicable laws.

In Italy, Korian introduced an e-procurement platform in 2013 to improve the reliability of the purchasing process. Thus, every purchase is submitted to a formal approval process on this purchasing platform. In addition, in accordance with internal processes, the main suppliers are always chosen following a tender process led by a purchasing committee, which includes not only buyers but also employees from operations. Suppliers are selected according to a quantitative (price, timescale, etc.) and qualitative (test phases, adherence to specifications) evaluation. The quality of the products purchased is monitored by the Purchasing Department throughout the contract, based on satisfaction surveys sent to facilities.

Pursuant to a 2011 law and as outlined in section 3.6.2.2 of this Registration Document, Korian in Italy has adopted a Code of Ethics, which covers all of the Group's values and commitments in Italy, notably impartiality, honesty, integrity, the prevention of corruption and the absence of conflicts of interest. It also sets out the commitments expected from employees and suppliers. The Group also undertakes to distribute documents on the procedures for applying Italian legislative decree No. 231 of 8 June 2001 to prevent all situations of non-compliance.

In Belgium, the inspection procedures are known about and approved by all stakeholders (management, inspectors, etc.). All manager contracts have a specific clause on conflicts of interest.

OTHER MEASURES TAKEN TO SUPPORT HUMAN RIGHTS

This indicator is deemed irrelevant to the Group's business activity. Notwithstanding the above, this exclusion will be reviewed each year based on the Group's areas of operation and the current situation.

3.7.4 Reporting methods

For this new chapter on labour, environmental and societal information, the process for determining the content of the report is based on adherence to the guidelines required by the Grenelle II law (in accordance with Article L. 225-102-1 of the French Commercial Code) and by decree No. 2012-557 of

24 April 2012 on the transparency obligations of companies in terms of social and environmental matters.

The cross-reference tables below show where to find the regulatory information required by the Grenelle II law in this Registration Document.

Information about the Group's workforce

		Chapter
Workforce	<i>Total workforce and breakdown of employees by gender, age and geographical area</i>	3.7.1.1
	<i>Recruitment and dismissals</i>	
	<i>Compensation and change</i>	
Work organisation	<i>Organisation of working time</i>	
	<i>Absenteeism</i>	3.7.1.4
Employee relations	<i>Organisation of industrial relations, in particular staff information and consultation procedures and negotiations</i>	3.7.1.5
	<i>Summary of collective agreements</i>	
Health and safety	<i>Health and safety conditions at work</i>	3.7.1.4
	<i>Health and safety at work agreements signed with the union organisations and staff representatives</i>	
	<i>Workplace accidents, in particular their frequency and severity, as well as work-related illnesses</i>	
Training	<i>Training policies</i>	3.7.1.2
	<i>Total number of training hours</i>	
Diversity and equal opportunity/ equal treatment	<i>The policy in place and the measures taken to achieve gender equality</i>	3.7.1.4
	<i>The policy in place and the measures taken to integrate disabled workers</i>	
	<i>The policy in place and the measures taken to combat discrimination</i>	
Promotion of and compliance with the ILO's fundamental conventions	<i>Respect for freedom of association and the right to collective bargaining</i>	3.7.1.5
	<i>The elimination of discrimination in the workplace</i>	
	<i>The elimination of forced or compulsory labour</i>	
	<i>The effective abolition of child labour</i>	

I Environmental information

		Chapter
General environmental policy	<i>Organising the Company to take environmental issues into account and, as the case may be, environmental assessment or certification processes</i>	3.7.2.1
	<i>Employee training and awareness-raising undertaken regarding environmental protection</i>	
	<i>Resources dedicated to the prevention of environmental and pollution risks</i>	
	<i>Provisions and coverage for environmental risks, provided this information does not seriously prejudice the Company in an ongoing dispute</i>	
Pollution and waste management	<i>Prevention, reduction and neutralisation of emissions into the air, water and soil that seriously affect the environment</i>	3.7.2.2
	<i>Measures to prevent, recycle and eliminate waste, including steps to promote the circular economy and combat food wastage</i>	3.7.2.4
	<i>Taking account of noise pollution and any other form of pollution generated by an activity</i>	3.7.2.1
Sustainable use of resources	<i>Water consumption and water supply according to local constraints</i>	3.7.2.3
	<i>Consumption of raw materials and measures to enhance efficiency in their use</i>	
	<i>Energy consumption, improving energy efficiency and promoting renewable energy sources</i>	3.7.2.2
	<i>Soil use</i>	3.7.2.1
Climate change	<i>Greenhouse gas emissions</i>	3.7.2.2
	<i>Adaptation to the impact of climate change</i>	
Protecting biodiversity	<i>The measures taken to enhance biodiversity</i>	3.7.2.3

I Societal information

		Chapter
Territorial, economic and social impact of the Company's business activity	<i>Employment and regional development</i>	3.7.3.1
	<i>Local populations and neighbours</i>	
Relations with people and organisations affected by the business activities	<i>Industrial relations with these people and organisations</i>	3.7.3.1
	<i>Partnerships and sponsorship</i>	
Subcontracting and suppliers	<i>A responsible purchasing policy taking into account the Company's social and environmental issues</i>	3.7.3.4
	<i>Importance of subcontracting and taking the corporate social responsibility of suppliers and subcontractors into consideration in relationships with them</i>	
Fair practices	<i>Anti-corruption measures</i>	3.7.3.4
	<i>Measures taken to promote the health and safety of consumers</i>	
Human rights	<i>Measures taken to support human rights</i>	3.7.3.4

A standard shared by the whole Group was circulated in the 4 countries. This methodological note specifies the methods for compiling labour, environmental and societal indicators.

The information published in this report highlights the Company's commitment to continuously improve the level of transparency

and accessibility of the Group's CSR practices. In addition, being aware of the significance of the information collected, the Company has implemented initiatives to raise the awareness of contributors and managers in order to strengthen the adoption of this report and contribute to making the data reliable.

3.7.4.1 Reporting scope and consolidation method

All indicators are reported for the Korian group's European operations (excluding acquisitions in 2015), or one company in each country following the merger, i.e. Korian in France, Curanum in Germany, Segesta in Italy and SLG in Belgium. It only includes quantitative data for facilities that joined prior to 1 January 2015, and which did not leave during the year.

For environmental indicators, only facilities with actual consumption data for 12 months of the year were taken into account. Where no more than 3 months of statements were missing for a facility, an extrapolation based on the average annual consumption could be applied to include that facility within the scope. The number of beds is counted on the basis of the number of facilities included in the dataset.

Korian has no classified installations in its facilities in France.

In Italy, cooperatives are excluded from the scope, except for training.

3.7.4.2 Reporting period

Indicators are calculated over the period from 1 January to 31 December 2015 (12 months), with data recorded at 31 December 2015.

3.7.4.3 Data collection

Data relating to the defined scopes were collected by the Group CSR Manager, recruited in 2015, who collected quantitative and qualitative information directly from each department concerned in France, and qualitative information from the Group's other countries.

To collect quantitative information from Germany, Italy and Belgium, a template of the table was sent to a country correspondent to standardise the definitions and calculation methods. Quantitative data entered in the template was

validated by the Finance Department of each country before being consolidated by the CSR Manager for the purpose of this chapter.

3.7.4.4 External audit

The CSR information sent was audited externally by Mazars SAS, designated independent third party and member of the Mazars SA network, Statutory Auditors of our Company. Detailed tests were carried out on the data considered most important.

3.7.4.5 Methodological clarifications and limitations

Firstly, certain indicators are not applied in Germany, Italy or Belgium. These exclusions are mentioned individually in the above report.

3.7.4.6 Absenteeism rate

The absenteeism rate for Italy and Belgium is obtained by dividing the number of hours of absence (for ordinary or occupational illness and commuting or workplace accidents) by the number of contractual and annual hours worked under fixed-term and open-ended contracts. In France, only open-ended contracts are taken into account.

3.7.4.7 Energy and water consumption

Each country entered quantified consumption data on the basis of invoices for 2015, information provided by service providers or readings taken by the facilities.

The Group calculates its direct greenhouse gas emissions (from burning heating oil and natural gas) and its indirect emissions (from purchasing electricity). The CO₂ equivalent in tonnes is calculated on the basis of the national or European averages⁽¹⁾ below:

I Calculation of greenhouse gas emissions

France	Natural gas	0.219 kg CO ₂ e/kWh
	Electricity	0.082 kg CO ₂ /kWh
	Fuel oil	0.324 kg CO ₂ /kWh
Germany	Natural gas	0.214 kg CO ₂ /kWh
	Electricity	0.461 kg CO ₂ /kWh
	Fuel oil	0.324 kg CO ₂ /kWh
Italy	Natural gas	0.214 kg CO ₂ /kWh
	Electricity	0.406 kg CO ₂ /kWh
	Fuel oil	0.324 kg CO ₂ /kWh
Belgium	Natural gas	0.214 kg CO ₂ /kWh
	Electricity	0.22 kg CO ₂ /kWh
	Fuel oil	0.324 kg CO ₂ /kWh

(1) Source: Centre de ressources sur les bilans de gaz à effet de serre de l'Agence de l'Environnement et de la Maîtrise de l'Énergie (ADEME), 2016. For more details, visit the website <http://www.bilans-ges.ademe.fr>.

3.7.4.8 Waste management

In 2015, only quantitative information regarding the collection of waste from activities with risk of infection in Europe was compiled.

3.7.4.9 Exclusions

Indicators for land use, noise pollution and other human rights actions are considered not relevant in view of the Group's business activity and are excluded from this report. However, this exclusion will be reviewed each year based on the Group's geographical coverage and the context.

3.7.5 Report by the independent third party, on the consolidated human resources, environmental and social information included in the management report

This is a free English translation of the Statutory Auditors' 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 December 31st, 2015

To the Shareholders,

In our capacity as independent third party, certified by COFRAC under number 3-1058⁽¹⁾ and member of Mazars' network, Korian's Statutory Auditor, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31st, 2015, included in the management report (hereinafter named "**CSR Information**"), pursuant to article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

3.7.5.1. Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the protocols used by the Company (hereinafter the "**Guidelines**"), summarised in the management report and available on request from the company's head office.

3.7.5.2 Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L. 822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional standards and applicable legal and regulatory requirements.

3.7.5.3 Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information);

Our work involved 4 persons and was conducted between September 2015 and March 2016 during a 10-week intervention period.

We performed our work in accordance with the professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000 concerning our conclusion on the fairness of CSR Information⁽²⁾.

(1) Whose scope is available at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

I - Attestation regarding the completeness of CSR Information

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

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.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in "3.7.4 Reporting methods" section of the management report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

II - Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted about fifteen interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important⁽³⁾:

- at parent entity and Communication, CSR and Operational marketing Department level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, 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;
- at the level of a representative sample of entities selected by us⁽⁴⁾ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied [if deemed appropriate: and to identify potential undisclosed data], and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents.

The selected sample represents on 65.7% of headcount and between 58.6% and 99.9% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Paris La Défense, 25 April 2016

The independent third party
Mazars SAS

Manuela Baudoin-Revert
Partner

Emmanuelle RIGAUDIAS
CSR & Sustainable Development Partner

(3) Human resources information: Headcount on the last day of the period by age and by sex, Number of redundancy, Number of training hours, Number of disabled workers, Number of recruited office interns, Absenteeism.
Environmental information: Energy consumption, Water consumption, Infectious clinical waste management (DASRI), Prevention measure, recycling, waste disposal.
Social information: Number of employees who received Best care practices training, internal barometer results and results of the customer satisfaction survey.

(4) French and Italian entities.

3.8 Research and development

The Group does not undertake any systematic research and development work as part of its Ageing Well 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. In 2015, for example, a co-development project for an innovative early detection system for falls and indoor geolocation, enabling the establishment to be immediately alerted about a person in the event of a fall, wandering or intrusion of a resident in a room other than their own.

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 Institute for Ageing Well, a non-profit organisation under the law of 1901, to contribute to the collective awareness and the improvement of resources in this field.

The Company is thus closely involved in the Institute's 3 purposes which are:

- academic research, to pre-empt societal developments and continue research into ageing;
- applied research, to continuously improve the everyday life of the elderly, their families and care assistants;
- support for establishments in deploying innovative solutions.

The Institute performs its work through the intermediary of a multidisciplinary team consisting primarily of individuals from outside the Group, bringing together their skills and sharing their knowledge for the purpose of exploring all aspects of happiness in ageing, changing attitudes and facilitating innovative initiatives.

The Institute also aims to examine specific solutions for the elderly and their family circle, while exploring the concept of Ageing Well.

In addition to continuing the projects launched in 2014, in 2015, the Institute focused on studies and work intended to develop knowledge, support professionals in their work and improve the care provided to the elderly.

Study on the impact of crushed medicines on the taste of food (MELA)

The MELA study had the aim of assessing the taste of the 10 most prescribed medicines in the Group's long-term care nursing homes in France, then to determine which are acceptable and which are not when crushed into food. This study was carried out in partnership with the Professor Isabelle Prêcheur, of the Nice University Hospital Centre. The MELA study's tangible proposals and best practices are summarized in an Essential Guide from the Korian Ageing Well Institute, available as a free download from the Institute's internet site, and in a paper version on request.

A study on the impact of a hand hygiene prevention plan in connection with epidemics in long-term care nursing homes

This study was carried out between April 2014 and April 2015 as part of a collaboration between the Korian Ageing Well Institute and the National Conservatoire of Arts et Métiers, with the participation of the Anios Laboratories, disinfection professionals, and the Korian group. 27 French long-term care nursing homes were involved in this randomised test, broken down into 2 groups: a control group and an intervention group. The intervention consisted in implementing a set of hand hygiene measures in each long-term care nursing home for 1 year and assessing their effect on a certain number of indicators. It was shown that hand hygiene in long-term care nursing homes can act in a significant way on mortality (around 30%).

The study is currently being published in a respected scientific journal. However, for the World Hand Washing Day on 15 October 2015, the Korian Ageing Well Institute has already made a guide on best practices available for the general public and professionals on the subject and implemented heightened measures in its establishments during epidemic periods.

Various publications

Over the course of 2015, the Korian Ageing Well Institute participated in the publication of Essential Guides, such as "Rethinking Games in Establishments", as well as several scientific articles including "The Consumption of Antibiotics in long-term care nursing homes: a study in 67 French establishments over 1 year", published in the *La Revue de Gériatrie*, volume 40 No. 8 October 2015, and "Pleasure and Ageing in the Over 65s", published in the *Soins et Gérontologie* journal of September/October 2015. The Korian Ageing Well Institute also took part in scientific congresses, including:

- the *Journées Françaises de Gériatrie et de Gérontologie* which took place in October 2015 in Paris, during which the Institute presented 2 posters ("Evaluating the satisfaction of residents in long-term care nursing homes: internal or external assessment?" and "Pleasure and Ageing: what representations and what models for pleasure in the over 65s?");
- the International Nursing Home Research Conference which took place in Toulouse in December 2015, during which the Institute presented 2 oral presentations ("Applied research in nursing homes: Barriers and facilitators" and "New Methods to Evaluate Physiotherapy Care in Nursing Homes") and 1 poster ("A simple tool to measure the immediate well-being of elderly people in nursing homes").

3.9 Other financial information

3.9.1 Results and other data concerning Korian

Type of indications/Periods	31.12.2015*	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Duration of the period	12 months	12 months	12 months	12 months	12 months
Financial position for the FY					
a) Share capital	€397,328,365	€395,187,615	€174,198,065	€170,204,140	€163,593,805
b) Number of shares issued	79,465,673	79,037,523	34,839,613	34,040,828	32,718,761
Comprehensive income of actual operations					
a) Revenue excluding taxes	€67,095,487	€40,942,258	€40,117,384	€36,031,309	€32,417,902
b) Profit before taxes, profit-sharing and share plans, amortisation/depreciation and provisions	€54,353,380	€59,806,275	-€19,082,963	€20,438,967	-€2,997,705
c) Income tax	-€19,848,346	-€14,959,303	-€10,923,921	-€11,042,880	-€15,892,382
d) Profits after taxes, but before amortisation/depreciation and provisions	€74,201,726	€74,765,578	-€8,159,042	€31,481,847	€12,894,803
e) Profits after taxes, profit-sharing and share plans, amortisation/depreciation and provisions	€67,229,544	€74,260,803	€3,911,864	€24,887,516	€9,086,329
f) Amount of profit distributed	€47,679,404	€47,422,514	€20,903,798	€20,424,497	€19,631,257
g) Employee profit-sharing	-	-	-	-	-
Earnings per share					
a) Earnings after taxes, but before amortisation/depreciation	€0.93	€0.95	-€0.23	€0.92	€0.39
b) Earnings after taxes, amortisation/depreciation and provisions	€0.85	€0.94	€0.11	€0.73	€0.28
c) Dividend per share	€0.60	€0.60	€0.30	€0.60	€0.60
d) Other distributions	-	-	€0.30	-	-
Employees					
a) Headcount	337	298	305	326	327
b) Total payroll	€21,813,403	€21,174,823	€19,742,098	€18,011,569	€16,616,427
c) Employee benefits	€11,053,571	€9,290,697	€8,124,830	€8,166,082	€7,629,479

* The dividend planned for 2015 will be submitted to the vote of the Annual General Meeting scheduled for 23 June 2016.

3.9.2 Activity and results of the Company's subsidiaries and consolidated companies

The subsidiaries are:

- companies operating long-term care nursing homes providing accommodation and care for elderly people who are unable to live at home due to their state of dependency. Their mission is to provide dignified support and care, irrespective of their level of dependency, up until the end of their life;
- companies operating post-acute and rehabilitation care 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 or her social and work environment;
- companies operating assisted living facilities offering the independent elderly an environment that suits their lifestyle, while facilitating social interaction;
- companies operating home care facilities, which are healthcare facilities offering an alternative to hospitalisation;
- holding companies whose sole purpose is to hold equity interests in the aforementioned facilities;
- companies whose purpose is to hold the facilities' premises.

3.9.3 Dividends paid over the past 3 years

Financial year in question (financial year distributed)	Number of shares making up the share capital	Dividend paid per share	Revenue distributed per share	
			Eligible for the 40% tax credit mentioned under paragraph 3-2 in Article 158 of the French General Tax Code	Not eligible for the 40% tax credit mentioned under paragraph 3-2 in Article 158 of the French General Tax Code
2014 (2015)	79,039,523	€0.60	€0.60	-
2013 (2014)	78,388,873	€0.30*	€0.30	-
2012 (2013)	34,040,828	€0.60	€0.60	-

* In addition to the €0.30 dividend per share taken from the 2013 distributable profit, the Company allocated the sum - of €0.30 per share from the share premium ("prime d'émission") account, i.e. a total distribution of €0.60 per share in respect of 2013.

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

3.9.4 Allocation of surplus for 2015

Financial year profit amounted to €67,229,544.24. The General Meeting scheduled for 23 June 2016 will be asked to:

- allocate €3,361,477.21 to the statutory reserve.

The balance of the financial year profit, corresponding to the amount of €63,868,067.03, increased by retained earnings of €23,193,708.04, makes up the distributable profit of

€87,061,775.07. The General Meeting of 23 June 2016 will be asked:

- to pay a dividend of €0.60 per share to the 79,468,673 Company shares, i.e. €47,681,203.80, taken in its entirety from the financial-year profit; and
- to allocate €39,380,571.27 to the retained earnings account.

3.9.5 Sumptuary expenses and overheads to be added back

The sumptuary expenses referred to under Article 39-4 of the French General Tax Code (*Code général des impôts*) amount to €162,175 for the Group, including €104,948 for the Company.

3.9.6 Share buyback programme and liquidity contract

Share buyback programme

Pursuant to the 16th resolution approved by the Combined General Meeting of 25 June 2015, the Company renewed its share buyback programme.

Established in accordance with Articles 241-1 *et seq.* of the AMF General Regulation and European Regulation (EC) No. 2273/2003 of 22 December 2003, as well as market practices approved by the AMF, the table below indicates the terms and conditions of the new programme to buy back the Company's own shares.

Securities concerned	Ordinary shares
Maximum amount of share capital for which the purchase has been authorised by the General Meeting	10% of the number of shares comprising the Company's share capital (at any given time, this percentage applying to an adjusted share capital based on the transactions that affect it after the date of the aforementioned meeting). It is specified that the number of shares purchased by the Company with a view to retaining them and subsequently using them as payment or exchanging them in the context of a merger, demerger or contribution cannot exceed 5% of its capital and that when the shares are bought back to promote liquidity under the conditions set out by the AMF General Regulation, the number of shares taken into account to calculate the aforementioned 10% limit corresponds to the number of shares purchased less the number of shares resold during the validity of the authorisation.
Maximum purchase price	€50 (excluding expenses)
Maximum amount of funds available for the purposes of this programme	€395,197,600
Objectives in decreasing order of importance	<ul style="list-style-type: none"> ■ Implementing a Company stock option plan within the meaning of Articles L. 225-177 <i>et seq.</i> of the French Commercial Code or any other similar plan; and/or ■ the allocation or sale of shares to employees under the Company's statutory profit-sharing scheme or any employee savings plan as provided for by law, including under Articles L. 3332-1 <i>et seq.</i> of the French Labour Code; and/or ■ the allocation of free shares in accordance with Articles L. 225-197-1 <i>et seq.</i> of the French Commercial Code; and/or ■ the delivery of shares upon the exercise of rights attached to securities conferring rights to Company shares by redemption, conversion, exchange, presentation of a warrant or in any other manner; and/or ■ the cancellation of all or part of the securities thus purchased; and/or ■ the transfer of shares (in exchange, payment or otherwise) in connection with an acquisition, merger, spin-off or capital contribution; and/or ■ purchase shares following the consolidation of Company shares, to facilitate consolidation transactions and the management of fractional shares; and/or ■ stimulate the secondary market or the liquidity of the Company's shares through 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 future by laws and regulations in force.
Terms and conditions of repurchase	Treasury 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 fulfilled in this way), by public offering (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 the transfer of shares to redeem warrants or other securities that are convertible, exchangeable or redeemable in shares or by any other means, either directly or indirectly through an investment services provider.
Validity of the programme	18 months from the Combined General Meeting of 25 June 2015, <i>i.e.</i> until 24 November 2016

It is also specified that the Company has not used any derivatives as part of this share buyback programme or the preceding programme and has no open positions.

Liquidity agreement

The Company signed a new liquidity contract with Natixis that took effect on 1 July 2015, to replace the previous contract with Oddo Corporate Finance, in order to promote the liquidity of transactions and the regularity of trading in its shares (the "Liquidity Contract").

As at 31 December 2015, the following resources were featured in the Liquidity Agreement:

- 32,936 Korian shares;
- €3,543,342.

3.9.7 Significant acquisition of equity interests

In accordance with the provisions of Article L. 233-6 of the French Commercial Code (*Code de commerce*), the significant acquisitions of equity interests and control in other companies with their registered offices in France completed during the financial year ended 31 December 2015 are presented in notes 2 and 35 of section 5.1 of this Registration Document.

3.10 Administrative and management bodies

The Company is a Société Anonyme with a Board of Directors. On 21 March 2012, the Board of Directors chose to separate the offices of Chairman of the Board of Directors and Chief Executive Officer. The decision became effective on 30 April 2012. On 18 November 2015, the Board of Directors decided to remove Yann Coléou from his office as Chief Executive Officer and to appoint Sophie Boissard as Chief Executive Officer from 26 January 2016. From 18 November 2015 to 26 January 2016, the functions of Chairman of the Board of Directors and Chief Executive Officer were combined and entrusted to Christian Chautard.

Since 10 July 2015⁽¹⁾, the Board of Directors comprises the following 11⁽²⁾ members: Christian Chautard (Chairman), Jérôme Grivet, Predica (represented by Françoise Debrus), PSP Investments (represented by Niall Boland), Malakoff Médéric Assurances (represented by Hugues du Jeu), Batipart Invest (represented by Charles Ruggieri), Jacques Ambonville, Martin Hoyos, Anne Lalou, Guy de Panafieu and Catherine Soubie.

In accordance with Article 11.4 of the Articles of Association, Hafida Cola was appointed as Director representing the employees by the most representative trade union on 25 January 2016⁽³⁾.

Jean-Claude Georges-François is the Observer.

(1) After PSP Investments acquired a stake in the Company on 10 July 2015, the Board of Directors met on 15 July 2015 to co-opt PSP Investments as a Company director to replace MAAF Assurances.

(2) The Board of Directors had 12 members until 25 March 2015, the date on which Jacques Bailet's duties as Chairman and Director ended.

(3) Amélie Nun occupied the position of Director representing the employees from 16 January to 11 September 2015, when she resigned from the Company.

3.10.1 Presentation of administrative and management bodies

Sophie Boissard, Chief Executive Officer of Korian



Biography

Sophie Boissard, State Councillor, is a graduate of the École Normale Supérieure and the École Nationale d'Administration. Having occupied different positions in the public sphere, in particular in the Council of State at the Employment and Social Affairs Ministry and the Economy and Finance Ministry, she joined the Executive Committee of the SNCF Group in 2008, to create and develop Gares & Connexions, a station management and value-creation activity, then in 2014, SNCF Immobilier, a branch dedicated to creating value in real estate and land assets. She was also responsible from 2012 to 2014 for the strategy and development of the SNCF Group, where she notably invested in the diversification of the Group's activities, in particular internationally, strategic partnerships and innovation, and in France, the steering of the project to bring the SNCF and RFF together. Since 26 January 2016, Sophie Boissard is Chief Executive Officer of the Korian group. She is also a Director of the Areva and Sanef (motorways) companies.

Born on: 11 July 1970
in Paris

Nationality:
French

Address:
21-25, rue Balzac,
75008 Paris

Start of term:
26 January 2016

End of term:
25 January 2021

As at the date of this Management Report, Sophie Boissard does not hold any shares in Korian.

Other offices in the Group

Chairman of the Curanum and Korian Management Supervisory Committees, Director of Segesta and SLG, Chairman of the Korian Ageing Well Institute and Director of the KOR Foundation

Offices outside the Group

Director: SANEF, Areva (listed company)

Offices having expired in the last 5 years

Chairperson: Groupe ICF Habitat, Espaces Ferroviaires

Director: Eurostar

Member of the Supervisory Board: Areva

Christian Chautard, Chairman of the Board of Directors and Member of the Investment Committee and Ethics and Quality Committee



Biography

Christian Chautard began his career supervising operations for 2 leading groups in the metallurgy industry.

In 1982 he started to work as a strategy, organisation and governance consultant for executive officers of international groups. He has worked in Europe and in the United States, notably with Mercer, now Oliver Wyman.

He also has deep knowledge of Germany and its business practices.

He was appointed Chairman of the Korian Supervisory Board on 5 December 2011 and has since been entrusted with several successive terms of office as Executive or Director.

He studied at the École Polytechnique and holds an MBA from INSEAD.

As at the date of this Management Report, Christian Chautard holds 1,191 shares in Korian.

Born on: 9 July 1948
in Valence (26)

Nationality:
French

Address:
Zirkus-Krone-Straße
10, 80335 Munich,
Germany

Date of appointment:
GM of 18 March
2014

End of term:
GM to approve the
financial statements
for 2016

Offices outside the Group

Chairman: Renovia

Director: Spigraph

Offices having expired in the last 5 years

Chairman & Chief Executive Officer: Korian

Chairman of the Supervisory Board: Korian, Curanum (Germany), Korian Management (Germany)

Vice-Chairman of the Board of Directors: Korian

Director: Batipart, Medica, Marsh France, Segesta (Italy)

Member of the Supervisory Board: Curanum (Germany), Korian Deutschland (Germany), Korian Management (Germany)

Member of the Management Board: Korian Management (Germany)

Manager: Phönix (Germany)

Jérôme Grivet, Director and Chairman of the Investment Committee



Main role

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

Biography

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

Since 2013, he has also been the Chairman of Groupement français des Bancassureurs.

An Inspector of Finance, he studied at ENA and graduated from ESSEC and the Institut d'Études Politiques in Paris.

He began his career in business administration at IGF. He was then appointed Advisor to the Prime Minister, Alain Juppé, for European affairs, before joining Crédit Lyonnais in 1998 as head of the finance department and of management control for the commercial bank in France.

In 2001, he was appointed Chief Strategy Officer of Crédit Lyonnais. He then took on the same role at Crédit Agricole SA.

After joining Calyon in 2004 as the head of Finance, the Corporate Secretariat and Strategy, he became its Deputy Chief Executive Officer in 2007.

From the end of 2010 to May 2015, he was Chief Executive Officer of Predica and Crédit Agricole Assurances.

As at the date of this Management Report, Jérôme Grivet holds 1 share in Korian.

Born on: 26 March 1962 in London (UK)

Nationality:
French

Address:
12, place des États-Unis, 92120 Montrouge

Date of appointment:
GM of 18 March 2014

End of term:
GM to approve the financial statements for 2016

Offices outside the Group

Chairman: CA Life Greece (Greece)

Director: Icade (listed company), Nexity (listed company)

Permanent representative of Predica, Chairman: Fonds Stratégique Participation

Permanent representative of Predica, Director: Foncière des Régions (listed company)

Offices having expired in the last 5 years

Chairman of the Board of Directors: Spirica, Dolcéa Vie

Directeur général : Crédit Agricole Assurances, Predica

Chairman: CA Assurances Italie Holding (Italie)

Vice-Chairman: BES VIDA, Crédit Agricole Vita (Italie)

Director: CAAGIS, Pacifica, CA Indosuez Private Banking, Crédit Agricole Immobilier, LCL Obligation Euro

Member of the Supervisory Board: Korian

Observer: La Médicale de France, Aéroports de Paris, Crédit Agricole Immobilier

Permanent representative of Predica, Director: La Médicale de France, Icade

Permanent representative of Predica, Member of the Supervisory Board: CAPE, CA Grands Crus

Permanent representative of Predica, Observer: Siparex Associés

Permanent representative of Crédit Agricole Assurances, Director: CACI

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

Permanent representative: Françoise Debrus

**Prévoyance Dialogue du Crédit Agricole (Predica)**

Société anonyme
Registered office: 50-56, rue de la Procession, 75015 Paris
Registered at the Paris Trade and Companies Registry under No. 334 028 123

Françoise Debrus**Born on:** 19 April 1960 in Paris (12th)**Nationality:** French**Address:** 50-56, rue de la Procession, 75015 Paris**Main role**

Head of Investments at Predica

Date of appointment:

GM of 25 June 2015

End of term:

GM to approve the financial statements for 2017

Biography

Françoise Debrus began her career with the Crédit Agricole group in 1987, and was appointed Chief Financial Officer of Caisse Régionale de l'Île de France in January 2005. She joined Crédit Agricole Assurances on 2 March 2009 as Director of Investments.

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

As at the date of this Management Report, Françoise Debrus holds 1,217 shares in Korian.

Offices held by Predica**Offices outside the Group****Chairperson:** Citadel, Citadel Holding

Director: OPCI B2 Hotel Invest, Fond Nouvel Investissement 1, Fond Nouvel Investissement 2, Fonds Stratégique de Participation, Foncière des Régions (listed company), Urbis Park, Altarea (listed company), AEW Immo commercial, CAA Commerces 2, CAAM Mone Cash, Eurosic (listed company), Frey (listed company), Gécina (listed company), La Médicale de France, Lesica, Messidor, Predica Bureaux, Predica Commerces, Predica Habitation, Previsio Obsèques, River Ouest, SANEF, CA Life Greece, Aéroports de Paris, Foncière de Développement Logement, Patrimoine et Commerce, Louvresses Développement, Générale de Santé

Member of the Supervisory Board: Immeo Wohnen GmbH, Interfirmo, Foncière des Murs (listed company), CA Grands Crus, Effi-Invest I, Effi-Invest II, Ofelia, Sopresa, Unipierre Assurance

Co-manager: Predicare**Observer:** Siparex Associés**Offices having expired in the last 5 years****Member of the Supervisory Board:** Lyon SCPI

Director: Logistis, Crédit Agricole Immobilier Promotion, Dolcea Vie, Foncière Paris France, SCI Holding Dalthia, Cyrius Conseil, Medica

As at the date of this Management Report, Predica⁽¹⁾ holds 19,007,812 shares in Korian.

Offices held by Françoise Debrus**Offices outside the Group**

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

Member of the Supervisory Board: Foncière des Murs (listed company)

Permanent representative of Predica, Director: Eurosic (listed company)

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

Offices having expired in the last 5 years

Permanent representative of Predica SA, Director: Ramsay Santé, Crédit Agricole Immo. Promotion, Foncière Paris France, Medica, Foncière des Régions

(1) Controlled by Crédit Agricole, a public limited company (société anonyme)

Investissements PSP, Director and Member of the Investment Committee

Permanent representative: Niall Boland



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

Niall Boland

Born on: 6 May 1969 in Port Lairge, Waterford, Ireland

Nationality: Irish

Address: 6, avenue Bowling Green, H9S 4W1 Pointe Claire, Québec, Canada

Main role

Senior Director at PSP Investments

Date co-opted:

Board of Directors of 15 July 2015

End of term:

GM to approve the financial statements for 2016

Biography

Niall Boland has occupied the function of Senior Director at PSP Investments in Montreal since 2011.

Previously, he was a portfolio manager specialising in technologies, media and telecommunications within a hedge fund in London for 7 years. From 1997 to 2001, he occupied the function of Director of the Equities Europe department for Crédit Suisse First Boston, before going back to his position as portfolio manager within his trading team.

He began his professional career as a Management Consultant at Booz, Allen & Hamilton in London in 1993, within the UK Health department, then the Financial Operations and Services department. After graduating, he initially worked as an industrial mechanisation engineer for Project Management Group in Ireland.

He has a degree in Electrical & Microelectronic Engineering from the National University of Ireland and an MBA from the Kellogg School of Management (Northwestern University, Chicago).

As at the date of this Management Report, Niall Boland does not hold any shares in Korian.

Offices held by Investissements PSP

PSP Investments is a Canadian Crown Corporation subject to the Access to Information Act (the "Act"). The Act contains an exemption which allows PSP Investments to protect its commercial information (such as the private companies in which it maintains Board of Directors' seats) from release to a requester, provided that this information is consistently treated as confidential.

Intentional public or non-confidential disclosure of this information by PSP Investments would result in the loss of this protection with respect to the disclosed information.

As at the date of this Management Report, PSP Investments holds 11,100,000 shares in Korian.

Offices held by Niall Boland

Offices outside the Group

Observer : XPO Logistics

Offices having expired in the last 5 years

N/A.

Malakoff Médéric Assurances, Director and Member of the Investment Committee

Permanent representative: Hugues du Jeu

**Malakoff Médéric Assurances**

Société anonyme
Registered office: 21, rue Laffitte, 75009 Paris
Registered at the Paris Trade and Companies Registry
under No. 401 678 180

Hugues du Jeu

Born on: 17 October 1957 in Bourges (18)
Nationality: French
Address: 21, rue Laffitte, 75009 Paris

Main role

Deputy Chief Executive Officer - Finance, Technical, Strategic Partnerships and Legal Affairs - Transformation and Social Action Director

Date of appointment:

GM of 25 June 2015

End of term:

GM to approve the financial statements for 2017

Biography

Hugues du Jeu graduated in engineering from ENSTA; he is also a Maritime Engineer and an IAF-certified actuary.

He began his career overseeing marine operations at Entreprise d'Équipements Mécaniques et Hydrauliques from 1981 to 1984. From 1984 to 1998, he was an advisor for Jean Pierre Martichoux et Associés. In 1998, Hugues du Jeu joined Abeille Vie as Head of Management Resources, Head of Personal Insurance and Corporate Secretary.

In 2002, he joined the Médéric Group, where he subsequently took on the roles of Head of Group Performance, Head of Supplementary Pensions, Head of Management and Customer Service and Executive responsible for the Malakoff-Médéric merger.

Hugues du Jeu is Finance, Technical, Strategic Partnerships and Legal Affairs - Transformation and Social Action Director.

He is Deputy Chief Executive Officer and Member of the Executive Committee of Malakoff Médéric.

As at the date of this Management Report, Hugues du Jeu does not hold any shares in Korian.

Offices held by Malakoff Médéric Assurances**Offices outside the Group**

Director: Ignilife France SAS

Member of the Supervisory Board: La Banque Postale Asset Management, Foncière Hospi Grand Ouest, Sycomore Holding

Offices having expired in the last 5 years

Director: SCOR SE, Korian, Médéric Conseil, LVL Médical Groupe

Member of the Supervisory Board: Quatrem, Quatrem Assurances Collectives, Korian

As at the date of this Management Report, Malakoff Médéric Assurances holds 5,089,185 shares in Korian.

Offices held by Hugues du Jeu**Offices outside the Group**

Chairman: Malakoff Médéric Épargne Entreprise, Bien Être Assistance, Malakoff Médéric Participations

Director: Quatrem, EAP France, La Banque Postale Assurance Santé

Deputy Chief Executive Officer: SGAM Malakoff Médéric-LGM

Offices having expired in the last 5 years

Chairman: Sévriéna 3

Director: Médéric Épargne, Malakoff Médéric Assurances, Fédérés Gestion d'Actifs

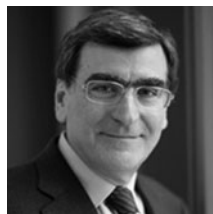
Member of the Supervisory Board: Fédérés Gestion d'Actifs

Member of the Management Board: Saprem

Permanent representative of Malakoff Médéric Assurances, Director: LVL Médical Groupe, Quatrem Assurances Collectives

Batipart Invest, Director and Member of the Appointments and Compensation Committee and Investment Committee

Permanent representative: Charles Ruggieri



Batipart Invest

Société Anonyme incorporated in Luxembourg
Registered office: 4-6 rue du Fort Rheinsheim, 2419
Luxembourg – Luxembourg
Registered at the Luxembourg Trade and Companies
Registry under No. B 116420

Charles Ruggieri

Born on: 16 January 1948 in Cappelle-sul-Tavo
(Italy)

Nationality: French

Address: 4-6 rue du Fort Rheinsheim, 2419
Luxembourg – Luxembourg

Main role

Chairman of Batipart Invest

Date of appointment:

GM of 18 March
2014

End of term:

GM to approve the
financial statements
for 2015

Biography

Charles Ruggieri is the founder of Batipart, a family holding company created in 1988. After spending 15 years in the steel industry, he started in the real estate business at Immobilière Batibail, and then at Groupe Foncière des Régions. At the same time, he went into the healthcare business, beginning in 2000 and helped to found the Korian group, a private operator of nursing homes in France, Germany, Italy and Belgium.

He is a Doctor in Law.

As at the date of this Management Report, Charles Ruggieri holds 1,181 shares in Korian.

Offices held by Batipart Invest

Offices outside the Group

Director: Batipart International (Luxembourg), Immobilière Monroe (Luxembourg)

Offices having expired in the last 5 years

Director: Medica, Proméo

Member of the Supervisory Board: Foncière des Régions

As at the date of this Management Report, Batipart Invest holds 77,191 shares in Korian and, as a whole, the Batipart group holds 180,021.

Offices held by Charles Ruggieri

Offices outside the Group

Chairman: Batipart Invest (Luxembourg), JPF (Luxembourg)

Director: Banque CIC Est, Le Républicain Lorrain, Batipart Invest (Luxembourg), JPF (Luxembourg), Banque de Luxembourg (Luxembourg), Patrimoniale Vega (Luxembourg), Patrimoniale Milton (Luxembourg), Batipart Immo Europe (Luxembourg), Batipart Immo Loisirs (Luxembourg), Batipart Immo Internationale (Luxembourg), Batipart Immo Canada (Canada), 9324-3152 Québec Inc (Canada)

Permanent representative of Batipart Immo Europe, Director: Eurosic (listed company)

Offices having expired in the last 5 years

Chairman: Batipart

Chairman of the Supervisory Board: Anthémis

Vice-Chairman of the Board of Directors: Korian

Director: Batipart, Groupe Proméo, Manutan International, Groupe ICN (association), Foncière Développement Logements (association), Immobilière Monroe (Luxembourg), Monroe Invest (Luxembourg), Proméo, Batipart International (Luxembourg)

Permanent representative of Batipart, Chairman: Anthémis, Novae, Proval, Batipart Santé, SCI du 28 Rue Dumont d'Urville

Permanent representative of Batipart Invest, Director: Medica

Représentant permanent d'Immobilière Monroe, Director: Eurosic

Jacques Ambonville, Director and Member of the Investment Committee and Chairman of the Ethics and Quality Committee**Biography**

Jacques Ambonville, holder of diplomas in pharmacy and management (ICG and INM), began his career as a pharmacist before joining OCP in 1975, where he became Head of Sales in 1985 and Chairman of the Management Board in 1993. Following the acquisition of OCP by Celesio AG, he served as a member of the Management Board of the latter, overseeing the European Pharmaceutical Department, as well as Chairman of OCP's Supervisory Board from 1995 to September 2006. He therefore has a perfect knowledge of the European healthcare industry. Since January 2007, he has been Chairman of a health consulting firm for the healthcare and pharmaceutical industry. As at the date of this Management Report, Jacques Ambonville holds 107 shares in Korian.

Born on:

13 December 1949
in Nancy (54)

Nationality:

French

Address:

1, villa Marceau,
75019 Paris

Date of**appointment:**

GM of 18 March
2014

End of term:

GM to approve the
financial statements
for 2015

Offices outside the Group

Chairman: Hâm Consulting

Offices having expired in the last 5 years

Director: Galien Développement, Welcoop

Member of the Supervisory Board: Korian

Martin Hoyos, Director and Member of the Audit Committee and Ethics and Quality Committee**Biography**

After studying law, Martin Hoyos worked for auditing firm KPMG from 1971 to 2007 in Austria and Germany.

At present, he is a Member of the Supervisory Board of Advanced Metallurgical Group, headquartered in Amsterdam, and Koenig & Bauer AG, headquartered in Würzburg, 2 listed companies. He is also a Member of the Supervisory Board for a non-listed Austrian company.

As at the date of this Management Report, Martin Hoyos does not hold any shares in Korian.

Born on: 27 October
1947 in Vienna
(Austria)

Nationality:

Austrian

Address:

Belvederegasse 10,
1040 Vienna, Austria

Date of**appointment:**

GM of 18 March
2014

End of term:

GM to approve the
financial statements
for 2016

Offices outside the Group

Member of the Supervisory Board: Advanced Metallurgical Group (listed company - Netherlands), Koenig & Bauer AG (listed company - Germany), CAG Holding (Austria)

Offices having expired in the last 5 years

Member of the Supervisory Board: Prinzhorn Holding (Austria), Curanum AG (Germany), KPMG AG Deutschland Wirtschaftsprüfung (Germany)

Anne Lalou, Director and Chairperson of the Appointments and Compensation Committee



Main role

Director of the *Web School Factory* and CEO of *Innovation Factory*

Biography

Anne Lalou started her career as an authorised representative and then deputy head of the mergers and acquisitions department of Lazard in London and then Paris. She then became Head of Outlook and Development at Havas.

She was Chairperson and 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.

She is a graduate of the École Supérieure des Sciences Économiques et Commerciales (ESSEC).

As at the date of this Management Report, Anne Lalou holds 1,180 shares in Korian.

Born on:

6 December 1963 in Paris (14th)

Nationality:

French

Address:

59, rue Nationale,
75013 Paris

Date of appointment:

GM of 18 March 2014

End of term:

GM to approve the financial statements for 2015

Offices outside the Group

Member of the Supervisory Board: Eurazeo (listed company), Foncia Holding, Foncia Groupe (listed company)

Chief Executive Officer: Web School Factory, Innovation Factory

Offices having expired in the last 5 years

Chairperson: Nexity Solutions

Director: Neximmo 39, Guy Hoquet L'Immobilier, Financière Guy Hoquet L'Immobilier, Natixis (listed company), Naxos, Medica, Kea & Partners

Member of the Supervisory Board: Century 21 France

Chief Executive Officer: Nexity Solutions

Member of the Management Board: Neximmo 39

Permanent representative of Nexity Franchise Director: Guy Hoquet L'Immobilier

Guy de Panafieu, Director, Chairman of the Audit Committee and Member of the Appointments and Compensation Committee



Main role

Advisor to the *Chambre nationale des conseils en gestion de patrimoine*

Biography

Guy de Panafieu, a graduate of the Institut d'Études Politiques de Paris, also has an arts and economics degree and is a former student of the École Nationale d'Administration. Formerly an Inspecteur des Finances, from 1968 to 1982 he held a variety of positions at the French Finance Ministry in external trade and international economic relations. He was Technical Advisor to the President of the French Republic from 1978 to 1981 in international economic matters. 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, latterly as Vice-Chairman and CEO. He is a Manager at Boileau Conseil and an Advisor to the *Chambre nationale des conseils en gestion de patrimoine*.

As at the date of this Management Report, Guy de Panafieu holds 1,710 shares in Korian.

Born on: 5 April 1943 in Paris (17th)

Nationality:

French

Address:

56, rue Boileau,
75016 Paris

Date of appointment:

GM of 18 March 2014

End of term:

GM to approve the financial statements for 2015

Offices outside the Group

Director: SANEF

Member of the Supervisory Board: Metropole Television (listed company)

Manager: Boileau Conseil

Offices having expired in the last 5 years

Director: Medica

Catherine Soubie, Director and Member of the Audit Committee and Appointments and Compensation Committee**Main role**

Managing Director, Head of Investment Banking for France, Belgium and Luxembourg at Barclays Capital

Biography

Catherine Soubie is a graduate of the École Supérieure de Commerce de Paris. She began her career in 1989 with Lazard in London, before relocating to its Paris office, where she was Director of Financial Affairs. She then held a variety of positions at Morgan Stanley in Paris, notably Managing Director. From 2005 to 2010 she served as CEO of Rallye. In 2010, she joined Barclays as Managing Director, Head of Investment Banking for France, Belgium and Luxembourg.

As at the date of this Management Report, Catherine Soubie holds 6,900 shares in Korian.

Born on: 20 October 1965 in Lyon (6th)

Nationality:
French

Address:
34-36, avenue de Friedland, 75008 Paris

Date of appointment:
GM of 25 June 2015

End of term:
GM to approve the financial statements for 2017

Offices outside the Group

Managing Director – Head of Investment Banking (France, Belgique et Luxembourg) : Barclays

Offices having expired in the last 5 years

Director: Medica

Hafida Cola, Director representing the employees**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 Animation France service and Animation Project Manager. Since 2013, she has been the national coordinator for Animation and Social Life.

She has held several offices within the single personnel delegation (secretary, member of the Health and Safety Committee (CHSCT), staff representative on the Works Council, Works Council representative on the Supervisory Board and then the Korian Board of Directors).

As at the date of this Management Report, Hafida Cola does not hold any shares in Korian.

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 to approve the financial statements for 2018

Jean-Claude Georges-François, Observer



Biography

Jean-Claude Georges-François is a graduate of the Institut d'Études Politiques de Paris. He started out in administration and then progressed to management at Pont à Mousson from 1967 to 1986.

In 1986, he joined Usinor (now Arcelor) occupying executive positions in the fields of human resources, development and communication; he also served on the executive committee from 1987 to 2002.

From 2002 to 2004, he was an advisor to Francis Mer at the Ministry of Economy and Finance.

In 2004, he was appointed Chairman of Korian.

He is a Commander of the French Légion d'Honneur.

As at the date of this Management Report, Jean-Claude Georges-François holds 734 shares in Korian.

Born on: 6 June 1937
in Le Havre (76)

Nationality:
French

Address:
10, avenue de
l'Opéra, 75001 Paris

**Date of
appointment:**
GM of 18 March
2014

End of term:
GM to approve the
financial statements
for 2016

Offices outside the Group

Manager: JCGF Conseil, Clodapier SCI

Director: CMAV, Fédérés

Observer: Fédérés Épargne Salariale

Offices having expired in the last 5 years

Chairman: Ingénieurs 2000

Chairman of the Supervisory Board: Korian

Director: Batipart, Prévoyance et Réassurance

Member of the Supervisory Board: SAPREM, Prévoyance Ré

Chairman of the Management Board: Korian

Observer: Korian

Legal representative of JCGF Conseil, Chairman: Batipart

3.10.2 Compensation of administrative and management bodies

Korian's policy for the compensation of its executive directors is compliant with the AFEP-MEDEF Corporate Governance Code for Listed Companies (November 2015 version) (the "AFEP-MEDEF Code"). In line with the recommendations of the AFEP-MEDEF Code, the compensation of executive directors is set by the Board of Directors based on a proposal by the Appointments and Compensation Committee.

The compensation of individual executive directors for 2015, as at the date of this management report, will be submitted to the shareholders for an advisory opinion at the Company's Annual General Meeting on 23 June 2016.

3.10.2.1 Compensation of executive directors

As a preliminary remark, the Board of Directors of 18 November 2015 decided to remove Yann Coléou from his office as Chief Executive Officer and to appoint Sophie Boissard as Chief Executive Officer from 26 January 2016. Between these 2 dates, Christian Chautard carried out the office of Chairman & Chief Executive Officer as an interim measure.

Compensation of Sophie Boissard, Chief Executive Officer since 26 January 2016

FIXED COMPENSATION

On 18 November 2015, the Board of Directors decided, based on a proposal by the Appointments and Compensation Committee, to fix the fixed annual compensation for Sophie Boissard at €450,000. This fixed compensation will be periodically reviewed according to the market place recommendations.

VARIABLE COMPENSATION

On 18 November 2015, the Board of Directors decided, based on a proposal by the Appointments and Compensation Committee:

- to fix the variable annual compensation for Sophie Boissard at a maximum amount of 100% of her fixed annual compensation if she achieves the performance conditions and a maximum amount of 120% of her fixed annual compensation if she exceeds the performance conditions;
- that for the financial year 2016, the quantitative criteria will represent 2/3 of the performance conditions, and the qualitative criteria, 1/3 of the performance conditions. Exceptionally, given the circumstances, and in particular the difficulty in measuring the performance of Sophie Boissard during her first year in the position, she will receive as a minimum 2/3 of her fixed annual compensation (*prorata temporis*), i.e. a gross amount of €300,000 for a full year, as her 2016 variable remuneration.

STOCK OPTIONS, BONUS SHARES OR ANY OTHER LONG-TERM COMPENSATION COMPONENT

On 18 November 2015, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, decided to grant the new Chief Executive Officer an annual free shares plan for the equivalent of €600,000 if a ceiling is reached whose characteristics should be defined during a future Board meeting, on the proposal of the Appointments and Compensation Committee.

BENEFITS

On 18 November 2015, the Board of Directors decided, based on a proposal by the Appointments and Compensation Committee, that the Chief Executive Officer will benefit from a company vehicle of a maximum value of €50,000 excluding tax, the collective "healthcare" and "incapacity, invalidity, death" guarantee regimes that benefit salaried managers currently in force in the Company, as well as unemployment insurance and civil liability insurance.

TERMINATION BENEFIT

On 18 November 2015, the Board of Directors, decided, based on a proposal by the Appointments and Compensation Committee, that the new Chief Executive Officer will receive a termination benefit in the event of termination or non-renewal of her corporate office (excluding for gross negligence or misconduct) related to a change of strategy or control, with the payment conditioned by performance criteria and of an amount equal to the Annual Base Compensation (as defined below), increased by 25% per year of service, without exceeding twice the Annual Base Compensation, after deducting any amount to be collected as non-compete compensation, as mentioned below, if the Company has not waived such compensation.

The Annual Base Compensation designates the gross fixed and variable annual compensation received for the 12 months preceding the date on which her office is terminated or not renewed, excluding compensation received for medium or long-term profit-sharing plans for the management teams and exceptional compensation that may be allocated occasionally by the Board of Directors on a discretionary basis.

A change of strategy is defined as a change in the Company's strategy that was 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 could constitute a decisive influence on the Board of Directors' decisions.

On 23 March 2016, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, set out the performance conditions for the payment of the termination benefit as indicated below:

- in the event of termination (excluding for gross negligence or misconduct) related to a change of strategy or control prior to the 2016 closing date, no later than 31 March 2017, the performance will be measured as follows:
 - (i) in the event of departure from 26 January 2017, EBITDA for the last 12 months preceding the departure restated for the acquisitions made in 2016 \geq 95% of the 2015 EBITDA or (ii) in the event of departure before 26 January 2017, EBITDA calculated *prorata temporis* since the appointment of Sophie Boissard restated for the acquisitions made in 2016 \geq 95% of the 2015 EBITDA *prorata temporis*: payment equal to 100% of the Annual Base Compensation;

- in the event of departure before 26 January 2017, the fixed compensation considered for the calculation of the Annual Base Compensation will be equal to €450,000;
- the variable compensation considered for the calculation of the Annual Base Compensation will be the minimum variable compensation for 2016, *i.e.* 2/3 of the fixed compensation, *prorata temporis*;
- the 25% added for each year in office will not be applicable.
- In the event of termination (excluding for gross negligence or misconduct) related to a change of strategy or control between the 2016 closing date, no later than 31 March 2017 and the 2017 closing date, no later than 31 March 2018, the performance will be measured by the target achievement rate used for calculating the variable portion of Sophie Boissard's annual compensation for 2016, as follows:
 - target achievement rate used for calculating the variable portion of the annual compensation for 2016 < 40%: no payment to be made;
 - 40% \leq target achievement rate used for calculating the variable portion of the annual compensation for 2016 < 60%: payment equal to 50% of the Annual Base Compensation;
 - 60% \leq target achievement rate used for calculating the variable portion of the annual compensation for 2016 < 100%: payment equal to 100% of the Annual Base Compensation.
- In the event of termination (excluding for gross negligence or misconduct) related 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, the performance will be measured by the average target achievement rate used for calculating the variable portion of Sophie Boissard's annual compensation for 2016 and 2017, as follows:
 - target achievement rate used for calculating the variable portion of the annual compensation for 2016 and 2017 < 40%: no payment to be made;
 - 40% \leq target achievement rate used for calculating the variable portion of the annual compensation for 2016 and 2017 < 60%: payment equal to 50% of the Annual Base Compensation;
 - 60% \leq target achievement rate used for calculating the variable portion of the annual compensation for 2016 and 2017 < 100%: payment equal to 100% of the Annual Base Compensation.
- In the event of termination (excluding for gross negligence or misconduct) related to a change of strategy or control from the 2018 closing date, no later than 31 March 2019, the performance will be measured by the average target achievement rate used for calculating the variable portion of Sophie Boissard's annual compensation for the 3 financial years preceding her departure, as follows:
 - target achievement rate used for calculating the variable portion of the annual compensation for the 3 financial years preceding her departure < 40%: no payment to be made;
 - 40% \leq target achievement rate used for calculating the variable portion of the annual compensation for the 3 financial years preceding her departure < 60%: payment equal to 50% of the Annual Base Compensation;
 - 60% \leq target achievement rate used for calculating the variable portion of the annual compensation for the 3 financial years preceding her departure < 100%: payment equal to 100% of the Annual Base Compensation.

NON-COMPETE COMPENSATION

On 18 November 2015, the Board of Directors decided, based on a proposal by the Appointments and Compensation Committee, to impose a non-compete commitment for the new Chief Executive Officer with the aim of preventing her from exercising a corporate office, or an executive function of whatever kind, or from carrying out a consulting service, for a duration of 2 years from the termination of her functions, in all companies that compete with the Company and that specialise in long and medium stays, including in long-term care nursing homes and assisted living facilities in all countries in which Korian is located at the time of its possible activation.

In return, the Chief Executive Officer would receive non-compete compensation equal to 50% of her gross fixed annual compensation received for the 12 months preceding the date on which the departure event occurred (date of notification of resignation from the Company, date of termination or non-renewal by the Board) (hereafter the "**Date of termination**"), combined, if applicable, with the termination benefit, as long as the sum of the two benefits does not exceed 2 years of fixed and variable annual compensation (the termination benefit thus being reduced to this level), with it being stated that the compensation received for medium to long term management team profit-sharing plans and exceptional compensation that may be allocated occasionally by the Board of Directors on a discretionary basis do not constitute elements of fixed and variable annual compensation, and are not included in the basis for the calculation of the non-compete compensation.

The Company may cancel this non-compete commitment no later than 15 days after the Date of Termination.

Compensation of Christian Chautard, Vice-Chairman of the Board of Directors from 1 January to 25 March 2015, Chairman of the Board of Directors from 25 March to 18 November 2015, Chairman & CEO from 18 November 2015 to 26 January 2016 and Chairman of the Board of Directors since 26 January 2016

FIXED COMPENSATION

On 25 March 2015, the Board of Directors decided, based on a proposal by the Appointments and Compensation Committee, to set Christian Chautard's gross fixed annual compensation for his mandate as Chairman of the Board at €345,000.

The Board of Directors which met on 18 November 2015, decided, based on a proposal by the Appointments and Compensation Committee, to increase Christian Chautard's fixed annual compensation to €450,000 for the *prorata* of the exercise of his functions as Chairman and Chief Executive Officer for the interim period.

EXCEPTIONAL COMPENSATION

On 5 December 2012, Korian's Board of Directors, based on a proposal by the Appointments and Compensation Committee, decided to appoint Christian Chautard to monitor the execution of the public offer for Curanum AG and to prepare the integration of German companies, Phönix GmbH and Curanum AG, then, in the event of a successful public offer, by the close supervision of the integration and establishment of synergy plans and a growth plan for the German companies.

On 27 March 2013, based on a proposal by the Appointments and Compensation Committee, the Board of Directors set compensation for these services at a gross annual amount of €140,000, in addition to paying Christian Chautard's relocation and accommodation costs in Germany. This exceptional compensation was set on the basis of a comparative study submitted by Towers Watson, and ordered by the Appointments and Compensation Committee to formulate a proposal to compensate Christian Chautard for his work in Germany. His assignment lasted 2 years, from 1 April 2013 to 31 March 2015, and was covered by Korian Management AG, a German company wholly-owned by Korian.

On 18 March 2014, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, decided to extend the tasks of Christian Chautard to a strategic mission to consolidate the Korian and Medica entities in France, Italy, and Belgium, from 1 April 2014 to 31 March 2015. A gross amount of €70,000 was paid for this assistance.

On 2 November 2015, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, decided to entrust Christian Chautard with a special mission of support for the acquisition then supervision and coordination of the consolidation of the Casa Reha Group in Germany, against a gross annual compensation of €70,000. After the temporary grouping of the functions of Chairman and Chief Executive Officer in the hands of Christian Chautard, as an interim measure, from 18 November 2015 to 26 January 2016, the Board of Directors in its meeting of 18 November 2015, decided to suspend the payment of this compensation during the interim period. As the reasons leading to the implementation of this new mission disappeared with the arrival of the new General Management, it was ended on 26 January 2016.

ATTENDANCE FEES

Christian Chautard receives attendance fees for his mandate as Chairman of the Board of Directors and member of certain specialised committees of the Board; he has, however, waived his right to receive attendance fees as a member of the Supervisory Boards of the German companies within the Group. In addition, he has not received attendance fees for his mandates as Director of the Italian company, Segesta, and the Belgian company, Senior Living Group.

Compensation of Yann Coléou, Chief Executive Officer up to 18 November 2015

FIXED COMPENSATION

At its meeting on 24 April 2014, the Board of Directors decided, based on a proposal by the Appointments and Compensation Committee, and given the significant increase in the size of the Company following the merger, to bring Yann Coléou's fixed annual compensation to €550,000 effective from that date (an increase of 26% over his previous fixed compensation of €436,000). This fixed annual compensation remained unchanged until 18 November 2015, date at which Yann Coléou was removed from his functions as Chief Executive Officer.

VARIABLE COMPENSATION

Following the Merger and to take into account the significant increase in the Company's size, on 24 April 2014, the Board of Directors decided, in accordance with the proposal put forward by the Appointments and Compensation Committee, that Yann Coléou's variable annual compensation would not exceed €500,000 (which represents an increase of 129% over his previous

variable compensation of €218,000). In accordance with the recommendations of the AFEP-MEDEF Code, its amount is set each year by the Board of Directors on the recommendation of the Appointments and Compensation Committee, based on quantitative (50%) and qualitative (50%) criteria set at the beginning of the year.

In respect of 2014, the Board of Directors' meeting of 24 April 2014, based on a proposal by the Appointments and Compensation Committee, used the following quantitative and qualitative criteria for 2014:

- quantitative criterion (representing 50% of the variable compensation): EBITDA;
- quantitative criterion (representing 50% of the variable compensation): quality of financial communication and social climate.

Having taken note of the opinion of the Appointments and Compensation Committee, on 25 March 2015, the Board of Directors deemed the aforementioned quantitative and qualitative objectives to have been attained and consequently allocated to Yann Coléou the full amount of his variable compensation for 2014, *i.e.* €500,000.

In respect of 2015, on 25 March 2015, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, used the following quantitative and qualitative criteria for 2015:

- quantitative criterion (representing 40% of the variable compensation): EBITDA;
- quantitative criterion (representing 60% of the variable compensation): definition and implementation of an organisation adapted to the ambitions of the Korian group (organisation principle, People, steering and information tools); measurement and monitoring of service quality.

Having taken note that the quantitative objective was not achieved and that the qualitative objectives had only partly been achieved, on 23 March 2016, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, allocated to Yann Coléou the sum of €105,863 for the variable compensation for 2015.

DEFERRED VARIABLE COMPENSATION

In respect of 2013, on 27 March 2013, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, approved the implementation of a profit-sharing plan for Yann Coléou as Chief Executive Officer for 2013 and 2014. Under the plan, at the start of each year the Chief Executive Officer is awarded a certain number of performance units, with their definite acquisition being dependant on quantitative and qualitative criteria. After closure of the relevant year, the Board of Directors meets to assess - upon a proposal by the Appointments and Compensation Committee - if these performance criteria have been met. Performance units awarded in 2013 will be paid in 2015; performance units awarded in 2014 will be paid in 2016, based on the market price of Korian's share (up to a maximum of €25), multiplied by the number of acquired performance units, subject to a presence condition at the payment date.

On 27 March 2013, the Board of Directors awarded Yann Coléou, based on a proposal by the Appointments and Compensation Committee, a first lot of 35,000 performance units for 2013. The completion of the vesting period is subject to the following performance criteria being met:

- quantitative criterion: achievement of target EBITDA;
- qualitative criterion: determined based on the target occupancy rate.

On this basis, vesting of Yann Coléou's performance units is governed by the following conditions:

- performance under 95% of EBITDA target: no units awarded;
- achievement of 95-100% of EBITDA target: 0-100% awarded;
- achievement of 100 to 110% of EBITDA target: 100-120% awarded.

In addition, if the actual occupancy rate falls short of 98% of the target, Yann Coléou will not be entitled to the payment of his performance units; if it falls between 98 and 100% of the target, the number of performance units in the lot, after the adjustment applied under the performance condition, will be adjusted downwards by linear interpolation, within a range of 98-100% of the performance condition, by a number of performance units falling within a lower limit of 0% of performance units in the lot in question after the adjustment described above, and an upper limit of 100% of the performance units in the lot in question after the adjustment described above.

Having verified that the EBITDA target was reached at 110% and that the occupancy rate exceeded 100% of the target, on 18 March 2014, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, took note of the acquisition by Yann Coléou of 42,000 performance units for 2013 (valued at €1,050,000).

Having ascertained that the presence condition applicable to Yann Coléou had been fulfilled, on 25 March 2015, the Board of Directors decided, based on a proposal by the Appointments and Compensation Committee, that the sum of €1,050,000 corresponding to the 42,000 performance units for 2013 multiplied by €25 (as the unit value of a performance unit calculated based on the average share opening price over the 20 trading days prior to this date was over the maximum of €25), would be paid to Yann Coléou at the same time as his fixed compensation for April 2015.

In respect of 2014, on 20 January 2014, the Board of Directors awarded Yann Coléou, based on a proposal by the Appointments and Compensation Committee, the second lot of 35,000 performance units. The completion of the vesting period was subject to the following performance criteria being met:

- quantitative criterion: achievement of target EBITDA;
- qualitative criterion: determined based on the target occupancy rate.

On this basis, vesting of Yann Coléou's performance units is governed by the same conditions, as described above, that apply to the vesting of the first lot of performance units.

Having verified that the EBITDA target was reached at 100.34% and that the occupancy rate exceeded 100% of the target, on 25 March 2015, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, took note of the acquisition by Yann Coléou of 35,238 performance units for 2014 (valued at €880,950).

The amount corresponding to these 35,238 performance units was planned for 2016, subject to the condition of continued presence in the Group and to the conditions described above.

As Yann Coléou was removed from his functions as Company Chief Executive Officer by the Board of Directors' meeting on 18 November 2015, he lost the benefit of the acquisition of those performance units allocated in 2014, as these compensation elements were subject to a condition of presence.

STOCK OPTIONS, BONUS SHARES OR ANY OTHER LONG-TERM COMPENSATION COMPONENT

On 10 September 2014, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, approved the establishment of a profit-sharing plan for the specific benefit of Yann Coléou in his role as Chief Executive Officer. This profit-sharing plan, which is a free shares plan, provides for the allocation to Yann Coléou, as Chief Executive Officer, of a maximum of 31,818 Company shares, subject to the achievement of performance conditions associated with the share price, EBITDA and revenue, in accordance with the following terms:

- the free shares lot associated with the share price criterion will represent 50% of the total allocation, whereas the free share lots associated with the EBITDA and revenue criteria will each represent 25% of the total allocation;
- between the threshold and the limit set for each allocation lot, the number of allocated free shares shall be calculated through linear interpolation between these 2 points.

The allocation of free shares to Yann Coléou shall become definitive and the ownership of said shares will be transferred to him 30 months and 21 days after the plan settlement date, i.e. 31 March 2017, subject to his remaining in office. Moreover, Yann Coléou would not be permitted to transfer the shares received under the terms of this plan for an additional period of 24 months following the vesting period, i.e. up to 31 March 2019 (with the exception of 25% of Korian shares which would be definitively allocated and which must remain as registered shares until the end of his term of office).

The portion of the plan intended for Yann Coléou will incur an IFRS cost of €574,853 (excluding social security charges) and will lead to a maximum dilution of 0.04%.

On 16 September 2015, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, approved the establishment of a profit-sharing plan for the specific benefit of Yann Coléou in his role as Chief Executive Officer. This profit-sharing plan, which is a free shares plan, provides for the allocation to Yann Coléou of a maximum of 28,378 Company shares, subject to the achievement of the same performance conditions and under the same terms as the free share plan of 10 September 2014.

The allocation of free shares to Yann Coléou shall become definitive and the ownership of said shares will be transferred to him 30 months and 15 days after the plan settlement date, i.e. 31 March 2018, subject to his remaining in office. Moreover, Yann Coléou would not be permitted to transfer the shares received under the terms of this plan for an additional period of 24 months following the vesting period, i.e. up to 31 March 2020 (with the exception of 25% of Korian shares which would be definitively allocated and which must remain as registered shares until the end of his term of office).

The portion of the plan intended for Yann Coléou will incur an IFRS cost of €561,268 (excluding social security charges) and will lead to a maximum dilution of 0.04%.

As Yann Coléou was removed from his functions as Company Chief Executive Officer by the Board of Directors' meeting on 18 November 2015, he lost the benefit of these free share plans

approved by the Board of Directors on 10 September 2014 and 16 September 2015, as these compensation elements were subject to a condition of presence.

ATTENDANCE FEES

Yann Coléou waived his attendance fees for his mandates as a member of the Supervisory Boards of the Group's German companies. He did not receive attendance fees for his mandates as director of the Italian company, Segesta, and the Belgian company, Senior Living Group.

BENEFITS

In addition to his compensation, Yann Coléou benefited up to the end of his term of office, from a company car and social security schemes equivalent to those applicable to salaried managers (illness and personal protection insurance).

TERMINATION BENEFITS

On 21 March 2012, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, authorised the award of a benefit to Yann Coléou in the event of the termination of his office as Chief Executive Officer in accordance with the so-called "TEPA" Act (Article L. 225-42-1 of the French Commercial Code).

Pursuant to the provisions of the so-called "TEPA" Act (Article L. 225-42-1 of the French Commercial Code), this termination benefit is indicated in the Statutory Auditors' special report of 23 April 2010 and was approved by the Company's Shareholders' General Meeting on 20 June 2013.

It was limited to cases where the Company decides to revoke or not-renew his term of office, excluding gross negligence or misconduct. It was equal to a year's gross compensation plus 25% for each year in office, up to a maximum of 24 months of compensation, in accordance with the recommendations of Article 23.2.5 of the AFEP-MEDEF Code. It would be calculated based on the gross fixed and variable compensation over the last 12 months preceding his departure.

Payment of the termination benefit was subject to the following performance conditions:

- the cumulative EBITDA recorded for the 12 months preceding his departure would be equal to at least the annual EBITDA recorded at 31 December of the year preceding his departure and to a minimum target EBITDA; achievement of this criterion alone would give him right to 70% of the benefit;
- if the average occupation rate of facilities in France over the 12 months preceding his departure reached a minimum target; achievement of this criterion alone would give him right to 30% of the benefit.

Having taken note that the performance criteria fixed by the Board on 21 March 2012 and conditioning the payment of the Chief Executive Officer's termination benefit had been achieved, the Board of 18 November 2015 decided, based on a proposal by the Appointments and Compensation Committee, to pay the Chief Executive Officer a severance payment of a total of €1,837,500 corresponding to an increase of 75% to the gross fixed and variable annual compensation received by the latter during the last 12 months (amounting to €1,050,000).

Compensation of Jacques Bailet, Chairman of the Board of Directors up to 25 March 2015

FIXED COMPENSATION

On 18 March 2014, the Board of Directors decided, based on a proposal by the Appointments and Compensation Committee, to set Jacques Bailet's gross annual compensation for his mandate as Chairman of the Board at €345,000. This fixed annual compensation remained unchanged until 25 March 2015 when he resigned his position as Chairman and Director.

ATTENDANCE FEES

Jacques Bailet waived his attendance fees as Chairman of the Board and as a member of certain specialised Board Committees.

BENEFITS

In addition to his compensation, Jacques Bailet benefited from a company vehicle and social security schemes equivalent to those of salaried managers (illness and personal protection insurance).

NON-COMPETE COMPENSATION

On 26 November 2014, the Board of Directors approved, based on a proposal by the Appointments and Compensation Committee, the granting to Jacques Bailet of a lump-sum payment of €525,000 in return for his compliance with a 3-year non-compete commitment effective from the date of his departure from his positions as Chairman and Director.

Pursuant to the provisions of the so-called "TEPA" Act (Article L. 225-42-1 of the French Commercial Code, this non-compete compensation was indicated in the Statutory Auditors' special report of 23 April 2015 and approved by the Annual General Meeting that took place on 25 June 2015.

In accordance with the recommendations of the AFEP-MEDEF Code, this non-compete compensation corresponds to approximately 18 months of gross annual compensation.

3.10.2.2 Summary table

The following table shows a summary of the compensation paid to executive directors for the last 2 financial years.

I Summary table of compensation, options and shares awarded to each executive director

	2014	2015
Christian Chautard, Chairman of the Board of Directors from 1 January to 18 March 2014, then from 25 March 2015 and Chairman and Chief Executive Officer from 18 November 2015 to 26 January 2016		
Compensation paid for the financial year ⁽¹⁾	€177,255	€309,703
Valuation of variable multi-annual compensation awarded in the financial year ⁽²⁾	-	-
Valuation of options awarded in the financial year ⁽²⁾	-	-
Valuation of free shares awarded ⁽²⁾	-	-
TOTAL	€177,255	€309,703
Yann Coléou, Chief Executive Officer until 18 November 2015		
Compensation paid for the financial year ⁽¹⁾	€1,455,005	€3,483,585
Valuation of variable multi-annual compensation awarded in the financial year ⁽²⁾	-	-
Valuation of options awarded in the financial year ⁽²⁾	-	-
Valuation of free shares awarded ⁽²⁾	€574,853	€561,268
TOTAL	€2,029,858	€4,044,853
Jacques Bailet, Chairman of the Board of Directors from 18 March 2014 to 25 March 2015		
Compensation paid for the financial year ⁽¹⁾	€272,667	€606,748
Valuation of variable multi-annual compensation awarded in the financial year ⁽²⁾	-	-
Valuation of options awarded in the financial year ⁽²⁾	-	-
Valuation of free shares awarded ⁽²⁾	-	-
TOTAL	€272,667	€606,748

(1) Further details of this compensation are given in the summary table of compensation paid to executive directors below.

(2) Details of this compensation are provided below.

I Summary table of compensation paid to executive directors

	Year ended 31 December 2014		Year ended 31 December 2015	
	Amount due	Amount paid ⁽¹⁾	Amount due	Amount paid ⁽¹⁾
Christian Chautard, Chairman of the Board of Directors from 1 January to 18 March 2014, then from 25 March 2015 to 18 November 2015 and Chairman and Chief Executive Officer from 18 November 2015 to 26 January 2016⁽²⁾				
Fixed compensation	€53,571	€53,571	€277,972	€277,972
Variable annual compensation ⁽⁵⁾	-	-	-	-
Variable multi-annual compensation ⁽⁵⁾	-	-	-	-
Exceptional compensation	€114,534	€114,534	€3,208	-
Attendance fees	€9,150	€9,150	€28,523	€28,523
Benefits in kind ⁽⁴⁾	-	-	-	-
TOTAL	€177,255	€177,255	€309,703	€306,495
Yann Coléou, Chief Executive Officer until 18 November 2015				
Fixed compensation	€514,217	€514,217	€485,833	€485,833
Variable annual compensation ⁽⁵⁾	€500,000	€218,000	€105,863	€500,000
Variable multi-annual compensation ⁽⁵⁾	-	-	€1,050,000	€1,050,000
Exceptional compensation	€436,000	€436,000	€1,837,500	€1,837,500
Attendance fees	-	-	-	-
Benefits in kind ⁽⁴⁾	€4,788	€4,788	€4,389	€4,389
TOTAL	€1,455,005	€1,173,005	€3,483,585	€3,877,722
Jacques Bailet, Chairman of the Board of Directors from 18 March 2014 to 25 March 2015⁽³⁾				
Fixed compensation	€270,250	€270,250	€80,942	€80,942
Variable annual compensation ⁽⁵⁾	-	-	-	-
Variable multi-annual compensation ⁽⁵⁾	-	-	-	-
Exceptional compensation	-	-	€525,000	€525,000
Attendance fees	-	-	-	-
Benefits in kind ⁽⁴⁾	€2,417	€2,417	€806	€806
TOTAL	€272,667	€272,667	€606,748	€606,748

(1) Variable annual compensation paid in respect of the previous financial year.

(2) Christian Chautard was Chairman of the Board of Directors until 18 March 2014, the date of the Merger, upon which he was appointed Vice-Chairman of the Board. Since 25 March 2015, Christian Chautard is once again the Chairman of the Board. As such, the compensation for Christian Chautard shown in the table for the financial year ended 31 December 2014 only involves the period from 1 January to 18 March 2014. In addition, from 18 November 2015 to 25 January 2016, Christian Chautard held the office, on a temporary basis, of Chairman and Chief Executive Officer.

(3) Jacques Bailet was Chairman of the Board of Directors from 18 March 2014, date of the Merger, until 25 March 2015, the date upon which he resigned his position as Chairman and Director. In addition, the compensation for Jacques Bailet appearing in the column of the table relating to the year ended 31 December 2014 only covers the period from 18 March to 31 December 2014 and, the compensation appearing in the column of the table relating to the year ended 31 December 2015, only covers the period from 1 January to 25 March 2015.

(4) Details of the benefits in kind received by each of the executive directors are provided in section 3.10.2.1.

(5) Details of the criteria applied in order to calculate components of the variable annual compensation and the variable multi-annual compensation paid to each of the executive directors and the circumstances under which they were established (grounds for payment, allocation criteria, procedures for setting the amount) are provided in section 3.10.2.1.

The Group did not grant options to subscribe or purchase shares in 2015. In addition, no share subscription or purchase options were exercised in 2015 by an executive director.

On 10 September 2014, the Board of Directors approved, based on a proposal by the Appointments and Compensation Committee, the establishment of a profit-sharing plan for the benefit of certain members of General Management, including the Chief Executive Officer. This equity incentive plan, which is a free shares plan, provides for the allocation of a maximum of 153,030 Company shares, subject to the achievement of performance conditions associated with the share price, EBITDA and revenue, in accordance with the following:

- the free shares lot associated with the share price criterion will represent 50% of the total allocation, whereas the free share lots associated with the EBITDA and revenue criteria will each represent 25% of the total allocation;
- between the threshold and the limit set for each allocation lot, the number of allocated free shares shall be calculated through linear interpolation between these 2 points.

For French tax residents, the free shares allocation shall become definitive and the ownership of said shares will be transferred to them 30 months and 21 days after the plan settlement date, i.e. 31 March 2017, subject to the beneficiary remaining in office. Moreover, beneficiaries will not be permitted to transfer the shares received under the terms of this plan for an additional period of 24 months following the vesting period, i.e. until 31 March 2019. The beneficiaries that remain company agents in the Company and/or subsidiaries at the time of acquisition of the free shares must retain 25% of these shares as registered shares until the termination of their term of office as company agents within the Company and/or its subsidiaries.

The free shares plan has an IFRS cost of around €2,765 thousand (including €574,853 for the portion due to the former Chief Executive Officer, Yann Coléou) (excluding social security charges) and will lead to a maximum dilution of 0.19% (including 0.04% for the portion due to the former Chief Executive Officer, Yann Coléou).

The Chief Executive Officer, as a beneficiary of the plan, has agreed to not hedge the shares that they will eventually own through the corporate office they hold. Furthermore, the plan rules establish that beneficiaries who become company agents will be required to formally agree, upon their appointment as company agents, to not hedge Company shares allocated freely.

Since the Company shares that will be allocated under this plan are traded on a regulated market, and to prevent the risk of any insider trading, the plan rules establish that said shares may not be sold during the closed periods referenced in Article L. 225-197-1-I paragraph 8 of the French Commercial Code, such as they may subsequently be amended. In addition, beneficiaries who are company agents, as well as any beneficiary who may have regular or occasional access to insider information, may not sell shares during the following periods:

- within 30 calendar days prior to the publication of annual and half-year financial statements and, if applicable, of the complete quarterly financial statements of the Company, if the latter are published;
- within 15 calendar days prior to the publication of quarterly information;
- in the case of financial transactions likely to have a significant impact on the share price of the Company's shares or the existence of insider information regarding the Company's business.

On 16 September 2015, the Board of Directors approved, based on a proposal by the Appointments and Compensation Committee, the establishment of a profit-sharing plan for the benefit of certain members of General Management, including the Chief Executive Officer. This profit-sharing plan, which is a free shares plan, provides for the allocation of a maximum of 90,649 Company shares, subject to the achievement of the

same performance conditions and under the same terms as the free share plan of 10 September 2014.

For French tax residents, the free shares allocation shall become definitive and the ownership of said shares will be transferred to them 30 months and 15 days after the plan settlement date, *i.e.* 31 March 2018, subject to the beneficiary remaining in office. Moreover, beneficiaries will not be permitted to transfer the shares received under the terms of this plan for an additional period of 24 months following the vesting period, *i.e.* until 31 March 2020. The beneficiaries that remain company agents in the Company and/or subsidiaries at the time of acquisition of the free shares must retain 25% of these shares as registered shares until the termination of their term of office as company agents within the Company and/or its subsidiaries.

The free shares plan has an IFRS cost of around €1,793 thousand⁽¹⁾ (including €561,268 for the portion due to the former Chief Executive Officer, Yann Coléou) (excluding former social security charges) and will lead to a maximum dilution of 0.13% (including 0.04% for the portion due to the former Chief Executive Officer, Yann Coléou).

As for the free shares plan of 10 September 2014, the Chief Executive Officer has agreed to not hedge the shares that they will eventually own through the corporate office they hold, and the plan's regulations stipulate that beneficiaries who become company agents must agree, from their appointment, not to hedge the Company shares they have been allocated for free.

The regulations for the free shares plan of 16 September 2015 stipulate the same rules to prevent the risk of insider trading (closed periods) as the free shares plan of 10 September 2014.

The following table presents a summary of free shares allocated to the only company agent concerned, Yann Coléou, former Chief Executive Officer of the Company.

Summary table of the free shares allocated to the former Chief Executive Officer

Date of plan	Number of shares allocated during the financial year	Valuation of the shares in accordance with the method used in the consolidated financial statements	Acquisition date	Availability date	Performance conditions
10 September 2014	31,818	€574,853	31 March 2017	31 March 2019	Share price, EBITDA and revenue
16 September 2015	28,378	€561,268 ⁽¹⁾	31 March 2018	31 March 2020	Share price, EBITDA and revenue

⁽¹⁾ IFRS cost accounted after discounting the turnover rate for the share allocation plan of 16 September 2015.

No freely allocated shares became available during the 2015 financial year for the benefit of a company agent.

As Yann Coléou was removed from his functions as Company Chief Executive Officer by the Board of Directors' meeting on

18 November 2015, he lost the benefit of these free share plans approved by the Board of Directors on 10 September 2014 and 16 September 2015, as these compensation elements were subject to a condition of presence.

⁽¹⁾ The IFRS cost after discounting the turnover rate for the free shares plan of 16 September 2015 amounted to €1,614 thousand.

The table below shows the history of share subscription or purchase options awarded by the Group.

History of share subscription or purchase option allocations

Information on share subscription or purchase options	Plan of 30 June 2010
Date of General Meeting	17 June 2010
Date of meeting of former Management Board	30 June 2010
Total number of shares that may be subscribed or purchased including the number that may be subscribed or purchased by company agents	18,000 -
Start date to exercise options	30 June 2010
Expiration date	29 June 2015
Subscription or purchase price	€16.83
Exercise methods (when the plan consists of several lots)	n/a
Number of shares subscribed as at 31 December 2015	5,000
Cumulative number of share subscription or purchase options cancelled or lapsed	13,000
Remaining share subscription or purchase options as at 31 December 2015	0

The table below shows the share subscription or purchase options awarded to the top 10 employees who are not beneficiary company agents, as well as the options they have exercised.

Share subscription or purchase options awarded to the top 10 employees who are not beneficiary company agents, as well as the options they have exercised	Total number of options awarded/shares subscribed or purchased	Weighted average	Plan of 30 June 2010
Options awarded during the financial year by the issuer, and any company included within the options allocation scope, to the 10 employees of the issuer, and of any company included within this scope, who hold the highest number of options awarded in this manner	n/a	n/a	n/a
Options held on the issuer or the companies previously defined, exercised, during the financial year, by the 10 employees of the issuer, or of these companies, who hold the highest number of options awarded in this manner	3,000	€16.83	3,000

The following table shows the history of the allocation of free shares by the Group.

Information on the allocation of free shares	Plan of 10 September 2014	Plan of 16 September 2015
Date of General Meeting	26 June 2014	26 June 2014
Date of Board of Directors' meeting	10 September 2014	16 September 2015
Total maximum number of shares that may be freely allocated including the number allocated to Yann Coléou, Chief Executive Officer	153,030 31,818	90,649 28,378
Date of acquisition of shares	31 March 2017	31 March 2018
Retention period end date	31 March 2019	31 March 2020
Performance conditions	share price, EBITDA and revenue	share price, EBITDA and revenue
Number of shares subscribed as at 31 December 2015	n/a	n/a
Cumulative number of shares cancelled or lapsed	63,636	28,378
Freely allocated shares remaining as at 31 December 2015	89,394	62,271

The table below shows the information required by the recommendations of the AFEP-MEDEF Code in relation to the existence, for executive directors, if applicable, (i) of an employment contract in addition to the corporate office held,

(ii) supplementary pension schemes, (iii) commitments by the Company corresponding to benefits or compensation due or likely to be due for the termination or change in role of executive officers or subsequent to them and (iv) non-compete compensations.

Executive directors	Employment contracts	Supplementary pension scheme	Termination or change-in-role benefits	Non-compete compensations
Sophie Boissard, Chief Executive Officer Date of start of office: 26 January 2016 Date of end of office: 25 January 2021	No	No	Yes	Yes
Yann Coléou, former Chief Executive Officer Date of start of office: 30 April 2012 Date of end of office: 18 November 2015	No	No	Yes	No
Christian Chautard, Chairman of the Board Date of start of office: 25 March 2015 Date of end of office: GM to approve the financial statements for 2016	No	No	No	No
Jacques Bilet, former Chairman of the Board Date of start of office: 18 March 2014 Date of end of office: 25 March 2015	No	No	No	Yes

3.10.2.3 Compensation components of executive directors in 2015 subject to the advisory vote of shareholders (say on pay)

Compensation components due or allocated to Christian Chautard, Chairman of the Board of Directors from 25 March to 18 November 2015, then interim Chairman and Chief Executive Officer up to 31 December 2015, subject to the advisory vote of shareholders

Compensation components	Amount	Comments
Fixed compensation	€277,972	On 25 March 2015, the Board of Directors decided, based on a proposal by the Appointments and Compensation Committee, to set Christian Chautard's gross fixed annual compensation for his mandate as Chairman of the Board at €345,000. The Board of Directors which met on 18 November 2015, decided, based on a proposal by the Appointments and Compensation Committee, to set Christian Chautard's gross fixed annual compensation at €450,000 for his mandate as Chairman and Chief Executive Officer for the interim period, i.e. from 18 November 2015 to 26 January 2016. Between 25 March and 31 December 2015, Christian Chautard thus received the sum of €277,972 for his mandate as Chairman of the Board and then Chairman and Chief Executive Officer.
Variable annual compensation	n/a	Christian Chautard did not receive any variable annual compensation.
Deferred variable compensation	n/a	Christian Chautard did not receive any deferred variable compensation.
Variable multi-annual compensation	n/a	Christian Chautard did not receive any variable multi-annual compensation.
Exceptional compensation	€3,208	On 2 November 2015, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, decided to set Christian Chautard's gross annual compensation for his special mission of support for the acquisition then supervision and coordination of the consolidation of the Casa Reha Group in Germany, at €70,000. After the temporary grouping of the functions of Chairman and Chief Executive Officer in the hands of Christian Chautard, as an interim measure, from 18 November 2015 to 26 January 2016, the Board of Directors in its meeting of 18 November 2015, decided to suspend the payment of this compensation during the interim period. On the basis of this mission, for the period from 2 to 18 November 2015, the compensation owing to Christian Chautard stood at €3,208, which he was paid in February 2016.
Stock options, bonus shares or any other long-term compensation component	n/a	Christian Chautard did not receive any stock options or any free allocation of shares
Attendance fees	€28,523	Christian Chautard received attendance fees for his mandate as Chairman of the Board of Directors and his participation in certain specialised Board committees. He received €28,523 gross for 2015. Furthermore, he waived his attendance fees for his mandates as a member of the Supervisory Boards of the Group's German companies. In addition, he has not received attendance fees for his mandates as Director of the Italian company, Segesta, and the Belgian company, Senior Living Group.
Value of benefits of all types	n/a	Christian Chautard did not receive any benefits in kind.
Termination benefit	n/a	No termination benefit is due to be payable to Christian Chautard.
Joint welfare scheme and medical expenses	n/a	Christian Chautard has no entitlement under any social security schemes.
Non-compete compensation	n/a	There are no commitments for non-compete compensation payments.
Supplementary pension scheme	n/a	Christian Chautard is not entitled to any supplementary pension scheme.

Compensation components due to Yann Coléou, CEO until 18 November 2015, subject to the advisory vote of the shareholders

Compensation components	Amount	Comments
Fixed compensation	€485,833	In light of the significant increase in the Company's size following the Merger, the Board of Directors decided, on 24 April 2014, in accordance with the proposal put forward by the Appointments and Compensation Committee, to raise Yann Coléou's fixed yearly compensation to €550,000 effective from the date of said Board meeting.
Variable annual compensation	€105,863	<p>In light of the significant increase in the Company's size following the Merger, the Board of Directors decided, on 24 April 2014, in accordance with the proposal put forward by the Appointments and Compensation Committee, that the variable annual portion of Yann Coléou's compensation should not exceed €500,000.</p> <p>On 25 March 2015, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, used the following quantitative and qualitative criteria for 2015:</p> <ul style="list-style-type: none"> ■ quantitative criterion (representing 40% of the variable compensation): EBITDA; ■ qualitative criterion (representing 60% of the variable compensation): definition and implementation of an organisation adapted to the ambitions of the Korian group (organisation principle, People, steering and information tools); measurement and monitoring of service quality. <p>Having taken note that the quantitative objective was not achieved and that the qualitative objectives had only partly been achieved, on 23 March 2016, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, allocated to Yann Coléou the sum of €105,863 for the variable compensation for 2015.</p>
Deferred variable compensation	€1,050,000 corresponding to 42,000 performance units acquired for 2013 multiplied by the share price, capped at €25 35,238 performance units acquired for 2014 (to be paid in 2016 based on the share price, capped at €25, valued at €880,950 and subject to a continued employment requirement)	<p>Under the equity incentive plan adopted for Yann Coléou for 2013 and 2014 a certain number of performance units are awarded at the start of the year. The completion of the vesting period depends on the achievement of quantitative and qualitative targets. Upon the closure of the year in question, the Board of Directors met to assess - upon a proposal by the Appointments and Compensation Committee - if these performance criteria were met. Performance units awarded in 2013 were due to be paid in 2015 and those awarded in 2014, in 2016 (subject to Yann Coléou being in office on the payment date). On this basis, vesting of Yann Coléou's performance units was governed by the following conditions:</p> <ul style="list-style-type: none"> ■ performance under 95% of EBITDA target: no units awarded; ■ achievement of 95-100% of EBITDA target: 0-100% awarded; ■ achievement of 100 to 110% of EBITDA target: 100-120% awarded. <p>In addition, it was agreed that, if the actual occupancy rate falls short of 98% of the target, Yann Coléou will not be entitled to the payment of his performance units; if it falls between 98 and 100% of the target, the number of performance units in the lot, after the adjustment applied under the performance condition, will be adjusted downwards by linear interpolation, within a range of 98-100% of the performance condition, by a number of performance units falling within a lower limit of 0% of performance units in the lot in question after the adjustment described above, and an upper limit of 100% of the performance units in the lot in question after the adjustment described above.</p> <p>Having verified that the EBITDA target was reached at 100.34% and that the occupancy rate exceeded 100% of the target, on 25 March 2015, the Board of Directors, upon a proposal by the Appointments and Compensation Committee took note of the acquisition by Yann Coléou of 35,238 performance units for 2014. As Yann Coléou was removed from his functions as Company Chief Executive Officer by the Board of Directors' meeting on 18 November 2015, he lost the benefit of the acquisition of those performance units allocated in 2014, as these compensation elements were subject to a condition of presence.</p>

Compensation components	Amount	Comments
Variable multi-annual compensation	n/a	Yann Coléou did not receive any variable multi-annual compensation.
Exceptional compensation	n/a	Yann Coléou did not receive any exceptional compensation for the 2015 financial year.
Stock options, bonus shares or any other long-term compensation component	No acquisition of 28,378 free shares in 2015 (Accounting valuation: €561,268; IFRS cost recognised before discounting turnover rate for the free shares plan of 16 September 2015)	<p>On 16 September 2015, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, approved the establishment of a profit-sharing plan for the specific benefit of Yann Coléou in his role as Chief Executive Officer. This equity incentive plan, which is a free shares plan, provides for the allocation to Yann Coléou, as Chief Executive Officer, of a maximum of 28,378 Company shares, subject to the achievement of performance conditions associated with the share price, EBITDA and revenue, in accordance with the following terms:</p> <ul style="list-style-type: none"> ■ the free shares lot associated with the share price criterion will represent 50% of the total allocation, whereas the free share lots associated with the EBITDA and revenue criteria will each represent 25% of the total allocation; ■ between the threshold and the limit set for each allocation lot, the number of allocated free shares shall be calculated through linear interpolation between these two points. <p>The allocation of free shares to Yann Coléou shall become definitive and the ownership of said shares will be transferred to him 30 months and 15 days after the plan settlement date, i.e. 31 March 2018, subject to his remaining in office. Moreover, Yann Coléou would not be permitted to transfer the shares received under the terms of this plan for an additional period of 24 months following the vesting period, i.e. up to 31 March 2020 (with the exception of 25% of Korian shares which would be definitively allocated and which must remain as registered shares until the end of his term of office).</p> <p>The portion of the plan intended for Yann Coléou will incur an IFRS cost of €561,268 (excluding social security charges) and will lead to a maximum dilution of 0.04%. As Yann Coléou was removed from his functions as Company Chief Executive Officer by the Board of Directors' meeting on 18 November 2015, he lost the benefit of the free share plan approved by the Board of Directors on 16 September 2015, as this compensation element was subject to a condition of presence.</p>
Attendance fees	n/a	Yann Coléou waived his attendance fees for his mandates as a member of the Supervisory Boards of the Group's German companies. He did not receive attendance fees for his mandates as director of the Italian company, Segesta, and the Belgian company, Senior Living Group.
Value of benefits of all types	€4,389	In addition to his compensation, Yann Coléou benefited from a company vehicle representing a benefit in kind of €399 per month over a 11-month period.

Compensation components	Amount	Comments
Termination benefit	€ 1,837,500	<p>On 21 March 2012, the Board of Directors, based on a proposal by the Appointments and Compensation Committee, authorised the award of a benefit to Yann Coléou in the event of the termination of his office as Chief Executive Officer in accordance with the so-called "TEPA" Act (Article L. 225-42-1 of the French Commercial Code (<i>Code de Commerce</i>)).</p> <p>This termination benefit is indicated in the Statutory Auditors' special report of 23 April 2010 and was approved by the Company's Shareholders' General Meeting on 20 June 2013.</p> <p>It was limited to cases where the Company decides to revoke or not-renew his term of office, excluding gross negligence or misconduct. It was equal to a year's gross compensation plus 25% for each year in office, up to a maximum of twenty-four months of compensation, in accordance with the recommendations of Article 23.2.5 of the AFEP-MEDEF Code. It would be calculated based on the gross fixed and variable compensation over the last 12 months preceding his departure.</p> <p>Payment of the termination benefit was subject to the following performance conditions:</p> <ul style="list-style-type: none"> ■ the cumulative EBITDA recorded for the 12 months preceding his departure would be equal to at least the annual EBITDA recorded at 31 December of the year preceding his departure and to a minimum target EBITDA; achievement of this criterion alone would give him right to 70% of the benefit; ■ if the average occupation rate of facilities in France over the 12 months preceding his departure reached a minimum target; achievement of this criterion alone would give him right to 30% of the benefit. <p>Having taken note that the performance criteria fixed by the Board on 21 March 2012 and conditioning the payment of the Chief Executive Officer's termination benefit had been achieved, the Board of 18 November 2015 decided, based on a proposal by the Appointments and Compensation Committee, to pay the Chief Executive Officer a severance payment of a total of €1,837,500 corresponding to an increase of 75% to the gross fixed and variable annual compensation received by the latter during the last 12 months (amounting to €1,050,000).</p>
Joint welfare scheme and medical expenses	Yes	Yann Coléou was entitled to social security schemes equivalent to those applicable to salaried managers (illness and personal protection insurance).
Non-compete compensation	n/a	There are no commitments for non-compete compensation payments.
Supplementary pension scheme	n/a	Yann Coléou was not entitled to any supplementary pension scheme.

I Compensation components due or allocated to Jacques Bailet, Chairman of the Board of Directors up to 25 March 2015, subject to the advisory vote of shareholders

Compensation components	Amount	Comments
Fixed compensation	€80,942	<p>On 18 March 2014, the Board of Directors decided, based on a proposal by the Appointments and Compensation Committee, to set Jacques Bailet's gross annual compensation for his mandate as Chairman of the Board at €345,000.</p> <p>For the period from 1 January to 25 March 2015, the date on which Jacques Bailet resigned as Chairman and Director, he received fixed compensation of €80,942.</p>
Attendance fees	n/a	Jacques Bailet waived his attendance fees as Chairman of the Board and as a member of certain specialised Board Committees.
Value of benefits of all types	€806	Jacques Bailet benefited from a company vehicle representing a benefit in kind of €806 in respect of the period from 1 January to 25 March 2015.
Joint welfare scheme and medical expenses	Yes	Jacques Bailet was entitled to social security schemes equivalent to those applicable to salaried managers (illness and personal protection insurance).
Non-compete compensation	€525,000	<p>On 26 November 2014, the Board of Directors approved, upon the recommendation of the Appointments and Compensation Committee, the granting to Jacques Bailet of a lump-sum payment of €525,000 in return for his compliance with a 3-year non-competition commitment effective from the date of his departure from his position.</p> <p>In accordance with the recommendations of the AFEP-MEDEF Code, this non-compete compensation corresponds to approximately 18 months of gross annual compensation.</p>

3.10.2.4 Compensation of Directors

At 31 December 2015, an amount of €296,234 was paid as attendance fees to the members of the Board of Directors and the Committees. The members of the Board and the Committees are also entitled to reimbursement, on production of receipts, of travel expenses incurred in attending Board and Committee meetings. Directors other than the Chairman of the Board did not receive any other components of compensation for 2015.

Article 1.9 of the Internal Regulations of the Board of Directors stipulates the way in which the attendance fees budget is distributed amongst the directors:

- half of the total amount of attendance fees is divided equally amongst Board members as a fixed component, with the

Chairman and Vice-Chairman receiving double the fee and independent directors 6 times the fee;

- 3/10 of the aforementioned total amount of attendance fees are divided amongst Board members proportionally to the number of Board meetings they attend, with the Chairman and Vice-Chairman receiving double the fee;
- 1/5 of the total amount of attendance fees is awarded to the members of the various committees and distributed amongst them proportionally to the number of committee meetings they attend, with the Chairman of each committee receiving double the fee.

The table below shows the attendance fees paid to the Company's Directors for the last 2 financial years.

Non-managing executive officers	Attendance fees paid respect of 2014	Attendance fees paid respect of 2015
Christian Chautard ⁽¹⁾	€27,743	€28,523
Jérôme Grivet ⁽¹⁾	€8,113	€16,055
Predica ⁽³⁾	€10,136	€14,533
PSP Investissements ⁽⁵⁾	-	€7,621
Malakoff Médéric Assurances ⁽¹⁾	€10,818	€13,555
Batipart Invest ⁽¹⁾	€12,107	€19,261
Jacques Ambonville ⁽¹⁾	€31,188	€37,062
Martin Hoyos ⁽³⁾	€24,758	€33,937
Anne Lalou ⁽³⁾	€29,334	€40,187
Guy de Panafieu ⁽³⁾	€28,508	€37,606
Catherine Soubie ⁽³⁾	€24,393	€34,834
Jacques Bailet ⁽²⁾	-	-
MAAF Assurances ⁽⁴⁾	€7,840	€6,298
Amélie Nun ⁽⁶⁾	-	€6,762
Charles Ruggieri ⁽⁷⁾	€3,548	-
Jean-Jacques Duchamp ⁽⁷⁾	€2,948	-
MACSF ⁽⁷⁾	€548	-
ACM Vie ⁽⁷⁾	€2,948	-
Jean Castex ⁽⁷⁾	€8,986	-
Catherine Chouard ⁽⁷⁾	€8,386	-
Jean-Paul Thonier ⁽⁷⁾	€7,439	-
TOTAL	€249,741	€296,234

(1) Director whose mandate covered the period from 1 January 2014 to 31 December 2015.

(2) Director whose mandate covered the period from 18 March 2014 to 25 March 2015.

(3) Director whose mandate covered the period from 18 March 2014 to 31 December 2015.

(4) Director whose mandate covered the period from 18 March 2014 to 15 July 2014.

(5) Director whose mandate covered the period from 15 July 2015 to 31 December 2015.

(6) Director whose mandate covered the period from 16 January to 11 September 2015.

(7) Directors whose mandate covered the period from 1 January to 18 March 2014.

The attendance fees paid to directors for the period from 26 June 2014 to 31 December 2015 comply with the 11th resolution adopted by the Shareholders' General Meeting of 26 June 2014, which set the overall annual amount for attendance fees at €300,000 as of the date of said meeting and for the subsequent financial years, until further notice.

The attendance fees paid to directors until 25 June 2014 were in line with the 15th resolution adopted by the Shareholders'

General Meeting of 21 March 2012, which had set the overall annual amount of attendance fees at a maximum of €200,000. This amount was renewed by the General Meeting of 18 March 2014.

The amounts of attendance fees paid to directors of Medica, absorbed by the Company during the merger, for the period from 1 January to 18 March 2014 are indicated on page 140 of the 2014 Company Registration Document.

3.10.3 Transactions carried out by the administrative and management bodies

Only the following company agents carried out transactions on Korian shares in 2015.

Executive officers	Acquisitions	Price	Disposals	Price
Françoise Debrus	24	€28.99 ⁽¹⁾	-	-
PSP Investments	11,100,000	€30.70	-	-
MAAF Assurances ⁽²⁾	970,489	€30.70	-	-
Batipart Invest	-	-	4,352,582	€30.89
Jacques Ambonville	1	€28.99 ⁽¹⁾	-	-

(1) Resulting from the option to receive the dividend payment in newly issued shares.

(2) Transactions completed between 1 January and 15 July 2015, the date on which MAAF Assurances resigned as director. In addition, please note that, since 5 October 2015, the Covea group (of which MAAF Assurances is a part), no longer holds any Korian shares.

Between 1 January 2016 and the date of this Management report, the directors have not performed any transactions involving Korian shares.

3.10.4 Conflicts of interest - Family ties

Article 1.8 of the Internal Regulations of the Board of Directors sets out the procedure to manage potential conflicts of interest. In order to avoid the emergence of such conflicts during meetings of the Board of Directors and/or of the Investment Committee, it establishes an upstream prevention process as soon as the agenda is submitted to the Board and/or the Committee.

Charles Ruggieri is the permanent representative of Batipart Invest, Director of the Company. Batipart Invest and Juniclair, shareholders of the Company, are controlled at the highest level by the Ruggieri family.

Jean-Claude Georges-François, Observer, is Director of the Caisse Mutual d'Assurance sur la Vie, an entity that belongs to the Malakoff Médéric group.

Foncière des Murs, in which Foncière des Régions and Predica own significant equity interests, acquired, during the sub-contracting operations of 2004 and 2005, 51 properties owned or leased by the Group and entered into a partnership agreement with the Group for the management of its real estate assets.

Anne Lalou is Chief Executive Officer of the association Innovation Factory and Director of Web School Factory. On 24 March 2015, the Company entered into a Strategic Partnership Agreement with Innovation Factory, in order for the Company and Innovation Factory to cooperate closely on the development of joint projects in the field of digital innovation, in particular in collaboration with Web School Factory.

To the Company's knowledge and at the date of this document, there are no other potential conflicts of interests between the duties of the members of the management bodies as regards the Company and their private interests and/or any other duties, and notably:

- company agents have not accepted any restrictions on the disposal of their stake in the Company's share capital;
- no company agent has entered into an agreement with major shareholders, clients or suppliers with a view to being selected as member of a supervisory, management or administrative body.

To the Company's knowledge and at the date of this document:

- there are no family links between Board members;
- none of the members of the Board of Directors has been convicted for fraud over the last 5 years;
- none of the members of the Board of Directors has been associated with a company which has declared bankruptcy, entered into receivership or been liquidated over the last 5 years;
- none of the members of the Board of Directors has been incriminated or publicly sanctioned by a statutory or regulatory authority; and
- none of the members of the Board of Directors has been prevented by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from involvement in the management or affairs of an issuer during the last 5 years.

3.10.5 Summary of currently valid authorisations and of authorisations used

On 25 June 2015, the Combined General Meeting granted the Board of Directors the following financial powers.

Type	Purpose
1) Share buyback programme Term: 18 months Application: None	Authorisation of a share buyback plan, up to 10% of the share capital, through trading orders, buybacks of share blocks and disposal by any means of the shares thus acquired. Possible capital reduction through the cancellation of the shares thus acquired. Maximum purchase price ≤ €50 per share. Buyback cap: 10% of the share capital.
2) Authorisation to allocate free preference shares subject to performance conditions Term: 38 months Application: None	Authorisation for the Board of Directors to allocate free preference shares in the Company per Articles L. 225-197-1 <i>et seq.</i> of the French Commercial Code subject to performance conditions, to employees and/or company agents and its subsidiaries, up to a maximum of 1% of the Company's share capital on the day the Board of Directors allocates the preference shares (0.1% of the share capital for executive directors). Shares are vested at the end of a minimum vesting period of two years, with a mandatory retention period of two years from the final date of vesting of the shares, <i>i.e.</i> for all or part of the shares allocated, a minimum vesting period of four years, in which case there is no mandatory retention period, the Board of Directors having the right to decide between these two possibilities and to use them alone or together.
3) Powers to reduce the share capital by cancelling treasury shares Term: 18 months Application: None	Powers granted to the Board of Directors to carry out a reduction of the Company's share capital by cancelling treasury shares (currently held or as part of a buyback programme). Reduction limited to 10% of the Company's share capital for each 24-month period.

On 26 June 2014, the Combined General Meeting granted the Board of Directors the following financial powers.

Type	Purpose
<p>4) Power to increase the share capital with preferential subscription rights Term: 26 months Application: None</p>	<p>Power granted to the Board of Directors to increase the share capital through the issuance of transferable securities giving access to the Company's capital, with preferential subscription rights for the shareholders, capped at a total nominal amount of €150 million⁽¹⁾ for equity securities and €1 billion⁽¹⁾ for the issuance of debt securities giving access to the capital (for example, bonds convertible into shares). Potential public offering of these transferable securities or part thereof.</p>
<p>5) Power to increase the share capital with cancellation of preferential subscription rights, through a public offering Term: 26 months Application: None</p>	<p>Power granted to the Board of Directors to increase the share capital through the issuance of transferable securities giving access to the Company's capital, without preferential subscription rights for the shareholders, executed via a public offering (on a regulated market), capped at a total nominal amount of €150 million⁽¹⁾ for equity securities and €1 billion⁽¹⁾ for the issuance of debt securities giving access to the capital.</p>
<p>6) Power to increase the share capital with cancellation of preferential subscription rights, through a private offering Term: 26 months Application: None</p>	<p>Power granted to the Board of Directors to increase the share capital through the issuance of transferable securities giving access to the Company's capital, without preferential subscription rights for the shareholders, executed via a private offering (qualified investors or investors' club), capped at a total nominal amount of €150 million⁽¹⁾ for equity securities and €1 billion⁽¹⁾ for the issuance of debt securities giving access to the capital.</p>
<p>7) Power to increase the number of securities issued as part of a capital increase in the event of "over-subscription" Term: 26 months Application: None</p>	<p>Power to be granted to the Board of Directors to increase the number of securities offered as part of the capital increases covered by the powers summarised in rows 4, 5 and 6 of this table, within the limit of 15% of the initial issue.</p>
<p>8) Power to set the issue price for the different issuances Term: 26 months Application: None</p>	<p>Power granted to the Board of Directors to set the price of the issuances made by virtue of the powers summarised in rows 5 and 6:</p> <ul style="list-style-type: none"> i. for ordinary shares, issue price \geq the weighted average share price on NYSE Euronext Paris during the 3 trading days before the price is set, with a discount of 10% at most where applicable; ii. for transferable securities giving access to the capital other than ordinary shares, the issue price is the amount immediately received by the Company, plus, if applicable, the amount likely to be received at a later stage by the Company i.e., for each ordinary share issued as a consequence of the issuance of these securities, at least equal to the amount stated in point (i) above, after adjustment, if applicable, to take into account the different vesting date. <p>The maximum nominal amount of the capital increase is limited to 10% of the share capital per annum.</p>
<p>9) Power to issue securities to compensate contributions in kind Term: 26 months Application: None</p>	<p>Power granted to the Board of Directors to compensate contributions in kind given to the Company. Compensation through the issuance of Company shares and/or transferable securities giving access to equity, within a limit of 10% of the share capital.</p>

Type	Purpose
<p>10) Power granted to increase the capital through the incorporation of reserves, profits or other Term: 26 months Application: None</p>	<p>Authorisation granted to the Board of Directors to increase the share capital by incorporating all or part of the reserves, profits, premiums or other amounts the incorporation of which is allowed. Nominal amount of the related capital increases: €20 million.</p>
<p>11) Authorisation in view of stock-option allocation Term: 26 months Application: None</p>	<p>Authorisation to the Board to issue options giving right to the subscription or purchase of ordinary shares in the Company up to a maximum limit of 1% of the Company's share capital (0.1% of the share capital for executive directors). Pursuant to Article L. 255-177 of the French Commercial Code, the Board of Directors would set the exercise date or period for the share subscription or purchase options as well as the date or the period during which the shares resulting from the exercise of options may not be sold or converted to bearer form. The purchase or subscription price is fixed by the Board of Directors when the option is granted, without any discount in relation to the average share price of the 20 trading days preceding the day the Board decides to allocate the options.</p>
<p>2) Authorisation to allocate free preference shares subject to performance conditions Term: 26 months Application: 153,030 shares (0.19% of the share capital) allocated to 14 beneficiaries subject to performance conditions – Board meeting of 10 September 2014 90,649 shares (0.11% of the share capital) allocated to 18 beneficiaries subject to performance conditions – Board meeting of 16 September 2015</p>	<p>Authorisation to the Board to allocate free shares subject to performance conditions, existing or to be issued, up to a maximum of 1% of the Company's share capital on the day the Board of Directors makes the decision (0.1% of the share capital for executive directors). Shares are vested at the end of a minimum vesting period of 2 years, with a mandatory retention period of 2 years from the final date of vesting of the shares, i.e. for all or part of the shares allocated, a minimum vesting period of 4 years, in which case there is no mandatory retention period, the Board of Directors having the right to decide between these 2 possibilities and to use them alone or together.</p>
<p>13) Power to execute capital increases for members of an employee savings plan Term: 26 months Application: None</p>	<p>Power granted to the Board of Directors to carry out capital increases up to a nominal amount of €2 million, by issuing shares or financial securities giving access to the capital, for members of an employee savings plan (legal obligation).</p>

(1) Cap shared with the powers outlined in rows 11 and 12 of this table.

It is paramount that the Board of Directors is granted financial powers to rapidly and easily avail of the financial means required for the Group's development by executing different types of issuances in accordance with the applicable regulations. It will therefore be proposed to the Shareholders' General Meeting on 23 June 2016 to renew financial delegations numbers 1, 3,

4, 5, 6, 7, 8, 9, 10, 12 and 13 as set out in the above table; the authorisation for carrying out free allocations of preference shares subject to performance conditions, of a duration of 38 months, agreed by the General Meeting of 25 June 2015 remains valid.



Corporate governance and internal control

4.1	Report prepared by the Chairman of the Board of Directors on corporate governance and internal control	133	4.2	Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Korian	150
4.1.1	Corporate governance	133			
4.1.2	Internal control	145			

"Dear Shareholders,

Pursuant to Article L. 225-37 of the French Commercial Code, in this report the Chairman of the Board of Directors reports on the composition of the said Board and on the application of the principle of balanced representation of women and men thereon, the conditions governing the preparation and organisation of its work, internal control and risk management procedures implemented within the Group, limitations on the powers of General Management, principles for determining the remuneration of company agents, procedures related to the participation of shareholders at General Meetings as well as the publication of information in accordance with Article L. 225-100-3 of the French Commercial Code.

In terms of risk management and internal control systems, this report describes the internal control measures applied by the Company based, in particular, on the AMF reference framework published on 22 July 2010 as well as its recommendation No. 2013-17, updated on 13 January 2015.

Lastly, the Company has also familiarised itself with AMF recommendation No. 2012-02, on corporate governance and compensation of company directors, with reference to the AFEF-MEDEF Code (November 2015 version)."

This report was submitted to the Audit Committee and approved by the Board of Directors at its meeting on 23 March 2016.

4.1 Report prepared by the Chairman of the Board of Directors on corporate governance and internal control

4.1.1 Corporate governance

4.1.1.1 Implementation of the principles of the AFEP-MEDEF Code

By application of the law of 3 July 2008 transposing European Directive 2006/46/CE dated 14 June 2006, it was decided that the principles set out in the November 2015 version of the AFEP-MEDEF Code constitute the Corporate Governance Code to which the Company refers for the preparation of this report pursuant to Article L. 225-37 of the French Commercial Code. The conditions governing the preparation and organisation of the work of the Board of Directors and the specialised committees are defined by law, by the Company's Articles of

Association and by the provisions of the Internal Regulations of the Board of Directors.

Within the context of the "Comply or Explain" rule set out in Article L. 225-37 of the French Commercial Code and in Article 25.1 of the AFEP-MEDEF Code, the Company deems that its practices comply with the recommendations of the AFEP-MEDEF Code, except where expressly indicated otherwise in this Registration Document. In this regard, in accordance with the aforementioned provisions, the table below specifies the recommendations of the AFEP-MEDEF Code that were not applied by the Company and the reasons for this.

AFEP-MEDEF recommendations	Explanation from Korian
<p>Proportion of independent directors</p> <p>9.2 The Board must consist of a significant portion. The number of independent directors must represent half of the members of the Board in companies with a widely spread share capital and no controlling shareholders. In controlled companies, the portion of independent directors must be at least one third.</p>	<p>Even though the Company is not a controlled company within the meaning of Article L. 233-3 of the French Commercial Code, its shareholding structure consists of several reference shareholders who, together, at 31 December 2015, represented 44.51% of the Company's share capital and voting rights. Consequently, the composition of the Board of Directors reflects the Company's shareholders and achieves a proper balance between expertise and independence; this is why there are only 5 independent directors out of 11 Board members (<i>i.e.</i> 45.45% are independent directors). It is further specified that the Chairman of the Board, Christian Chautard, is not considered to be an independent director.</p>
<p>Training of the members of the Audit Committee</p> <p>13. Upon appointment, members of the Audit Committee must be informed of the Company's principal accounting, financial or operational characteristics.</p>	<p>No particular training was provided to Audit Committee members upon taking up their positions since the majority were already members of Medica's Audit Committee. However, new members will receive information on the Company's principal accounting, financial or operational characteristics when the next appointments are made.</p>
<p>Appointment of the Director representing the employees as a member of the committee responsible for compensation</p> <p>18.1 It is advisable for one director representing the employees to be a member of the committee responsible for compensation.</p>	<p>From 16 January to 11 September 2015, the date on which she left the Company, Amélie Nun occupied the position of Director representing the employees, having been appointed by the most representative trade union. She was replaced by Hafida Cola on 25 January 2016. Given the recent nature of the appointment of a Director representing the employees and so as to enable the Director to familiarise herself as far as possible with her new role, the Internal Regulations of the Board of Directors do not specify that the Director representing the employees should be a member of the Appointments and Compensation Committee of Korian but state that, if appropriate, the Director may attend committee meetings, without being entitled to vote. The possibility of appointing the Director representing the employees as a member of the Appointments and Compensation Committee of Korian will be reviewed once the integration period is over.</p>
<p>Obligation to retain shares</p> <p>23.2.1</p> <p>§ 1 - Executive directors should retain a significant number of shares in their names, as periodically determined by the Board, until the end of their terms of office.</p>	<p>To date, the Company's executive directors do not own any Korian shares. It is, however, customary for the free shares plans implemented by the Company to contain these types of obligations. Consequently, the Board does not deem it necessary to impose a minimum share retention obligation.</p>
<p>Variable compensation of executive directors</p> <p>23.2.3</p> <p>Variable compensation shall be subject to specific and, of course, predetermined, targets being met.</p>	<p>The Board of Directors decided that Sophie Boissard's variable annual compensation would be set on the basis of quantitative and qualitative criteria. For 2016, quantitative criteria will account for 2/3 of her variable compensation and qualitative criteria for 1/3 of her variable compensation. By way of an exception, given the circumstances and, in particular, the difficulty in measuring the performance of Sophie Boissard during her first year in post, the Chief Executive Officer will receive, as a minimum, 2/3 of her fixed annual compensation (<i>prorata temporis</i>) for the 2016 financial year.</p>

4.1.1.2 Selection of a single tier system of governance

At the General Meeting on 21 March 2012, shareholders decided to change the Company's governance to a single tier system due to the need, at the time, to accommodate 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 reactivity to market volatility.

The change in governance resulted in a comprehensive strategic review and restructuring of the organisation at the

end of 2012, as explained in greater detail in section 1.3 of this Registration Document, leading to the far-reaching corporate project known as "Korian First" and enabling the Korian group to take the lead in terms of internationalisation and innovation, key elements of the Group's current success.

4.1.1.3 The Board of Directors

Article 11 of the Company's Articles of Association define and specify the conditions and procedures governing the composition and operation of the Board of Directors.

Key indicators

	2015	2014
Number of meetings	8	12
Average attendance rate	90.22%	78.47%
Number of directors	11	11
Percentage of independent directors	45.45%	45.45%

The composition of the Board of Directors

The table below summarises Board members' different expertise and experience as well as other criteria taken into consideration in assessing the balance of the Board's composition.

Directors	Changes since 1 January 2015			Date of first appointment	Date of last appointment	Term of mandate
	Appointed/ Co-opted	Reappointment	Departure			
Chairman						
Christian Chautard	-	-	-	Supervisory Board meeting of 5 December 2011	GM of 18 March 2014	GM to approve the financial statements for 2016
Jacques Bailet	-	-	BoD meeting of 25 March 2015	-	-	-
Institutional directors						
Jérôme Grivet	-	-	-	BoD meeting of 23 March 2011	GM of 18 March 2014	GM to approve the financial statements for 2016
Prédica - represented by Françoise Debrus	-	GM of 25 June 2015	-	GM of 18 March 2014	GM of 25 June 2015	GM to approve the financial statements for 2017
PSP Investments - Represented by Niall Boland	BoD meeting of 15 July 2015 (co-opted)	-	-	BoD meeting of 15 July 2015	BoD meeting of 15 July 2015	GM to approve the financial statements for 2016
MAAF Assurances SA - represented by Sophie Beuvaden	-	-	BoD meeting of 15 July 2015	GM of 18 March 2014	-	-
Malakoff Médéric Assurances - represented by Hugues du Jeu	-	GM of 25 June 2015	-	GM of 30 June 2015	GM of 25 June 2015	GM to approve the financial statements for 2017
Batipart Invest - represented by Charles Ruggieri	-	-	-	GM of 21 March 2012	GM of 18 March 2014	GM to approve the financial statements for 2015
Independent directors						
Jacques Ambonville	-	-	-	Supervisory Board meeting of 23 November 2006	GM of 18 March 2014	GM to approve the financial statements for 2015
Martin Hoyos	-	-	-	GM of 18 March 2014	GM of 18 March 2014	GM to approve the financial statements for 2016
Anne Lalou	-	-	-	GM of 18 March 2014	GM of 18 March 2014	GM to approve the financial statements for 2015
Guy de Panafieu	-	-	-	GM of 18 March 2014	GM of 18 March 2014	GM to approve the financial statements for 2015
Catherine Soubie	-	GM of 25 June 2015	-	GM of 18 March 2014	GM of 18 March 2014	GM to approve the financial statements for 2017
Directors representing the employees						
Hafida Cola	25 January 2016	-	-	25 January 2016	25 January 2016	GM to approve the financial statements for 2018
Amélie Nun	-	-	11 September 2015	16 January 2015	-	-
Summary						

(1) A: Audit Committee; A/C: Appointments and Compensation Committee; I: Investment Committee; E/Q: The Ethics and Quality Committee

Experience and expertise contributed to the Company

Committees ⁽¹⁾	Age	Gender	Nationality	International experience	Skills
I E/Q	67 years	M	French	United States Germany	Strategy, organisation and governance In-depth knowledge of Germany and its business practices
-	-	-	-	-	-
I (Chairman)	54 years	M	French	Chairman of a Greek company, Chairman and director of Italian Companies	Finance Investments Strategy
A A/C	56 years	F	French	Director of an Italian company	Finance Investments
I	46 years	M	Irish	England Quebec (Canada)	Finance Portfolio management Management
-	-	-	-	-	-
I	58 years	M	French	-	Strategy, organisation and governance Management
A/C I	68 years	M	French	Italy Luxembourg Eastern European countries Africa Canada	In-depth knowledge of the real estate and health sectors
E/Q (Chair) I	66 years	M	French	Germany	In-depth knowledge of the health sector
A E/Q	68 years	M	Austrian	Austria Germany	Audit In-depth knowledge of Germany and its business practices
A/C (Chair)	52 years	F	French	England	Mergers & Acquisitions Management and human resources Digital transformation and innovation
A (Chairman) A/C	73 years	M	French	-	Finance Management General Management
A A/C	50 years	F	French	England Benelux	Mergers & acquisitions
-	45 years	F	French	-	Experience in employee representation In-depth knowledge of the health sector
-	-	-	-	-	-
	Only 1 director is older than 70 years of age.	The Board of Directors currently comprises 3 women and 8 men - i.e. 27.27% of directors are women.	The international nature of the Board of Directors is due to the different nationalities represented thereon and to the diversity of the international experience of its members (United States, Canada, Germany, Austria, Italy, Benelux). The replacement of MAAF Assurances with PSP Investments, represented by Niall Boland, made the Board of Directors even more of an international entity due to the inclusion of a Canadian director, represented by an Irish national with in-depth knowledge of business practices in Canada and in England.		Diversity in terms of business sectors (finance, health, insurance, real estate, etc.) and areas of expertise (corporate consultancy, asset management, oversight, management, etc.) invests the Board of Directors with a range of complementary skills.

COMPOSITION BALANCE

In accordance with the provisions of Article 6.3 of the AFEP-MEDEF Code, each Board of Directors must consider the appropriate balance of its composition, particularly with regards to gender, nationality and skills diversity, by taking appropriate measures to guarantee to shareholders and to the Market that its work will be accomplished with the necessary independence and objectivity.

The Company's Board of Directors has 11 members⁽¹⁾: Christian Chautard (Chairman)⁽²⁾, Jérôme Grivet, Predica (represented by Françoise Debrus), PSP Investments (represented by Niall Boland)⁽³⁾, Malakoff Médéric Assurances (represented by Hugues du Jeu), Batipart Invest (represented by Charles Ruggieri), Jacques Ambonville, Martin Hoyos, Anne Lalou, Guy de Panafieu and Catherine Soubie. In addition, in accordance with Article 11.4 of the Articles of Association, Hafida Cola was appointed as Director representing the employees, by the most representative trade union on 25 January 2016⁽⁴⁾.

The Board of Directors is assisted in its work by an Observer, Jean-Claude Georges-François.

A summary of the professional background of each member of the Korian Board of Directors, the director representing employees and the Observer (including their mandates and the number of Korian shares held by each individual) is presented in section 3.10.1 of this Registration Document and highlights the diverse skills set of its members.

Martin Hoyos is an Austrian national and has spent his career working in the audit field, particularly in Germany. Niall Boland is an Irish national and has spent his entire career on the international stage, first working for a consultancy firm in Ireland, then for an international investment bank as well as for a hedge fund in London before joining PSP Investments in Canada in 2011. Catherine Soubie has worked at an international level within Barclays investment bank since 2010 in her position as Head of Investment Banking for France, Belgium and Luxembourg. These appointments reflect the Group's truly multinational dimension, a factor to which the Board of Directors pays close attention when choosing candidates for director positions to be proposed to shareholders for approval.

The composition of the Board of Directors complies with Article 11.1.1 of the Company's Articles of Association, which states that at least 2/3 of the members of the Board of Directors must be aged under 70. To date, only 1 Director, Guy de Panafieu, is older than 70.

In accordance with the provisions of French law No. 2011-103 concerning balanced representation of women and men on Boards of Directors and Supervisory Boards and on workplace equality, which will mainly become effective for listed companies in 2017, the composition of the Board of Directors respects the principle of balanced representation referred to above, since at least 20% of its members are female, namely, Françoise Debrus (permanent representative of Predica), Anne Lalou and Catherine Soubie, i.e. 3 women and 8 men (being an average of 27.27% female representation). The Board of Directors will ensure that this principle of balanced representation is maintained during future proposals for director appointments.

THE INDEPENDENCE OF DIRECTORS

Article 9.2 of the AFEP-MEDEF Code states that "the number of independent directors must represent half of the members of the Board in companies with a widely spread share capital and no controlling shareholders. In controlled companies, the portion of independent directors must be at least 1/3. The directors who represent salaried shareholders and directors representing employees are not counted within these percentages".

In accordance with the AFEP-MEDEF Code, the independence of directors is reviewed on a yearly basis by the Board of Directors, pursuant to the opinion of the Appointments and Compensation Committee. Accordingly, the independence criteria retained by the Board of Directors, set out below, are in line with the relevant provisions of the AFEP-MEDEF Code:

- is not an employee or an executive director of the Company, or an employee or director of its parent company or of a consolidated subsidiary and has not been in such a position for the 5 previous years;
- is not an executive director of a company in which the Company holds, either directly or indirectly, a directorship or in which an employee appointed as a director or an executive officer of the Company (currently or in the past 5 years) holds a directorship;
- is not (or is not directly or indirectly related to) an important customer, supplier, investment banker or commercial banker of the Company or of the Group, and is not dependent on the Company or the Group for a material proportion of its business;
- a company agent does not have any close family ties with a company agent;
- has not been a Statutory Auditor of the Company over the past 5 years;
- has not been a member of the Company's Board of Directors for more than 12 years at the date he or she was appointed to his or her current term of office.

In addition, in the event that a director holds 10% or more of the Company's share capital or voting rights, or represents a legal entity holding such an interest, the Board of Directors will take a view on whether the independence criteria are met, taking into account the Company's shareholding structure and the existence of any potential conflict of interest.

In line with the recommendations of Article 9.3 of the AFEP-MEDEF Code and on the proposal of the Appointments and Compensation Committee, the Board of Directors, at its meeting of 2 December 2015, reviewed director independence, in particular:

- with regard to the independence of Catherine Soubie, who is Head of Investment Banking for France, Belgium and Luxembourg, at Barclays Capital, the Company does not conduct any business with this investment bank;
- with regard to the independence of Anne Lalou, the Board of Directors satisfied itself that the Strategic Partnership Agreement between Korian and Innovation Factory, as outlined in section 3.10.4 of this Registration Document, did not place her independence in question. The Board decided that the signing of said Agreement, in which Anne Lalou has

(1) The Board of Directors had 12 members until 25 March 2015, the date on which Jacques Baillet's duties as Chairman and Director ended.

(2) Christian Chautard was Vice-Chairman of the Board until 25 March 2015, the date on which Jacques Baillet's duties as Chairman and Director ended.

(3) After PSP Investments acquired a stake in the Group, the Korian Board of Directors met on 15 July 2015 to co-opt PSP Investments, represented by Timothy Leyne (now replaced by Niall Boland), onto the Board as a Company director to replace MAAF Assurances, represented by Sophie Beuvaden.

(4) Amélie Nun occupied the position of Director representing the employees from 16 January to 11 September 2015, when she resigned from the Company.

no proprietary interest, was not of a nature to compromise her freedom of judgement and ascertained that she remained in compliance with all the independence criteria set out by the AFEP-MEDEF Code. She is not an employee or an executive director of the Company or of a company in which the Company holds a directorship. In addition, even though the Company is committed to making certain payments to Innovation Factory, Anne Lalou cannot be considered to be a supplier of the Company, given the absence of any commercial advantages associated with the signing of the Strategic Partnership Agreement and the not-for-profit nature of Innovation Factory. More generally speaking, the Board decided that relations between the Company and Innovation Factory could not, under any circumstances, be classed as a business stream. What's more, the Board decided that, in any event, this type of agreement was not likely to compromise Anne Lalou's freedom of judgement and integrity. Lastly, since the role of Chief Executive Officer of Innovation Factory performed by Anne Lalou is unpaid, the Strategic Partnership Agreement does not invest Anne Lalou with any proprietary interest.

Upon conclusion of this review, the Board decided that 5 of its 11 members (i.e. 45.45%) were independent⁽¹⁾, i.e. Jacques Ambonville, Martin Hoyos, Anne Lalou, Guy de Panafieu and Catherine Soubie. None of these 5 directors holds more than 10% of the Company's share capital or voting rights. It is further specified that the Chairman of the Board, Christian Chautard, is not considered to be an independent director.

Even though the Company is not a controlled company within the meaning of Article L. 233-3 of the French Commercial Code, its shareholding structure consists of several reference shareholders who, together, at 31 December 2015, represented 44.51% of the Company's share capital and voting rights. On this basis, the Board of Directors reflects the Company's shareholders and only has 5 independent members out of eleven.

It is further specified that the Audit Committee, the Appointments and Compensation Committee as well as the Ethics and Quality Committee are chaired by independent directors (by Guy de Panafieu, Anne Lalou and Jacques Ambonville respectively).

EMPLOYEE REPRESENTATION

Article 11.4 of the Company's Articles of Association specifies that the Board of Directors shall include, pursuant to Articles L. 225-27-1 et seq. of the French Commercial Code, 1 or 2 directors representing employees (depending on whether or not said Board has more than twelve directors), to be appointed by the trade union that received the most votes in the 1st round of the elections provided for in Articles L. 2122-1 and L. 2122-4 of the French Labour Code, in the Company or in its direct or indirect subsidiaries, whose registered office is located in France, or by the 2 trade unions that received the most votes in the 1st round of these elections when 2 directors have to be appointed.

Thus, on 16 January 2015, the most representative trade union within the Group appointed Amélie Nun as Director representing the employees. Since Amélie Nun left the Company on 11 September 2015, Hafida Cola was appointed to replace her on 25 January 2016.

On 16 September 2015, the Board of Directors, upon a proposal by the Appointments and Compensation Committee, decided to set preparation time at 15 hours per meeting and that the Director representing the employees would receive 20 hours of "employee director" training from the French Institute of Directors.

During this meeting, the Board of Directors also decided, upon a proposal by the Appointments and Compensation Committee, to amend the Board's Internal Regulations to provide for the option of inviting the director representing the employees to attend Board meetings, without being entitled to vote.

In addition, 2 Works Council representatives attend meetings of the Board of Directors but are not entitled to vote.

LENGTH OF DIRECTOR MANDATES

In accordance with the recommendations of the AFEP-MEDEF Code, the statutory term of office for Company Board Members is 3 years, with staggered renewal of mandates 1/3 at a time. This term of office having been adopted on the occasion of the reworking of the Company's Articles of Association following the Merger, some board members were appointed, as an exceptional measure, following a draw of lots before a judicial officer, for a term of office shorter than the usual 3-year period set out in the Company's Articles of Association, solely for the purposes of implementing staggered terms of office and the 1/3 renewal of Board membership.

Furthermore, the length of the term for directors representing employees is 3 years and their appointments end following the Shareholders' General Meeting having approved the financial statements for the year just-ended that is held during the year in which their term expires.

The table below sets out the duration of each director's term of office, given that:

- in accordance with the undertakings given on the occasion of the Merger, Jacques Bailet resigned his position as Director and Chairman of the Board of Directors of Korian at the end of the Board meeting held on 25 March 2015⁽²⁾;
- after PSP Investments acquired a stake in the Company on 10 July 2015, the Board of Directors met on 15 July 2015 to co-opt PSP Investments as a Company director to replace MAAF Assurances;
- the terms of office of Predica (represented by Françoise Debrus), Malakoff Médéric Assurances (represented by Hugues du Jeu) and Catherine Soubie, expiring at the end of the General Meeting of 25 June 2015, were renewed by said meeting for another 3 years, expiring at the end of the General Meeting convened to approve the financial statements for the financial year ended 31 December 2017.

(1) Pursuant to the provisions of Article 9.1 of the AFEP-MEDEF Code, the director representing employees is not taken into account when determining the ratio of independent directors on the Board of Directors.

(2) The Board of Directors had 12 members until 25 March 2015, the date on which Jacques Bailet's duties as Chairman and Director ended.

Directors whose mandate expires at the end of the GM to approve the financial statements for 2015 ⁽¹⁾	Directors whose mandate expires at the end of the GM to approve the financial statements for 2016 ⁽²⁾	Directors whose mandate expires at the end of the GM to approve the financial statements for 2017 ⁽³⁾
Batipart Invest, represented by Charles Ruggieri	Christian Chautard (<i>Chairman</i>)	Prédica, represented by Françoise Debrus
Jacques Ambonville (<i>independent director</i>)	Jérôme Grivet	Malakoff Médéric Assurances, represented by Hugues du Jeu
Anne Lalou (<i>independent director</i>)	PSP Investments - represented by Niall Boland	Catherine Soubie (<i>independent director</i>)
Guy de Panafieu (<i>independent director</i>)	Martin Hoyos (<i>independent director</i>)	

(1) These directors were appointed by the General Meeting of 18 March 2014

(2) These directors were appointed by the General Meeting of 18 March 2014, with the exception of PSP Investments, represented by Niall Boland, which was co-opted by the Board of Directors on 15 July 2015, as a Company Director to replace MAAF Assurances, represented by Sophie Beuvaden.

(3) These directors were appointed by the General Meeting of 25 June 2015.

In addition, pursuant to Article 11.4 of the Company's Articles of Association, the term of office of the director representing the employees shall expire at the end of the ordinary General Meeting called to approve the financial statements for the prior year, held during the year in which the term expires. Consequently, the mandate of Hafida Cola, appointed as Director representing the employees by the most representative trade union on 25 January 2016, and effective as of that date, will expire at the end of ordinary General Meeting to approve the accounts for the financial year 2018.

The Observer is appointed for 3 years and his term of office will expire on conclusion of the General Meeting to approve the financial statements for the year ending 31 December 2016 (to be held in 2017).

The role and duties of the Board of Directors

The Board of Directors determines the Company's business strategy and ensures that it is implemented. It handles all matters relating to the successful operation of the Company and deliberates on all business matters concerning it. In this respect, it carries out any checks that it may consider necessary, at any time of the year, and it is entitled to request any documents from the General Management that it may consider useful for the accomplishment of its duties. In general, this supervisory role may not lead, in any circumstance, to the execution of management tasks, whether performed directly or indirectly, by the Board of Directors or by its members.

The Internal Regulations of the Board of Directors specify both the functioning of the Board and the rules of conduct to be observed by its members, with the aim of ensuring greater transparency and more effective corporate governance. By specifying the operating rules of the Board of Directors, the Internal Regulations also serve to enable the Board to ensure the effective accomplishment of the Board's duty of control, in accordance with commonly accepted exchange rules. Specifically, these regulations set forth:

- directors' duties and the rules of conduct that they must abide by, in particular concerning the transparency of transactions involving the Company's shares, their obligations of loyalty, diligence and confidentiality, and their responsibilities in terms of insider trading and the prevention of conflicts of interest;
- the frequency of meetings and meeting procedures, particularly with regard to the use of telecommunications and video-conferencing;
- the powers of the Board of Directors;
- the rules of operation applicable to Committees.

In accordance with the recommendations of the AFEF-MEDEF Code, said Internal Regulations are freely available for download from the Company's website (www.korian.com).

The Board of Directors meets as often as necessary and at least once each quarter. Meetings may be convened by any means, including ordinary postal correspondence addressed to the directors. Meetings of the Board of Directors may take place at the registered office or at any other place specified in the convening notice. They are chaired by the Chairman of the Board of Directors.

To facilitate Board meetings and thereby increase their efficiency, the Internal Regulations also stipulate that Board meetings may, under certain conditions, be held using telephone- or video-conferencing facilities to allow the presence of 1 or more members in a remote location, with the exception of meetings called to discuss certain matters for which the French Commercial Code prohibits the use of such facilities.

In 2015, the Board of Directors performed all the work for which it is responsible, specifically decisions relating to the review and the approval of the 2014 annual and consolidated financial statements, the convening of the Annual General Meeting, the review of the 2015 half-year financial statements, authorisation of related-party agreements and commitments, authorisation of sureties and guarantees, deliberations on the budget, strategy, financing policy and growth as well as on changes in governance, the independence of directors and the compensation of executive directors. Board members' rate of attendance at meetings held in 2015 was 90.22%, a marked improvement on the previous year when the attendance rate was 78.47%.

Meetings are held and decisions are taken pursuant to the majority and quorum requirements set by law. In the event of a tied vote, the Chairman does not have a casting vote.

Minutes of Board meetings are taken and retained under the conditions stipulated by the regulatory provisions in force; copies or extracts are certified in accordance with the law.

Board of Directors' meetings held in the absence of directors

General Management and, where appropriate, directors, do not take part in discussions or voting on resolutions in which they have an interest (e.g. resolutions on the remuneration of company agents).

Moreover, in addition to specialised Board committee meetings, directors meet on a more informal basis, bilaterally or in small groups.

Chairing of the Board of Directors

In accordance with the law, the Company's Articles of Association stipulate that 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 or she must ensure that the Company's bodies run smoothly and make sure that its directors are capable of performing their duties, notably by creating a climate of close collaboration conducive to taking constructive decisions and ensuring that the Board devotes an appropriate amount of time to its duties.

The Chairman may convene the Board of Directors as often as necessary and at least once per quarter. He sets the agenda for the meeting that he is chairing.

More specifically, the Chairman assists the General Management and provides his expertise without prejudice, on the one hand, to his executive responsibilities and, on the other, to the prerogatives of the Board of Directors and its Committees. In this respect, he may represent the Company in its high-level national and international relations, particularly with public authorities and with the Company's partners and strategic stakeholders. He may also be consulted by General Management about any material events relating to Company strategy within the context of guidelines set by the Board of Directors, Company organisation, major investment or divestment projects, material financial transactions, societal actions or even the appointment of directors of the Company's core business activities and functions. He may also attend any meetings about these issues and, in any event, he is kept up to date by General Management of material events and situations relating to these issues.

Lastly, the Chairman may, on an *ad hoc* basis, be charged with specific tasks consisting of following up one-off transactions affecting the Group's structure or scope, for which the Chairman may receive exceptional compensation. Thus, the Chairman was tasked with a strategic mission to integrate the Korian and Medica entities in France, Italy, and Belgium upon completion of the Merger, for a 1-year period. Likewise, due to his in-depth knowledge of the German market and its business practices, the Chairman performed missions of support for the acquisition as well as for the preparation and supervision of the integration of the Curanum (from 1 April 2013 to 31 March 2015) and Casa Reha (from 2 to 18 November 2015) groups.

The Chairman worked in close collaboration with the Group's Chief Executive Officer and the local manager who are responsible, within their own remit, for Group or country-specific operational control.

The Audit Committee

KEY INDICATORS

	2015	2014
Number of meetings	3	4
Average attendance rate	91.67%	93.75%
Number of directors	4	4
Percentage of independent directors	75%	75%

(1) On 25 June 2015, the Ethics and Risks Committee became the Ethics and Quality Committee. This name change was accompanied by a redefinition of its duties so as, in particular, to clarify the difference between its duties and those of the Audit Committee.

By way of derogation from Article L. 225-37 of the French Commercial Code, Article 11.2.4 of the Articles of Association stipulates that "*in the event of a tied vote, the Chairman does not have a casting vote*".

Board of Directors' self-assessment

In accordance with the AFEP-MEDEF Code, the Internal Regulations of the Board of Directors state, in Article 1.6.6, that the Board will perform a yearly assessment of its own operation, which will then be discussed in a meeting. Each of the 11 directors was therefore sent a self-assessment questionnaire, containing 89 questions, that focused in particular on the organisation and operation of the Board, the composition and involvement of the Board, the number of independent directors and the management of potential conflicts of interest, the skills and knowledge of the Board, as well as the organisation and operation of its specialised committees. The 2015 response rate was 100%, the same as for 2014.

The answers were reviewed and summarised by the corporate secretariat with a view to identifying the key areas of improvement desired by directors. The answers were also compared with those from previous years to measure the progress made and to identify any backward steps in the Board's organisation and operation. The fact that the areas for improvement suggested by directors during the previous self-assessment had been taken on board, led to an improvement in the balance of the Board of Directors' composition with, in particular, a much stronger international dimension, as well as better organisation of the Board and Committee meeting timetable to facilitate attendance, in particular, by directors from other countries.

During its meeting on 17 March 2016, the Appointments and Compensation Committee reviewed and analysed directors' responses, which showed a very positive overall assessment from the members of the Board regarding its composition, organisation and operation, although some areas of strategic improvement for the Company were identified. On 23 March 2016, the Board of Directors reviewed a summary of the self-assessment results and deliberated on the measures to be implemented in 2016 to achieve the desired adjustments.

4.1.1.4 Specialised Board committees

The Board of Directors has 4 specialised committees: the Audit Committee, the Appointments and Compensation Committee, the Investment Committee and the Ethics and Quality Committee⁽¹⁾.

The members of these Committees are appointed by the Board of Directors, by simple majority vote, upon a proposal by the Appointments and Compensation Committee.

COMPOSITION

The Audit Committee is composed of Guy de Panafieu (Chairman), Martin Hoyos, Catherine Soubie and Predica (represented by Françoise Debrus). With no executive directors, the Audit Committee is chaired by an independent director and is composed of ¾ independent directors who possess, given their past and/or current positions, financial or accounting expertise that enables them to perform their duties. The composition of this committee complies with the provisions of Article L. 823-19 of the French Commercial Code, the recommendations of Article 16.1 of the AFEP-MEDEF Code as well as Article 4.1 of the Internal Regulations of the Board of Directors. In addition, the Head of Group Audit and Internal Control, which reports hierarchically to the Audit Committee, attends all its meetings.

POWERS

The Audit Committee is responsible for examining accounting methods and the procedures used to value Group assets; it examines the draft separate and consolidated financial statements of the Company prior to their submission before the Board of Directors as well as any related-party agreements and commitments between the Company and any person holding a direct or indirect equity interest in the Company; it guides the procedure for selecting the Company's Statutory Auditors – in particular, by issuing recommendations on appointments proposed by General Meetings; it submits the selection procedure to the Board; it prepares Board decisions on internal audit monitoring; it oversees management control; it ensures the clarity of information supplied to shareholders and to the market; and it analyses risk levels and risk prevention procedures in addition to taking stock of significant off-balance sheet commitments. It reports on its work to the Board of Directors, renders any appropriate opinions and/or suggestions to the Board and brings to its attention to any issues that require a Board decision.

Within the scope of these powers, it consults the Statutory Auditors and the heads of the finance, accounting and treasury departments, and may consult outside experts where necessary.

As part of its remit of monitoring the efficiency of internal control and risk management systems, the Audit Committee consults internal audit and risk management officers. It is kept up to date regarding the internal audit programme and receives internal audit reports.

As part of its remit of reviewing the financial statements, the Statutory Auditors present the Audit Committee with the main points of the legal audit, in particular, audit adjustments and significant internal control weaknesses identified during the audit and the accounting options used. This is supported by a presentation from the finance director describing the Company's exposure to risks and significant off-balance sheet commitments.

MAIN WORK

The Audit Committee performed all the work for which it is responsible, specifically an evaluation of the Group's financing and hedging policy, a review of the consolidated and individual financial statements as at 31 December 2014 and the consolidated financial statements as at 30 June 2015, a review of the Group's related-party agreements and commitments as well as renewal of the mandate of one of the Company's Statutory Auditors. The Statutory Auditors, who attend all Audit Committee meetings, present a report several times a year, highlighting the major points of the legal audit findings and the accounting options used as well as points to be monitored in terms of closings. The deadlines for reviewing the financial statements are adequate and in line with the recommendation featured in Article 16.2.1 of the AFEP-MEDEF Code.

The Compensation and Appointments Committee

KEY INDICATORS

	2015	2014
Number of meetings	7	9
Average attendance rate	82.86%	91.67%
Number of directors	5	4
Percentage of independent directors	60%	75%

COMPOSITION

The Compensation and Appointments Committee comprises Anne Lalou (Chairman), Guy de Panafieu, Catherine Soubie, Predica (represented by Françoise Debrus) and Batipart Invest (represented by Charles Ruggieri). In addition, during its meeting on 16 September 2015, the Board of Directors decided, upon a proposal by the Appointments and Compensation Committee, to amend the Board's Internal Regulations to provide for the option of inviting the director representing the employees to attend Committee meetings, without being entitled to vote. It does not include any executive directors and is chaired by an independent director. It is composed primarily of independent members and its composition complies with the recommendations of the AFEP-MEDEF Code (with the exception of the recommendation regarding the appointment of the director representing the employees as a member of this Committee) as well as Article 3.1 of the Internal Regulations of the Board of Directors.

POWERS

The Compensation and Appointments Committee is responsible for putting forward candidates for independent directorships and for membership of the Audit Committee, the Investment Committee and the Ethics and Quality Committee; in addition, it renders an opinion on proposals for the appointment of a Chief Executive Officer and, if required, of Deputy CEOs, puts forward proposals to the Board of Directors on the remuneration of company agents, of the CEO and, if required, of Deputy CEOs, puts forward proposals to the Board with regard to stock option plans, the award of bonus shares or any other schemes designed to benefit employees and/or executive directors of the Group, in addition to proposing the rules for such schemes and the activities for their implementation. It periodically evaluates how effectively the Board of Directors is functioning and makes recommendations to the Board in that respect. It draws up an executive director succession plan so that it may propose replacement solutions to the Board of Directors in the event of an unexpected vacancy.

MAIN WORK

The Compensation and Appointments Committee performed the work for which it is responsible, specifically an evaluation of the changes in governance, the composition of the Committees

and General Management, the compensation of executive directors, an evaluation of the Group's wage policy and the implementation of equity incentive plans for certain members of the General Management (including the Chief Executive Officer).

The Investment Committee**KEY INDICATORS**

	2015	2014
Number of meetings	6	2
Average attendance rate	89.19%	78.57%
Number of directors	6	6
Percentage of independent directors	16.66%	16.66%

COMPOSITION

Following the resignation of Jacques Bailet on 25 March 2015, and the replacement of MAAF Assurances with PSP Investments on 15 July 2015, the Investment Committee now comprises the following 6 members: Jérôme Grivet (Chairman), Christian Chautard and Jacques Ambonville, PSP Investments, Malakoff Médéric Assurances and Batipart Invest.

directly or indirectly by the Company when (a) the transaction in question concerns an amount greater than €15 million or (b) the transaction in question concerns (i) a transaction outside the medico-social or post-acute and psychiatric fields, or (ii) any equity investment that would not give the Company a controlling interest, whether directly or through a controlled company.

POWERS

Before any decisions are taken by the Chief Executive Officer and/or by the Board of Directors, the Investment Committee is responsible for examining and rendering an opinion on any investment, acquisition, divestment or disposal carried out

MAIN WORK

The Investment Committee performed the work for which it is responsible, specifically deliberating on various growth-related projects (particularly the acquisition of the Casa Reha group in Germany, the acquisition of 2 facilities in Italy and the creation of 2 facilities in France).

The Ethics and Quality Committee**KEY INDICATORS**

	2015	2014
Number of meetings	2	3
Average attendance rate	100.00%	83.33%
Number of directors	3	3
Percentage of independent directors	66.66%	66.66%

COMPOSITION

The Ethics and Quality Committee comprises Jacques Ambonville (Chairman), Martin Hoyos and Christian Chautard. In accordance with Article 5.1 of the Internal Regulations of the Board of Directors, it is chaired by an independent director and 2/3 of its members are independent.

MAIN WORK

The Ethics and Quality Committee performed the work for which it is responsible, specifically the validation and monitoring of the implementation of the ethics initiative as well as crisis reporting procedures and the review of the results of the customer satisfaction survey conducted for the 1st time on a Europe-wide level.

POWERS

On 25 June 2015, the Board of Directors decided, on the proposal of the Audit Committee and the Ethics and Risks Committee, to rename it the Ethics and Quality Committee. This name change was accompanied by a redefinition of its duties so as, in particular, to clarify the difference between its duties and those of the Audit Committee. Its new role is to validate and monitor the implementation of the Group's Ethics and Quality initiative; to evaluate crisis management and crisis reporting procedures and monitor how serious events are handled; to validate the mapping of risks directly associated with Group businesses, as consolidated by Internal Audit, as well as the Quality approach taken within Group subsidiaries; to review the conclusions of quality audits conducted in subsidiaries so as to assess the level of control of quality procedures within the Group as well as to make proposals to the Board regarding the improvement or implementation of specific additional quality control procedures.

4.1.1.5 General Management

Article 12 of the Company's Articles of Association defines and specifies the procedures for the appointment and operation of General Management, under the conditions required by law. Thus, the Board of Directors determines how General Management operates, as well as deciding on the appointment (and, as the case may be, the removal) of the role of Chief Executive Officer.

As indicated above, the Company opted to separate the offices of Chairman and Chief Executive Officer on 30 April 2012, the date on which Yann Coléou took office. As Yann Coléou was removed from office on 18 November 2015, these offices were combined, on a temporary basis, in the role performed by

Christian Chautard. Since 26 January 2016, the date on which Sophie Boissard took on the role of Chief Executive Officer, the offices of Chairman and Chief Executive Officer have once again been separate.

The Chief Executive Officer, Sophie Boissard - like Christian Chautard and Yann Coléou - does not have an employment contract with the Company or with any other Group company.

The Chief Executive Officer has the broadest powers to act in the name of the Company, in all circumstances, subject to the powers expressly conferred by law upon the General Meetings of Shareholders and the powers reserved for the Board of Directors, within the limits of the Company's corporate purpose.

The Chief Executive Officer represents the Company in its dealings with third parties. The Company is bound by any actions of the Chief Executive Officer that do not fall within the corporate purpose, unless it proves that the third party was aware that the action exceeded the corporate purpose or could not have been unaware of it in view of the circumstances; disclosure of the Articles of Association is not in itself sufficient proof thereof.

Article 11.3 of the Company's Articles of Association and Article 1.4.2 of the Internal Regulations specify the topics that must be submitted for prior approval to the Board of Directors, namely:

- the approval of the Company's strategic business plan and subsequent amendments;
- the approval of the annual budget;
- the disposal of properties with a value exceeding €15 million by the Company or a company it controls within the meaning of Article L. 233-3 of the French Commercial Code;
- the full or partial sale of equity interests with a value exceeding €15 million by the Company or a company it controls within the meaning of Article L. 233-3 of the French Commercial Code;
- the raising of loans with a value exceeding €50 million by the Company or a company it controls within the meaning of Article L. 233-3 of the French Commercial Code;
- the acquisition of assets (such as companies or equity investments), with an enterprise value exceeding €15 million by the Company or a company it controls within the meaning of Article L. 233-3 of the French Commercial Code.

Prior to her appointment, Sophie Boissard agreed to seek the opinion of the Board if she was considering performing any new role or new corporate office in addition to her mandate as Chief Executive Officer of the Company.

4.1.1.6 Principles and rules for determining the compensation and benefits awarded to company agents

Principles for determining the remuneration of company agents

Since the Company has formally adopted the AFEP-MEDEF recommendations concerning the remuneration of executive directors of listed companies, their remuneration is fixed taking into account the principles set out in those recommendations.

The principles and rules established by the Board of Directors for determining the remuneration of the Chief Executive Officer are described in section 3.10.2 of this Registration Document.

Policy on the payment of attendance fees

On 26 June 2014, the General Meeting set the annual budget for attendance fees at €300,000, until agreed otherwise. The procedure for calculating attendance fees is described in section 3.10.2.4 of this Registration Document.

In addition, Directors and Committee members are entitled to receive reimbursement, on presentation of supporting documents, in respect of travel expenses incurred when attending Board and/or Committee meetings.

4.1.1.7 Specific procedures related to the participation of shareholders at General Meetings

Article 15 of the Company's Articles of Association sets out the procedures for shareholder participation at General Meetings.

The participation of shareholders at General Meetings is also governed by the statutory and regulatory provisions in force applicable to companies whose shares are admitted to trading on a regulated market.

On conclusion of each General Meeting of Shareholders, the Company publishes a report of the meeting on its website, which includes, in particular, the results of the vote for each resolution presented to the shareholders.

4.1.1.8 Factors which may have an impact in the event of a takeover bid

Pursuant to Article L. 225-100-3 of the French Commercial Code, the following factors may have an impact in the event of a takeover bid.

- The structure of the share capital and direct or indirect capital interests in the Company of which it is aware as a result of Articles L. 233-7 and L. 233-12 of the French Commercial Code are described in section 7.2 of this Registration Document.
- Restrictions imposed by the Company's Articles of Association on voting rights and share transfers or contractual clauses brought to the Company's attention in accordance with Article L. 233-11 of the French Commercial Code are described in section 7.1.5 of this Registration Document.
- Rules governing the appointment and replacement of members of the Board of Directors are outlined in section 7.1.2 of this Registration Document. The Company's Articles of Association may be amended under the terms laid down by Articles L. 225-96 *et seq.* of the French Commercial Code.
- The powers of the Board of Directors are described in sections 4.1.1.3 and 7.1.2 of this Registration Document, as well as in section 3.9.6 on the implementation of the share buyback programme and the liquidity agreement.
- Agreements providing for benefits for executive directors in the event of their offices being terminated due to a takeover bid are shown in section 3.10.2 of this Registration Document.

4.1.2 Internal control

4.1.2.1 The Group's internal control procedures

The main risks which, if they were to materialise, could have a significant negative impact on the Group, its business, its financial position and its earnings are described in section 3.6.1 of this Registration Document. The main measures taken by the Group to limit its exposure to each identified risk are indicated in section 3.6.2.

Thus the information set out below does not simply restate all the control procedures existing in the Group but rather highlights the key internal control procedures related to business activities or risks deemed to be material.

In order to prepare and write this report and to define internal control, the Company used the AMF's reference framework and its recommendation No. 2013-17, as amended on 13 January 2015, on internal control and risk management procedures (entitled "Chairman's report on internal control and risk management procedures - Consolidated presentation of the recommendations contained in the AMF annual reports").

Definition and objectives of internal control

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 the control of our risks.

More specifically, internal control has the following objectives:

- ensure compliance with laws, regulations and the Group's values;
- ensure the reliability and accuracy of the accounting and financial information;
- preserve the Group's assets and reputation;
- monitor the achievement of goals;
- 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.

The internal control environment

It is based on a centralised organisation with a policy of delegating responsibility to Operational and Functional Departments. In particular, the Group ensures:

- the clear communication of the Group's strategy and its operational goals;
- optimal guidance to assist individuals in their work, particularly through the dissemination of best practices;
- the competence of its employees and that they have the necessary resources to perform their work. To this end, the Human Resources Department provides evaluations, periodic monitoring and training in each country where the Group operates;
- that our procedures are monitored.

Scope of internal control

The internal control system is applied to Korian and to all its consolidated subsidiaries.

However, it should be noted that a number of the consolidated companies are not directly managed by Korian. The German,

Italian and Belgian companies are managed by their local management teams.

Monitoring systems are in place to ensure satisfactory operations control. These systems are described in detail in the section here below concerning internal control systems.

Internal control players

Internal control is implemented by the Board of Directors, the Chairman, the Group's General Management, the Management within the countries in which the Group operates, the Operational and Functional Divisions and Departments and by the Group's employees.

The main players concerned with steering the internal control system are listed below.

THE BOARD OF DIRECTORS

By ensuring ongoing control over the Company through General Management, the Board of Directors heads the internal control function at Korian.

The Chairman of the Board of Directors works in close collaboration with the Group's General Management and takes part in preparing the Company's strategic plan with the aim of facilitating communication and shared understanding between Management and the Board.

The Audit Committee, a specialised Board of Directors committee, is specifically tasked with monitoring the actions undertaken in terms of internal control and risk management. It reports back to the Board of Directors. Its responsibilities are defined in the Internal Regulations of the Board of Directors and are specified in section 4.1.1.4 of this Registration Document.

GROUP GENERAL MANAGEMENT

The Group's General Management establishes the guiding framework for the internal control system and ensures that it is implemented. It is the main internal control player.

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 a more efficient output, the services within this Department have been divided into specialist teams according to their function:

- in each country, separate teams are in responsible for accounting for the facilities and management control;
- at the Korian level:
 - the Registered Office's Accounting Department is tasked with the accounting;
 - the French Tax Department is tasked with determining the Group's consolidated tax income/expense and monitoring changes in French tax regulations;
 - the Group's Financial Control Department analyses the results from countries where the Group is located and holding companies;
 - the Group's consolidation operations are performed by a Paris-based team.

THE GROUP AUDIT AND INTERNAL CONTROL DEPARTMENT

The Group internal audit charter was approved at the Audit Committee meeting on 19 March 2015. It defines the role of the internal audit in terms of responsibilities, scope of

intervention, audit approach and reporting method. The internal audit department evaluates corporate governance, 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 was updated in the 2nd half of 2015 and the major risks presented to the Ethics and Quality Committee for information purposes and to the Audit Committee for validation. Internal audit work, summarised in the 2016 audit plan, covers the assessment of some of these risks. The Audit and Internal Control Department ensures compliance with internal control procedures and checks the effectiveness of the internal control and risk management systems, both through audits by its team of internal auditors, and by supervising audits by the appropriate departments in each country (Quality Departments, Management Control Departments, Legal Departments, etc.). It also coordinates its work with that of the Statutory Auditors with a view to improving efficiency.

The Audit and Internal Control Department, reporting functionally to the Group Finance Department and hierarchically to the Audit Committee, is involved in evaluating the Group's internal control and reports on its work to Group General Management and to the Audit Committee.

In its first year, the Group Audit and Internal Control Department, which has 4 members, conducted 7 audit assignments and managed or lent its assistance to 9 Group developmental projects.

GENERAL MANAGEMENT IN THE COUNTRIES WHERE THE GROUP OPERATES

This is responsible for the application of the Group's procedures and compliance with budgets and growth objectives within the respective subsidiaries.

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 our risk management policy and our quality assurance process in the facilities. A precise description of the Quality Department in each country where the Group operates can be found in section 3.6.2.2 of this Registration Document.

Their work mainly consists 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 compliance and keeping abreast of relevant documentation in the areas of quality and risk management as well as any changes to certification and assessment procedures;
- assisting with the development of tools for teaching, procedural monitoring, information gathering, assessments and performance indicators, in addition to procedures and protocols;
- performing reviews, risk analyses and monitoring the implementation of the Group's policies.

THE REGULATORY DEPARTMENTS IN THE COUNTRIES WHERE THE GROUP OPERATES

These departments ensure the conditions governing the existence and operation of facilities, particularly from their creation upon signature of the contract with the regulatory authorities.

Their work involves providing assistance and technical support to the facilities in their relations with the regulatory authorities as well as the monitoring of the contractual objectives defined with these authorities.

THE INFORMATION SYSTEMS DEPARTMENTS IN THE COUNTRIES WHERE THE GROUP OPERATES

The Group uses a number of IT tools and information systems to manage files and data related to residents and patients in its facilities, for accounting, management control and consolidation, as well as for human resources management, commercial management and the transfer of data to the paying and regulatory authorities. These systems are widely used in the day-to-day management of the Group's business activities.

In addition, the Information Systems Department France coordinates the work of all the Information Systems Departments in each of the countries where the Group operates.

Each of these Departments is an important player in internal control.

Internal control systems for accounting and financial information

The Group organises its work in such a way that the procedures involved in producing financial information are swifter and more reliable.

ORGANISATION OF THE ACCOUNTING AND FINANCIAL FUNCTIONS

The accounting work for business activities based in France is organised around 4 platforms:

- 3 of which are responsible for facilities and are each the responsibility of an Accounting Director reporting to the French Finance Department;
- The 4th is responsible for the Company. It is overseen by an Accounting Officer reporting to the Group Finance Department.

For foreign subsidiaries, the accounting function is centralised at the level of the local parent company in each country. These subsidiaries receive regular visits from the Group's General Management and from the Group Finance Department.

A monthly reporting process, with key performance indicators identical to those applied to the French subsidiaries, is in place for subsidiaries in Germany, Italy and Belgium.

The Group's Financial Control is mainly responsible for ensuring the consistency of financial information produced and for providing assistance to General Management in managing the Group.

MONITORING AND CONTROL OF OPERATIONAL MANAGEMENT IN THE COUNTRIES WHERE THE GROUP OPERATES

Operational reporting and the budgeting process contribute to providing more robust internal control in relation to the processing of accounting and financial information. With the participation of the Facility Directors, this work is carried out by the individual countries' financial controllers, who provide technical support and methodological assistance with the financial management of business operations.

This work is reviewed by the Group Finance Department to prepare the financial information to be published.

BUDGETS

The Finance Departments of each country assist the local Operational Departments in drawing up operating budgets for each facility. They are in charge of applying the guidelines provided by the Group General Management and the Group Finance Department.

A single matrix is used for all operating budgets so that the results can be compared.

These budgets are then consolidated at the level of each country by including the budgets of the Functional Departments. These budgets are ultimately consolidated at Group level.

REPORTING

The individual country Finance Departments produce a monthly report prepared by the local management control entities and sent (via our Group information system) to the Facility Directors, the Regional Directors, the Operations Departments of each country, as well as the General Management of each country.

This reporting highlights key financial data such as revenue, occupancy rates, average accommodation price, changes to major expenditure items (particularly wages and salaries), changes to trade receivables, the cashflow situation, the monitoring of investments, etc.

It also includes a budget control procedure; any significant variances are thus analysed and explained. Performance indicators are then produced summarising key information, which encourages a proactive response from decision-makers.

The Group Finance Department produces a consolidated monthly reporting based on the information provided by the country-specific management control to the Group's information system. This reporting regarding the level of business activities is reviewed monthly by the Group General Management. Corrective measures are implemented when necessary.

FINANCIAL STATEMENTS AND AUDITING

The Group publishes half-year financial statements at 30 June (consolidated) and 31 December (individual and consolidated). The Group has also decided to continue quarterly publication of revenue despite the lifting of this requirement for listed companies. Each country's Finance Department prepares individual financial statements, using the various accounting platforms, for the companies in their respective countries.

The Group Finance Department also prepares the consolidated financial statements using consolidation software that uses the same headings structure for all consolidated entities, including foreign subsidiaries.

The Audit Committee reviews the financial statements and the accounting methods used to produce them. It also takes part in the internal control process in relation to the preparation of financial information.

As part of their statutory mission, the Statutory Auditors conduct a full audit of the financial statements at the time of the annual closing and when the interim financial statements are produced. Pursuant to the applicable regulations, each legal entity must provide a letter from its legal representative confirming the quality, reliability and completeness of the information and documentation provided to the Statutory Auditors.

DEBT AND CASH MANAGEMENT

Korian monitors the management of risks associated with its financing on an ongoing basis.

The Group General Management proposes a funding strategy to the Board of Directors and the introduction of any new credit facility is subject to review and, if necessary, prior authorisation by the Board of Directors.

The Company's cash on hand can be made available to its subsidiaries by signing current account agreements or inter-company loan agreements, in particular, to finance these subsidiaries' growth operations.

Nevertheless, our foreign subsidiaries may occasionally take out local bilateral loans. In this respect, any new loan requires the prior approval of the Group General Management and the Group Finance Department, as part of the governance framework.

As at 31 December 2015, the Company had several available credit facilities:

- a syndicated credit facility to serve the Group's general needs subscribed with a pool of banks;
- *Schuldschein* or Euro PP corporate bonds;
- bilateral credit lines, specifically intended to fund the Group's real estate assets.

The various issues performed in 2015 were intended to diversify the financing sources and to extend the maturity dates, as detailed notably in section 3.1.4 of this Registration Document.

The Company also uses derivative financial instruments (swaps and caps) to hedge against the interest rate risk arising from its variable-rate financing policy.

Finally, the Group has a cash pool in France arranged with its main banks for each of the Korian and Medica France operational entities. The creation of a single cash pool in France, in order to achieve centralised cash management, is scheduled for 2016.

Cash management for the foreign subsidiaries is managed by the Finance Department in each country and is overseen by the Group Finance Department.

INTERNAL CONTROL PROCEDURES RELATED TO OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments may be contracted in the context of the Group's acquisition-led growth.

Any investment or divestment decision is subject to the approval of an internal committee, the Group Investment and Commitment Committee, whose permanent members are Group General Management, the Group Finance Department as well as the General Management of each country in which the Group operates and the local Finance Department.

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:

- any investment and divestment involving an amount higher than €15 million;
- any investment involving a transaction outside the scope of the medico-social or post-acute and psychiatric sectors;
- any acquisition of equity interests that does not give a controlling interest over the target, whether directly or through the intermediary of a subsidiary.

This review involves any development projects in France and in all existing or new countries of operation.

Consequently, any off-balance sheet commitment must be communicated to the management and supervisory bodies to seek their prior approval and are subject to regular monitoring.

INTERNAL CONTROL RELATED TO INFORMATION SYSTEMS

Efficient information systems, to which we dedicate considerable resources, are indispensable to guaranteeing the relevance and reliability of published accounting and financial information. To that end, we continue to implement mechanisms that ensure the security of our information systems.

In order to evolve in a way that is consistent with our needs, we either change our applications or regularly modify existing ones. These changes ensure that our information flows are better managed and more secure.

Operational and risk management internal control systems

PREVENTION OF INSURABLE RISK

We have subscribed insurance policies with leading insurance companies to cover the following risks: property damage and operating losses, as well as financial consequences arising from the potential liability of our companies as a result of their activities in the 4 countries in which we operate.

Our policy is to arrange hedges according to the cost of rebuilding or replacing insured assets as new or, in the case of civil liability, according to an estimate of our own risks and a reasonable estimate of risk levels in our business sector.

The Company's civil liability policy for directors also covers Germany, Italy and Belgium.

QUALITY POLICY, PREVENTION OF RISKS RELATED TO BUSINESS ACTIVITIES, SAFETY AND CARE ETHICS

To take account of the risks inherent to our business activity, we have continued our quality management drive, encouraging the delivery of patient and resident care under optimal quality and safety conditions. This drive, delivered under the leadership of the Facility Directors, is key to improving our processes and resolving potential issues.

Residents and patients are placed at the heart of our work, in terms of their care experience, the coordination of medical care, their satisfaction and their access to information. Respect for individuals, their dignity, their wishes and their rights are the care watchwords in our facilities.

Our ethics and best care policies are founded on our wish to constantly strive to provide care and respect for our patients and residents, in order to ensure better risk control *a priori* by promoting preventive action. This policy is validated and monitored by a specialised Board of Directors' committee with greater responsibilities, renamed the Ethics and Quality Committee in June 2015. To ensure the day-to-day implementation of the Group's ethical principles, a wealth of training programmes, created by a dedicated department, has been set up.

In France, the COVIRIS quickly deal with any observed dysfunctions and prevent any further deterioration by organising overall management of risks. In addition, each post-acute and psychiatric care facility has identified representatives for each of the potential areas of vigilance (pharmaco-vigilance, materials vigilance, infection vigilance, identity vigilance and, as required, haemovigilance).

A series of measures are in place to prevent patient/resident abuse, including training, implementation of procedures, inspections (internal and external) and follow-up of complaints or claims.

Employees in our facilities benefit from regular training in ethics and in abuse prevention, developed and delivered in consultation with the leading French anti-abuse organisation, ALMA (alliance against the abuse of elderly and/or disabled persons).

A specific management unit has been created: the Ecout'client unit. This unit manages the processing of claims and complaints and helps the facilities to handle them onsite. The unit uses an IT tool to consolidate and ensure the traceability of events and their management.

In the same manner, a Risk Management Manager coordinates the overall reporting of serious adverse events using an IT tool to facilitate the consolidation of the data and to ensure the appropriate handling of these events.

To improve our risk prevention policy *a posteriori*, in 2015, the Risk Management Officer introduced a Feedback committee, K-REX, which meets once a month.

Facilitated by this Officer, K-REX brings together the main departments: the Medical Departments, the Medical Care Department, the Regulations Department, the Maintenance and Security Department, the Human Resources Department, the Communications Department, the Legal Affairs Department, the Quality and Risk Management Department as well as the Operations Department (with the systematic attendance of a Regional Director).

At every meeting, an adverse events and claims report is compiled and an action plan is then proposed to the French Management Committee.

All our post-acute and psychiatric care facilities undergo the HAS certification procedures to evaluate operational standards and practices in each facility as well as their results. This certification aims to ensure the safety and quality of care and to promote a policy of continuous quality improvement. In 2015, 12 facilities were certified.

An additional voluntary certification programme (AFNOR NF X-058 standard) was initiated in the medico-social sector for all long-term care nursing homes. 106 long-term care nursing homes were certified as at 31 December 2015. In addition to this effort, all our long-term care nursing homes operating under contracts approved prior to 2002 performed an internal assessment to comply with the ANESM recommendations. These internal assessments were followed up by external assessments carried out by ANESM-authorised bodies and covered over 250 facilities by the end of 2015.

With regard to our long-term care nursing homes operating under contracts approved after 2002, 15 completed an internal assessment and 7 were subject to an external assessment in 2015.

In 2015, we continued our large-scale project to standardise practices throughout our facilities that was initiated in 2014. An external quality audit was conducted on all our long-term care nursing homes to take stock of current practices. To ensure that best practices are being implemented in accordance with regulations and with our priority best practices, we plan to extend this annual quality audit to all post-acute and psychiatric care facilities in 2016.

The "blue plan" for long-term care nursing homes and the "white plan" for post-acute and psychiatric care include components on combating flu pandemics and Business Continuity Plans to support the Group's crisis management procedures.

Special attention is paid to ensuring compliance with regulations concerning ERP (facilities accommodating members of the general public). A team responsible for maintenance and security ensures that the regulatory standards governing building quality and safety are met.

In addition, occupational health and safety risks are carefully managed. The Operational Human Resources Managers have issued a joint document, the Single Professional Risk Evaluation Document (*Document Unique d'Évaluation des Risques Professionnels* - DUERP) to ensure regular monitoring of these risks.

In Germany, the Ethics Committee is headed by the Quality Director to strengthen the link between managing business risks and ethics. It consists of 14 members from within and outside the Group (doctors, professors of medicine, Human Resources Department, resident representatives).

The Quality Department is responsible for the preparation of the quality manual, quality procedures applicable to all facilities in compliance with the applicable regulations, as well as internal reviews and the monitoring of compliance with procedures. It also oversees plans to obtain certification in relation to hygiene in the care provided to the elderly to prevent the appearance of multi-resistant pathogens, or in the use of devices to monitor the movements of residents in order to limit fall-related risks.

Booklets on best practices are regularly published (for example, caring for individuals suffering from cognitive issues, reducing medication, etc.). In conjunction with the department responsible for monitoring claims, a quality risks and "extraordinary events" report is compiled. This is shared with the Ethics Committee to evaluate potential areas for improving best practices.

Pursuant to Federal regulations, the German National Health Service's medical services perform random annual inspections to assess the quality of the facilities as detailed in section 3.6.2.2 of this Registration Document.

Additional inspections are also performed by regional entities such as the FQA in Bavaria (regarding the residents' dignity and quality of life).

Finally, Curanum obtained the certification of 25 facilities by the *Grüner Haken* organisation, which specialises in the health sector and long-stay care.

In Italy, an ethics and science committee was formed with a view to preparing new strategies, developing new technologies and defining new projects.

The Quality Department is responsible for the preparation of the "quality protocol" applicable to nursing homes and clinics in compliance with the applicable regulations as well the inspection of facilities to ensure compliance with procedures.

Each facility has a "quality officer" (member of staff) who sets up the procedures drawn up by the Quality Department.

Facilities with an ISO 9001: 2008 certification (35 facilities, including the administrative headquarters) have a Quality Management System ("**SGQ**") that defines a set of guidelines regarding the implementation of policies and quality objectives.

Best practices are either disseminated by the SGQ or the quality protocol for facilities lacking certification.

Lastly, Segesta ensures that "particularly severe" events are followed up.

In Belgium, the Quality Department is responsible for ethical questions, quality and risk management. It oversees, in particular, the proper application of provisions of the Royal decree of 9 March 2014, which aims to improve the quality policy of long-term care nursing homes which, in particular, are required to:

- develop a quality policy and a quality care programme;
- retain a record of the number of cases of bed sores, nosocomial infections, falls, incontinent people, restraint and/or isolation measures;
- have written procedures regarding hand hygiene, the isolation of residents suffering from an infection and restraint measures.

Moreover, the regulations that are applicable to long-term care nursing homes differ depending on the regions, which establish their own standards. For example, Flanders is required to have a quality manual and a quality schedule. The long-term care nursing homes in Wallonia must follow a quality charter in order to obtain the Quality Label.

Among the best practices, each long-term care nursing home has an emergency plan that includes an inventory of the risks, a floor-by-floor map of the facility with notes as to potential risks (with photos), the procedures to be followed to mitigate the risks, the individuals to contact and the method to be used to manage the crisis.

The quality survey initiated by the Flemish authorities in all facilities throughout the region in 2014 is ongoing. All long-term care nursing homes will have been questioned by TNS Dimarso by the end of 2016.

In 2015, a standardised "Customer" satisfaction survey was introduced in the countries where the Group operates. It is operated using a common IT tool so that comparable results can be obtained. Nearly 38,000 questionnaires were completed and processed.

Similarly, in 2015, the employee satisfaction survey, *Kommunity*, was conducted among all Group employees. Action plans for facilities are in the process of being prepared and best practices will be shared in the 2nd quarter of 2016 so that they can be rolled out across Group entities in the 2nd half of 2016.

All of these measures play a part in the Group's risk prevention policy.

Paris, 23 March 2016

Christian Chautard

Chairman of the Board of Directors

4.2 Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Korian

Year ended 31 December 2015

To the Shareholders,

In our capacity as statutory auditors of Korian and in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended 31 December 2015.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information;
- confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information.

These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*).

Courbevoie and Paris-La Défense, 25 April 2016

The Statutory Auditors
French original signed by:

MAZARS

Manuela Baudoin-Revert

ERNST & YOUNG et Autres

Sophie Duval



Consolidated financial statements for the year ended 31 december 2015

5.1 Consolidated financial statements as at 31 December 2015	152	5.2 Statutory auditors' report on the consolidated financial statements	204
Consolidated statement of financial position	152		
Consolidated income statement	153		
Consolidated statement of cash flows	154		
Changes in consolidated equity	155		
Notes to the consolidated financial statements	156		

5.1 Consolidated financial statements as at 31 December 2015

Consolidated statement of financial position

I Assets

<i>In thousands of euros</i>	Notes	31.12.2015	31.12.2014*
Goodwill	4	1,707,317	1,617,589
Intangible assets	5	1,700,952	1,713,309
Property, plant and equipment	6	1,295,551	1,165,480
Non-current financial assets	7	31,224	32,554
Shares in associates	8		
Deferred tax assets	26	148,890	89,466
Non-current assets		4,883,933	4,618,399
Inventories	9	8,170	7,430
Customers and related accounts	10	154,228	142,603
Other receivables and current assets	11	199,545	232,047
Financial instruments - assets	16	209	35
Cash and cash equivalents	12	518,833	235,495
Current assets		880,986	617,609
Assets held for sale		108	18,975
TOTAL ASSETS		5,765,027	5,254,983

* 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014.

I Equity and liabilities

<i>In thousands of euros</i>	Notes	31.12.2015	31.12.2014*
Share capital		397,328	395,188
Premiums		927,157	916,933
Consolidated earnings and retained earnings		598,242	591,961
Equity attributable to owners of the Group		1,922,727	1,904,082
Non-controlling interests		11,183	-1,530
Total equity		1,933,911	1,902,552
Provisions for retirement benefits	18	49,634	46,152
Deferred taxes	26	690,750	638,258
Other provisions	19	69,265	55,432
Borrowings	17	2,068,516	1,638,208
Non-current liabilities		2,878,166	2,378,050
Provisions for liabilities due in less than 1 year	19	12,717	12,784
Trade payables and related accounts	20	228,139	238,676
Other payables and accruals	20	597,030	608,779
Borrowings due within 1 year and bank overdrafts	17	95,183	77,853
Financial instruments - liabilities	16	19,882	23,379
Current liabilities		952,951	961,471
Liabilities held for sale		0	12,909
TOTAL LIABILITIES		5,765,027	5,254,983

* 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014.

Consolidated income statement

I Comprehensive income

<i>In thousands of euros</i>	Notes	31.12.2015	31.12.2014*
Revenue		2,573,304	2,222,203
Other income		5,950	21
Operating revenue		2,579,254	2,222,224
Purchases used in the business		212,357	172,821
Personnel expenses	22	1,267,256	1,062,090
External expenses	23	664,265	597,074
Income and other taxes		95,134	76,006
Depreciation and amortisation		123,829	98,740
Other operating revenues and expenses		112	
Profit (loss) on acquisition and disposal of consolidated entities	24	-1,048	-1,635
Other operating income and expenses	24	-36,515	-33,549
Operating income		178,963	180,309
Financial expense		-52,806	-50,010
Financial income		200	363
Cost of gross debt	25	-52,605	-49,647
Income from cash and cash equivalents		641	2,400
Net borrowing costs	25	-51,964	-47,247
Other financial expense	25	-15,515	-29,647
Other financial income	25	2,527	2,945
Profit/(loss) before tax		114,012	106,360
Income tax	26	-53,042	-42,461
Profit/(loss) of consolidated companies		60,970	63,899
Group share of profit/(loss) of associated			620
Non-controlling interests		2,279	3,265
Attributable to owners of the Group		58,691	61,254
Basic earnings (attributable to owners of the Group) per share (<i>in euros</i>)	15	0.74	0.77
Diluted earnings (attributable to owners of the Group) per share (<i>in euros</i>)	15	0.74	0.77
NET PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE GROUP		58,691	61,254
Recycled items: impact of IAS 39 (measurement of hedging derivatives), net of tax		1,761	5,836
Non-recycled items: impact of IAS 19 (actuarial gains and losses)		2,420	-7,804
Gains and losses recognised directly in equity (attributable to owners of the Group)		4,181	-1,968
Profit/(loss) and gains and losses recognised directly in equity (attributable to owners of the Group)		62,872	59,286
Net profit/(loss) and gains and losses recognised directly in equity (non-controlling interests)		2,293	3,265

* 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014.

Consolidated statement of cash flows

	31.12.2015	31.12.2014*
NET PROFIT/(LOSS)	60,970	64,519
Of which income tax expense	53,042	42,758
Net depreciation, amortisation and provisions	146,142	97,867
Deferred taxes	954	5,600
Expense on the discounting of pension liabilities		0
Gain/(loss) on financial liabilities at fair value through profit or loss	-786	-1,499
Gain on disposal of assets	1,824	2,556
Value under IFRS 2 (BSA and PEG)		0
Elimination of the share of income of associates	0	-620
Costs charge to merger premium		0
Cash flow after net indebtedness	209,105	168,422
Elimination of acquisition costs of securities	5,020	921
Elimination of net interest paid	51,938	68,331
Cash flow before cost of net debt	266,062	237,675
Change in inventories	-535	587
Change in trade receivables	-7,235	16,077
Change in trade payables	-22,533	19,921
State: change in income tax	3,950	-37,416
Change in other items	5,265	10,118
Change in working capital requirements	-21,089	9,288
Net cash generated from operations	244,973	246,963
Impact of changes in scope (acquisitions)	-75,370	-34,897
Impact of changes in scope (disposals)	3,697	5,240
Payment for property, plant and equipment and intangible assets	-139,975	-112,789
Payment for other financial investments	2,617	3,482
Proceeds from disposals of non-current assets (excluding securities)	15,535	7,370
Net cash from/(used in) investing activities	-193,496	-131,593
Net cash flow	51,477	115,369
Capital increase		
Treasury shares charged to equity	-449	1,338
Increase in financial liabilities	503,006	1,416,677
Repayment of financial liabilities	-183,774	-1,243,175
Net interest paid	-51,938	-76,479
Dividends paid to shareholders of the parent	-34,751	-29,878
Dividends paid to non-controlling interests in the consolidated companies	-2,380	-55
Dividends payable	6	0
Net cash from/(used in) financing activities	229,719	68,428
CHANGE IN CASH POSITION	281,197	183,797
Cash and cash equivalents at start of period	228,778	44,980
Cash and cash equivalents at end of period	509,974	228,778
Marketable securities	9,577	108,295
Cash	509,256	127,200
Bank overdrafts and advances	-8,859	-6,717
CASH	509,974	228,778

* 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014.

Changes in consolidated equity

<i>In thousands of euros</i>	Share capital	Premiums	Charged directly to equity	Consolidated earnings and retained earnings	Equity attributable to owners of the Group	Non-controlling interests	Total equity
At 31 December 2013⁽¹⁾	174,198	293,419	-27,408	305,694	745,902	22,526	768,428
Dividend distribution		-23,517		-23,498	-47,015	-54	-47,069
Capital increase	3,243	13,894			17,137		17,137
Share-based payment							
Business combinations	217,746	633,137	296,640		1,147,523	6,355	1,153,878
Purchase of minority shareholders' interests			-19,601		-19,601	-16,382	-35,982
Treasury shares			1,338		1,338		1,338
Other changes ⁽²⁾			-2,060		-2,060	-17,239	-19,299
<i>Profit/(loss) for 2014</i>				61,254	61,254	3,265	64,519
Impact of IFRIC 21 net of tax				1,569	1,569		1,569
Impact of IAS 19 (actuarial gains and losses)			-7,804		-7,804		-7,804
Measurement of hedging derivatives, net of tax			5,836		5,836		5,836
<i>Comprehensive income</i>			-1,968	62,823	60,855	3,265	64,120
At 31 December 2014⁽¹⁾	395,187	916,934	246,942	345,018	1,904,081	-1,529	1,902,552
Dividend distribution				-47,344	-47,344	-2,380	-49,724
Capital increase	2,141	10,224			12,365		12,365
Share-based payment							
Business combinations			-9,224		-9,224	11,677	2,453
Purchase of minority shareholders' interests							
Treasury shares			-222		-222		-222
Other changes ⁽²⁾				199	199	1,123	1,322
<i>Profit/(loss) for 2015</i>				58,691	58,691	2,279	60,970
Impact of IAS 19 (actuarial gains and losses)			2,420		2,420	14	2,434
Measurement of hedging derivatives, net of tax			1,761		1,761		1,761
<i>Comprehensive income</i>			62,872		62,872	2,293	65,165
AT 31 DECEMBER 2015	397,328	927,158	300,368	297,874	1,922,727	11,184	1,933,911

(1) 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014.

(2) In the case of jointly owned companies, the share accruing to the joint operators was, until 31 December 2013, recognised under non-controlling interests in consideration of shareholders accounts. At 31 December 2014, these sums were netted on the assets and liabilities sides of the consolidated statement of financial position for €17.2 million.

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

Neither are any shares reserved for issue under options and contracts for the sale of shares.

Following shareholder approval at the 2015 Combined General Meeting, the Company proceeded with payment of a dividend of €0.60 per share, with the option of payment in shares (based on a share price of €28.99).

This option resulted in the issue of 426,150 new shares, which were delivered and admitted to trading on the Euronext Paris market on 24 July 2015. The dividend rights are backdated to 1 January 2015 and the shares enjoy the same rights as the outstanding ordinary shares.

Following this transaction, the Company's share capital stood at €397,328,365, divided into 79,465,673 shares.

In addition, the amount of the dividend paid in cash amounted to the sum of €34.8 million and was paid to the shareholders on 24 July 2015.

Notes to the consolidated financial statements

Contents

NOTE 1	Accounting policies	157	NOTE 18	Provisions for employee benefits	179
NOTE 2	Change in scope of consolidation and impact of acquisitions and disposals during the period	167	NOTE 19	Other provisions	181
NOTE 3	Discontinued operations and assets held for sale	169	NOTE 20	Other payables and accruals	182
NOTE 4	Goodwill	170	NOTE 21	Categories of financial liabilities	183
NOTE 5	Intangible assets	171	NOTE 22	Personnel contributions	184
NOTE 6	Tangible assets	172	NOTE 23	External expenses	184
NOTE 7	Non-current financial assets	172	NOTE 24	Non-recurring income and expenses	184
NOTE 8	Equity investments in associates and joint ventures	173	NOTE 25	Net financial income	185
NOTE 9	Inventories	173	NOTE 26	Income taxes	185
NOTE 10	Trade receivables	173	NOTE 27	Related-party transactions	187
NOTE 11	Other receivables and current assets	175	NOTE 28	Commitments and contingent liabilities	188
NOTE 12	Cash and cash equivalents	175	NOTE 29	Commitments under leases	188
NOTE 13	Categories of financial assets	175	NOTE 30	Share-based payment	188
NOTE 14	Transfer and use of financial assets	176	NOTE 31	Operating sectors	189
NOTE 15	Earnings per share	177	NOTE 32	Dividends approved and proposed	190
NOTE 16	Hedging financial instruments	177	NOTE 33	Statutory Auditors' fees	190
NOTE 17	Financial liabilities	178	NOTE 34	Post-closing events	191
			NOTE 35	List of consolidated companies	192

The consolidated financial statements were approved by the Board of Directors on 23 March 2016.

The Merger was recognised in the consolidated financial statements from 1 April 2014.

Following the post-merger integration of the Korian and Medica groups, the Combined General Meeting, held on 25 June 2015, decided to change the Company name to "Korian".

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

At 31 December 2015, the Korian group consolidated 400 legal entities.

Note 1 Accounting policies

Declaration of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards and interpretations issued by the IASB (International Accounting Standards Board) and adopted by the European Union at the closing date. These standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretations, and are available from the following European Union website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The consolidated financial statements comprise the financial statements of Korian and the subsidiaries that it controls for the period between 1 January and 31 December 2015.

The consolidated financial statements were prepared using the same accounting policies and methods as those used for the preparation of the consolidated financial statements for the year ended 31 December 2014, with the exception of amendments to IFRS standards and interpretations subject to mandatory application for periods beginning on or after 1 January 2015. These specifically concern the following items:

- IFRIC 21 "Levies charged by Public Authorities";
- IFRS annual improvements: 2011-2013 cycle.

Impacts relating to the application of IFRIC 21 are shown in the "Application of IFRIC 21" Section below.

The application of other amendments and standards had no material impact on the consolidated financial statements.

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

- Standards and amendments adopted by the European Union but only subject to mandatory application from 31 December 2015:
 - amendment to IAS 19 – Employee contributions;
 - IFRS annual improvements, 2010-2012 cycle;
 - amendment to IAS 16 and IAS 38 aiming to clarify acceptable methods of amortisation and depreciation;
 - amendment to IAS 1 – Presentation of financial statements: disclosure initiative;
 - IFRS annual improvements, 2012-2014.
- Standards, amendments and interpretations not adopted by the European Union:
 - amendment to IFRS 11 – Accounting for acquisitions of interests in joint operations;
 - IFRS 15 – Revenue from contracts with customers;
 - IFRS 16 – Leases
 - IFRS 9 – Financial instruments

The impact of these standards and amendments is in the process of being analysed.

Presentation of the financial statements

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

- investments held for trading;

- investments available for sale;
- derivative financial instruments.

Current assets and liabilities are:

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

All other assets and liabilities are non-current.

The consolidated financial statements are presented in thousands of euros.

Basis of consolidation

The Group's consolidated financial statements include the financial statements of Korian and its subsidiaries for the period between 1 January and 31 December 2015.

Critical accounting estimates and judgements

For the preparation of the consolidated financial statements, the Group uses estimates and judgements that are regularly updated and are based on historical experience and other factors, including expectations of future events deemed reasonable in view of the circumstances.

For items on which assumptions and estimates are applied, sensitivity testing of the accounting value to the main assumptions is shown in the relevant notes.

The significant estimates and judgements made by the Group in preparing the financial statements relate to the following.

- The value in use of intangible and tangible assets is derived from the Company's internal valuations, based on the medium-term business plan, the main assumptions used in this valuation (medium-term growth rate, discount rate, margin and perpetuity growth rate) are those of the Group.
- The accounting value of assets is reviewed annually, and whenever events or circumstances indicate that they may have been impaired. Such events and circumstances could stem from material adverse changes of a lasting nature affecting either the economic environment or the assumptions and objectives used at the closing date.
- The analysis of external and internal indicators revealed no indication of impairment.
- An analysis of each of the leases is carried out. 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 that the Group accordingly acts in the capacity of owner of the leased property.
- Liabilities related to commitments to purchase non-controlling interests are established 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.

- At 31 December 2014, the Group changed the way it assesses customer risk by applying impairment rates to the nominal value of receivables, determined by country and type of creditor.
- Liabilities associated with employee benefits: the discounted value of obligations associated with employee benefits and resulting from an actuarial calculation made on the basis of various assumptions. The discount rate is 1 of the assumptions used to calculate the net pension cost. Any change to these assumptions has an impact on the accounting value of obligations associated with employee benefits. The Group sets the appropriate discount rate at each closing date. It relates to the rate of interest to be used to calculate the discounted value of future cash outflows needed to meet pension obligations. Note 1.16 Employee benefits provide more detailed information on this subject.
- Derivative financial instruments are measured at fair value. Note 1.14 Derivative financial instruments describes the measurement of these instruments.

Application of IFRIC 21

The Group's consolidated financial statements were restated at 31 December 2014 for IFRIC 21 – "Levies", applicable on 1 January 2015.

The retrospective application of IFRS 21 resulted in the restatement of the 2014 consolidated financial statements for comparison purposes.

The application of IFRIC 21 provides guidance on the recognition of levies imposed on an entity by a public authority in accordance with tax legislation and within the scope of IAS 37. The impact of the application of this new standard is the immediate and full recognition of levies upon occurrence of an obligation as laid down by tax legislation. The changes described above had an impact of €862 thousand on the operating margin and operating results, €297 thousand on income tax, or a net impact of €565 thousand on net profit (loss) attributable to owners of the Group for 2014.

The changes described above had an impact of +€1.0 million on equity at 31 December 2014 in connection with the social solidarity contribution in France.

The detailed effects of the first-time application of this standard are presented in the following tables.

Assets

<i>In thousands of euros</i>	Published financial statements 31.12.2014	Impact of IFRIC 21	Restated financial statements 31.12.2014
Goodwill	1,617,589		1,617,589
Intangible assets	1,713,309		1,713,309
Property, plant and equipment	1,165,480		1,165,480
Non-current financial assets	32,554		32,554
Shares in associates			
Deferred tax assets	89,993	-527	89,466
Non-current assets	4,618,927	-527	4,618,399
Inventories	7,430		7,430
Customers and related accounts	142,603		142,603
Other receivables and current assets	232,047		232,047
Financial instruments - assets	35		35
Cash and cash equivalents	235,495		235,495
Current assets	617,609		617,609
Assets held for sale	18,975		18,975
TOTAL ASSETS	5,255,510	-527	5,254,983

I Equity and liabilities

<i>In thousands of euros</i>	Published financial statements 31.12.2014	Impact of IFRIC 21	Restated financial statements 31.12.2014
Share capital	395,188		395,188
Premiums	916,933		916,933
Consolidated earnings and retained earnings	590,957	1,004	591,961
Equity attributable to owners of the Group	1,903,077	1,004	1,904,082
Non-controlling interests	-1,530		-1,530
Total equity	1,901,548	1,004	1,902,552
Provisions for retirement benefits	46,152		46,152
Deferred taxes	638,258		638,258
Other provisions	55,432		55,432
Borrowings	1,638,208		1,638,208
Non-current liabilities	2,378,050		2,378,050
Provisions for liabilities due in less than 1 year	12,784		12,784
Trade payables and related accounts	238,676		238,676
Other payables and accruals	610,311	-1,532	608,779
Borrowings due within 1 year and bank overdrafts	77,853		77,853
Financial instruments - liabilities	23,379		23,379
Current liabilities	963,003	-1,532	961,471
Liabilities held for sale	12,909		12,909
TOTAL LIABILITIES	5,255,510	-527	5,254,983

I Comprehensive income

<i>In thousands of euros</i>	Published financial statements 31.12.2014	Impact of IFRIC 21	Restated financial statements 31.12.2014
Revenue	2,222,203		2,222,203
Other income	21		21
Operating revenue	2,222,224		2,222,224
Purchases used in the business	172,821		172,821
Personnel expenses	1,062,090		1,062,090
External expenses	597,074		597,074
Income and other taxes	75,144	862	76,006
Depreciation and amortisation	98,740		98,740
Other operating revenues and expenses			
Profit/(loss) on acquisition and disposal of consolidated entities	-1,635		-1,635
Other operating income and expenses	-33,549		-33,549
Operating income	181,171	-862	180,309
Financial expense	-50,010		-50,010
Financial income	363		363
Cost of gross debt	-49,647		-49,647
Income from cash and cash equivalents	2,400		2,400
Net borrowing costs	-47,247		-47,247
Other financial expense	-29,647		-29,647
Other financial income	2,945		2,945
Profit/(loss) before tax	107,222	-862	106,360
Income tax	-42,758	297	-42,461
Profit/(loss) of consolidated companies	64,464	-565	63,899
Group share of profit/(loss) of associated	620		620
Net profit/(loss) from continuing operations	65,084	-565	64,519
Net profit/(loss) from operations discontinued, sold or held for sale			
Net profit/(loss)	65,084	-565	64,519
Non-controlling interests	3,265		3,265
ATTRIBUTABLE TO OWNERS OF THE GROUP	61,819	-565	61,254

1.1 Subsidiaries

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

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

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

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

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

1.2 Joint arrangements

Joint operations are arrangements in which the Group exercises, directly or indirectly, joint control, generally pursuant to a contractual agreement.

When the contractual agreement gives the entity rights over assets and obligations for liabilities, a joint operator must recognise:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation;
- its expenses, including its share of any expenses incurred jointly.

In the case of joint ventures, the contractual agreement gives the parties rights to the net assets of the arrangement. Profits (losses) and assets and liabilities are thus accounted for using the equity method.

The financial statements are consolidated with effect from the date when the Company acquires effective control until such time as control is lost.

The Group has applied IFRS 11 – Joint Arrangements since 1 January 2014.

The only entity within the former Korian scope impacted by the application of this new standard is Kinetika Sardegna, in which Segesta had a 28% interest at 31 December 2013, and which was proportionally consolidated.

The method used to consolidate this company was thus changed to the equity method up to 30 June 2014, the date on which Segesta acquired Kinetika Sardegna outright.

1.3 Associates

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

The Group's interests in associates are consolidated using the equity method. The financial statements of associates are included in the consolidated financial statements from the date of commencement of significant influence until the date when such influence is lost.

The accounting value of shares in associates includes the acquisition cost of the securities (including goodwill) plus or minus changes in the Group's share of the associate's net assets from the acquisition date. The income statement reflects the Group's share of the results of the associate.

1.4 Eliminated transactions

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

1.5 Business combinations

a) Business combinations

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

- the identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date;
- non-controlling interests in the acquired business are measured either at fair value (i.e. with goodwill allocated to the non-controlling interests: 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: 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 under "Gain/(loss) on acquisition and disposal of consolidated entities" in the consolidated income statement;
- any earn-out payments on business combinations are recognised at fair value at the acquisition date. After the acquisition date, contingent consideration payments are recognised at fair value at each closing date. After a period of 1 year following the acquisition date, any change in fair value is recognised in profit or loss. Within this 1-year period, any changes in fair value explicitly linked to events subsequent to the acquisition date are also recognised in profit or loss. Other changes are charged to goodwill.

At the acquisition date, goodwill is the difference between:

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

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

Testing procedures are described in section 1.10.

b) Commitments to purchase non-controlling interests entered into under business combinations

Pending an IFRIC interpretation or a specific IFRS, the following accounting treatment has been adopted in accordance with currently applicable IFRSs and the recommendation of the French financial markets authority (AMF):

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

c) Acquisition of additional securities after exclusive control is obtained

When additional securities of an entity that is already under exclusive control are acquired, the difference between the purchase price of these securities and the proportion of additional consolidated equity acquired is recognised in equity attributable to owners of the Company. The carrying amount of the subsidiary's identifiable assets and liabilities, including goodwill, is left unchanged.

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

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

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

The share previously held is remeasured at fair value through profit or loss when exclusive control is obtained.

e) Sale of securities without loss of exclusive control

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

f) Sale of securities with loss of exclusive control

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

Any residual interest is therefore remeasured at fair value through profit or loss when exclusive control is lost.

1.6 Method of conversion

Transactions in foreign currencies are translated into euros using the exchange rates prevailing at the transaction date.

Balance sheet data are converted at the closing rate, and income statement data at the average rate.

No transactions in foreign currencies were recorded in the consolidated financial statements for the year ended 31 December 2015. All subsidiaries were located in the eurozone.

1.7 Intangible assets

Measurement of intangible assets

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

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

In France, although licences are granted for a period of 15 years and tripartite agreements are signed for a period of 5 years, no amortisation is recognised in the consolidated financial statements. This market position in the sector stems from the fact that operating licences can only effectively be withdrawn if the Group fails to comply with the conditions imposed by regulators for this type of facility, including compliance with minimum standards of care, which is verified by means of compliance inspections.

Germany does not have a system of administrative licences allowing holders to operate facilities, which are primarily subject to technical standards. Operating rights accordingly do not meet the definition of an identifiable intangible asset. However, prices are set by supervisory authorities, and business growth depends on relations with them.

In Italy, national regulations impose minimum structural requirements. Each region transposes these regulations into local rules. Italian facilities are subject to checks by the supervisory authorities under agreements with said authorities.

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

1.8 Property, plant and equipment

a) Measurement of tangible assets

Tangible assets are initially measured at acquisition cost. Tangible assets acquired as part of a business combination is measured at fair value at the acquisition date. It is not subsequently remeasured.

At each closing date, the accumulated depreciation and any provisions for impairment losses, determined in accordance with IAS 36 – Impairment of Assets, are deducted from the acquisition cost.

b) Component approach

The main components of an asset whose individual useful lives are shorter than that of said asset are identified so that they may be depreciated over their own useful lives.

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.

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

f) Impairment of tangible assets

Tangible assets are tested for impairment whenever there are indications of impairment.

g) Investment subsidies

Investment subsidies are deducted from the gross carrying amount of the corresponding investment. They are reversed in pace with the depreciation of said investment.

h) Borrowing costs

Pursuant to IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.

The capitalised borrowing rate corresponds to the average cost of the Group's debt after hedging.

The amount capitalised at 31 December 2015 was €959 thousand.

1.9 Leases

Tangible assets 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.

c) Maintenance and repair costs

Maintenance costs of a recurring nature or that do not meet the criteria of the component approach are expensed as they are incurred.

d) 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.

e) Depreciation of tangible assets

Depreciation of tangible assets is calculated using the straight-line method over the useful lives set out below. Land is not depreciated. Useful lives are as follows.

Lease payments are apportioned between the financial expense and the amortisation of the outstanding liability so as to produce a constant periodic rate of interest on the balance of the borrowing representing the liability.

Assets that are the subject of a finance lease are depreciated over their useful lives in accordance with the rules applied by the Group (see section on the depreciation of tangible assets). If there is evidence of impairment, the assets are tested for impairment in accordance with IAS 36 – Impairment of Assets.

Sale-and-leaseback transactions, which consist of selling an asset and immediately leasing it back under a lease contract, give rise to the following additional treatment: the gain is recorded in deferred revenue and allocated to future results throughout the term of the lease.

Leases where the lessor retains most of the risks and rewards of ownership of 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.

1.10 Impairment of tangible and intangible assets

The accounting value is reviewed to identify potential impairment:

- for non-amortisable intangible assets (operating licences) and goodwill: at each closing date, or more frequently if there are indications of impairment;

- for all other assets: whenever indications of impairment are identified.

Indications of impairment liable to trigger impairment testing include:

- external indicators (market value, significant changes in the business environment, etc.);
- internal indicators (fall in occupancy rate, regulatory change, obsolescence of assets, weaker-than-expected performance, etc.);

Depending on the type of asset, impairment testing is performed either on cash-generating units ("CGUs") (intangible assets – mainly licences – and tangible assets, excluding goodwill) or on a group of CGUs (goodwill).

CGUs are uniform groups of assets whose continued use generates cash inflows.

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 CGU's use and disposal. It is estimated based on the discounted future cash flows of the CGU or group of CGUs in question.

Cash flows are determined based on economic assumptions and projected operating conditions applied by the Group's management, based on the following principles:

- pre-tax cash flows are based on the budget drawn up by the Management Control department and approved by the Board of Directors for year n+1 (using data observed in year n);
- the discount rate is determined by reference to the Group's weighted average cost of capital;
- average discount rates are 6% for France, 5.7% for Germany, 7.2% for Italy and 6.2% for Belgium;
- the enterprise value is calculated by summing discounted cash flows to infinity, on the basis of normative cash flows and a perpetuity growth rate. The growth rate is consistent with the growth potential of the markets in which the Group operates, as well as its competitive position in these markets;
- the average growth rate used is 1.75%;
- the business plan used is the 5-year plan.

First-level testing

For tangible and intangible assets, each retirement home or clinic represents a separate CGU. This breakdown corresponds to the smallest level at which assets can be tested for impairment. First-level testing procedures aim to ensure that the recoverable amount of the CGU is at least equal to its total accounting value (accounting value of licences plus accounting value of tangible assets).

Second-level testing

Second-level impairment testing of goodwill is carried out on a group of CGUs corresponding to the Group's operating segments (France, Germany, Italy and Belgium). Second-level testing seeks to ensure that the recoverable amount of each segment is at least equal to the Group's consolidated net assets (including goodwill) per segment.

If any impairment is identified, it is allocated first to goodwill (as this impairment is irreversible) and then, if goodwill is insufficient, to the value of the licences and tangible assets.

1.11 Inventory and work-in-progress

Inventories are valued at the lesser of the cost and the net realisable value.

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

1.12 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 non-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	Greater than 4 years
Private residents	50%	100%	100%	100%
Social Security Fund			100%	100%
Mutual insurances		50%	100%	100%
Other public agencies			100%	100%
Azienda Sanitaria Locale (ASL) Italy			60%	100%
Municipalities Italy		60%	100%	100%

Trade receivables may be assigned to banking institutions to meet financing requirements. If an analysis of this assignment shows the transfer of substantially all the risks and rewards of ownership of the receivables, they are derecognised.

Otherwise, trade receivables continue to be recognised on the statement of financial position and a financial liability recognised for the amount assigned.

1.13 Financial assets

Financial assets comprise:

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

Category	Measurement	Recognition of changes in value
Financial assets measured at fair value	Fair value	Profit/(loss)
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)	Own capital (except for significant or lasting loss of value recognised in profit or loss)

c) Financial assets for which changes in fair value are recognised in profit or loss

This asset class includes:

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

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

d) Loans and receivables

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

In the Group, this category covers trade and related receivables, long-term loans and housing loans for employees at subsidised (1%) interest rates (which are immaterial).

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

e) Available-for-sale assets

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

The fair value is the market price when available. In the absence of a market price, the Group determines fair value by using various valuation techniques including OTC transactions, analysis of 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 2 categories.

a) Initial measurement

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

b) Classification and measurement at the closing date

Financial assets (excluding hedging instruments) are classified into 1 of the following 3 categories for the purposes of balance sheet measurement.

f) Cash and cash equivalents

Short-term investments are recognised at market value at each closing 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 subject to an insignificant risk of change in value (short-term deposits with an initial term of less than 3 months and euro-denominated money market funds classified in the AMF's "short-term money market fund" category).

1.14 Derivative financial instruments

The Group uses derivative financial instruments (swaps and tunnels) to hedge against the interest rate risk arising from its variable-rate financing policy.

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

For financial derivatives that qualify as hedges for accounting purposes:

- if the derivative is classified as a fair value hedge, changes in the value of the derivative and the hedged portion of the risk are recognised in 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.

1.15 Treasury shares

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

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

1.16 Employee benefits

Pursuant to legal obligations and current practice, the Group offers supplementary pension plans and other long-term benefits to its employees. The Group does so via defined contribution plans.

Under the defined contribution plans, the Group has no obligations other than the payment of contributions, which are expensed during the relevant period. Where applicable, a provision is recorded for contributions not made during the period.

1.16.1 In France

A) SEVERANCE PAYMENTS

Severance payments are based on the collective agreement applicable in the Group (*convention collective unifiée* – “CCU”) and cover compensation payable to employees who have taken early retirement or reached retirement age.

Severance payments fall under defined benefit plans.

B) LONG-SERVICE AWARDS (OR ANNIVERSARY BONUSES)

Long-service awards, provided for under company-wide agreements, represent additional bonuses paid to employees who have worked for the Company for a given number of years.

C) SUPPLEMENTARY PENSION PLANS

The Group has not granted employees any supplementary pension plans in addition to the minimum statutory pension.

Pension and post-retirement obligations arising from defined benefit plans are the subject of a provision valued on the basis of an actuarial calculation performed at least once a year by an independent actuary. These commitments relate only to retirement benefits. The projected unit credit method is applied: under this method, each period of service gives rise to an additional unit of benefit entitlement, and each unit is valued separately to determine the obligation owed to employees.

The calculations take into account the specific features of the various plans, as well as assumptions in respect of the date of retirement, career development and wage increases, and the probability of employees still being employed by the Group at retirement (based on staff turnover, mortality tables, etc.). The obligation is discounted using the interest rates of long-term bonds of first-order issuers, namely the AA-rated corporate bond rate for a maturity of more than 10 years (source: iBoxx index).

The obligation is accrued net of any plan assets measured at fair value.

Net pension expenses and similar benefits are recognised in operating income for the period.

1.16.2 In Germany

The Group does not have any material retirement commitments pursuant to German law.

1.16.3 In Italy

In accordance with Italian law, the Group sets aside provisions to cover employee benefits in the form of an annual employer contribution to an indemnity fund known as the TFR (*Trattamento di Fine Rapporto*) which is made every year based on employee compensation paid during the same year, and recorded in the statement of financial position as a provision for expenses. This sum is released when the employee leaves the Company through resignation, dismissal or retirement.

The provision was calculated in accordance with IAS 19R.

1.16.4 In Belgium

The Group does not have any material retirement commitments pursuant to Belgian law.

1.17 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 embodying 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.

For restructuring, a provision can only be set aside if the restructuring has been the object of an announcement and a detailed plan, or if restructuring work has begun at the closing date.

A provision is set aside for disputes (e.g. employee industrial tribunals, 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 expenditure.

1.18 Share-based payments

Options to subscribe for or purchase shares granted to employees are measured at fair value, which is recognised in profit or loss over the vesting period of employees' rights. The fair value of options is generally determined using an appropriate valuation model based on assumptions made by management.

1.19 Interest-bearing loans

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 reporting date, financial liabilities are subsequently measured at amortised cost using the effective interest method.

Borrowings are broken down into:

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

1.20 Trade and other payables

Trade and other payables are recorded at historical cost (representing the amortised cost).

1.21 Tax

Deferred taxes are recorded using the balance sheet liability method for temporary differences existing at the closing date between the tax base of assets and liabilities and their accounting value, and for tax losses. No deferred tax liabilities are recognised in respect of goodwill.

Deferred tax assets are recorded when it is probable 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, through business combinations, of intangible assets represented by operating licences.

Assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates (and tax regulations) that have been enacted or substantively enacted at the closing date.

Deferred taxes are calculated for each entity. They are offset when the tax is payable to the same tax authority and relates to the same taxable entity (tax group).

Deferred and current taxes are recognised as income or an expense in profit or loss, unless they relate to a transaction or event that is recognised directly in equity.

Deferred taxes are presented as specific balance sheet items included in non-current assets and non-current liabilities.

The tax rate applied in France for corporate income tax and deferred tax purposes is the standard statutory rate plus a contribution of 3.3%, i.e. a total rate of 34.43%.

The exceptional and temporary contribution due for financial years ending on or after 31 December 2011 and until 30 December 2016 has been added to the income tax expense in respect of 2015. This contribution, applicable to the amount of corporate income tax due, was 10.7%.

Tax rates used on international operations are 15.83% in Germany (or 30% depending on the Company), 31.40% in Italy and 33.99% in Belgium.

The Group considers that the corporate value added tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE) component of the economic territorial contribution (*contribution économique territoriale* – CET) satisfies the definition of an income tax as laid down in IAS 12, and accordingly recognises it as such in the consolidated financial statements.

Pursuant to the creation of the competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE), a provision was recognised in the amount of €29,569 thousand in consideration of personnel contributions.

1.22 Revenue

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

It is recognised as and when the services are provided.

1.23 Calculation of operating income

The income statement is presented by type of expense.

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

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

Employee profit sharing is included in personnel contributions.

1.24 “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 EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent), the Group's preferred indicator used in financial communications.

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

They mainly consist of:

- gains (losses) on disposal, substantial and unusual impairment of non-current assets (tangible and intangible assets);
- certain restructuring and merger expenses: these solely consist of restructuring costs that, because of their unusual nature and size, would distort earnings before interest and taxes (EBIT);
- other operating income and expenses such as substantial provisions for claims.

The amount and nature of these items are discussed in Note 24 “Non-recurring income and expenses”.

1.25 Earnings per share

Net earnings per share are calculated by dividing the Group's consolidated profit or loss for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share are calculated on the assumption that all outstanding dilutive options are exercised, and in accordance with the “treasury stock method” defined in IAS 33 – Earnings per Share.

1.26 Operating segments

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

These components (operating segments) are identified on the basis of internal reports regularly reviewed by the operational management of the Group when deciding to allocate resources to segments and when assessing results.

The operating segments are presented by region (France, Germany, Italy and Belgium).

The indicators shown are those monitored by the Group's operational department, particularly revenue and EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortization and Rent).

1.27 Discontinued operations and assets held for sale

In accordance with IFRS 5:

- a discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and which represents a separate major business line or geographical area, and is part of a single coordinated plan to dispose of a separate major business line or geographical area;

- discontinued operations are presented as a single amount in the income statement, together with an analysis of the amount;
- the Group's current and non-current assets and liabilities classified as held for sale are not offset, but are presented separately from other assets and liabilities on the balance sheet, on a single line (under assets and liabilities respectively). They are presented within the sub-total of current assets and liabilities, on a separate line at the bottom of the balance sheet.

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

Note 2 Change in scope of consolidation and impact of acquisitions and disposals during the period

Scope of consolidation

At 31 December 2015, the scope of consolidation included, in addition to Korian, 399 fully consolidated companies (412 at 31 December 2014).

2015 was marked by various events.

Changes in scope – France

- July 2015: disposal of 51.95% equity interest in HAD France, operating 9 HAD facilities and acquisition of 100% of 5 of these business assets.
- July 2015: acquisition of 2 companies (SCI Falca and SARL Résidence Victor Hugo), one being the operator of a 76-bed long-term care nursing home in the Aube department and the other, the owner of the facility's premises.

Changes in scope – Germany

- February 2015: merger with Curanum AG of Korian Deutschland AG (previously 93.18%-owned), resulting in the delisting of Curanum AG.
- January 2015: acquisition of Evergreen Holding GmbH, the parent company of the Evergreen group, which operates 6 facilities with 601 beds in long-term care nursing homes and has 4 projects that will, over time, extend the network by over 1,100 beds in long-term care nursing homes and assisted living facilities.
- August 2015: acquisition of Blitz 07-712 GmbH, the parent company of the Helvita group, which operated 10 facilities (with 832 beds in long-term care nursing homes).

- August 2015: acquisition of SV Dienstleistungs GmbH & Co.KG, the parent company of the Sentivo group, which operated 3 facilities and opened 3 others in 2015 (representing a capacity of 458 beds in long-term care nursing homes).
- August 2015: acquisition of HaBloch, which operated 100 beds in long-term care nursing homes.
- October 2015: merger of Phönix GmbH with Curanum. The merger had a retroactive effect to 1 January 2015 for accounting and tax purposes.

Changes in scope – Italy

- October 2015: acquisition of 2 companies (Dr Alberto Bocchi SPA and Heraclia SRL), with 163 beds in long-term care nursing homes in Veneto.
- October 2015: disposal of 6 facilities with 316 beds in long-term care nursing homes.

Changes in scope – Belgium

Acquisition by Senior Living Group of the following facilities with a total of 244 beds in long-term care nursing homes and assisted living facilities:

- April 2015: acquisition of Home Eksterveld BVBA, which operated 27 beds in long-term care nursing homes;
- April 2015: acquisition of the Deze Haard is Goud Waard ASBL association, which operated 104 beds in long-term care nursing homes;
- April 2015: acquisition of Golden Morgen SPRL, which operated 72 beds in long-term care nursing homes;
- June 2015: acquisition of "Ter Bleuk" business assets, with 41 beds in assisted living facilities.

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

Purchase price of subsidiaries [A]	78,643
Cash-out/cash-in [B]	78,643
Debt incurred [C] = [A] – [B]	
Disposal price [D]	7,947
Cash acquired [E]	3,273
Cash transferred [F]	4,249
Impact of changes in the scope of consolidation [G] = [E-F-B+D]	-71,673

The purchase price of subsidiaries primarily comprises:

- in France, the purchase of SCI Falca and Résidence Victor Hugo SARL for €8.7 million;
- in Germany, the acquisitions of the Evergreen group for €15.4 million, the Helvita group for €16.7 million, Sentivo for €6.9 million, the acquisition of HaBloch for €2.8 million and the merger and delisting of Curanum for €9.6 million;
- in Italy, the acquisition of Dr Alberto Bocchi SpA and Heraclia SRL for €12.3 million;

- in Belgium, the acquisitions of Eksterveld BVBA and Golden Morgen SRL for €1.3 million.

Subsidiaries for which the purchase price allocation is definitive

The Group definitively allocated the purchase price for Medica on 31 June 2015 and for Evergreen on 31 December 2015.

The impacts on the consolidated statement of financial position of subsidiaries acquired over the financial year break down as follows:

<i>In thousands of euros</i>	Assets	Liabilities
Licences	-1,000	
Lease rights		
Other intangible assets	58	
Goodwill	37,178	
Property, plant and equipment	35,301	
Non-current financial assets		
Inventories	24	
Trade receivables	1,358	
Other receivables	25,315	
Prepayments and accruals	32	
Own capital		-3,051
Provisions for risks and expenses		6,399
Financial liabilities		45,296
Operating liabilities		1,614
Other liabilities		25,327
Other accruals		281

The negative adjustment to the value of licences includes a valuation adjustment in respect of the purchase price allocation for the Medica group.

Subsidiaries for which the purchase price allocation is provisional

The impacts on the consolidated statement of financial position of the other subsidiaries acquired over the financial year, break down as follows:

<i>In thousands of euros</i>	Assets	Liabilities
Licences	15	
Lease rights		
Other intangible assets	1,041	
Goodwill	52,550	
Property, plant and equipment	76,467	
Non-current financial assets	538	
Inventories	133	
Trade receivables	6,085	
Other receivables	23,335	
Prepayments and accruals	258	
Own capital		
Provisions for risks and expenses		418
Financial liabilities		78,952
Operating liabilities		12,761
Other liabilities		26,688
Other accruals		3,096

Goodwill calculated on these acquisitions is currently undergoing allocation.

Subsidiaries sold

The impacts on the consolidated statement of financial position of subsidiaries sold over the financial year, break down as follows:

<i>In thousands of euros</i>	Assets	Liabilities
Licences	2	
Lease rights		
Other intangible assets	-15	
Goodwill		
Property, plant and equipment	-7,022	
Non-current financial assets	-16	
Inventories	-144	
Trade receivables	-717	
Other receivables	-483	
Prepayments and accruals	-61	
Own capital		6,467
Provisions for risks and expenses		-84
Financial liabilities		-2,493
Operating liabilities		-1,953
Other liabilities		-6,481
Other accruals		-214

Note 3 Discontinued operations and assets held for sale

Discontinued operations

None.

Assets held for sale

As at 31 December 2015, one asset in the process of being disposed of in Italy was classified as an asset held for sale.

Note 4 Goodwill

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Gross goodwill at start of period	1,617,589	743,203
Change in scope of consolidation	57,873	874,386
Definitive allocation of goodwill	25,835	
Valuation of commitment to buy out non-controlling interests		
Disposals		
Contingent consideration	6,020	
Reclassifications		
Assets held for sale		
GROSS GOODWILL AT END OF PERIOD	1,707,317	1,617,589
Amount of impairment at start of period		
Impairment during the year		
Amount of impairment at end of period		
Net goodwill at start of period	1,617,589	743,203
NET GOODWILL AT END OF PERIOD	1,707,317	1,617,589

In accordance with IFRS 3 revised, the identifiable assets and liabilities of the Medica and Evergreen groups have been recognised at fair value from the date on which the Company acquired effective control

I Change in goodwill

<i>In thousands of euros</i>	Group	France	Italy	Germany	Belgium
Net goodwill at start of period	1,617,589	1,155,632	166,791	186,552	108,614
Change in scope of consolidation	57,873	8,495	5,447	39,118	4,813
Definitive allocation of goodwill	25,835	9,655	-840	17,021	
Valuation of commitment to buy out non-controlling interests					
Disposals					
Contingent consideration	6,020			6,020	
Reclassifications					
Impairment during the year					
Assets held for sale					
NET GOODWILL AT END OF PERIOD	1,707,317	1,173,781	171,398	248,711	113,427

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

Impairment tests were performed in accordance with the method described in Note 1.10 (impairment of tangible and intangible assets).

No indication of impairment was identified with regard to goodwill.

Based on a perpetuity growth rate of 1%, a discount rate of 7% in the French CGUs makes the recoverable amount of the assets tested less than the net accounting value, by -€15 million.

Based on a perpetuity growth rate of 1%, a discount rate of 7.5% in the Italian CGUs makes the recoverable amount of the assets tested less than the net accounting value, by -€6 million.

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.

A certain number of CGUs have been analysed together as a set of sensitive units. A sensitive CGU is defined as a unit for which the value in use is less than the accounting value at 31 December 2015.

Impairment tests carried out on this set led to the recognition of impairment in respect of licences in the amount of €3,753 thousand in 2015.

Assuming long-term growth in operating margin was nil, total impairment in respect of licences for this set of sensitive units would have been €4,289 thousand, or an additional impairment of €536 thousand.

Note 5 Intangible assets

<i>In thousands of euros</i>	Licences	Other	Total
Gross amount at start of period	1,604,617	168,010	1,772,627
Change in scope of consolidation	-982	448	-534
Disposals		11	11
Acquisitions		15,730	15,730
Transfers		-2,683	-2,683
Reclassifications			
Assets held for sale			
Gross amount at end of period	1,603,635	181,517	1,785,151
Cumulative amortisation at start of period	2	59,316	59,318
Change in scope of consolidation		636	636
Disposals		36	36
Depreciation, amortization and impairment	3,753	21,515	25,268
Transfers		-1,058	-1,058
Reclassifications			
Cumulative amortisation at end of period	3,755	80,445	84,200
Net carrying amount at start of period	1,604,615	108,694	1,713,309
Assets held for sale			
NET CARRYING AMOUNT AT END OF PERIOD	1,599,880	101,071	1,700,951

Licences break down as follows by operating sector:

<i>In thousands of euros</i>	France	Italy	Belgium	Total
Gross amount at start of period	1,266,396	191,585	146,636	1,604,617
Impairment	2			2
Net carrying amount at start of period	1,266,394	191,585	146,636	1,604,615
Gross amount at end of period	1,265,414	191,585	146,636	1,603,635
Impairment	3,755			3,755
NET CARRYING AMOUNT AT END OF PERIOD	1,261,659	191,585	146,636	1,599,880

No single licence represents a significant amount for the Group. Impairment tests performed on the licences revealed an impairment for the 3 assets totalling €3,753 thousand.

Impairment tests were performed in accordance with the method described in Note 1.10 (impairment of tangible and intangible assets).

Note 6 Tangible assets

<i>In thousands of euros</i>	Land	Buildings	Plant and machinery	Other	In progress and advance payments	Total
Gross amount at start of period	143,990	1,061,447	225,052	428,404	57,559	1,916,452
Change in scope of consolidation	-173	103,026	9,926	1,125	-96	113,807
Disposals	-3,083	-13,906	-7,543	-12,627	-1,937	-39,097
Acquisitions	1,003	25,302	18,949	15,580	67,420	128,255
Transfers	6,539	64,341	40,553	-11,883	-76,862	22,688
Assets held for sale						
Gross amount at end of period	148,276	1,240,210	286,936	420,598	46,084	2,142,105
Cumulative amortisation at start of period	2,506	333,556	173,643	241,243	23	750,970
Change in scope of consolidation		109	4,200	4,752		9,061
Additions	2,312	56,963	21,426	27,835		108,535
Disposals		-2,932	-6,853	-8,890		-18,675
Other		3,692	17,494	-24,502	-22	-3,339
Assets held for sale						
Cumulative amortisation at end of period	4,817	391,387	209,909	240,439	1	846,553
Net carrying amount at start of period	141,485	727,891	51,409	187,161	57,536	1,165,482
NET CARRYING AMOUNT AT END OF PERIOD	143,459	848,823	77,028	180,159	46,084	1,295,552

The main changes over the financial year were due:

- to changes in the scope of consolidation, to acquisitions of new German companies (as described in Note 2) including, in particular, the valuation of financial leases amounting to €102.2 million;
- with regard to acquisitions:
 - France: €95.2 million, of which €36.8 million for 27 creation or extension projects, €40.3 million for investment in

renovations and maintenance and €16.6 million for other investments;

- Germany: €9.9 million;
- Italy: €11.1 million;
- Belgium: €12.1 million;

The gross value of tangible assets held under finance leases was €666,746 thousand at 31 December 2015; the net value was €470,042 thousand.

Note 7 Non-current financial assets

Change

<i>In thousands of euros</i>	Gross amount	Impairment	Net amount
Carrying amount at start of period	33,445	891	32,554
Additions	606	353	253
Repayments	-2,391	-9	-2,382
Change in scope of consolidation	921		921
Other movements	-122		-122
CARRYING AMOUNT AT END OF PERIOD	32,458	1,234	31,224

Analysis

Available-for-sale securities

Group	% interest	Gross amount	Impairment	31.12.2015 Net amount	31.12.2014 Net amount
SCI Le Perreux	22%	61		61	61
Furtado Gestion	0.02%	248	248		248
NJ Start		610	610		
Eternus		99	99		
Demeure St-Émilien	5%	105	105		
Bretagne Retraite		215		215	215
Other					284
TOTAL AVAILABLE-FOR-SALE SECURITIES		1,338	1,062	276	808

I Other non-current financial assets

	31.12.2015	31.12.2014
Security deposits	29,369	30,469
Loans		
Other long-term securities	1,578	1,278
Total other non-current financial assets	30,948	31,746
Assets held for sale		
TOTAL NON-CURRENT FINANCIAL ASSETS	31,224	32,554

Note 8 Equity investments in associates and joint ventures

5

Since 31 December 2015, there have been no additional equity investments or equity interests in joint ventures.

Note 9 Inventories

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Gross amount	8,170	7,543
Impairment		-113
Assets held for sale		
NET AMOUNT	8,170	7,430

Note 10 Trade receivables

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Gross amount	185,223	170,478
Impairment	-30,994	-27,875
Assets held for sale	0	0
NET AMOUNT	154,228	142,603

The impairment of trade receivables using the statistical method is determined as follows:

<i>In thousands of euros</i>	Outstanding liabilities not due at 31.12.2015	Outstanding liabilities due at 31.12.2015					Total outstanding liabilities at 31.12.2015
		From 0 to 6 months	From 6 to 12 months	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	
France							
Trade receivables	18,303	46,079	7,426	8,007	5,138	0	84,953
Impairment of trade receivables	0	0	-1,742	-5,683	-5,138	0	-12,562
Net value of trade receivables – France	18,303	46,079	5,684	2,324	0	0	72,391
Germany							
Trade receivables	5,154	12,886	1,416	1,004	475	129	21,064
Impairment of trade receivables	0	-738	-251	-737	-475	-129	-2,329
Net value of trade receivables – Germany	5,154	12,149	1,165	267	0	0	18,735
Italy							
Trade receivables	25,682	8,498	1,422	2,736	2,161	10,644	51,144
Impairment of trade receivables	0	0	-1,212	-1,794	-1,720	-10,644	-15,370
Net value of trade receivables – Italy	25,682	8,498	210	943	441	0	35,774
Belgium							
Trade receivables	25,058	2,505	444	53	0	0	28,060
Impairment of trade receivables	0	-691	-24	-19	0	0	-733
Net value of trade receivables – Belgium	25,058	1,815	420	34	0	0	27,327
NET VALUE OF TRADE RECEIVABLES	74,197	68,541	7,479	3,568	441	0	154,228

The Group also has €58.9 million in security deposits partially covering Group trade receivables. The quantitative and qualitative analysis performed revealed no significant residual collection risk.

<i>In thousands of euros</i>	Outstanding liabilities not due at 31.12.2014	Outstanding liabilities due at 31.12.2014					Total outstanding liabilities at 31.12.2014
		From 0 to 6 months	From 6 to 12 months	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	
France							
Trade receivables	24,833	35,618	6,686	6,763	3,368	9	77,277
Impairment of trade receivables	0	0	-1,953	-5,072	-3,368	-9	-10,402
Net value of trade receivables – France	24,833	35,618	4,733	1,692	0	0	66,876
Germany							
Trade receivables	6,600	7,929	1,058	1,169	421	0	17,177
Impairment of trade receivables	-370	0	-443	-1,034	-421	0	-2,268
Net value of trade receivables – Germany	6,230	7,929	614	135	0	0	14,908
Italy							
Trade receivables	21,787	8,840	3,260	2,418	1,824	12,049	50,178
Impairment of trade receivables	751	0	-241	-1,485	-1,483	-12,049	-14,507
Net value of trade receivables – Italy	22,538	8,840	3,019	933	341	0	35,671
Belgium							
Trade receivables	23,814	1,044	358	611	19	0	25,846
Impairment of trade receivables	0	-104	-54	-529	-11	0	-699
Net value of trade receivables – Belgium	23,814	940	304	82	8	0	25,148
NET VALUE OF TRADE RECEIVABLES	77,415	53,327	8,671	2,841	349	0	142,603

Note 11 Other receivables and current assets

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Tax receivables	99,925	99,033
Social security receivables	12,844	21,090
Advances and down payments	3,919	7,524
Prepaid expense	24,429	24,828
Other receivables	57,185	78,326
Assets held for sale		
VALUE OF OTHER RECEIVABLES	198,303	230,801

The "other receivables" item mainly comprises accrued income and other receivables.

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Loans		
Deposits and guarantees	1,239	1,240
Other financial assets	4	5
Assets held for sale		
Value of other current financial assets	1,242	1,246
TOTAL OTHER CURRENT FINANCIAL ASSETS (NET)	199,545	232,047

Note 12 Cash and cash equivalents

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Marketable securities	9,577	108,295
Cash	509,256	127,200
Assets held for sale	0	0
TOTAL	518,833	235,495

Marketable securities comprise term deposits or euro-denominated open-ended investment funds with variable capital (SICAV), classified in the AMF's "short-term money

market fund" category. Pursuant to IAS 7, they are highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value.

Note 13 Categories of financial assets

The table below shows the size of financial instruments in proportion to the Group's consolidated assets.

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

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

In thousands of euros	2015	Financial assets available for sale	Financial assets at fair value through profit or loss	Loans and receivables	Cash flow hedging derivatives	Fair value measurement		
						Level 1: active markets	Level 2: observable inputs	Level 3: non-observable inputs
Non-current assets								
Available-for-sale securities	276	276						276
Other non-current assets	30,948			30,948				
Non-current financial assets	31,224	276		30,948				276
Current assets								
Customers and related accounts								
Other receivables	198,303			198,303				
Deposits and guarantees	1,242			1,242				
Other receivables and current financial assets	199,545			199,545				
Derivative instruments - assets								
Marketable securities	9,577		9,577			9,577		
Cash	509,256		509,256					
Cash and cash equivalents	518,833		518,833		209		209	

The accounting value of financial assets represents their fair value.

Note 14 Transfer and use of financial assets

In accordance with IAS 39, the Group derecognises financial assets when they are no longer expected to generate future cash flows and when most of the risks and rewards attached to them have been transferred.

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

Receivables assigned by the Italian subsidiaries are assigned at their nominal value less an initial charge of between 0.3% and 0.6%, recorded in other expenses, plus financial interest based on Euribor, which is recorded in financial expense.

The total amount of receivables assigned and derecognised in 2015 was €120,251 thousand.

The gain or loss on assignment of said receivables in 2015 was a loss of -€1,302 thousand.

Breakdown of assignments of receivables over the year

	2015	1 st quarter 2015	2 nd quarter 2015	3 rd quarter 2015	4 th quarter 2015
Assigned receivables	120,251	23,234	32,063	29,302	35,652
Amounts received	118,762	22,068	34,562	27,916	34,216
Commissions for management and recovery of assigned receivables	-596	-157	-165	-133	-141
Related financial expense	-706	-187	-125	-114	-280
Gain/(loss) on assignment	-1,302	-344	-290	-247	-421
NET CASH RECEIVED	117,460	21,724	34,272	27,669	33,795

Note 15 Earnings per share

	31.12.2015	31.12.2014*
Net profit/(loss) attributable to owners of the Group (in thousands of euros)	58,691	61,254
Weighted average number of shares (in thousands)	79,226	79,226
EARNINGS PER SHARE (IN EUROS)	0.74	0.77
Net profit/(loss) attributable to owners of the Group (in thousands of euros)	58,691	61,254
Weighted average number of shares (in thousands)	79,226	79,226
Adjustments for stock options	173	173
Average number of shares used for calculation of diluted earnings per share	79,399	79,399
DILUTED EARNINGS PER SHARE (IN EUROS)	0.74	0.77

* 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014.

5

Note 16 Hedging financial instruments

The Group uses derivative financial instruments to hedge against changes in interest rates, given that most of its financial liabilities are at variable rates.

At 31 December 2015, the market value of the instruments entered into to hedge interest rate risk was -€19,673 thousand.

The table below sets out the items of income, expenses, gains and losses recognised in profit or loss and in equity before deferred taxes in 2015 for each category of financial instrument.

	Impact on equity of change in fair value	Impact of hedging on profit or loss	Impact of undocumented items on profit or loss	Impact of financial instruments balanced in cash on profit or loss
Financial instruments eligible for hedge accounting	2,667	1,066		
Financial instruments not eligible for hedge accounting			156	
Financial instruments balanced in cash				
TOTAL	2,667	1,066	156	

I Assets

	31.12.2014	Newly-consolidated companies	Removed from scope of consolidation	Change	31.12.2015
Interest rate swaps					
Options	35			174	209
TOTAL HEDGING INSTRUMENTS - ASSETS	35			174	209
TOTAL FINANCIAL INSTRUMENTS - ASSETS	35			174	209

I Liabilities

	31.12.2014	Newly-consolidated companies	Removed from scope of consolidation	Change	31.12.2015
Interest rate swaps	22,024			-3,273	18,751
Options	706			-68	638
Total hedging instruments - Liabilities	22,730			-3,341	19,389
Interest rate swaps	637			-144	493
Options	13			-13	
Total ineligible financial instruments - Liabilities	650			-156	493
Total financial instruments - Liabilities	23,379			-3,497	19,882
NET TOTAL	23,344			-3,671	19,673

Note 17 Financial liabilities

Net indebtedness (current/non-current)

	31.12.2015	31.12.2014
Loans from credit institutions	1,532,901	1,178,813
Immovable property debt	535,138	442,689
Employee profit sharing	31	31
Other financial liabilities	447	16,674
Liabilities held for sale		
Non-current financial liabilities	2,068,516	1,638,207
Short-term loans from credit institutions	15,294	13,296
Short-term immovable property debt	62,263	43,703
Bank overdrafts and advances	8,859	6,717
Other short-term financial liabilities	8,767	14,138
Liabilities held for sale		
Short-term financial liabilities	95,183	77,854
Financial liabilities (A)	2,163,699	1,716,062
Marketable securities	9,577	108,295
Cash	509,256	127,200
Assets held for sale		
Cash (B)	518,833	235,495
Cash provided as collateral (C)		6,815
NET DEBT (A) - (B) - (C)	1,644,866	1,473,751

Breakdown of borrowings by interest rate category

<i>In thousands of euros</i>		31.12.2015	31.12.2014
Fixed rate	41%	895,557	479,047
Variable rate	59%	1,268,142	1,237,015
TOTAL		2,163,699	1,716,062

At 31 December 2015, most of the Group's indebtedness was at variable interest rates. The Group has financial instruments to hedge against fluctuations in interest rates. It uses standard derivative instruments (interest rate swaps, caps, floors, etc.).

Taking into account financial instruments, 69% of variable-rate borrowings at 31 December 2015 was hedged.

Moreover, borrowings secured by guarantees such as collateral, mortgages and leases accounted for 20.4% of gross borrowings.

Change in borrowings*

	31.12.2014	New borrowings	Repayments	Change in scope of consolidation	Other	31.12.2015	Current	Non-current
Loans	1,678,501	497,852	-179,037	130,217	18,062	2,145,596	77,557	2,068,039
Employee profit sharing	31					31		31
Loans and other borrowings	30,812	4,019	-7,553		-18,062	9,213	8,767	447
Other financial liabilities								
Liabilities held for sale								
TOTAL BORROWINGS	1,709,344	501,870	-186,590	130,217		2,154,841	86,324	2,068,516
Of which non-current	1,638,207	486,417		117,071	-173,177	2,068,516		
Of which current	71,137	15,453	-186,590	13,146	173,177	86,324		

* Excluding bank overdrafts and advances.

I Breakdown of borrowings by maturity

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Less than 1 year	95,183	77,854
More than 1 year	1,178,314	987,431
More than 5 years	890,202	650,777
TOTAL	2,163,699	1,716,062

Change in the Group's indebtedness as at 31 December 2015

At 31 December 2015, the Group's net indebtedness was €1,645 million, up €171 million on 2014. Net financial debt stood at €1,048 million and immovable property debt at €597 million. The latter was up €101 million. This increase was linked to the recognition under financial leases of some rents from acquisitions completed in 2015 in Germany, partially offset by scheduled repayments. Excluding the immovable property debt, Korian's net debt/EBITDA ratio is thus 3.1x, well below the covenant limit of 4.5x in the syndicated loan. The syndicated credit and bonds (*Schuldschein* and Euro PP) are subject to banking covenants. Changes in the banking covenants are notified to the banking institutions every 6 months and annually for bonds.

Over the financial year, Korian negotiated amendments to its syndicated loan, initially signed on 12 March 2014. After amendments, it comprises 2 tranches maturing in March 2019:

- a fully drawn €550 million term loan tranche;
- a revolving credit tranche of €400 million to finance the Group's general needs.

Korian also continued to diversify its sources of funding with the arrangement, on 10 July 2015, of a private placement of €179 million in bonds, with a maturity of 7 to 10 years and coupons of between 2.97% and 3.74%. On 31 October 2015, this was supplemented by a €50 million issue with a 7-year maturity under the same terms as the private bond placement.

In addition, on 10 December 2015, Korian issued a *Schuldschein* (a private placement under German law) for €185.5 million with maturities of 5, 6 and 7 years at fixed and variable rates.

The Group's gross borrowings excluding bank overdrafts and advances thus broke down as follows at 31 December 2015:

- €550 million in loans from credit institutions. At 31 December 2015, the Group thus had €400 million available on the revolving credit facility;
- immovable property debt in the amount of €597 million. These debts consist primarily of operating and finance leases with long maturities;
- medium-term borrowings in the amount of €38 million;
- bonds placed with private investors in a total amount of €979 million.

Moreover, at the end of the financial year, the Group's net cash position stood at €510 million.

Sensitivity analysis of financial expense

In light of the hedging arranged, the sensitivity of financial expense over a year to a 1-percentage-point change in the Euribor 3-month benchmark was as follows at the closing date:

- the effect of a 1% increase in the yield curve (100 basis points) would increase the Group's financial expense by €6.2 million;
- the impact of a 1% reduction (100 basis points) would reduce the financial expense by €5.4 million.

Note 18 Provisions for employee benefits

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Provisions for employee benefits - France	38,028	37,000
Provisions for employee benefits - Italy	11,253	9,152
Provisions for employee benefits - Germany	354	0
TOTAL	49,634	46,152

I Reconciliation of commitments and provisions – France

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Commitment	38,985	37,957
Fair value of assets	-957	-957
PROVISION AT END OF PERIOD	38,028	37,000

I Components of financial expense for the year – France

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Service cost (normal cost)	5,923	2,133
Net interest expense (interest cost)	546	591
Actuarial losses and (gains) recognised in the income statement	-730	54
Newly-consolidated companies at start of period	582	-42
Scheme changes	1,188	
PENSION COSTS	7,508	2,735

I Change in provisions – France

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Provision at start of period	37,000	14,402
Expense for the year	7,508	2,735
Benefits or contributions paid by the employer	-2,496	-882
Recognition of actuarial gains/(losses) in OCI	-4,696	12,231
Changes in scope (acquisitions)	76	8,572
Reclassification of provision for anniversary bonuses	635	-58
PROVISION AT END OF PERIOD	38,028	37,000

I (Key) actuarial assumptions used - France

	31.12.2015	31.12.2014
Discount rate	2.03%	1.30%
Wage increases	2.00%	2.00%
Mortality table	TPGF05/TPGH05	TPGF05/TPGH05
Retirement age – managers	Born in 1950 and before: 63 years Born in 1951 and after: 64 years	Born in 1951 and before: 63 years Born in 1952 and after: 64 years
Retirement age – non-managers	Born in 1950 and before: 60 years Born between 1951 and 1952: 61 years Born in 1953 and after: 62 years	Born in 1951 and before: 60 years Born between 1952 and 1954: 61 years Born in 1955 and after: 62 years
Type of retirement	voluntary	voluntary

I Reconciliation of commitments and provisions – Italy

	31.12.2015	31.12.2014
Commitment	11,253	8,788
Fair value of assets		0
PROVISION AT END OF PERIOD	11,253	8,788

I Components of financial expense for the year – Italy

	31.12.2015	31.12.2014
Service cost (normal cost)	96	76
Net interest expense (Interest cost)	418	374
Actuarial losses and (gains) recognised in the income statement	0	-748
Newly-consolidated companies at start of period	0	0
Scheme changes	0	
PENSION COSTS	514	-297

I Change in provisions – Italy

	31.12.2015	31.12.2014
Provision at start of period	8,788	8,790
Expense for the year	514	-297
Benefits or contributions paid by the employer	0	-740
Recognition of actuarial gains/(losses) in OCI	1,042	0
Changes in scope (acquisitions)	909	1,009
Other	0	26
PROVISION AT END OF PERIOD	11,252	8,788

I (Key) actuarial assumptions used - Italy

	31.12.2015	31.12.2014
Discount rate	2.03%	4.00%
Wage increases M	2.00%	2.50%
Wage increases W	2.00%	2.25%
Inflation rate	1.60%	2.00%
Mortality table	ISTAT M/F 2013	ISTAT M/F 2013
Retirement age – managers and non-managers	66.7 years	65 years
Type of retirement	voluntary	voluntary

Other information

■ Sensitivity of liabilities in respect of France at 31 December 2015 to change in the discount rate:

- 1.53%: €41,106 thousand;
- 2.03%: €38,985 thousand;
- 2.53%: €37,038 thousand.

■ In France, the median age of employees on open-ended contracts is 42.37 years.

■ Employee benefits accounted for approximately 5% of the annual payroll for employees on open-ended contracts at 31 December 2015.

I Estimation of the fair value of assets at 31 December 2015.

Fair value at 31.12.2014	957
Anticipated return on plan assets	0
Benefits paid in 2015	
Actuarial gains/(losses)	
Contributions paid by the employer	
Other	
FAIR VALUE OF ASSETS AT 31.12.2015	957

Note 19 Other provisions

Non-current provisions

<i>In thousands of euros</i>	Tax	Social	Other	Total
Balance at start of period	3,815	17,114	34,501	55,432
Additions	2,311	7,990	17,436	27,736
Used	-135	-3,109	-16,891	-20,135
Reversals	-63	-1,435	1,075	-424
Change in scope of consolidation	-51		2,939	2,888
Reclassifications	1,331	218	2,218	3,767
Liabilities held for sale				
BALANCE AT END OF PERIOD	7,208	20,778	41,279	69,265

Current provisions

<i>In thousands of euros</i>	Tax	Social	Other	Total
Balance at start of period	1,935	4,791	6,058	12,784
Additions		1,953	788	2,741
Used	-273	-40	-2,537	-2,850
Reversals		-109	-209	-318
Change in scope of consolidation	218	1,342	2,210	3,770
Reclassifications		-1,864	-1,546	-3,409
Liabilities held for sale				
BALANCE AT END OF PERIOD	1,880	6,073	4,764	12,717

Main risks and disputes

Risks relating to operating disputes ("Other" column)

Provisions for operating disputes relate mainly to care.

Allowances received under tripartite agreements are recognised in revenue. When filing use-of-funds statements, surplus care allowances are allocated to the compensation reserve, thereby resulting in income for the Company. The Group recognises all income in use-of-funds statements as revenue and records surpluses as provisions to cover the risk of having the public authorities allocate the funds differently.

The amount of the allocation for the period totalled minus €3.4 million net of reversals.

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 2015.

Employee-related disputes

The provisions set aside cover employee disputes and termination benefits. No individual dispute represents a significant amount.

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

Note 20 Other payables and accruals

Trade payables and related accounts

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Trade payables	228,139	238,676
TOTAL	228,139	238,676

Other payables and accruals

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Residents' deposits	58,911	55,672
Commitment to buy out non-controlling interests	1,109	1,109
Suppliers of non-current assets	30,888	30,325
Advances and down payments made on orders	8,030	11,189
Tax liabilities	85,311	76,891
Social security liabilities	200,549	190,431
Dividends payable	12	6
Other liabilities	161,273	190,224
Deferred income	50,947	52,933
TOTAL	597,030	608,779

Other liabilities include €116.2 million in unfavourable contracts valued according to the purchase price allocation for entities acquired.

Note 21 Categories of financial liabilities

The table below shows the size of financial instruments in proportion to the Group's consolidated liabilities.

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

■ level 1: quoted prices 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	2015	Financial liabilities at fair value through profit or loss			Fair value measurement		
		Financial liabilities at amortised cost	Fair value hedging derivatives	Derivatives not eligible for hedge accounting	Cash flow hedging derivatives	Level 1: active markets	Level 2: observable inputs
NON-CURRENT LIABILITIES							
Loans from creditors institutions	1,532,901	1,532,901					
Immovable property debt	535,138	535,138					
Employee profit sharing	31	31					
Other financial liabilities	447	447					
Borrowings	2,068,516	2,068,516					
CURRENT LIABILITIES							
Loans from creditors institutions	15,294	15,294					
Immovable property debt	62,263	62,263					
Bank overdrafts and advances	8,859	8,859					
Other financial liabilities	8,767	8,767					
Loans due in less than one year and bank overdrafts	95,183	95,183					
Derivative financial liabilities	19,882		0	493	19,388	19,882	
Trade payables and related accounts	228,139	228,139					
Commitment to buy out non-controlling interests	1,109	1,109					
Residents' deposits	58,911	58,911					
Other liabilities	537,010	537,010					
Other payables and accruals	597,030	597,030					

The accounting value of financial liabilities represents their fair value.

Note 22 Personnel contributions

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Wages and salaries	925,753	776,399
Social security charges	330,095	278,856
Employee profit sharing	11,308	5,230
Other personnel expenses	101	1,605
PERSONNEL EXPENSES	1,267,256	1,062,090

Note 23 External expenses

In 2015, external expenses amounted to €664,265 thousand and included property and equipment leasing charges in the amount of €338,201 thousand. In 2014, external expenses amounted to €597,074 thousand and included property and equipment leasing charges in the amount of €298,847 thousand.

External expenses on the Italian scope amounted to €188,350 thousand. This includes salary expenses invoiced by cooperatives.

Note 24 Non-recurring income and expenses

Profit (loss) on acquisition and disposal of consolidated entities

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Securities acquisition costs	-5,146	-327
Gain/(loss) on disposal of consolidated entities	4,098	-1,308
PROFIT (LOSS) ON ACQUISITION AND DISPOSAL OF CONSOLIDATED ENTITIES	-1,048	-1,635

Other operating income and expenses

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Gain/(loss) on disposal of premises		
Share of sale and leaseback gain	3,835	3,799
Gain/(loss) on disposal of non-current assets	-1,851	-1,622
Impact of purchase price allocation of Medica		2,918
Costs incurred in the merger		-14,617
Restructuring expenses		-4,771
Change in the client-risk assessment		-8,827
Impairment of operating licences	-3,753	
Other operating expenses	-34,746	-12,031
Other operating income		1,602
TOTAL INCOME (EXPENSES)	-36,515	-33,549

Other operating expenses stood at -€34.7 million incl.:

- -€6.6 million for impairment of tangible assets and provisions for loss-making contracts;
- -€5.8 million in severance payments;
- -€4.2 million in adjustment for PPA;
- -€5.1 million relating to the downgrading of a financial lease contract in Germany;
- -€5.8 million in extraordinary provisions for risks in Germany;
- -€1.2 million associated with the reconsideration of earlier research tax credits;
- -€6 million in various non-recurring expenses.

Note 25 Net financial income

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Interest expense and other	-52,605	-49,647
Gross borrowing costs	-52,605	-49,647
(Gain)/loss on disposal of investment securities	641	2,400
Net borrowing costs	-51,964	-47,247
Restructuring of hedging instruments and debt		-21,084
Dividends received from non-consolidated companies	62	60
Other income from investments		
Other financial expense	-11,255	-7,815
Fair value of hedging instruments, ineffective portion	391	1,972
Fair value of hedging instruments, trading impact	831	723
Other financial income	135	143
Other allocations to financial provisions	-4,260	-701
Other reversals of financial provisions	1,108	
NET FINANCIAL INCOME	-64,952	-73,949

Note 26 Income taxes

Analysis of income tax expense

<i>In thousands of euros</i>	31.12.2015	31.12.2014*
Current tax	-51,212	-36,907
Deferred taxes	-1,829	-5,553
INCOME TAX EXPENSE/(INCOME)	-53,042	-42,460

* 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014.

In accordance with IFRS, taxes for the year ended 31 December 2015 include an expense of €17,047 thousand, corresponding to the CVAE.

Reconciliation between real tax and theoretical income tax expense

<i>In thousands of euros</i>	31.12.2015	31.12.2014*
Profit/(loss) attributable to owners of the Group	58,691	61,254
Non-controlling interests	2,279	3,265
Profit/(loss) of associates	0	-620
Income tax expense	53,042	42,461
Profit/(loss) before tax	114,012	106,360
Theoretical tax rate	34.43%	34.43%
Theoretical income tax expense	39,254	36,620
Permanent differences	2,153	1,134
Impact of non-deductible financial expense	3,539	4,548
Tax losses for the year not activated	2,893	-999
Use of tax losses not activated	-841	495
Adjustment of prior-year deferred taxes	5,091	-955
Tax at the reduced rate	-1,400	204
Income tax of foreign companies	0	-1,177
Impact of CVAE net of tax in France	11,178	9,333
Impact of CICE in France	-10,161	-8,391
Impact of IRAP in Italy	1,524	1,946
Reimbursement of IRAP on IRES in Italy	0	0
Impact of exceptional contribution	498	895
Difference between parent Group and subsidiary tax rates	-688	-1,191
ACTUAL TAX EXPENSE	53,042	42,461
<i>Effective tax rate</i>	46.52%	39.92%

* 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014.

Permanent differences

<i>In thousands of euros</i>	31.12.2015	31.12.2014*
Other non-deductible and non-taxable income and expense	1,948	1,166
Share of costs and expenses	-375	6
Annual flat-rate tax and other adjustments	580	-38
TOTAL	2,153	1,134

Net change in deferred taxes

<i>In thousands of euros</i>	31.12.2015	31.12.2014*
Balance at start of period	548,792	183,680
Expense/(income)	1,829	5,850
Change in the scope of consolidation	-9,694	360,834
Charged to equity	1,795	-1,430
Other changes	-861	-142
Assets and liabilities held for sale	0	0
BALANCE AT END OF PERIOD	541,861	548,792

* 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies.

Breakdown of deferred taxes

<i>In thousands of euros</i>	31.12.2015	31.12.2014*
Intangible assets	532,822	518,468
Property, plant and equipment	94,190	81,295
Temporary differences on CVAE	7,285	7,518
Financial instruments	-5,559	-7,293
Tax loss carryforwards	-14,329	-19,121
Pension provisions	-12,947	-15,294
Other provisions	-33,053	-1,227
Other temporary differences	-17,697	-7,934
Other assets/liabilities	-8,850	-7,620
Assets and liabilities held for sale	0	0
TOTAL	541,861	548,792

* 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies.

5

Note 27 Related-party transactions

Korian's policy for the compensation of its executive directors is compliant with the AFEP-MEDEF Code (November 2015 version). In line with the recommendations of said AFEP-MEDEF Code,

the compensation of executive directors is set by the Board of Directors based on a proposal by the Appointments and Compensation Committee.

Summary table of compensation paid to executive directors

	Year ended 31 December 2015 Amount paid	Year ended 31 December 2014 Amount paid
Chief Executive Officer until 18 November 2015		
Fixed compensation	€485,833	€514,217
Variable annual compensation	€500,000	€218,000
Variable multi-annual compensation	€1,050,000	
Exceptional compensation	€1,837,500	€436,000
Benefits in kind	€4,389	€4,788
TOTAL	€3,877,722	€1,173,005
Chairman of the Board of Directors from 1 January to 18 March 2014, then from 25 March 2015 to 18 November 2015, then Chief Executive Officer from 18 November 2015 to 25 January 2016		
Fixed compensation	€277,972	€53,571
Variable compensation	-	-
Exceptional compensation	-	€114,534
Benefits in kind	€28,523	€9,150
TOTAL	€306,495	€177,255
Chairman of the Board of Directors from 18 March 2014 to 25 March 2015		
Fixed compensation	€80,942	€270,250
Variable compensation		-
Exceptional compensation	€525,000	
Benefits in kind	€806	€2,417
TOTAL	€606,748	€272,667

Note 28 Commitments and contingent liabilities

Disputes

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

Note 29 Commitments under leases

Finance leases

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Net carrying amount of assets held under finance leases	470,042	496,567
Leasing commitments by term:		
■ Less than 1 year	38,058	43,703
■ More than 1 year	144,986	189,096
■ More than 5 years	285,121	253,593
TOTAL COMMITMENTS	468,165	486,393

Operating leases

<i>In thousands of euros</i>	31.12.2015	31.12.2014
Minimum non-cancellable lease payments due		
■ In less than 1 year	341,036	302,105
■ In between one and 5 years	1,197,286	1,070,070
■ In more than 5 years	1,942,480	1,536,456
TOTAL COMMITMENTS	3,480,801	2,908,632

Note 30 Share-based payment

Free shares plan

On 10 September 2014, the Board of Directors approved, under the authorisation of the General Meeting of 26 June 2014, the implementation of a free shares plan for certain members of General Management. This plan provides for the allocation of a maximum of 153,030 Company shares, subject to the achievement of performance conditions associated with the market price, EBITDA and revenue.

For French tax residents, the allocation of free shares will vest and the ownership of said shares be transferred to the beneficiaries on 31 March 2017, subject to continued employment. Moreover, the beneficiaries will not be permitted to transfer the shares received under the terms of this plan until 31 March 2019.

The free shares plan has an IFRS cost of €2,765 thousand (excluding social security charges) and will lead to a maximum dilution of 0.19%.

At 31 December 2015, 89,394 free shares were available for allocation, following the departure of certain beneficiaries (incl. the former Chief Executive Officer, Yann Coléou) in 2015.

On 16 September 2015, the Board of Directors approved, under the authorisation of the General Meeting of 26 June 2014, the implementation of a free shares plan for certain members of General Management. This plan provides for the allocation of a maximum of 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 invested in him by said Board of Directors, the Chief

Executive Officer, after having compiled a list of beneficiaries, established that the number of shares allocated under this plan totalled 90,649.

For French tax residents, the allocation of free shares will vest and the ownership of said shares be transferred to the beneficiaries on 31 March 2018, subject to continued employment. Moreover, the beneficiaries will not be permitted to transfer the shares received under the terms of this plan until 31 March 2020.

The free shares plan has an IFRS cost of €1,793 thousand (excluding social security charges) and will lead to a maximum dilution of 0.13%. The IFRS cost after discounting the turnover rate stood at €1,614 thousand.

At 31 December 2015, 62,271 shares were available for allocation following the departure of the former Chief Executive Officer, Yann Coléou.

Stock option plan

Under the authorisation granted by the General Meeting of 17 June 2010, the former Executive Board decided to grant stock options to Group employees and/or directors at a unit price of €16.83. The exercise period of these options expires on 30 June 2015. In 2015, 3,000 options were exercised.

The shares that might be subscribed under these plans are subject to a lock-up period of 2 years after the vesting period.

The measurement methods and parameters are identical to the free shares plan described above.

The fair value of options is calculated at the grant date using the Black-Scholes model. Subsequent changes in the fair value of the instrument are not taken into consideration.

The matching contribution policy, introduced in 2006 for employees who acquire Korian Actionnariat (a collective employee share ownership fund, or FCPE) units under the employee share ownership plan, continued in 2015.

	2015	2014
	Options	Options
	Weighted average exercise price (euros)	Weighted average exercise price (euros)
Options remaining at 1 January	5,000	84,000
Options granted		
Options exercised	3,000	2,000
Options cancelled and expired	2,000	77,000
Options remaining at 31 December	0	5,000
Options exercisable at 31 December	0	5,000
Share price at the exercise date of options	32.58	26.31
Share price at the grant date of options (granted during the year)	17.30	17.30
Fair value of options granted during the year		
Impact on equity (in thousands of euros)		

Note 31 Operating sectors

In thousands of euros	Operating segments at 31.12.2015				
	Total of all activities	France	Germany	Italy	Belgium
Revenue and other income	2,579,254	1,535,861	519,001	306,051	218,341
EBITDAR⁽¹⁾	680,233	410,099	144,198	70,566	55,371
	26.4%	26.7%	27.8%	23.1%	25.4%

Transition from EBITDAR to operating income at 31 December 2015:

EBITDAR	680,233
Head office EBITDAR	-1,676
External rents (excluding discontinued operations)	338,201
Depreciation, amortisation and provisions	123,829
Gain/(loss) on disposal of consolidated entities	-1,048
Other operating income and expenses	-36,515
EBIT (OPERATING INCOME)	178,963

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

In thousands of euros	Operating segments at 31.12.2014*				
	Total of all activities	France	Germany	Italy	Belgium
Revenue and other income	2,222,224	1,323,428	476,241	265,561	156,994
EBITDAR⁽¹⁾	613,080	366,426	143,857	63,772	39,025
	27.6%	27.7%	30.2%	24.0%	24.9%
Transition from EBITDAR to operating income at 31.12.2014⁽²⁾:					
EBITDAR	613,080				
External rents (excluding discontinued operations)	298,847				
Depreciation, amortisation and provisions	98,740				
Gain/(loss) on disposal of consolidated entities	-1,635				
Other operating income and expenses	-33,549				
EBIT (OPERATING INCOME)	180,309				

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

(2) 2014 comparative data were restated for the retrospective impact of the application of IFRIC 21 on levies. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014.

Note 32 Dividends approved and proposed

	Per share (in euros)	Total (in thousands of euros)
Total payout in 2015 (2014 financial year)	0.60	47,344
Dividends proposed to the 2016 General Meeting (fiscal 2015)	0.60	47,679

Note 33 Statutory Auditors' fees

Pursuant to decree No. 2008-1487 dated 30 December 2008, the table below sets out the Statutory Auditors' fees in respect of 2015 for all consolidated companies.

	Mazars				Ernst & Young			
	Amount (in thousands of euros excl. VAT)		%		Amount (in thousands of euros excl. VAT)		%	
	2015	2014	2015	2014	2015	2014	2015	2014
Statutory audit								
Certification, review of separate and consolidated financial statements:								
Issuer	430	325	26%	20%	430	310	31%	25%
Fully consolidated companies	1,143	1,254	69%	78%	907	933	65%	75%
Other work and services directly related to the work of the Statutory Auditors	51	25	3%	2%	55	0	4%	0%
Sub-total	1,624	1,604	98%	100%	1,392	1,243	100%	100%
Other services	30		2%					
Sub-total	30		2%					
TOTAL	1,654	1,604	100%	100%	1,392	1,243	100%	100%

Note 34 Post-closing events

Since 1 January 2016, the Group has carried out the following transactions.

Changes in internal governance

On 26 January 2016, Sophie Boissard took office as Chief Executive Officer of the Korian group. In addition, a new Chief Finance Officer, Laurent Lemaire, took office on 26 February 2016, to replace Jean-Brieuc Le Tinier, who resigned his position on 31 December 2015.

Pursuit of the development strategy

In January 2016, Korian acquired 2 long-term care nursing homes, 1 in Essonne and 1 in Aude, with 241 beds.

In January 2016, KORIAN acquired the Casa Reha group, the 3rd-largest long-term care nursing home operator in Germany,

which operates 70 facilities with more than 10,000 beds and around 4,100 employees. Casa Reha also has a project portfolio of 782 beds yet to be created and reports revenue of around €270 million. Casa Reha has been consolidated since 1 January 2016.

In March 2016, Korian sold a 100-bed long-term care nursing home in Italy.

Company share capital increase

In accordance with the provisions of Article L. 225-178(3) of the Commercial Code, following the exercise of 3,000 share subscription options in 2015, the Board of Directors at its 21 January 2016 meeting recorded the €15,000 increase in the Company's share capital, by means of the issue of 3,000 new shares with a par value of €5 each, thereby increasing from €397,328,365 to €397,343,365.

Note 35 List of consolidated companies

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
KORIAN SA	100	100	100	100	Parent company	21-21 rue Balzac - 75008 PARIS
MEDIDEP FONCIER	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA JANIN	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
SOCIÉTÉ IMMOBILIÈRE JANIN	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN SANTÉ	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
ABILONE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SCI KORIAN IMMOBILIER	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
JONGKIND	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SANTÉ-MARKETING ET STRATEGIE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LA MOULINIÈRE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN PARTENAIRE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SCI LA SOURCE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
PRIVATEL	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
HOLDING HOSPITALIÈRE DE TOURAINE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOGESCO - SOCIÉTÉ DE GESTION ET CONSEILS	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
LE NORD COTENTIN	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CENTRE WILLIAM HARVEY	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
HOLDING AUSTRUY BUREL	99.16	99.16	99.16	99.16	FC	Allée de Roncevaux 31240 L'UNION
PB EXPANSION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
REACTI MALT	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOGEMARE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOGESCO - SOCIÉTÉ DE GESTION ET CONSEILS	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
LA BASTIDE DE LA TOURNE	0	0	99.92	99.92	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
LE CHÂTEAU	57.75	57.75	57.75	57.75	FC	Zone Industrielle 25870 DEVECEY
SARL RÉSIDENCE FRONTENAC	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LE BASTION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES LUBERONS	0	0	99.9	99.9	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
RÉSIDENCE PERIER	100	100	100	100	FC	Zone industrielle 25870 DEVECEY
PERIER RETRAITE	100	100	100	100	FC	Zone industrielle 25870 DEVECEY

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
VEPEZA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LA REINE MATHILDE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LA NORMANDIE	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
RÉSIDENCE LES AJONCS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN JARDIN DE L'ANDELLE	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
L'ERMITAGE	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
KORIAN NYMPHÉAS BLEUS	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
KORIAN VILLA EVORA	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
KORIAN LA ROSERAIE	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
KORIAN MAS DE LAUZE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SCI BADERA	62	62	62	62	FC	Zone Industrielle 25870 DEVECEY
ALSACE SANTÉ	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
KORIAN VILLA ORTIS	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
VILLA BONTEMPS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
RÉSIDENCES DU CANAL	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
SOCIÉTÉ D'EXPLOITATION HOME SAINT GABRIEL	99.16	99.16	99.16	99.16	FC	Zone Industrielle 25870 DEVECEY
LES ISSAMBRES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LE RAYON D'OR	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
ACCUEIL MEUNIÈRES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES AMARANTES	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
CHAMTOU	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOCIÉTÉ GÉRONTOLOGIQUE DU CENTRE OUEST - SGCO	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
SOCIÉTÉ HOSPITALIÈRE DE TOURAINE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA D'ALBON	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
ORION	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
POULIGUEN GESTION	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
POULIGUEN	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
CHÂTEAU DU MARIAU	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
SCI LE TEILLEUL	60	60	60	60	FC	Zone industrielle 25870 DEVECEY
KORIAN LE DIAMANT	100	100	100	100	FC	Zone industrielle 25870 DEVECEY
COMPAGNIE FONCIÈRE VERMEILLE	59.22	59.22	59.22	59.22	FC	Zone Industrielle 25870 DEVECEY

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
BELLECOMBE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
KORIAN LES ARCADES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
RÉSIDENCE MAGENTA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
VILLA SAINT DOMINIQUE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LE CLOS CLÉMENT 77 - RÉSIDENCE DU BOIS CLÉMENT	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN BRUNE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LES LILAS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SAINT CYR GESTION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
L'AUBIER DE CYBÈLE	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
L'AUBIER DE CYBÈLE GESTION	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
REANOTEL	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LA MAGDELEINE	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
KORIAN FLORIAN CARNOT	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
MEUDON-TYBILLES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES LIERRES GESTION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA ST HILAIRE	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
RÉSIDENCE LES ACACIAS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
L'AIR DU TEMPS RÉSIDENCES STRASBOURG ROBERTSAU	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES HAUTS D'ANDILLY	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
ATRIA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES BÉGONIAS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LA REINE BLANCHE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES BLÉS D'OR	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES TEMPS BLEUS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
CARLOUP SANTÉ	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LE CASTELLI	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES FONTAINES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
ISÈRE SANTÉ	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN L'IMPÉRIAL	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
LAFFITTE SANTÉ	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SCI LE MAIL IMMOBILIER	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
LE MAIL SANTÉ	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
MASSENET SANTÉ	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
MEDOTELS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
RÉSIDENCE FRÉDÉRIC MISTRAL	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN CLOS DES VIGNES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA POPYRI	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA D'AZON	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LES CASSISSINES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA SPINALE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN L'ASTRÉE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LA FONTANIÈRE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
GEM VIE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOCIÉTÉ D'ÉTUDES ET DE RÉALISATIONS POUR LE NOUVEL ÂGE SÉRÉNA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN AU FIL DU TEMPS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN PLAISANCE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN SAVERNE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VAL DES SOURCES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILL'ALIZÉ	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN L'ESCONDA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LE PETIT CASTEL	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
PÉROU	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES PINS BLEUS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
RÉSIDENCE DE PONTLIEUE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
HOMÈRE HÔTELLERIE MÉDICALISÉE RETRAITE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LA SAISON DORÉE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SAINT FRANÇOIS DE SALES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SARL VILLANDIÈRES NÎMES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
CLINIQUE DE SOINS DE SUITE ET RÉADAPTATION CHÂTEAU DE GLETEINS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
LA PINÈDE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CHÂTEAU DE LA VERNÈDE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
KORIAN LES OLIVIERS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
CENTRE DE RÉADAPTATION FONCTIONNELLE DE CAEN	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE CARDIOLOGIQUE DE GASVILLE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CENTRE DE REPOS ET DE CONVALESCENCE L'AQUITANIA	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE DE MÉDECINE PHYSIQUE ET DE RÉADAPTATION FONCTIONNELLE "LES GRANDS CHÊNES"	100	100	100	100	FC	40-52 rue Stehelin 33200 BORDEAUX
LES FLOTS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
LATITUDE	100	100	100	100	FC	40-52 rue Stéhélin 33200 BORDEAUX
PS3	100	100	100	100	FC	40-52 rue Stéhélin 33200 BORDEAUX
IMMO 2	100	100	100	100	FC	40-52 rue Stehelin 33200 BORDEAUX
LE BELVÉDÈRE PLAGE	100	100	100	100	FC	40-52 rue Stehelin 33200 BORDEAUX
LE BELVÉDÈRE	100	100	100	100	FC	Quartier de l'Océan 40530 LABENNE
CENTRE MÉDICAL INFANTILE MONTPRIBAT	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CENTRE DE RÉÉDUCATION FONCTIONNELLE DE SIOUVILLE	99.83	99.83	99.83	99.83	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE NAPOLEON	100	100	100	100	FC	Allée de Christus 40990 SAINT PAUL LES DAX
SCI NAPOLEON	100	100	100	100	FC	Allée de Christus 40990 SAINT PAUL LES DAX
LE MONT BLANC	99.16	99.16	99.16	99.16	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE DU CANAL DE L'OURCQ	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
KORIAN LA GUYONNE	99.9	99.9	99.9	99.9	FC	Allée de Roncevaux 31240 L'UNION
HAD YVELINES SUD	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SOCIÉTÉ NOUVELLE DE LA CLINIQUE DU MESNIL	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CENTRE DE SOINS DE SUITE DE SARTROUVILLE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
KORIAN LES TROIS TOURS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
OREGON	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SOCIÉTÉ D'EXPLOITATION DE LA CLINIQUE MÉDICALE DE SAINT-COME À JUVISY	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE DE SACLAS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SOCIÉTÉ CLINIQUE DE SOINS DE SUITE DE NOISY-LE-SEC	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE DE LIVRY-SULLY	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SOCIÉTÉ D'EXPLOITATION DE LA CLINIQUE DU PERREUX	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
NEWCO BEZONS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE DE CONVALESCENCE DU CHÂTEAU DE CLAVETTE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
SERIENCE SOINS DE SUITE ET DE RÉADAPTATION	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SARL DE BIOUX SANTÉ	100	100	100	100	FC	Rue du 8 mai 1945, 71850 CHARNAY LES MACON
THALATTA	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
LA PETITE MADELEINE	0	0	100	100	Merger with Bégonias	Zone Industrielle 25870 DEVECEY
RÉSIDENCE LES AINES DU LAURAGAIS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
GRAND'MAISON	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN PASTORIA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SA MEDICA FRANCE	100	100	100	100	FC	21 rue Balzac - 75008 PARIS
SAS CLINIQUE DE SANTÉ MENTALE SOLISANA	100	100	100	100	FC	1 chemin du Liebenberg - 68500 GUEBWILLER
SAS CLINIQUE DU VAL DE SEINE	99.85	99.85	99.85	99.85	FC	Le Clos de la Tour - Chemin du cœur volant - 78430 LOUVECIENNES
SARL CLINIQUE LES ALPILLES	100	100	100	100	FC	1 avenue renée de la Comble, Quartier de l'Argelier - 13210 SAINT REMY DE PROVENCE
SARL CLINIQUE DU MONT VENTOUX	100	100	100	100	FC	Avenue JH Fabre - 84200 CARPENTRAS
SARL CLINIQUE DE SANTÉ MENTALE DU GOLFE	100	100	100	100	FC	Rue du Gaou - 83310 COGOLIN
SAS CLINIQUE ALMA SANTÉ	100	100	100	100	FC	165 rue François Laur - 42210 MONTROND LES BAINS
SAS CLINIQUE DU CHÂTEAU DE MORNAY	100	100	100	100	FC	Château de Mornay - 17330 SAINT PIERRE DE L'ISLE
SAS CLINIQUE SAINTE COLOMBE	100	100	100	100	FC	10, rue de l'Abbaye - 89100 SAINT DENIS LES SENS
SARL CLINIQUE LA CONDAMINE	100	100	100	100	FC	Domaine de la Condamine - 07330 THUEYTS
SARL CLINIQUE DE SANTÉ MENTALE VILLA BLEUE	100	100	100	100	FC	Route de Champagnières - 16200 JARNAC
SARL CLINIQUE MAISON BLANCHE	100	100	100	100	FC	Route de Champagnières - 16200 JARNAC
SAS CLINIQUE MONTJOY	100	100	100	100	FC	52 route de Grenoble - 05100 BRIANCON
SAS CLINIQUE DE SANTÉ MENTALE DE PIÉTAT	100	100	100	100	FC	Hameau de Piétat - 65690 BARBAZAN DEBAT
SAS CLINIQUE DE SANTÉ MENTALE SAINT MAURICE	100	100	100	100	FC	49 route de Limoges 87340 LA JONCHERE SAINT MAURICE
SAS CLINIQUE LA PALOUMÈRE	100	100	100	100	FC	Cap du Bosc - 47160 CAUBEYRES
SAS CLINIQUE LA VARENNE	100	100	100	100	FC	Le Bourg - 71480 VARENNES SAINT SAUVEUR

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
SAS CLINIQUE LA ROSERAIE	100	100	100	100	FC	Rue des Lombards - 71870 HURIGNY
SARL CLINIQUE LE CLOS DE BEAUREGARD	100	100	100	100	FC	Beauregard Chadrac - 43000 CHADRAC
SAS CLINIQUE DU CHAMBON	100	100	100	100	FC	Chemin des Airelles - 43400 LE CHAMBON SUR LIGNON
SAS CLINIQUE LES BRUYÈRES	100	100	100	100	FC	Château de Letrette - 69620 LETRA
SAS LES JARDINS D'HESTIA	99.92	99.92	99.92	99.92	FC	Chemin des Pierres Blanches, Lieudif Le Crest - 69290 GREZIEU LA VARENNE
SARL GMR	100	100	100	100	FC	3 rue Xavier Darasse - 31000 TOULOUSE
SAS AUBERGERIE DE QUINCY	91.78	91.78	91.78	91.78	FC	18 rue de Boussy - 91480 QUINCY SOUS SENART
SAS AUBERGERIE DU 3 ^E AGE	91.78	91.78	91.78	91.78	FC	95 avenue des près Martin - 77340 PONTAULT COMBAULT
SARL RÉSIDENCE DES PINS	100	100	100	100	FC	35 rue Emile Eudes - 11100 NARBONNE
SAS GASTON DE FOIX	100	100	100	100	FC	Faubourg du Cardinal d'Este - 09270 MAZERES
SNC TOPAZE	100	100	100	100	FC	21 rue Balzac - 75008 PARIS
SARL RÉSIDENCE DE CHAINTREAUVILLE	96	96	96	96	FC	1 bis rue de Chaintreauville - 77140 SAINT PIERRE LES NEMOURS
SAS DLS GESTION	96.67	96.67	96.67	96.67	FC	Rue Alphonse Daudet - Lieudif Les Marais - 13310 SAINT MARTIN DE CRAU
SARL LA FONTAINE BAZEILLE	100	100	100	100	FC	Lieudif Baronnes Nord - 47200 SAINTE BAZEILLE
SAS RÉSIDENCE LES SANSONNETS	100	100	100	100	FC	4 rue de l'Hôtel Dieu 95750 CHARS
SAS LES TERRASSES DU XX ^{ème}	100	100	100	100	FC	5 rue de l'Indre - 75020 PARIS
SAS RÉSIDENCE LES MATHURINS	100	100	100	100	FC	2 rue des Mathurins - 92220 BAGNEUX
SAS LE VAL D'ESSONNE	100	100	100	100	FC	1 allée du Val d'Essonne - 78310 MAUREPAS
SARL MAISON DE RETRAITE LES GARDIOLES	100	100	100	100	FC	Rue de Devois - 34980 SAINT GELY DU FESC
SARL LA PAQUERIE	100	100	100	100	FC	17 impasse des Aurengues - 13013 MARSEILLE
SARL LA COLOMBE	100	100	100	100	FC	18 rue des Fauvettes - 34770 GIGEAN
SARL LES TAMARIS	100	100	100	100	FC	32 boulevard Général de Gaulle - 34410 SERIGNAN
SARL RESID'GEST	100	100	100	100	FC	5 rue Georges Bataille - 34410 SERIGNAN
SARL RA DE LAXOU	100	100	100	100	FC	1 allée de la Saulx - 54520 LAXOU

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
SARL RA DES SABLES	100	100	100	100	FC	Rue du Chenal - 85100 LES SABLES D'OLONNE
SARL RA DE LYON GERLAND	100	100	100	100	FC	6 rue Ravier - 69007 LYON
SARL RA DU MANS	100	100	100	100	FC	1/3 rue Chanzy - 72000 LE MANS
SARL LE MOLE D'ANGOULINS	100	100	100	100	FC	15 bis route de la Douane - 17690 ANGOULINS SUR MER
SAS RA DE NEUVILLE ST RÉMY	100	100	100	100	FC	Rue du Comte d'Artois - 59554 NEUVILLE ST REMY
SARL MAISON DE RETRAITE SOULAINES	100	100	100	100	FC	2 rue de la Verrière - 10200 SOULAINES DHUYS
SAS DOMAINE DES TROIS CHEMINS	100	100	100	100	FC	2 rue de la Gruche - 86120 LES TROIS MOUTIERS
SAS LE MONT SOLEIL	100	100	100	100	FC	Chemin de la Barque - 05190 ESPINASSES
SARL RÉSIDENCE BELLEVUE	100	100	100	100	FC	Rue Bellevue - 47120 DURAS
SARL RÉSIDENCE AGAPANTHE	100	100	100	100	FC	1 rue Georges Bizet - 86000 POITIERS
SARL RÉSIDENCE LA GRANDE PRAIRIE	100	100	100	100	FC	2 rue de la Croix Blanche, ZI de la Croix Blanche - 60290 MONCHY SAINT ELOI
SARL RÉSIDENCE PIN BALMA	100	100	100	100	FC	260 route de Toulouse - 31130 PIN BALMA
SARL LE HAMEAU DE PRAYSSAS	100	100	100	100	FC	Lieu-dit la Bichette - 47360 PRAYSSAS
SAS LE HAMEAU DE LA SOURCE	100	100	100	100	FC	33 rue Claudius Thirard - 69190 SAINT FONTS
SAS RÉSIDENCE CLAUDE DEBUSSY	100	100	100	100	FC	44b avenue Claude Debussy - 13470 CARNOUX EN PROVENCE
SARL LES OLIVIERS	100	100	100	100	FC	148 avenue Michel Jourdan - 06150 CANNES LA BOCCA
SAS MAISON DE RETRAITE LE CHALET	100	100	100	100	FC	7 route de l'Aurignolle - 33830 BELIN BELIET
SARL LA CAMPAGNARDE	100	100	100	100	FC	Maison de retraite "Les Tilleuls" - 80930 ERCHEU
SARL DU CHÂTEAU	100	100	100	100	FC	Les Landes - 45240 LA FERTE SAINT AUBIN
SARL BUEIL	100	100	100	100	FC	67 grande rue - 27730 BUEIL
SAS RÉSIDENCE DE L'ABBAYE	100	100	100	100	FC	82 rue de l'Abbaye - 59730 SOLESMES
SAS LA VALLÉE BLEUE	100	100	100	100	FC	Avenue de la République - 18200 SAINT AMAND MONTROND
SAS LES CIGALES	100	100	100	100	FC	Chemin des Barelles - 83500 LA SEYNE SUR MER

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
SAS LES TOURELLES	100	100	100	100	FC	Rue de la ferte Alais dit la Brenée - 91720 MAISSE
SAS LA DÉTENTE	100	100	100	100	FC	5-7 rue du Limonet - 77400 DAMPMART
SAS SAINT FRANCOIS DU LAS	100	100	100	100	FC	Rue David, Quartier Valbertrand - 83200 TOULON
SARL MAISON DE RETRAITE LES ALYSSES	100	100	100	100	FC	124 rue de la 4 ^e Division d'Infanterie Coloniale - 60130 LIEUVILLERS
SAS LA VILLA DU CHÊNE D'OR	100	100	100	100	FC	Bois Gast, rue du Général de Gaulle - 53960 BONCHAMP LES LAVAL
SAS LA VILLA DU PARC	100	100	100	100	FC	Lieudit Le Bourg - 69700 ECHALAS
SARL LE DOMAINE DE COLLONGUES	100	100	100	100	FC	Domaine des Collongues - 13100 SAINT MARC JAUMEGARDE
SAS LE CLOS VERMEIL	100	100	100	100	FC	Route d'Aspremont - 06690 TOURRETTE LEVENS
SAS RELAIS TENDRESSE SAINTE MARGUERITE	100	100	100	100	FC	Chemin de la Cartonnerie - 88100 SAINT MARGUERITE
SARL MÉDI-SAISONS	100	100	100	100	FC	66 route de la Treille, Camoins les Bains - 13011 MARSEILLE
SAS L'AMARYLLIS	100	100	100	100	FC	700 chemin de Lançon, Résidence du Gourd - 83110 SANARY SUR MER
SAS STELLA MARIS	0	0	100	100	Transfer of all assets and liabilities to SAS L'Amaryllis	Avenue du Stade - 83110 SANARY SUR MER
SARL PUMA	0	0	100	100	Transfer of all assets and liabilities to SAS L'Amaryllis	Chemin de Mouriès, Le Busc - Les Roches Blanches - 83140 SIX FOURS LES PLAGES
DOYENNE DE LANGON	100	0	100	0	FC	91 cours Maréchal De lattre de Tassigny - 33210 LANGON
LE PLATANE DU GRAND PARC	100	0	100	0	FC	17 rue des Généraux Duchés - 33300 BORDEAUX
SAS LA LOUISIANE	100	100	100	100	FC	33 rue Eugénie - 83400 HYERES
SAS LES PALMIERS	100	100	100	100	FC	Quartier Bourgogne - Ceyreste - 13600 LA CIOTAT
SARL LUBERON SANTÉ	100	100	100	100	FC	Route de Lacoste - 84560 MENERBES
SARL INVAMURS	100	100	100	100	FC	21-21 rue Balzac - 75008 Paris
SARL INSTITUT DES BONNES PRATIQUES	100	100	100	100	FC	11/13 rue Charles Gille - 37000 TOURS
SAS SOCEFI	100	100	100	100	FC	21 rue Balzac - 75008 PARIS

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
SAS JPC CONSULTANT	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SAS FINANCIÈRE DE LETRETTE	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SAS GROUPE PASTHIER	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SARL PASTHIER PROMOTION	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SARL LA PINÈDE 2	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI CHAMBÉRY JOURCIN	100	100	100	100	FC	21 rue Balzac - 75008 PARIS
SCI BRUAY SUR ESCAUT	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI SAINT GEORGES DE DIDONNE	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI DE LAXOU MAXEVILLE	51	51	51	51	FC	Allée de la Saulx - 54250 LAXOU
SCI DES SABLES	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI DE LYON-GERLAND	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI SAINT-MALO	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI DU MANS	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI D'ARS EN RÉ	100	100	100	100	FC	21 Bis avenue d'Antioche - 17590 ARS EN RE
SCI PIERRE DEBOURNOU	99.8	99.8	99.8	99.8	FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI DE LA RUE BICHAT	100	100	100	100	FC	Rue Bichat - 51000 CHALONS EN CHAMPAGNE
SCI CENTRE DE CONVALESCENCE DE NEUVILLE	100	100	100	100	FC	150 Place des Chamoinesses - 01400 NEUVILLE LES DAMES
SCI CENTRE MÉDICAL LES ALPILLES	100	100	100	100	FC	21 rue Balzac - 75008 PARIS

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
SCI VALMAS	100	100	100	100	FC	Rue Montaigne - 42210 MONTROND LES BAINS
SCI ALMA SANTÉ	100	100	100	100	FC	165 rue François Laur - 42210 MONTROND LES BAINS
SCI SAINT MAURICE	100	100	100	100	FC	Route de Gueret - 87340 LA JONCHERE SAINT MAURICE
SCI LA PALOUMÈRE	100	100	100	100	FC	Cap du Bosc - 47160 CAUBEYRES
SCI LA VARENNE	100	100	100	100	FC	Le Bourg - 71480 VARENNES SAINT SAUVEUR
SCI LA ROSERAIE	100	100	100	100	FC	Rue des Lombards - 71870 HURIGNY
SOCIÉTÉ CIVILE IMMOBILIÈRE DE MONTVERT	100	100	100	100	FC	46, route du Moutou - 31180 CASTELMAUROU
SCCV BAZEILLE DÉVELOPPEMENT	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Durance III - 13857 AIX EN PROVENCE
SCI SUO TEMPORE	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Durance III - 13857 AIX EN PROVENCE
SCI LES TROIS CHEMINS	100	100	100	100	FC	2 rue de la Gruche - 86120 LES TROIS MOUTIERS
SARL DU PRÉ DE LA GANNE	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Durance III - 13857 AIX EN PROVENCE
SCI SYR IMMOBILIER	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Durance III - 13857 AIX EN PROVENCE
SARL LE BOIS DU CHEVREUIL	100	100	100	100	FC	33830 BELIN BELIET
SAS ALEXMAR	100	100	100	100	FC	Rue David, Quartier Valbertrand - 83200 TOULON
SNC IMMOBILIÈRE DE DINARD	100	100	100	100	FC	Le Rubis, 165 avenue Galilée, Parc de la Durance III - 13857 AIX EN PROVENCE
SAS MS FRANCE	60	60	60	60	FC	Immeuble Ellipse - 41 avenue Gambetta, La Défense 5 - 92400 COURBEVOIE
SCI FALCA	100	100	0	0	FC	24 rue Victor Hugo - 10440 LA RIVIERE DE CORPS
KORIAN JARDINS D'HUGO	100	100	0	0	FC	24 rue Victor Hugo - 10440 LA RIVIERE DE CORPS
SAS HAD FRANCE	0	0	51.95	51.95	Not consolidated	25 rue Thiboumery - 75015 PARIS
PHÖNIX SENIORENZENTREN BETEILIGUNGSGESELLSCHAFT MBH	0	0	100	100	Transfer of all assets and liabilities to Korian Deutschland	Reichskanzler-Müller- Straße 21, 68165 Mannheim

Group name	31.12.2015		31.12.2014		Method	Registered office
	% control	% interest	% control	% interest		
KORIAN DEUTSCHLAND AG	100	100	100	100	FC	Reichskanzler-Müller- Straße 21, 68165 Mannheim
KORIAN MANAGEMENT AG	100	100	100	100	FC	Reichskanzler-Müller- Straße 21, 68165 Mannheim
KORIAN MANAGEMENT GRUNDBESITZ GMBH	100	100	0	0	FC	Circus Krone-Straße 10, 80225 München
CURANUM AG	0	0	93.17	93.17	Merger with Korian Deutschland	Circus Krone-Straße 10, 80225 München
SEGESTA SPA	100	100	100	100	FC	Viale Cassala 16, 20143 Milano
AETAS SPA	0	0	100	100	Merger with Segesta	Viale Cassala 16,20143 Milano
SENIOR LIVING GROUP NV	100	100	100	100	FC	Satenrozen 1a, 2550 Kontich

5.2 Statutory auditors' report on the consolidated financial statements

Year ended 31 December 2015

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting of Shareholders, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying consolidated financial statements of Korian;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- goodwill and operating licences are recognised in accordance with the accounting rules and methods described in notes 1.5 and 1.7 to the consolidated financial statements. We have verified the appropriate nature of these methods and the information provided in the notes to the consolidated financial statements and we are satisfied as to their proper application;
- your Group performs impairment tests on the value of tangible and intangible assets with an indefinite lifetime according to the methods described in Notes 1.7 and 1.10 to the consolidated financial statements. We reviewed the methods of implementation of these impairment tests, the cash flow forecasts and assumptions used as well as the procedures used by the Management to approve these estimates, reviewed the calculations made by the Group, and verified that Notes 1.7 and 1.10 to the consolidated financial statements disclose appropriate information;
- note 1.14 to the financial statements states that your Group uses derivative financial instruments to hedge against the interest rate risk. These financial instruments are accounted for at their fair value, which is determined using measurement techniques based on market parameters. We assessed the data and assumptions on which these estimates are based, reviewed the experts' calculations, and the documentation available on the derivative financial instruments designated as cash flow hedging instruments.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

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

Courbevoie and Paris-La Défense, 25 April 2016

The Statutory Auditors
French original signed by:

MAZARS

Manuela Baudoin-Revert

ERNST & YOUNG et Autres

Sophie Duval



Annual financial statements for the year ended 31 December 2015

6.1 Annual financial statements for the year ended 31 December 2015	206	6.2 Statutory auditors' report on the financial statements	221
Statement of financial position	206		
Income statement	207		
Notes to the individual financial statements for the year ended 31 December 2015	208	6.3 Statutory auditors' report on related party agreements and commitments	222

6.1 Annual financial statements for the year ended 31 December 2015

Separate financial statements (unless otherwise indicated, all amounts are expressed in thousands of euros).

Statement of financial position

Assets

	31.12.2015	31.12.2014
Intangible assets	272,318	272,089
Property, plant and equipment	3,228	2,038
Non-current financial assets	2,199,671	2,046,324
<i>Of which equity investments</i>	1,982,734	1,882,545
Total non-current assets	2,475,218	2,320,452
Progress payments and instalments to suppliers	1	68
Trade receivables	12,905	4,741
Other receivables	553,540	605,988
Cash	386,611	9,667
Marketable securities	1,067	95,805
Prepaid expenses	8,438	12,952
Total current assets	962,562	729,221
Debt issuance costs/Bond redemption premiums	13,019	13,251
TOTAL ASSETS	3,450,799	3,062,923

Equity and liabilities

	31.12.2015	31.12.2014
Share capital	397,328	395,188
Additional paid-in capital	927,157	916,933
Legal reserve	23,894	20,181
Retained earnings	23,194	19
Other reserves	128,516	128,516
Profit/(loss)	67,230	74,261
Regulated provisions	2,412	4,814
Net position	1,569,730	1,539,912
Provisions for risks and expenses	2,470	3,676
Loans and other borrowings (special terms and conditions)		
Other bonds	986,852	540,186
Loans from creditors institutions	621,473	712,818
Sundry loans and other financial liabilities	237,700	244,698
Trade payables	9,253	5,890
Tax and social security liabilities	15,104	14,323
Suppliers of non-current assets	1,414	980
Other liabilities	4,496	147
Total operating liabilities	1,878,764	1,519,041
Deferred income	2,305	295
TOTAL LIABILITIES	3,450,799	3,062,923

Income statement

	31.12.2015	31.12.2014
Operating income		
Sales of goods		
Revenue	67,095	40,942
Capitalised production (Long-term inventory)	833	732
Operating subsidies	0	2
Reversals of provisions and re invoiced expenses	4,417	15,042
Other income	98	99
Total	72,444	56,816
Purchases of goods for resale	0	0
Other external purchases and expenses	47,875	36,316
Income and other taxes	2,807	2,265
Wages	21,813	21,175
Social security charges	11,054	9,291
Depreciation, amortization and provisions		
■ Depreciation & amortisation of non-current assets	7,846	6,903
■ On current assets	1,831	
■ Provisions for risks and expenses	420	516
Others charges	620	538
Total operating expenses	94,268	77,006
OPERATING RESULTS	-21,824	-20,190
Financial income	118,695	144,925
Financial expense	47,572	57,888
NET FINANCIAL RESULT	71,123	87,037
RECURRING PROFIT/(LOSS)	49,299	66,847
Non-recurring income	3,968	6,025
Non-recurring expenses	5,886	13,571
NON-RECURRING PROFIT (LOSS)	-1,918	-7,546
Income tax	-19,848	-14,959
NET ACCOUNTING PROFIT/(LOSS)	67,230	74,261

Notes to the individual financial statements for the year ended 31 December 2015

Significant accounting policies

The financial statements have been prepared in accordance with the Regulation of the Accounting Standards Authority No. 2014-03 of 5 June 2014 relating to the French General Accounting Plan. General accounting conventions were applied in accordance with the French General Accounting Plan, respecting the principle of conservatism and in accordance with the following assumptions:

- going concern;
- independence of financial periods;
- consistency of accounting methods used from a year to the next; and
- preparation and presentation in accordance with generally accepted accounting principles.

The basic method used to value items booked in the accounts is the historical cost method.

The main methods used are shown below.

Main methods used

Intangible assets

These assets are carried at their acquisition cost, including the purchase price and any directly attributable costs. Software licenses are capitalised and amortised over a period of 5 years. Purchased software is capitalised and amortised over a period of 3 years, while stand-alone applications (developed internally) are capitalised and amortised over a period of 5 years.

The loss resulting from Korian's merger with Médiédep in 2006 (initial amount of €317 million) was capitalised under account No. 20700000 "business goodwill" and allocated off the balance sheet in proportion to the value of the associated investments.

The Company reviews the value in use of business goodwill every year.

It assesses the need to recognise an impairment loss by comparing the accounting value of business goodwill with its value in use.

The accounting value of business goodwill and equity investments is compared with their value in use. The value in use is determined based on estimates prepared by Korian, which factor in the outlook of the subsidiary.

If an impairment loss is recognised, an impairment provision is recorded in order to bring the accounting value of business goodwill to its value in use.

Property, plant and equipment

Property, plant and equipment are carried at their acquisition cost, comprising the purchase price and any directly attributable costs.

Depreciation is calculated on a straight-line basis according to the following periods of expected useful life, consistent across the Group.

- | | |
|--|---------------|
| ■ Building fixtures (depending on the nature of the component) | 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, the latter being amortised, for tax purposes only, over 5 years. If this value is greater than the value in use or the current value, an impairment provision is recognised for the difference.

The value in use is determined based on estimates prepared by Korian, which factor in the outlook of the subsidiary and its financial structure. The main assumptions used by the Company to define discounted future cash flows are as follows:

- the cash flows (before tax) are obtained from the medium-term business plan approved by the Board of Directors;
- the discount rate (6% for France, 5.7% for Germany, 7.2% for Italy and 6.2% for Belgium) is determined using the Group's weighted average cost of capital;
- the enterprise value is calculated by summing discounted cash flows to infinity, on the basis of normative cash flows and a perpetuity growth rate of 1.75%. The growth rate is consistent with the growth potential of the markets in which the Group operates, as well as its competitive position in these markets.

Receivables

Receivables are measured at nominal value. An impairment provision is recorded, where necessary, to take account of collection difficulties that have arisen or may arise.

This item includes current account receivables within the Group, the payment of which is calculated based on daily scales at the rate of 2.15%, which is the tax-deductible rate.

Marketable securities

Marketable securities are stated at the lower of 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 carrying amount.

Cash

Cash is comprised of bank balances.

In the last quarter of 2007, a cash pooling agreement was signed by the Company and most French companies within the former scope of the Korian group. Other Group companies obtain financing from Korian through loans or current accounts.

Currency risks

All financial flows are concentrated in the eurozone.

Interest rate risk

The Company's borrowings are primarily variable-rate and hedged by derivative instruments.

Bond issuance and borrowing costs

Bond issuance and borrowing costs are recorded under external costs and amortised over the bond's maturity.

Highlights of the year

Change of the Company name and transfer of the registered office

Following the post-merger integration of the Korian and Medica groups, the Combined General Meeting held on 25 June 2015, decided to change the Company name to "Korian".

On the same date, said meeting also approved the Board of Directors' decision of 25 March 2015 to transfer the Company's registered office to 21-25, rue Balzac, 75008 Paris, from 15 June 2015.

Changes in the shareholding structure

On 10 July 2015, PSP Investments, one of Canada's largest pension fund managers, acquired a 14.04% stake in the Company at a price of €30.70 per share, from the Covéa group, the Batipart group and ACM Vie.

Changes in the Articles of Association

CHANGES IN THE CHAIRMANSHIP OF THE BOARD

In accordance with the undertakings given on the occasion of the Merger, Jacques Bailet resigned his position as Director and Chairman of the Board of Directors at the Board meeting held on 25 March 2015.

Christian Chautard, who had been Vice-Chairman of the Board since 18 March 2014, was appointed Chairman of the Board of Directors to replace Jacques Bailet.

CHANGES IN THE COMPOSITION OF THE BOARD

After PSP Investments acquired a stake in the Company, the Board of Directors met on 15 July 2015 to co-opt PSP Investments as a Company director to replace MAAF Assurances.

Amélie Nun, Director representing the employees, resigned from her post on 11 September 2015, following her departure from the Company. She was replaced on 25 January 2016 by Hafida Cola who was appointed by the most representative trade union.

CHANGES IN GENERAL MANAGEMENT

The Company's Board of Directors, meeting on 18 November 2015, voted unanimously to appoint Sophie Boissard as Group Chief Executive Officer and she took office on 26 January 2015.

The Board of Directors thus removed Yann Coléou from the office of Chief Executive Officer, a position that he had held since 30 April 2012.

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

Changes in the financial structure

ISSUES IN THE SCHULDSCHEIN (A PRIVATE OFFERING UNDER GERMAN LAW) MARKET

On 16 January 2015, Korian issued a €16 million *Schuldschein* with a 7-year maturity, at a fixed rate, in addition to the €358.5 million issue (part of the proceeds of this issue, i.e. €12 million, having been received on 30 April 2015) with an average maturity of 6.1 years, at fixed and variable rates, on 16 December 2014.

On 15 December 2015, Korian issued another *Schuldschein* for a total of €185.5 million, with an average maturity of 6.1 years, at fixed and variable rates. On 20 January 2016, an additional *Schuldschein* was issued for a total of €41.5 million, with an average maturity of 6.4 years, at variable rates.

ISSUES OF EURO PP IN BOND FORMAT

On 8 July 2015, Korian issued a €179 million multi-tranche Euro PP in bond format aimed at significant European institutional investors. The notes (€28 million with a 7-year maturity, €135 million with an 8-year maturity and €16 million with a 10-year maturity) have been listed on NYSE Euronext Paris since 10 July 2015.

On 30 October 2015, Korian also issued an additional €50 million Euro PP in bond format with a 7-year maturity, at a fixed rate.

Dividend payment in newly issued shares

Following shareholder approval at the 2015 Meeting, the Company proceeded with payment of a dividend of €0.60 per share, with the option of payment in shares (based on a share price of €28.99).

This option resulted in the issue of 426,150 new shares, which were delivered and admitted to trading on the Euronext Paris market on 24 July 2015. The dividend rights are backdated to 1 January 2015 and the shares enjoy the same rights as the outstanding ordinary shares.

Following this transaction, the Company's share capital stood at €397,328,365 and was divided into 79,465,673 shares.

In addition, the amount of the dividend paid in cash amounted to the sum of €34.8 million and was paid to the shareholders on 24 July 2015.

Equity investments

Segesta was the subject of a €100 million capital increase. Some of Korian's French and foreign subsidiaries disappeared as a result of intragroup mergers in 2015. Various internal restructuring operations failed to have any material impact on gross equity investments.

Change in liquidity agreement provider

The Company decided to cancel the liquidity agreement signed with Oddo Corporate Finance and, as of 1 July 2015, charged Natixis with market-making operations.

Main statement of financial position and income statement items

Non-current assets, and depreciation and amortisation

I Non-current assets

	31.12.2014	Acquisitions	Disposals	31.12.2015
Concessions, patents and similar rights	23,357	3,289		26,646
Intangible assets in progress	1,139	3,029	-2,384	1,785
Business goodwill (technical merger losses)	263,589			263,589
General fittings	1,663	904	-628	1,939
Office and IT equipment	9,120	1,587	-729	9,978
Assets in progress	-			-
Equity investments and related loans and receivables	1,885,415	101,350		1,986,765
Other financial assets	163,779	72,813	-19,655	216,937
TOTAL	2,348,062	182,972	-23,396	2,507,639

I Depreciation

	31.12.2014	Additions	Reversals	31.12.2015
Concessions, patents and similar rights	15,996	3,706		19,702
General fittings	943	119	-497	564
Office and IT equipment	7,802	1,037	-715	8,125
TOTAL	24,741	4,861	-1,212	28,391

I Provisions

	31.12.2014	Additions	Reversals	31.12.2015
On equity investments	2,870	1,819	-658	4,031
On technical merger losses	-			-
On borrowings	-			-
TOTAL	2,870	1,819	-658	4,031

Depreciation and amortisation expenses were recognised under operating expenses. Adjustments to provisions on equity investments were recognised under financial income.

"Other intangible assets in progress" mainly correspond to capitalised production and service provider costs for the development and roll-out of internal software packages and software (€1,244 thousand).

Equity investments

Korian is the Group parent company. It holds shares in the companies listed in the table below (amounts in €).

Name of company owned	Nbr. of shares held	Total nbr. of subsidiary shares	% interest	Gross amount of shares	Net amount of shares	Share capital	Profit/(loss) for the year	Net position excl. share capital	Dividends received	Loans and advances granted by the Group
CENTRE DE RÉADAPTATION FONCTIONNELLE DE CAEN	3,700	3,700	100.00%	1,237,000	1,237,000	37,000	556,848	609,740	145,000	0
CENTRE DE RÉÉDUCATION FONCTIONNELLE DE SIOUVILLE	70	6,000	1.17%	538,180	298,300	96,000	692,652	4,556,470	10,500	0
CENTRE DE REPOS ET CONVALESCENCE L'AQUITANIA	639	1,000	63.90%	765,490	765,490	40,000	38,738	152,660	95,850	0
CENTRE DE SOINS DE SUITE DE SARTROUVILLE	3,700	3,700	100.00%	37,000	37,000	37,000	813,740	1,882,889	900,000	0
CENTRE MEDICAL INFANTILE MONTPRIBAT	2,505	2,505	100.00%	5,640,614	4,581,642	38,188	-9,223	15,295	0	1,406,309
CENTRE WILLIAM HARVEY	4,000	4,000	100.00%	3,048,980	3,048,980	308,000	707,370	4,508,551	2,000,000	0
CLINIQUE CARDIOLOGIQUE DE GASVILLE	2,500	2,500	100.00%	4,079,378	3,213,655	37,500	-27,522	-451,031	0	838,026
CLINIQUE DE LIVRY SULLY	3,500	3,500	100.00%	3,685	3,685	140,000	669,521	3,253,985	700,000	0
CLINIQUE DE SACLAS	1,000	1,000	100.00%	2,016,779	2,016,779	701,000	1,016,741	5,617,279	900,000	0
CLINIQUE DE SOINS DE SUITE ET DE RÉADAPTATION CHÂTEAU DE GLETEINS	6,250	6,250	100.00%	4,817,375	4,817,375	100,000	-199,224	-180,017	259,000	294,464
CLINIQUE DU CANAL DE L'OURCQ	3,700	3,700	100.00%	37,000	0	37,000	-1,221,642	-7,656,665	0	9,603,256
FURTADO GESTION	2	10,420	0.02%	248,200	0	NA	NC	NC	0	0
GRAND' MAISON	2,500	2,500	100.00%	706,990	706,990	38,112	380,047	1,460,717	0	0
HAD YVELINES SUD	3,700	3,700	100.00%	37,000	37,000	37,000	451,064	522,113	790,000	0
HOLDING AB	20,017	20,177	99.21%	3,967,395	3,967,395	403,540	778,340	5,587,420	496,060	0
HOLDING HOSPITALIÈRE DE TOURAINE	2,520	2,520	100.00%	1,551,438	1,551,438	40,320	794,658	-840,168	0	3,401,029
KORIAN BRUNE	500	500	100.00%	1,522,641	1,522,641	38,500	901,335	6,876,583	0	0
KORIAN DEUTCHLAND	121,478	121,478	100.00%	237,404,144	237,404,144	121,478	-6,540,602	136,807,098	0	81,216,799
KORIAN FLORIAN CARNOT	8,500	8,500	100.00%	1,447,554	1,447,554	136,000	586,361	4,350,852	0	0
KORIAN IMMOBILIER	200	200	100.00%	3,203	3,203	3,049	-377,265	392,987	0	41,538,545
KORIAN LA GUYONNE	999	1,000	99.90%	1,871,235	1,871,235	40,000	442,016	2,085,059	0	0
KORIAN LES ARCADES	504	504	100.00%	2,326,040	2,326,040	40,320	542,369	4,350,140	0	0
KORIAN LES LILAS	504	504	100.00%	2,036,555	2,036,555	40,320	496,985	4,518,507	0	0
KORIAN LES OLIVIERS	1,000	1,000	100.00%	4,608,437	4,608,437	304,898	885,432	3,048,687	2,000,000	0
KORIAN MANAGEMENT	70,100	70,100	100.00%	800,375	800,375	120,000	-181,600	412,449	0	1,885,356
KORIAN PARTENAIRE	500	500	100.00%	5,000	0	5,000	-6,822	-42,780	0	36,482
KORIAN SANTÉ	4,000	4,000	100.00%	8,000,920	8,000,920	60,980	-508,376	-5,019,823	0	34,248,495

Name of company owned	Nbr. of shares held	Total nbr. of subsidiary shares	% interest	Gross amount of shares	Net amount of shares	Share capital	Profit/(loss) for the year	Net position excl. share capital	Dividends received	Loans and advances granted by the Group
LA BASTIDE DE LA TOURNE	2,498	2,500	99.92%	5,013,014	5,013,014	38,112	560,046	2,742,077	0	0
LA MOULINIÈRE	100	100	100.00%	1,996,919	420,865	76,225	3,291	344,643	0	0
LA PINÈDE	250	250	100.00%	38,115	38,115	38,250	349,003	1,113,710	0	0
LE CLOS CLÉMENT 77 RÉSIDENCE DU BOIS CLÉMENT	2,500	2,500	100.00%	304,898	304,898	38,112	264,240	1,462,179	0	0
LE MONT BLANC	30	60,000	0.05%	1,906	1,906	960,000	795,271	-7,217,010	0	8,423,545
LE NORD COTENTIN	15,000	15,000	100.00%	10,637,761	10,637,761	915,000	1,084,194	1,184,525	691,000	0
LES BÉGONIAS	24,301	26,139	92.97%	74,817,703	74,817,703	967,143	7,529,117	38,500,621	1,967,455	12,182,462
LES ISSAMBRES	63,282	63,282	100.00%	2,495,000	2,495,000	964,728	437,004	2,221,863	0	0
LES TROIS TOURS	1,606	5,606	28.65%	2,058,062	2,058,062	85,463	1,983,839	6,184,398	257,831	0
LIERRES GESTION	40,000	40,000	100.00%	5,114,002	5,114,002	448,000	342,978	335,476	0	254,926
MEDICA FRANCE	3,353,685	3,353,685	100.00%	1,005,896,274	1,005,896,274	50,976,012	5,039,324	112,027,911	42,200,000	0
MEDIDEP FONCIER	500	500	100.00%	7,500	7,500	7,500	1,577,090	2,201,967	1,390,000	0
MEDOTELS	73,763	73,763	100.00%	149,254,402	149,254,402	1,124,886	0	103,056,235	43,500,000	97,658,053
NEWCO BEZONS	6,966	6,966	100.00%	213,582	213,582	111,456	439,049	1,958,193	450,000	0
PRIVATEL	23,400	23,400	100.00%	7,419,922	7,419,922	356,731	-266,894	-1,007,775	0	16,789,882
RÉSIDENTE MAGENTA	500	500	100.00%	1,524,490	1,524,490	40,000	1,023,352	6,777,168	0	0
SAINT CYR GESTION	76,004	76,004	100.00%	2,233,644	2,233,644	2,147,040	299,550	-336,460	0	0
SCI LE TEILLEUL	1,650,000	2,750,000	60.00%	1,650,000	1,650,000	2,750,000	-44,323	-43,314	0	5,497,305
SCI PERREUX	0	0	22.00%	60,980	60,980	NC	NC	NC	44,816	0
SEGESTA	5,265,567	5,265,567	100.00%	285,511,361	285,511,361	5,265,567	-5,543,302	119,771,948	0	67,756,341
SLG	4,737	4,738	99.98%	138,942,728	138,942,728	25,595,679	11,114,789	28,072,609	0	56,551,492
SOCIÉTÉ CLINIQUE SOINS DE SUITE NOISY LE SEC	2,500	2,500	100.00%	38,112	38,112	38,112	486,995	1,736,423	550,000	0
SOCIÉTÉ D'EXPLOITATION CLINIQUE DU PERREUX	2,500	2,500	100.00%	38,127	38,127	38,112	1,023,452	3,446,714	900,000	0
SOCIÉTÉ GÉRONTOLOGIQUE DU CENTRE OUEST - SGCO	129	2,500	5.16%	27,128	27,128	38,112	618,147	666,634	38,400	0
SOCIÉTÉ HOSPITALIÈRE DE TOURAINE	1,306	3,899	33.50%	2,737,664	2,737,664	58,485	1,091,535	2,262,064	255,348	0
SOCIÉTÉ NOUVELLE DE LA CLINIQUE DU MESNIL	382	382	100.00%	38,200	38,200	38,200	556,305	1,117,742	300,000	428,118

Receivables maturity schedule

Statement of receivables	Total	Due in less than 1 year	Due in more than 1 year
Loans and receivables related to equity investments	216,713		216,713
Other financial assets	224		224
Other accounts receivable	12,905	12,905	
Personnel and related accounts	11	11	
Social security and other welfare organisations	34	34	
Government and local authorities			
■ Income tax	38,155	38,155	
■ Value-added tax	660	660	
■ Other	215	215	
Group and associates	514,049	514,049	
Debtors	3,565		3,565
Prepaid expenses	8,438	7,459	980
TOTAL	794,969	573,488	221,481

Marketable securities and cash

Available cash at bank was stated at nominal value.

At 31 December 2015, Korian no longer held any marketable securities or term deposits.

Korian owns treasury shares valued using the weighted average price method and changes are explained as follows.

<i>In euros</i>	Number	Amount
Balance at 31.12.2014	23,756	693,980
2015 Purchases	1,208,008	38,837,349
2015 Sales	1,198,828	38,624,798
2015 Net gain/(loss) on disposal		160,150
BALANCE AT 31.12.2015	32,936	1,066,680

Prepaid expense

Prepaid expenses break down as follows.

Expenses	2015	2014
Maintenance	188	189
Swap cash payments and interest expense on derivative instruments	7,984	12,665
Other	267	98
TOTAL	8,438	12,952

Deferred income

Prepaid expenses break down as follows.

Income	2015	2014
Management commissions	2,274	295
Work and project management	30	-
TOTAL	2,305	295

Accrued income and expenses

Type of item	Income	Expenses
Accrued interest on loans	0	58
Accrued interest on bonds	0	7,852
Accrued interest on swaps	0	793
Suppliers, invoices not yet received	0	4,365
Group suppliers, invoices not yet received	0	47
Trade receivables, non-Group, invoices yet to be drawn up	2,673	0
Trade receivables, Group, invoices yet to be drawn up	309	0
Social security liabilities	0	3,811
Social security contributions on social security liabilities	0	1,194
Accrued income/expenses - State	148	1,480
Accrued interest on current accounts	11,564	4,464
Accrued bank interest	108	24
TOTAL	14,801	24,088

Changes in shareholders' equity

I Statement of changes in equity

In thousands of euros

Changes in shareholders' equity	
At start of year	1,539,912
Capital increase	2,141
Additional paid-in capital	10,224
Legal reserve	
Retained earnings	51
2014 Dividends paid	-47,424
2015 Profit/(loss)	67,230
Regulated provisions	-2,403
AT END OF PERIOD	1,569,730

Following the exercise of 2,000 share subscription options in 2014, the Board of Directors at its 25 March 2015 meeting recorded the €10,000 increase in the Company's share capital, by means of the issue of 2,000 new shares with a par value of €5 each, thereby increasing the share capital from €395,187,615 to €395,197,615.

In addition, with respect to the payment of the dividend of €0.60 per share, shareholders were able to choose between receiving the payment in cash or in new Company shares, at an issue price of €28.99 per share. On 22 July 2015, the share

capital of Korian was raised by a nominal amount of €2,130,750, by means of the issue of 426,150 shares.

Following this transaction, the share capital of Korian stood at €397,328,365 divided into 79,465,673 fully paid up shares, all of the same class, with a par value of €5 each.

Regulated provisions relate to amortisation for tax purposes applied to share buyback costs. In 2015, they generated non-recurring income of €2,518 thousand and non-recurring expenses of €115 thousand, or a net change of €2,403 thousand.

I Breakdown of Korian's shareholding structure at 31 December 2015

Shareholders	Number of shares	% of share capital	% of voting rights
Predica	19,007,812	23.92%	23.92%
PSP Investments	11,100,000	13.97%	13.97%
Malakoff Médéric Assurances	5,089,185	6.40%	6.40%
Batipart group	180,021	0.23%	0.23%
ACM Vie	535,165	0.67%	0.67%
Free float	43,553,490	54.81%	54.81%
TOTAL	79,465,673	100.00%	100.00%

Provisions for risks and expenses

The provisions for risks and expenses and their changes break down as follows.

In thousands of euros	31.12.2014	Additions	Reversals		31.12.2015
			Used	Not used	
Other contingency provisions	2,910	150	-600	-428	2,032
Provisions for wage-related claims and disputes	766	369	-697		438
Provision for losses	0				0
Provision for restructuring expenses	0				0
Provision for taxes	0				0
TOTAL	3,676	519	-1,296	-428	2,470

The addition to the provisions for wage-related claims and disputes pertains mainly to remuneration-related restructuring costs and labour disputes.

Financial liabilities

Amounts due to credit institutions

	2015	2014
Bank overdrafts	24	25
Total	24	25
Bank loans		
■ Due within 1 year	9,542	9,481
■ Due in more than 1 year	611,850	701,396
Accrued interest	58	1,916
Total bank loans	621,450	712,793
TOTAL BANK DEBT	621,473	712,818

Korian's gross borrowings broke down as follows on 31 December 2015:

- €550 million within the context of the syndicated loan (following repayment of €100 million in 2015). At 31 December

2015, the Group had €400 million available on the revolving credit facility;

- medium-term borrowings in the amount of €71.4 million;
- accrued interest totalling €58 thousand.

Liabilities maturity schedule

Statement of liabilities	Total	Due within 1 year	Due in more than 1 year and in less than 5 years	Due in more than 5 years
Other bonds	986,852	7,852	391,500	587,500
Loans and other borrowings	621,473	9,623	611,850	
Sundry loans and other financial liabilities	851	793		58
Trade payables and related accounts	9,253	9,253		
Personnel and related accounts	3,863	3,863		
Social security contributions, other social contributions	4,950	4,950		
State: income tax				
State: VAT	4,581	4,581		
State: other taxes	1,710	1,710		
Suppliers of non-current assets	1,414	1,414		
Group and associates	236,850	236,850		
Other liabilities	4,496	432	1,932	2,132
Deferred income	2,305	863	1,441	
TOTAL	1,878,598	282,185	1,006,723	589,690

Statement of financial position and income statement details concerning affiliated companies

Type of item	Amount related to affiliated companies	Amount related to equity investments
Loans	216,713	
Gross equity investments	1,986,456	309
Debit balance current accounts	514,049	
Credit balance current accounts	236,850	
Financial expense	4,464	
Financial income	116,416	45

Revenue

Revenue breaks down as follows.

	2015	2014
Technical assistance services	48,372	24,086
Project management assistance services to subsidiaries	1,676	0
Billing for accounting services	144	144
Reinvoiced employee expenses	2,054	2,514
Other reinvoiced items	1,870	3,352
Reinvoiced expenses		156
Service agreements	12,687	10,147
Reinvoiced property rental expenses	292	543
TOTAL	67,095	40,942

In 2015, Korian generated revenue of €63,096 thousand in France and €3,999 thousand abroad.

It includes:

- reimbursement of training costs (€180 thousand),
- reimbursement of sick pay and benefits in kind (€487 thousand),
- the cost of arranging the bond issue (€2,878 thousand).

Transferred operating expenses

This totalled €3,545 thousand.

Operating expenses

PURCHASES AND EXTERNAL EXPENSES

The most significant items under purchases and external expenses are as follows.

Nature of expense	2015	2014
Purchases to reinvoice	1,771	174
Subcontracting	1,195	834
Rental expenses	2,804	2,240
Equipment rental expenses	1,196	1,016
Maintenance	1,885	1,249
Temporary employee expenses	286	1,294
Technical assistance services	17,312	
Administrative fees	8,979	7,630
Travel expenses	2,614	1,576
Telecommunications	1,062	920
Banking services	4,715	15,582
Recruitment costs	722	378
Others charges	3,335	3,423
TOTAL	47,875	36,316

TAXES

This item breaks down as follows.

Nature of expense	2015	2014
Taxes and duties on compensation	1,638	1,397
Corporate value-added tax/Corporate real estate contribution	450	389
Real estate tax	233	136
Non-recoverable VAT	250	153
Vehicle tax	68	58
Organic	129	87
Other taxes	39	45
TOTAL	2,807	2,265

WAGES AND SOCIAL SECURITY CONTRIBUTIONS

This item breaks down as follows.

Nature of expense	2015	2014
Wages and salaries	21,813	21,175
Social security charges	11,054	9,291
TOTAL	32,867	30,466

Financial income and expense

This item breaks down as follows.

Type of item	2015		2014	
	Income	Expenses	Income	Expenses
Financial income from investments	100,841		123,078	
Interest on current accounts	11,564	4,464	12,682	5,339
Interest on borrowings		30,539		23,512
Cost of financial instruments		10,253		27,266
Revenue from loans	4,056		3,222	
Provisions	1,010	1,944	3,596	1,365
Other	1,224	372	2,347	406
TOTAL	118,695	47,572	144,925	57,888

Non-recurring income and expenses

This item breaks down as follows.

Nature of expense	Income	Expenses
Accelerated depreciation & amortization	383	
Restoration	500	247
Disposals of property, plant and equipment		528
Tax depreciation	2,518	115
Development costs		1,850
Supplier indemnities		102
Governance restructuring		2,593
Sundry non-recurring income	567	
Sundry non-recurring expenses		451
TOTAL	3,968	5,886

Off-balance sheet commitments

JOINT AND SEVERAL GUARANTEES FOR RENTAL PAYMENTS

Since the Group's creation, the leases entered into by Korian's subsidiaries with institutional lessors have been secured by a surety or a rental guarantee by Korian.

Moreover, under the finance lease transactions carried out since December 2009, Korian has stood surety for the lease commitments of its subsidiaries.

DISPUTES

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

PENSION COMMITMENTS

The current value of the Company's pension commitments to all of its employees was estimated based on the following assumptions:

- calculation method used: projected credit unit;
- female mortality table: TPGF05;
- male mortality table: TPGH05;
- discount rate: 2.03%;
- collective bargaining agreement: CCU (private healthcare);
- retirement age: 60 to 64 years;
- retirement conditions: retirement at the request of the employee.

Retirement payments amounted to €970 thousand at 31 December 2015 and were not provisioned in the individual financial statements.

DERIVATIVE FINANCIAL INSTRUMENTS (AT FAIR VALUE)

The Company uses derivative financial instruments (swaps and caps) to hedge against the interest rate risk arising from its variable-rate financing policy.

The fair value of these instruments is as follows.

<i>In millions of euros</i>	Value at 31 December 2015	Nominal
Swap	-18.5	435
Cap	-0.4	440

Only swaps valued in connection with the Medica merger are recognised as liabilities, representing an after-tax value of -€2,016 thousand.

ASSET AND LIABILITY GUARANTEES RECEIVED

In accordance with the Group's practices, the Group has liability guarantees on all of its acquisitions.

ASSET AND LIABILITY GUARANTEES GIVEN

In the framework of disposals of non-Group companies, Korian granted liability guarantees in relation to taxes, parafiscal tax, customs duties and social security contributions until the expiry of the legally prescribed period. For all other matters, the guarantees may be implemented over a period of 18 months with effect from the date on which ownership is transferred.

BANK GUARANTEES GIVEN

Under the syndicated loan agreement signed on 12 March 2014, compliance with the financial ratio (debt-immovable property debt)/(EDITDA – 6.5% of immovable property debt) must be tested Group-wide on a half-yearly basis. This debt ratio limit is set at 4.5x for the term of the loan.

Equity investment collateral existing at 31 December 2014 was discharged in 2015.

BANK GUARANTEES RECEIVED

Korian is in receipt of a €976 thousand independent bank guarantee payable on first demand.

REPURCHASE COMMITMENTS

In the framework of equity investments in the Séniors Santé group subsidiaries, Korian signed repurchase commitments triggered at the initiative of the seller:

- Block 3: purchase of an additional 20% when approval is obtained from the safety commission.

SHARE-BASED PAYMENTS**2014 Free shares plan**

On 10 September 2014, the Board of Directors approved, under the authorisation of the General Meeting of 26 June 2014, the implementation of a free shares plan for certain members of General Management. This plan provides for the allocation of a maximum of 153,030 Company shares, subject to the achievement of performance conditions associated with the market price, EBITDA and revenue.

For French tax residents, the allocation of free shares will vest and the ownership of said shares be transferred to the beneficiaries

on 31 March 2017, subject to continued employment. Moreover, the beneficiaries will not be permitted to transfer the shares received under the terms of this plan until 31 March 2019.

The free shares plan has an IFRS cost of €2,765 thousand (excluding social security charges) and will lead to a maximum dilution of 0.19%.

At 31 December 2015, 89,394 free shares were available for allocation, following the departure of certain beneficiaries, incl. the former Chief Executive Officer, Yann Coléou, in 2015.

2015 Free shares plan

On 16 September 2015, the Board of Directors approved, under the authorisation of the General Meeting of 26 June 2014, the implementation of a free shares plan for certain members of General Management. This plan provides for the allocation of a maximum of 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 invested in him by said Board of Directors, the Chief Executive Officer, after having compiled a list of beneficiaries, established that the number of shares allocated under this plan totalled 90,649.

For French tax residents, the allocation of free shares will vest and the ownership of said shares be transferred to the beneficiaries on 31 March 2018, subject to continued employment. Moreover, the beneficiaries will not be permitted to transfer the shares received under the terms of this plan until 31 March 2020.

The free shares plan has an IFRS cost of €1,793 thousand (excluding social security charges) and will lead to a maximum dilution of 0.13%. The IFRS cost after discounting the turnover rate stood at €1,614 thousand.

At 31 December 2015, 62,271 shares were available for allocation following the departure of the former Chief Executive Officer, Yann Coléou.

Stock option plan

Under the authorisation granted by the General Meeting of 17 June 2010, the former Executive Board decided to grant stock options to Group employees and/or directors at a unit price of €16.83. The exercise period of these options expired on 30 June 2015. In 2015, 3,000 options were exercised.

The shares subscribed under these plans are subject to a lock-up period of 2 years after the vesting period.

The measurement methods and parameters were identical to the free shares plan described above.

	2015	2014
	Options	Options
	Weighted average exercise price (euros)	Weighted average exercise price (euros)
Options remaining at 1 January	5,000	84,000
Options granted		
Options exercised	3,000	2,000
Options cancelled and expired	2,000	77,000
Options remaining at 31 December		5,000
Options exercisable at 31 December	0	5,000
Share price at the exercise date of options	32.58	26.31
Share price at the grant date of options (granted during the year)	17.30	17.30
Fair value of options granted during the year		-
Impact on equity (in thousands of euros)		-

The fair value of options is calculated at the grant date using the Black & Scholes model. Subsequent changes in the fair value of the instrument are not taken into consideration.

The matching contribution policy, introduced in 2006 for employees who acquire Korian Actionnariat (a collective employee share ownership fund, or FCPE) units under the employee share ownership plan, continued in 2015.

Fair value of options granted

Year ended 31 December	2015	2014
Expected dividend yield		1.00%
Expected volatility of the share		24.00%
Risk-free interest rate		-0.14%
Estimated life of the option (years)		1

Other information

AVERAGE WORKFORCE

The average workforce over the year was 337 employees. It breaks down as follows.

Type of employee	2015	2014
Managers	240	204
Other staff	97	94
TOTAL	337	298

COMPENSATION PAID TO THE EXECUTIVE BODIES

The compensation of the executive bodies for 2015 was as follows:

- 2015 fixed compensation: €1,705 thousand;
- variable compensation: €822 thousand (2014 bonus paid in 2015);
- company car allowance: €32 thousand.

COMPENSATION PAID TO THE MANAGEMENT BODIES

The compensation of the management bodies for 2015 was as follows:

- 2015 fixed compensation: €296 thousand.

At 31 December 2015, an amount of €296,234 was paid as attendance fees to the members of the Board of Directors and the Committees. The members of the Board and the Committees are also entitled to reimbursement, on production of receipts, of travel expenses incurred in attending Board and Committee meetings. Directors other than the Chairman of the Board did not receive any other components of compensation for 2015.

Article 1.9 of the Internal Regulations of the Board of Directors stipulates the way in which the attendance fees budget is distributed amongst the directors.

- half of the total amount of attendance fees is divided equally amongst Board members as a fixed component, with the Chairman and Vice-Chairman receiving double the fee and independent directors 6x the fee;
- 3/10 of the aforementioned total amount of attendance fees are divided amongst Board members proportionally to the number of Board meetings they attend, with the Chairman and Vice-Chairman receiving double the fee;
- 1/5 of the total amount of attendance fees is awarded to the members of the various committees and distributed amongst them proportionally to the number of committee meetings they attend, with the Chairman of each committee receiving double the fee.

Tax consolidation

In the absence of a tax consolidation agreement, the income tax expense is borne by the subsidiaries. The tax savings made as a result of group tax consolidation, arising from deficits and adjustments, tax assets and tax credits, are retained by the parent company Korian and treated as an immediate gain for the financial year.

For the financial year in which the subsidiaries return to profitability, the parent company Korian will thus incur an income tax expense.

The consolidated tax group of which Korian is the parent comprised 121 companies in 2015 (including Korian).

If no tax consolidation agreement had applied, the Group's net income tax expense for 2015 would have been €24,310 thousand.

The application of the tax consolidation regime generated a tax benefit of €21,769 thousand, which was recorded at the parent company level.

The tax consolidation group's current taxable income for the 2015 financial year was minus €6,788 thousand.

The Group recorded company competitiveness tax credits of €21,957 thousand for the 2015 financial year.

On top of this, the Group benefited from €406 thousand in tax credits on patronage and apprenticeship.

ANALYSIS OF TAX EXPENSE

	Before tax	Tax	After tax
Recurring profit/(loss)	49,299	0	49,299
Non-recurring profit (loss)	-1,918	0	-1,918
Impact of tax consolidation and tax credits		-19,848	-19,848
Accounting profit/(loss)	47,381	-19,848	67,230

INCREASES AND REDUCTIONS IN FUTURE TAX LIABILITIES

I Increases

- Reallocation to the subsidiaries of their deficits
€53,531,581
- **i.e. a future tax expense of €20,342,039**

I Reductions

- Organic €129,122
- **i.e. a future tax benefit of €49,066**

Events since the year-end

COMPANY SHARE CAPITAL INCREASE

Following the exercise of 3,000 share subscription options in 2015, the Board of Directors at its 21 January 2016 meeting recorded the €15,000 increase in the Company's share capital, by means of the issue of 3,000 new shares with a par value of €5 each, thereby increasing the share capital from €397,328,365 to €397,343,365.

6.2 Statutory auditors' report on the financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meetings of Shareholders, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying financial statements of Korian;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at 31 December 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Technical losses on merger and participating interests are valued at their acquisition cost and are depreciated on the basis of their value in use under the conditions described in the Notes "Main methods used relative to participating interests and other long-term investment securities" and "Main methods used relative to intangible assets" to the consolidated financial statements.

Our work consisted in assessing the data and assumptions used as the basis for these estimates, especially the forecast cash flows, reviewing the calculations made by the company and analysing the procedure used by the Management to approve these estimates. We verified that the Notes to the financial statements "Main methods used relative to participating interests and other long-term investment securities" and "Main methods used relative to intangible assets" disclose appropriate information.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, 25 April 2016

The Statutory Auditors
French original signed by:

MAZARS
Manuela Baudoin-Revert

ERNST & YOUNG et Autres
Sophie Duval

6.3 Statutory auditors' report on related party agreements and commitments

General Meeting of Shareholders to approve the financial statements for the year ended 31 December 2015

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments. We are required to inform you, on the basis of the information provided to us, of the terms and conditions and the grounds justifying the benefit to the company of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*) concerning the implementation, during the year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the General Meeting of Shareholders

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors.

1. With Mr Christian Chautard, Director and Chairman of the Board of Directors

Nature and purpose

At its meeting on 2 November 2015, your Board of Directors authorized the award of exceptional remuneration to Mr Christian Chautard for his special assistance in the acquisition of the German group Casa Reha and then his oversight and coordination of the integration thereof.

Conditions

This assistance is remunerated with gross remuneration of €70 thousand per year for the period from 2 November 2015 to 30 June 2016. It was suspended for the period running from 18 November 2015 to 26 January 2016.

Your company paid remuneration of €3.2 thousand in respect of financial year 2015.

Grounds justifying the benefit to the company

Mr Christian Chautard has the qualities and experience needed to complete an assignment of this kind. He is bi-cultural and bilingual in German. He also has extensive experience in business in that country including, notably, the assignment to monitor the performance of the Curanum public offering and prepare for the integration of the German entities Phönix and Curanum. He was then in charge of completing the integration after the public offering as well as implementing the synergies and growth plans for the German entities. This work was entrusted to him during the meeting Board of Directors held on 5 December 2012 and ended in March 2015.

2. With Ms Sophie Boissard, Chief Executive Officer of the Group

Nature and purpose

At its meeting on 18 November 2015, your Board of Directors authorized the award of a severance payment, a non-compete compensation and the benefit of group insurance coverage and unemployment insurance to Ms Sophie Boissard.

Conditions

- Your Board of Directors decide to grant a severance payment in the event of the termination or non-renewal of her term of corporate office related to a change in strategy or control, excluding wilful or serious misconduct. The payment of this indemnity would be conditional on performance criteria fixed by the Board of Directors, for an amount equal to the Reference Annual Remuneration increased by 25% per year of service, without possibility of exceeding more than twice the Reference Annual Remuneration, after deduction of any amount to be received in respect of the non-compete compensation, if the company has not waived it. The Reference Annual Remuneration designates the annual gross fixed and variable remuneration received in respect of the last twelve (12) months preceding the date of termination or non-renewal, excluding remuneration received in respect of medium- and long-term profit-sharing for the management teams and exceptional remuneration which may be granted to her on an occasional basis at the discretion of the Board of Directors. Payment of this severance shall be conditional on performance criteria fixed by the Board of Directors corresponding to achieving a specific EBITDA rate for financial year 2016, and to completing the objectives defined for the attribution of the variable remuneration of Ms Sophie Boissard for financial years 2017 to 2019.
- Your Board of Directors decided to grant a non-compete compensation amounting to 50% of the fixed gross annual remuneration received in respect of the last twelve months preceding the date of occurrence of the event resulting in the departure (i.e. the date of notification of resignation from the company or the date of removal from or non-renewal of office by the Board), which can be cumulative, where applicable, with the severance payment, although the two combined indemnities may not exceed two years' fixed and variable annual remuneration (with the departure indemnity being reduced by the same amount). This non-competition undertaking is intended to prohibit Ms Boissard holding any corporate office or performing any executive function of any kind whatsoever, or providing any advisory services for a period of two years as from termination of her duties in any business or company in competition with the Company, specializing in long and medium stays, including care homes and assisted living facilities in all of the countries in which Korian is established at the time of its potential activation. It is hereby specified that the remuneration received in respect of medium- and long-term profit-sharing plans for management teams and exceptional remuneration which may be granted occasionally and at the discretion of the Board of Directors do not constitute items of fixed and variable annual remuneration and do not fall within the scope of the base for calculating the non-compete compensation.
- Further, your Board of Directors decided that your Chief Executive Officer would benefit from the group coverage for "health care expenses" and "inability to work, disability and death" for executive management employees within the company, and unemployment insurance covering GSC-type risk of removal from office, and payment of the costs related to this insurance.

Grounds justifying the benefit to the company

As Chief Executive Officer, Ms Sophie Boissard has strategic functions within your company.

Agreements and commitments already approved by the General Meeting of Shareholders

In accordance with Article R. 225-30 of the French Commercial Code (*Code de commerce*), we have been advised that the implementation of the following agreements and commitments which were approved by the General Meeting of Shareholders in prior years continued during the year.

1. With Mr Yann Coléou, CEO (until 18 November 2015)

At its meeting on 21 March 2012, your Board of Directors authorized the award of an indemnity payable to Mr Yann Coléou, in his capacity as Chief Executive Officer of your company, in the event of his removal from office or the non-renewal of his term of office after a period of five years, decided by your company.

Theoretical amount of the indemnity

The indemnity is equal to twelve months' gross remuneration increased by 25% per year of service, not exceeding a total of twenty-four months' remuneration. This indemnity will be calculated on the basis of Mr Coléou's gross fixed and variable remuneration received during the twelve months preceding his departure.

Performance criteria

If Mr Coléou leaves the company more than twelve months after taking up office, the indemnity will only be paid if the following conditions are met:

- accumulated EBITDA recorded over the twelve months prior to departure amounts to at least the annual EBITDA recorded as at 31 December of the year prior to the date of departure, with a minimum of €123.1 million; fulfilment of this criterion alone will give entitlement to 70% of the indemnity;
- the average occupancy rate for French establishments over the twelve months prior to departure amounts to a minimum of 95.6%; fulfilment of this criterion alone will give entitlement to 30% of the indemnity.

At its meeting on 18 November 2015, your Board of Directors, having noted that the performance criteria had been met, authorized the payment of a severance payment of an amount of €1,837.5 thousand excluding social security charges to Mr Yann Coléou.

2. With Mr Jacques Bailet, former Director and Chairman of the Board of Directors (until 25 March 2015)

On 26 November 2014, your Board of Directors authorized the payment to Mr Jacques Bailet of a non-compete compensation for the gross amount of €525 thousand. In return, Mr Bailet undertook not to hold any corporate office or perform any executive functions of any kind whatsoever and not to provide any advisory services for a period of 3 years as from the termination of his position as Chairman of the company, for any company or competitor of the company that specializes in medium-stay and long-stay facilities, including residential care homes for the elderly, retirement homes, post-operative and rehabilitation clinics and home services, in European territory.

On 25 March 2015, Mr Jacques Bailet ceased his duties as Chairman of the Board of Directors. Your company paid him a gross indemnity amounting to €525 thousand during financial year 2015.

3. With Mr Christian Chautard, Director and Chairman of the Board of Directors

At its meeting on 18 March 2014, your Board of Directors authorized the extension of Mr Christian Chautard's duties to include a strategic integration assignment, which involved the coordination of the integration and management of the consultant(s) of the Korian-Medica entities in France, Italy and Belgium with effect from 1 April 2014 until 31 March 2015. Gross remuneration for this assistance amounts to €70 thousand.

Your company paid remuneration of €17.5 thousand in respect of this assistance in financial year 2015.

4. With Foncière des Murs

Your Board of Directors has reassessed the following agreements which it considers to be current related party agreements in light of their purpose and the conditions under which they were entered into:

- commercial leases granted by the companies of the Foncière des Murs groups to certain subsidiaries of your company; and
- rental guarantees granted by your company to the companies of the Foncière des Murs group relating to the aforementioned leases.

Courbevoie and Paris-La Défense, 25 April 2016

The Statutory Auditors
French original signed by:

MAZARS

Manuela Baudoin-Revert

ERNST & YOUNG et Autres

Sophie Duval



Information on the Company and the share capital

7.1 Memorandum and Articles of Association	226	7.2 Composition and allocation of the share capital	232
7.1.1 Corporate purpose	226		
7.1.2 Management and supervisory bodies	226		
7.1.3 Rights attached to each share	230		
7.1.4 Convening of and conditions for admission to annual and extraOrdinary Shareholders' Meetings	231		
7.1.5 Declarations made when thresholds are crossed	231		

7.1 Memorandum and Articles of Association

The information below describes the Company's operating procedures, which were unchanged in 2015.

The Company's Articles of Association have been updated to reflect the resolutions passed by the Combined General

Meeting of 25 June 2015 concerning in particular the approval of the transfer of the registered office, the change in the Company's name (renamed "Korian") as well as the continued application of the "one share, one vote" principle.

7.1.1 Corporate purpose

Article 3 of the Articles of Association states that the corporate purpose of Korian consists of:

■ *"all management, management consultancy and ownership activities relating to companies specialised in the healthcare and elderly care sector, specifically in nursing homes for dependent elderly people, post-acute care and rehabilitation facilities, psychiatric clinics, home care for dependent elderly persons and, more generally, dependency care and services for elderly people; 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 one of the purposes specified above or any similar or related purpose that may favour the development of the Company's assets".*

7.1.2 Management and supervisory bodies

Articles 11-13 of the Articles of Association contain clauses pertaining to 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), 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 are individuals or legal entities, are elected by the Ordinary Shareholders' Meeting from among its members or from outside. In the event of a merger or division, they may be appointed by an Extraordinary General Meeting.

Appointment to the position of member of 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 or she is subject to restrictions resulting from incompatibilities, disqualification or prohibitions provided for by the law or current regulations. Any director who infringes the above limitations must, within three (3) months following his or her appointment, resign from his or her other directorship or directorships. Failing this, at the expiry of this period, the individual shall be considered automatically to have resigned from his or her new directorship.

At least 2/3 of the members of the Board of Directors must be aged under seventy (70).

Where this proportion is not reached, the situation must be resolved at the end of the next Ordinary General Meeting at the latest. The solution would either involve voluntary resignations

and, where necessary, the co-opting of new directors, or, failing this, compulsory retirement taking effect at the end of the next Ordinary General Meeting, which proceeds with the required new appointment(s). Compulsory retirement applies to the oldest director or directors on the day the age limit is exceeded.

When a legal entity is appointed as a member of the Board of Directors, it is required to nominate a permanent representative, who is subject to the same conditions and obligations and incurs the same civil and criminal liability as a member of the Board of Directors in a personal capacity, without prejudice to the joint liability of the legal entity that he or she represents. Permanent representatives are subject to the same age conditions as individual members of the Board of Directors.

When the legal entity dismisses its representative, it is required to appoint a substitute concomitantly. The office of the permanent representative designated by a legal entity appointed to the Board of Directors is conferred upon the individual for the duration of the term of the legal entity. If the legal entity dismisses its permanent representative, it is required to notify the Company of this dismissal without delay, by registered letter, and to give the name of its new permanent representative. The same applies in the event of the permanent representative's death or resignation.

The appointment and termination of the office of the permanent representative is governed by the same disclosure formalities as if he or she were a member of the Board of Directors in a personal capacity.

11.1.2 Term of office - Reappointment

"Directors are appointed by the Ordinary General Meeting for a term of three (3) years, after which they are renewed in 1/3s. Exceptionally, in order to allow a staggered renewal of the directors' appointments, the Ordinary 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 expires at the end of the Ordinary General Meeting convened to approve the financial statements for the past year, held during the year in which the term of office expires.

Upon the expiry of their terms of office, directors may be re-elected".

11.1.3 Resignation - Vacancy

"If a member of the Board of Directors resigns or dies when in office, he or she may be replaced by co-option, provided that the number of members of the Board of Directors remaining in office does not fall below the legal minimum.

When, owing to the same events, the number of directors falls below the statutory number without falling below the legal minimum, the Board of Directors is required to make the necessary temporary appointments to restore its full complement within 3 months following the day on which the vacancy arose.

The appointments made by the Board of Directors pursuant to these provisions are subject to ratification by the next Annual 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 only holds the position during the length of time remaining to serve out the term of his or her predecessor.

Where the Board of Directors neglects to make the required appointments, or if the Annual General Meeting is not convened, any interested party may petition for the appointment of an authorised agent responsible for convening an Ordinary General Meeting in order to make new appointments or ratify the appointments in question. This agent is appointed by the President of the "Tribunal de Commerce" (commercial court) ruling by request.

If the number of directors falls below the legal minimum, the remaining directors must 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 the Ordinary General Meeting at any time".

11.1.5 Observers

"The Board of Directors may be assisted in its work by up to three (3) observers appointed by the Ordinary General Meeting for a period of three (3) years.

These observers may be selected from among individuals or legal entities who are shareholders, or from outside. 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. They are bound by the same confidentiality obligations as directors and may be dismissed at any time by the Annual General Meeting".

11.2 Organisation and discussions of the Board of Directors

11.2.1 Chairman - Vice-Chairman

"The Board of Directors elects a Chairman from among its members, who must be an individual aged under seventy-five (75).

The term of office of the Chairman is three (3) years but may not, in any event, exceed the term of his or her appointment as a 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 Annual General Meetings and implements its decisions. He or she must ensure that the Company's bodies run smoothly and make sure that its directors are capable of performing their duties.

The Board of Directors determines the compensation paid to the Chairman.

The Chairman may be dismissed by the Board of Directors at any time. The dismissed Chairman retains his or her position as director.

The Board of Directors also elects a Vice-Chairman from among its members, who must be an individual aged under seventy-five (75). The term of office of the Vice-Chairman is three (3) years but may not, in any event, exceed the term of his or her appointment as a director. The Vice-Chairman may be re-elected. The Vice-Chairman may be dismissed by the Board of Directors at any time. The dismissed Vice-Chairman retains his or her position as director.

The Vice-Chairman's responsibility is also to chair meetings of the Board of Directors and to organise and direct its business in the absence or incapacity of the Chairman".

11.2.2 Secretary

"The Board of Directors selects a secretary, from among its members or from outside, who is responsible for keeping the records and documents of the Board of Directors materially up-to-date or ensuring that this task is performed by others".

11.2.3 Meetings of the Board of Directors

"The Chairman or the Vice-Chairman may convene the Board of Directors as often as necessary and at least once per quarter. The agenda is set by the party convening the meeting, it being understood that the Chairman or the Vice-Chairman may, if necessary, add to the agenda any item he or she deems necessary.

The meetings of the Board of Directors are held either at the Company's head office or in any other location specified by the Chairman or the Vice-Chairman.

The notice informing the members of the Board of Directors of the meeting may be sent by any means, including letter, fax or e-mail, five (5) business days in advance, or sooner if the meeting is deemed urgent. Regular meetings to be held on specific dates are set at the start of each year according to a schedule drawn up by the Board of Directors and included in the minutes of the meeting held for this purpose. This schedule removes the need for any notice of meeting to be given, provided that none of the date, time or location stated for a meeting are changed.

Directors representing at least 1/3 of the members of the Board may request the Chairman or Vice-Chairman to convene a

meeting of the Board of Directors with regard to a specific agenda.

The Chief Executive Officer may also ask the Chairman or Vice-Chairman to convene a meeting of the Board of Directors with regard to a specific agenda.

Meetings of the Board of Directors may be held using videoconference facilities, in accordance with the terms and conditions provided for by the law, regulations and the rules of procedure of the Board of Directors. Meetings may also use telecommunication facilities to identify directors and allow them to take part, in accordance with the terms and conditions provided for by the law, regulations and the rules of procedure of the Board of Directors".

11.2.4 Quorum - Majority

"The Board of Directors may only validly deliberate if at least half of its members are present. Decisions are made by a majority vote of the members present or represented, with each director having one vote. In the event of a tied vote, the Chairman does not have a casting vote.

The participation of directors via videoconference or telecommunication is taken into consideration when calculating the quorum and the majority, with the exception of participation relative to the following decisions, for which the French Commercial Code ("Code de Commerce") does not allow this procedure".

11.2.5 Representation - Chairman - Meeting secretary

"All members of the Board of Directors may give, by letter, telegram, mandate, e-mail or any other written document, to any other member of the Board of Directors, the authority to represent them at a Board of Directors meeting.

Each member of the Board of Directors may receive only one proxy card per meeting, received pursuant to the previous paragraph. These provisions apply to the permanent representative of any legal entity that is a member of the Board of Directors.

Meetings are opened and chaired by the Chairman of the Board of Directors, or the Vice-Chairman in the absence or incapacity of the Chairman.

In the absence or incapacity of the Chairman and the Vice-Chairman, the Board of Directors designates the member among those present who shall chair the meeting. In the absence of the permanent secretary, the Board of Directors may appoint, at each meeting, any individual to perform this role".

11.2.6 Attendance register - Meeting minutes

"An attendance register is kept, signed by the members of the Board of Directors physically present and specifying the names of the directors present, represented or deemed to be present (i.e. who took part in the meeting via videoconference or telecommunication).

The minutes are compiled and kept under the conditions set out by existing regulations. Copies and excerpts from the meeting minutes are legally certified when signed by the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Operating Officers or a duly authorised representative.

When the Company is being liquidated, these copies and excerpts are legally certified when signed by a single liquidator".

11.3 Powers of the Board of Directors

"In relation to its general powers, the Board of Directors determines the Company's business strategy and ensures that it is implemented. Within the scope of the Company's corporate

purpose and subject to the authority expressly granted by law to shareholders' meetings, the Board of Directors examines any and all issues relating to the efficient running of the Company and addresses any matters concerning it.

Thus, in addition to the powers defined by law, the Board of Directors makes decisions concerning:

1. the approval of the Company's strategic business plan and subsequent amendments;
2. the approval of the annual budget;
3. the disposal of properties with a value exceeding fifteen (15) million euros;
4. the full or partial sale of equity interests with a value exceeding fifteen (15) million euros;
5. the raising of loans with a value exceeding fifty (50) million euros;
6. the acquisition of assets (such as companies or equity investments), with an enterprise value exceeding fifteen (15) million euros.

The Board of Directors performs the checks and verifications it deems necessary.

The relocation of the head office within the same "department" (French administrative region) or to a neighbouring department may be decided by the Board of Directors, subject to ratification by the next Ordinary General Meeting.

The Board of Directors draws up rules of procedure that will resolve, in addition to the present bylaws, issues relating to its meetings and deliberations and any internal limitations on the power of the Chief Executive Officer and Chief Operating Officers.

Each director receives all useful information pertaining to the decisions to be made in a timely manner. In addition, each director is entitled to request all information necessary to be fully informed of the Company's business operations".

11.4 Directors representing employees

"The Board of Directors has, pursuant to Articles L. 225-27-1 et seq. of the French Commercial Code, decided to appoint one or two directors representing employees:

- when only one director is to be appointed, he or she is selected by the 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;
- when two directors are to be appointed, they are selected by the 2 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 is three (3) years. At the end of their mandate, the renewal of the director(s) representing employees is subject to the continued application of the conditions laid down in Article L. 225-27-1 of the French Commercial Code.

Within six (6) months of an amendment to the Articles of Association, or at the end of the mandate of the director(s) representing employees, the relevant union(s) will be requested by letter delivered by hand against receipt or by registered letter with acknowledgement of receipt to nominate a director representing employees meeting the conditions required by law, and notably those laid down in the first paragraph of Article L. 225-28 and Article L. 225-30 of the French Commercial Code.

The union shall then provide the Chairman of the Board of Directors with the name and profession of the director representing employees by registered letter with acknowledgement of receipt within fifteen (15) days.

The term of office of directors appointed pursuant to Article L. 225-27-1 of the French Commercial Code shall expire at the end of the Annual Ordinary General Meeting of Shareholders called to approve the financial statements for the prior year, held during the year in which the term expires.

Termination of the employment contract terminates the mandate 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 mandate under the terms laid down in Article L. 225-32 of the French Commercial Code.

In the event of vacancy due to death, resignation, dismissal, termination of the employment contract or any other cause affecting a director representing employees appointed pursuant to this article, the vacancy shall be filled under the same conditions. The mandate of the director so appointed shall end at the end of the normal term of the mandate of the other directors appointed pursuant to Article L. 225-27-1 of the French Commercial Code."

ARTICLE 12. GENERAL MANAGEMENT

12.1 Selection of procedures for exercising executive management

"The executive management of the Company is the responsibility of either the Chairman of the Board of Directors or another individual who may or may not be a director. This individual is appointed by the Board of Directors and bears the title of Chief Executive Officer.

The procedures for exercising the executive management of the Company are chosen by the Board of Directors at its meeting held to appoint the Chairman. This decision is made by a majority vote of the directors present, represented or deemed to be present. The shareholders and third parties are notified in accordance with regulatory requirements.

Where the executive management of the Company is ensured by the Chairman of the Board of Directors, the provisions of these bylaws relative to the Chief Executive Officer apply to him or her".

12.2 Appointment - Dismissal - Resignation of the Chief Executive Officer

"No person may hold the office of Chief Executive Officer - or remain in the position - if he or she has, through any form of criminal penalty, been banned from directing, managing or controlling a commercial or industrial undertaking or commercial company, in any capacity.

The Chief Executive Officer is appointed by the Board of Directors, which sets his or her compensation, term of office and, where applicable, the internal limitations on his or her powers other than those laid down by the present bylaws. The Chief Executive Officer must be no older than 65. The Chief Executive Officer is considered to have automatically resigned after the 1st meeting of the Board of Directors following his or her 65th birthday. The Chief Executive Officer may be re-elected.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. Should the dismissal be decided upon without sufficient grounds, it may give rise to damages being paid, except where the Chief Executive Officer combines his or her positions with those of Chairman of the Board of Directors".

12.3 Powers of the Chief Executive Officer

"Subject to the authority expressly granted by law to shareholders' meetings, and the legal and statutory powers of the Board of Directors on decisions pertaining to the Company and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code, and within the limit of the Company's corporate purpose, the Chief Executive Officer is vested with the broadest powers to act on behalf of the Company in all circumstances.

The Chief Executive Officer is responsible for the General Management of the Company and for representing it in relations with third parties. The Company is bound by any actions of the Chief Executive Officer that do not fall within the corporate purpose, unless it proves that the third party was aware that the action exceeded the corporate purpose or could not have been unaware of it in view of the circumstances; disclosure of the bylaws 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 hold the office of Chief Operating Officer - or remain in the position - if he or she has, through any form of criminal penalty, been banned from directing, managing or controlling a commercial or industrial undertaking or commercial company, in any capacity.

At the 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 Chief Operating Officer. They may not exceed five (5) in number.

Chief Operating Officers are appointed by the Board of Directors, who sets their compensation, terms of office and, where applicable, the internal limitations on their powers other than those already stipulated by the present bylaws. The term of office of a Chief Operating Officer may not, however, exceed that of the Chief Executive Officer. Chief Operating Officers may be re-elected.

Deputy Chief Executive Officers must be no older than sixty-five (65). Deputy Chief Executive Officers are deemed to have automatically resigned at the close of the first meeting of the Board of Directors following their 65th birthday.

In the absence or incapacity of the Chief Executive Officer, the Chief Operating Officer(s), unless decided otherwise by the Board of Directors, retain their duties and remits until the appointment of a new Chief Operating Officer.

Chief Operating Officers may, at the proposal of the Chief Executive Officer, be dismissed at any time by the Board of Directors. Should the dismissal be decided upon without sufficient grounds, it may give rise to damages and interest being paid.

Each Chief Operating Officer is vested, in relation to third parties, with the same powers as the Chief Executive Officer and is responsible for the General Management of the Company and for representing it in relations with third parties.

The Company is bound even by actions of a Chief Operating Officer that do not fall within the corporate purpose, unless it proves that the third party was aware that the action exceeded the corporate purpose or could not have been unaware of it in view of the circumstances; disclosure of the bylaws is not in itself sufficient proof thereof.

Any limitations on the powers of the Chief Operating Officer are not binding on third parties".

ARTICLE 13. COMPENSATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

"The Ordinary General Meeting may allocate to directors, in compensation for their activity, an annual fixed sum that the meeting determines by way of attendance fees, without being bound by previous decisions. This sum is recognised in the accounts under operating expenses.

The Board of Directors freely distributes among its members the total amounts allocated to them in the form of attendance fees. It may also allocate a greater amount to members of the Board of Directors who serve on committees than that allocated to the other directors. The Board of Directors may also allocate exceptional compensation for specific tasks or mandates assigned to its members; this compensation, which is also recognised under operating expenses, is subject to the special procedure applying to regulated agreements.

The number of members of the Board of Directors bound to the Company by an employment contract may not exceed 1/3 of its members in office. However, employee-elected directors are not counted when determining this number.

The compensation paid to the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer(s) is set by the Board of Directors under the terms and conditions stipulated in the present bylaws; it may be fixed or variable according to the rules set by the Board of Directors, or both fixed and variable.

Commitments may be undertaken in favour of the Chairman, the Chief Executive Officer or the Chief Operating Officers, with respect to compensation, indemnities or benefits payable or likely to be payable in connection with or following the termination or change of their duties. In this case, these commitments are subject to the approval procedure for regulated agreements".

7.1.3 Rights attached to each share

Articles 7 and 9 of the Company's Articles of Association set out the rights attached to each share.

Law No. 2014-384 of 29 March 2014 for the Reconquest of the Real Economy requires companies listed on a regulated market to grant double voting rights for registered shareholders of more than 2 years' standing (Article L. 225-123 of the French Commercial Code). However, the extraordinary General Meeting may vote to exclude double voting rights.

Accordingly, the Combined General Meeting of 25 June 2015 resolved to amend Article 9 of the Company's Articles of Association by adding a sentence stating that no double voting rights are granted and that the one share, one vote principle continues to apply, in accordance with the provisions of the last paragraph of Article L. 225-123 of the French Commercial Code.

ARTICLE 7. SHARES

"Shares may be held in registered or bearer form at the discretion of the shareholder. Whether in registered or bearer form, shares shall be entered in an account under the conditions and in the manner prescribed by applicable legal and regulatory provisions.

However, any shareholder, whether an individual or a legal entity, that owns, directly or via 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 at least equal to 1/20 (5%) of the share capital or voting rights (a "**Concerned Shareholder**") must register all shares held in its own name and ensure that the entities it controls within the meaning of Article L. 233-3 of the French Commercial Code also register all shares held in their own name.

Any Concerned Shareholder who fails to comply with this requirement may be penalised under the conditions laid down by the law and regulations.

The Company is authorised to invoke, at any time, the applicable legal and regulatory provisions with respect to the identification of holders of securities that grant immediate or future voting rights at the Company's shareholders' meetings and to the communication of all information relating to those holders.

Failure of the holders of the securities or their intermediaries to comply with their obligation to communicate the information mentioned above may, subject to any relevant legal and regulatory constraints, cause the suspension or withdrawal of the right to vote and any right to dividend payments related to the shares".

ARTICLE 9. RIGHTS ATTACHED TO SHARES

"Each share confers the right to ownership of the Company's assets, to a share of the profits and to the liquidation surplus due to the shareholders in proportion to the number of existing shares.

All shares comprising or that may comprise the share capital will always be treated equally as regards tax liabilities. Consequently, all taxes and duties that may, for any reason, as a result of repayment of the principal amount of these shares, become payable for certain shares only, either during the Company's existence or on its liquidation, will be divided among all of the shares comprising the capital at the time of these repayments, so that all current and future shares confer on their owners, while taking into account, where necessary, the nominal amount rather than the written-down amount of the shares and the rights of the shares of various categories, the same effective benefits and the entitlement to receive the same net amount.

Voting rights attached to capital shares are proportional to the percentage of the share capital that they represent, with the same par value. Each share entitles the holder to one (1) vote, it being specified that this ratio of one (1) vote per share will prevail notwithstanding any non-imperative legislative or regulatory change to the contrary (such as the automatic conferring of double voting rights in certain situations). No double voting rights are granted as per the last paragraph of Article L. 225-123 of the French Commercial Code.

The subscription right attached to shares belongs to the bare owner, unless otherwise agreed by the parties.

Ownership of a share automatically assumes acceptance of the Company's bylaws and the decisions of its Ordinary General

Meetings and the Board of Directors acting as delegated by the Ordinary General Meeting.

Whenever it is necessary to possess several shares in order to exercise a right, single shares or shares held in a number below

the requisite number of shares do not entitle their holders to any right against the Company, it being up to the shareholder in such a case to personally seek to group together the requisite number of shares".

7.1.4 Convening of and conditions for admission to annual and Extraordinary Shareholders' Meetings

Article 15.1 of the Company's Articles of Association sets out the terms governing the convening of and conditions for admission to Annual and Extraordinary General Meetings of Shareholders.

"Ordinary General Meetings are called and held under the conditions provided for by law.

Meetings are held at the head office or any other location specified in the notice of meeting.

All shareholders are entitled to attend Ordinary General Meetings and to take part in deliberations, personally or by proxy under the applicable legal and regulatory conditions, upon simple proof, under the applicable legal and regulatory conditions, of identity and of the registration of shares in the name of the shareholder or that of an intermediary registered on its behalf.

Any shareholder may also, if the Board of Directors allows when convening an Ordinary 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 conditions provided for by the regulations 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 applicable legal and regulatory provisions. Any shareholder may submit, in paper format or, upon the decision of the Board of Directors, by electronic means, proxy voting and postal vote forms before all Ordinary 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

are deemed equivalent to shareholders who are present or represented at the meeting. 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 conditions 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 applicable legal and regulatory provisions, such as a user name and password. The proxy or vote thus cast before the meeting via electronic means and its acknowledgement of receipt will be deemed irrevocable, legally-binding written documents, it being specified that in the event that shares are disposed of before the third (3rd) business day preceding the meeting at midnight Paris time, the Company will invalidate or modify, where appropriate, the proxy or vote submitted before this date and time.

Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman or, in his or her absence, by a member of the Board of Directors specially appointed for this purpose by the Board. Failing this, the meeting elects a Chairman itself.

The duties of tellers are fulfilled by the 2 members of the meeting with the highest number of votes and who accept said duties.

The Board appoints the secretary, who may be chosen from outside the shareholders.

An attendance sheet is kept under the conditions provided for by the law and regulations. Copies and excerpts from the meeting minutes are legally certified when signed by the Chairman of the Board of Directors or the meeting Secretary".

7.1.5 Declarations made when thresholds are crossed

Article 8 of the Company's Articles of Association bears on 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), together with (a) the number of shares held giving future access to share capital and the number of voting rights attached to them, (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 set forth in 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 regularly disclosed in accordance with the conditions set forth above, any shares in excess of the fraction that should have been disclosed are, within the conditions and limits laid down by law, deprived of voting rights in all shareholders' meetings for a period of two (2) years following the date on which proper disclosure is made.

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, such a request being included in the minutes of the Ordinary General Meeting".

7.2 Composition and allocation of the share capital

At 31 December 2015, Korian's share capital was divided into 79,465,673 shares with a par value of €5 each. All shares are fully paid up.

Each share carries 1 vote at annual shareholders' meetings. No double voting rights exist. This principle, which is laid down in Article 9 of the Company's Articles of Association, was retained by shareholders at the Combined General Meeting held on

25 June 2015 (prevailing over the provisions of the Florange law, which provided for the introduction of automatic double voting rights).

Change in the breakdown of the Company's share capital between 31 December 2015 and 31 December 2013 is shown in the table below.

Shareholders	31 December 2015			31 December 2014			31 December 2013		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Predica	19,007,812	23.92%	23.92%	19,007,813	24.05%	24.05%	11,059,441	31.74%	31.74%
PSP Investments	11,100,000	13.97%	13.97%	-	-	-	-	-	-
Malakoff Médéric group	5,089,185	6.40%	6.40%	5,089,185	6.44%	6.44%	5,032,046	14.44%	14.44%
Covéa group ⁽¹⁾	-	-	-	9,505,065	12.03%	12.03%	625,181	1.79%	1.79%
Batipart group	180,021	0.23%	0.23%	4,544,903	5.75%	5.75%	8,447,223	24.25%	24.25%
ACM VIE group	535,165	0.67%	0.67%	3,972,498	5.03%	5.03%	3,265,627	9.37%	9.37%
MACSF group ⁽²⁾	-	-	-	-	-	-	3,320,806	9.53%	9.53%
Free float	43,553,490	54.81%	54.81%	36,918,059	46.71%	46.71%	3,089,289	8.87%	8.87%
TOTAL	79,465,673⁽³⁾	100%	100.00%	79,037,523	100.00%	100.00%	34,839,613	100.00%	100.00%

(1) On 10 July 2015, the Covéa group held 4.78% of the Company's share capital and voting rights. Since 5 October 2015, the Covéa group no longer holds any Korian shares.

(2) Since 6 June 2014, the MACSF group no longer holds any Korian shares.

(3) In accordance with the decision of the Combined General Meeting of 25 June 2015 and the provisions of Article L. 232-18 of the French Commercial Code and Article 18 of the Company's Articles of Association, in light of the subscription forms received, the Chief Executive Officer - in accordance with the power invested in him by the Board of Directors at its 25 March 2015 meeting - recorded the €2,130,750 increase in the Company's share capital, by means of the issue of 426,150 new shares with a par value of five (5) euros each, thereby increasing the share capital from €395,197,615 to €397,328,365.

To the Company's knowledge, no other shareholder held more than 5% of the share capital or voting rights in the period from 31 December 2013 to 31 December 2015.

In accordance with the provisions of Article L. 225-178 paragraph 3 of the French Commercial Code (Code de Commerce), following the exercise of 3,000 share subscription options in 2015, the Board of Directors at its 21 January 2016 meeting recorded the €15,000 increase in the Company's share capital, by means of the issue of 3,000 new shares with a par value of €5 each, thereby increasing from €397,328,365 to €397,343,365 (split into 79,468,673 shares).

It should further be noted that in accordance with Article 8 of the Articles of Association, in addition to the legal and regulatory obligations to report the crossing of thresholds, any individual or legal entity acting alone or in concert with others who directly or indirectly holds or acquires 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 4 days following the date of negotiation or conclusion of any agreement leading to this threshold being

crossed, irrespective of the date on which any book entry is made, of the total number of Company shares or voting rights held directly or indirectly, together with the total number of securities granting future access to share capital and any voting rights attached to these securities.

This notification must be renewed according to the above terms in the event of any further increase or decrease in the holding by an amount of 0.5%.

If they are not regularly disclosed in accordance with the conditions set forth above, any shares in excess of the fraction that should have been disclosed are deprived of voting rights in all shareholders' meetings for a period of 2 years following the date on which proper disclosure is made. 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, such a request being included in the minutes of the Ordinary General Meetings.

Moreover, the Group's collective employee shareholding plans (*fonds commun de placement d'entreprise*, FCPE) held 133,158 Korian shares at 31 December 2015.

The following shareholders made threshold-crossing disclosures to the AMF in 2015⁽¹⁾.

Disclosures made by	Date of disclosure	Date of threshold crossing	Type	Number of share/voting rights ⁽²⁾	Percentage of share capital and voting right ⁽¹⁾⁽²⁾	AMF notice
ACM Vie ⁽³⁾	16.04.2015	13.04.2015	Decrease	3,756,878	4.75%	215C0464
Covea group	15.07.2015	10.07.2015	Decrease	3,775,065	4.78%	215C1047
PSP Investments	15.07.2015	10.07.2015	Increase	11,100,000	14.04%	215C1049
Groupe Batipart ⁽⁴⁾	16.07.2015	10.07.2015	Decrease	360,103	0.46%	215C1057

(1) Based on the information communicated by the Company, pursuant to the provisions of article L. 233-8 of the Commercial Code and Article L. 223-16 of the AMF General Regulations, on the date on which the thresholds were crossed, it being specified that the total number of voting rights published monthly is calculated, in accordance with article L. 223-11 of the AMF General Regulations, based on all of the shares to which voting rights may be attached, including, where applicable, shares deprived of voting rights (treasury shares).

(2) The Company's Articles of Association do not provide for double voting rights. This principle is laid down in Article 9 of the Company's Articles of Association, which was retained by shareholders at the Combined General Meeting held on 25 June 2015, (prevailing over the provisions of the Florange law, which provided for the introduction of automatic double voting rights).

(3) Controlled by Groupe des Assurances du Crédit Mutuel.

(4) Comprising Luxembourg company Batipart Invest and French company Juniclair, controlled by the Ruggieri family.

The declarations made in 2015 by the Company's shareholders in relation to threshold crossings and declarations made by the executives when they carry out transactions on the Company's shares are available on the AMF's website (www.amf-france.org).

The shareholders' agreement, entered into by Batipart and Médéric Assurances on 15 September 2008 (AMF notice No. 208C1778 of 30 September 2008), which was amended

twice on 17 November 2008 (AMF notice No. 208C2139 of 2 December 2008), was terminated early on 10 July 2015 (AMF notice No. 215C1093 of 21 July 2015), due to the fact that Batipart group crossed under the threshold of 5% of the Company's share capital and voting rights. To the best of the Company's knowledge, this agreement did not constitute a joint action.

(1) The full text of these disclosures can be consulted on the AMF's website (www.amf-france.org).



Persons responsible for the Registration Document

8.1	Person responsible for the information provided	236	8.3	Entities responsible for auditing the financial statements	236
8.2	Declaration of the responsible person	236			

8.1 Person responsible for the information provided

Person responsible for the Registration Document: Sophie Boissard, Chief Executive Officer.

8.2 Declaration of the responsible person

I certify that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the Company's assets, financial position and earnings, as well as those of its consolidated subsidiaries, and that the management report included in this Registration Document provides a fair view of the development of the business, earnings and financial position of the Company and all of its consolidated subsidiaries, and a description of the main risks and uncertainties that they face.

I have received an audit completion letter ("*lettre de fin de travaux*") 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.

The Statutory Auditors' report on the Group's consolidated financial statements for the year ended 31 December 2014 is included in section 5.2 of the 2014 Registration Document. It contains an observation drawing the reader's attention to Note 1 "Accounting methods" to the consolidated financial statements, which sets forth the impact of the first-time application of IFRS 11 – Joint Arrangements from 1 January 2014.

The Statutory Auditors' report on the Group's consolidated financial statements for the year ended 31 December 2013 is included in section 5.2 of the 2013 Registration Document. It contains an observation drawing the reader's attention to Note 1.25 "Operating sectors", which sets forth the changes in the presentation of operating sectors, and Note 1.16 "Employee benefits", which sets out the impact of the application of revised IAS 19 on the defined benefit plan.

Paris, 26 April 2016

Sophie Boissard

Chief Executive Officer

8.3 Entities responsible for auditing the financial statements

Auditors are selected by the Board of Directors on the recommendation of the Audit Committee; this procedure is consistent with the recommendations of Article 16.2.3 of the AFEP-MEDEF Code.

As the mandates of Mazars and Cyrille Brouard, respectively the Statutory and Alternate Auditors, expired at the close of the General Meeting of 25 June 2015, the shareholders approved their respective reappointment for a period of 6 years, expiring at the end of the General Meeting called to approve the accounts for the financial year ending 31 December 2020.

I Statutory Auditors

Name	Date reappointment	Date appointment ended
Mazars Tour Exaltis 61, rue Henri Regnault 92400 Courbevoie	25 June 2015	Approval of the Annual General Meeting on the financial statements for the year ending 31 December 2020
Ernst & Young et Autres Tour First 1 place des Saisons 92037 Paris La Défense	23 June 2011	Approval of the Annual General Meeting on the Financial Statements for the year ending 31 December 2016

I Alternate Statutory Auditors

Name	Reappointment date	Date appointment ended
Alternative to Mazars Cyrille Brouard Tour Exaltis 61, rue Henri Regnault 92400 Courbevoie	25 June 2015	Approval of the Annual General Meeting on the Financial Statements for the year ending 31 December 2020
Alternative to Ernst & Young Cabinet Auditex Tour Ernst & Young Faubourg de l'Arche 92037 Paris La Défense Cedex	23 June 2011	Approval of the Annual General Meeting on the Financial Statements for the year ending 31 December 2016



Historical financial information and documents available to the public

9.1 Historical financial information

240

9.2 Documents available to the public

240

9.1 Historical financial information

Pursuant to Article 28 of European Commission Regulation (EC) No. 809/2004, the following information is included by reference in this Registration Document:

- the key figures given on page 4 and 5, and the consolidated financial statements and corresponding Statutory Auditors' reports as presented on pages 165 to 225 of the 2014

Registration Document, filed with the AMF on 28 April 2015 under No. D.15-0417;

- the key figures given on page 5, and the consolidated financial statements and corresponding Statutory Auditors' reports as presented on pages 141 to 203 of the 2013 Registration Document, filed with the AMF on 30 April 2014 under No. D.14-0454.

9.2 Documents available to the public

Copies of this document can be obtained free of charge from the Company and from the AMF's website (<http://amf-france.org>).

During the period in which this Registration Document remains valid, the Company's Memorandum and Articles of Association, its individual and consolidated financial statements together

with the 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 consulted at the Company's head office.



Glossary

The table below contains a definition of the terms and acronyms specific to the medico-social and post-acute and psychiatric sectors that are used in this Registration Document.

Terms and acronyms	Definition
French national agency for the assessment of the quality of social and medical-social facilities and services (ANESM)	A French organisation whose purpose is to develop a culture of welfare within facilities and medico-social services that care for vulnerable people (particularly the elderly). In this context, the ANESM provides referrals, procedures and recommendations of professional good practice. The ANESM estimates their implementation and sends 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.
Allô maltraitance (ALMA)	The leading association for the prevention of abuse of elderly people in France.
Personal independence allowance (APA)	An allowance granted in France to persons aged 60 and older who require help to accomplish essential activities of daily life.
Feedback order (RETEX order)	A French order on quality management and medicinal treatment in post-acute and psychiatric care facilities.
Azienda sanitaria locale (ASL)	In the Italian healthcare system, a regional public authority which manages in a single budget all of the healthcare operators, from hospitals to home care.
Multi-resistant bacteria (BMR)	Bacteria that have become resistant to a large number of antibiotics. They are no longer sensitive to a small number of antibiotics used in therapy. They are not more virulent than other bacteria, even if it is more difficult to treat the infections caused by these bacteria.
Care Practices, Ethics, Care for all (BEST)	Method of medical care combining comforting gestures and soothing words to improve aids and quality of daily life for people affected by illness. This method is taught to Korean employees in France as part of their specific training, and has been developed since January 2011.
Socio-professional category (CSP)	French statistical nomenclature that classifies occupations.
Day care centre (CSJ)	Term used in Belgium to refer to, or used in connection with, centres located in MRs or MRSS that welcome during the day people aged over 60 experiencing loss of independence, for care and, if necessary, therapeutic treatment and social welfare.
Post-acute and rehabilitation care clinics (SSR clinics)	Clinics in which patients are hospitalised in the medium or long-term and which result in the re-education, rehabilitation and reinsertion of the patient, 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 of the management system of existing risks, identifies risks <i>in theory and in retrospect and analyses them</i> , 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 dependent upon the public authority.
Gerontological Coordination Commission (CCG)	A French pillar of efficient inter-disciplinary and inter-professional coordination, this authority is a place for exchange, dialogue, training and project monitoring for long-term care nursing homes.

Terms and acronyms	Definition
Municipal Security Commission (CCS)	In France, Municipal Security Commissions are research, control and information bodies assisting mayors in the implementation of police and surveillance measures required to guard against fire and panic in public access buildings (PAB). Their purpose is to address shortcomings in regulations, any faults or failings in terms of safety, and any factors conducive to the spread of fire and/or liable to make it difficult or impossible for emergency services to intervene.
User Relations and Dependency Care Quality Commission (CRUQPC)	A French authority whose main purpose is to monitor respect for users' rights and facilitate their processes so that they can express their difficulties.
Facility Medical Commission (CME)	In France, this commission is established as an authority that includes, in each healthcare facility, representatives from the medical, pharmaceutical and dental community.
Multi-year Targets and Resource Contracts (CPOM)	A contract in France through which a healthcare facility commits to the public authorities to carry out an action plan for a multi-year period, based on its positioning in regional medical care services as well as on key drivers for improving its performance. This contract also defines the financial resources which will be allocated to the facility to accomplish the tasks assigned to it.
Unified collective bargaining agreement (CCU)	An agreement in France pertaining to working conditions and social guarantees, signed between the employee representatives and employers' organisations.
Committees for the Campaign Against Nosocomial Infections (CLIN)	In France, healthcare structure specialised in combating nosocomial infections.
Social Life Committee (CVS)	Framework through which residents and families are invited to participate in the life of the facility.
Medical waste from activities with risk of infection (DASRI)	IMW are waste from healthcare activities which could present infectious, chemical, toxic and radioactive risks and which must be controlled in order to protect the hospitalised patients, the healthcare staff, the agents responsible for removing the waste and the environment.
Ongoing Professional Development (DPC)	In France, mandatory plan for all healthcare professionals (implementation decrees published in January 2012) designed to maintain and refresh knowledge and skills, as well as improve practices.
Ethical, Medical and Quality Department (DEMQ)	A department that draws up a French facility's medical policy, after consulting with the facility's medical board, and submits it to the relevant authorities. It manages several processes (cross-entity programmes, clinic itineraries, etc.) aimed at improving clinical organisation and facilitating patients' care pathways in France.
Departmental Directorate for the Protection of Populations (DDPP)	A French organisation that groups together veterinary services and competition regulation, consumption control and fraud prevention services. Its primary purpose is to implement public protection policies.
Department of Medical and Social Affairs (DDASS)	Under the authority in France of the department's prefect, DDASSs are responsible for implementing healthcare, medical-social and social policies in the department, as defined by the public authorities. In this way, they implement integration, insertion, solidarity and social development policies, undertake promotion and prevention actions in terms of public health and health safety, are in charge of the public authority and audits of post-acute and psychiatric care and social facilities (medical and administrative technical inspections; approval of a certain number of management acts taken by the facilities; setting the budget and rates) and inspect the documents of the local and regional authorities.
Information Systems Department (DSI)	A Group department that establishes and approves large changes in the Group's information system and necessary technological changes. It also assesses and recommends investments and inspects efficiency and risk management associated with the information system. Each country in which the Group operates also has an ISD.
Power Failure Risk Analysis Document (DARDE)	In France, a document that identifies the risks of power failure, analyses the safety consequences resulting from a power outage in the facilities and defines solutions to be implemented in order to ensure electrical continuity in the event of a power outage.
Professional Risk Evaluation Document (DUERP)	In France, a mandatory document for all companies, regardless of their workforce and business sector. This document is prepared by the employer. It lists the risks that exist within the Company and must be updated annually and each time a change is made to the working conditions. This document must be made available to the CHSCT (Committee for Health, Security, and Working Conditions), staff representatives, company employees and during work inspections.
Electronic patient records (DPI)	In the Group's French clinics, a computerised file grouping all of the information concerning a patient's health, held by the professional, which in particular contributed to the formulation and follow-up of the diagnosis and treatment or of a preventative measure or was subject to written exchanges between healthcare professionals.

Terms and acronyms	Definition
Electronic resident records (DRI)	In the Group's French long-term care nursing homes, a computerised file grouping together all of the information concerning a resident's health, held by the professional, which in particular contributed to the formulation and follow-up of the diagnosis and treatment or of a preventative measure or was subject to written exchanges between healthcare professionals.
Asbestos technical report (DTA)	In France, a file compiled by the property owners putting communal residential buildings up for sale which were built before the banning of asbestos from use in the construction sector (<i>i.e.</i> prior to 1 July 1997). It contains the result of the search for the potential presence of asbestos in the communal areas of the buildings where materials containing asbestos are evaluated, their deterioration is noted, and if there are known risks, it indicates the measures that are to be taken immediately by the owner of the building to ensure the full elimination and removal of the asbestos.
Domestic hot water (ECS)	Necessary water for the hygiene needs of the individual in his/her home and/or workplace.
Operational Hygiene Team (EOH)	In France, refers to an operational hygiene team in each clinic, responsible, in the presence of a CLIN, for drawing up the epidemic control plan.
Operational hygiene teams (EOH)	In France, teams composed notably of medical or pharmaceutical personnel and nurses, whose primary tasks are writing and implementing an annual action plan for combating nosocomial infections and an annual activity report that assesses the degree to which the targets set have been achieved, identifying, analysing and monitoring risks of nosocomial infections by the CLIN, developing and implementing a best practices guide on hygiene, developing protocols, procedures and technical files, surveillance (nosocomial infections, bacterial ecology, MRB, <i>etc.</i>), monitoring indicators and consumption of mild soap (hand washing) and antibiotics.
Long-term care nursing home	A medical facility, authorised by the French government to receive dependent elderly people, which has a care team responsible for providing the required medical care to each resident according to their personal situation.
Public access buildings (PAB)	In France, public or private places open to customers or users, which are subject to specific regulations, in contrast to public or private places receiving employees (regular employees or state employees) which are, themselves, protected by regulations pertaining to health and safety at work.
Serious Adverse Events (EIG)	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 vital risk.
Serious exceptional and/or dramatic adverse events (EIGE)	Events representing a genuine public and/or reputational threat for the Company due to their extraordinary and/or dramatic nature (fire, event requiring the transfer from the facility of some or all of its residents/patients, strike action, threat of adverse media coverage, threat to business continuity, <i>etc.</i>).
French Private Hospitals Federation (FHP)	A French organisation which brings together close to 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 not-for-profit private hospitals and healthcare facilities (FEHAP)	A French benchmark federation in the not-for-profit post-acute and psychiatric, social and medical-social sectors, which groups together over 3,200 healthcare facilities and care services.
Iso-Resource Groups (GIR)	A French national indicator developed to ascertain a person's level of dependency. It classifies individuals into 6 groups, according to their level of dependence.
French National Authority for Health (HAS) (<i>Haute Autorité de la santé</i>)	A public, scientific and independent organisation, tasked with improving medical quality in France.
Hospital Home Care (HAD)	Full time hospitalisation where treatment is performed in the patient's home.
Hazard analysis critical control point (HACCP)	A method for identifying and analysing critical points in the catering process.
INAMI	In Belgium, the Institut National d'Assurance Maladie Invalidité (Belgian statutory national medical insurance association) is a public social security body that organises, manages and monitors mandatory healthcare insurance and payments.
Rent review index (IRL)	A French index published each quarter by the INSEE which forms the basis for rent reviews submitted to the 6 July 1989 law.
Registered support matrons (IDEC)	In France, registered matrons play the role of hands-on managers.
Construction Cost Index (ICC)	A French index that measures, each quarter, the change in the price of new buildings used mainly for residential purposes. It relates to the price, including VAT, paid by the project managers to the construction companies. It exclusively relates to construction work and excludes the price and costs related to the land (developing the building site, special foundations, <i>etc.</i>), as well as fees, promotional costs and financial expenses. It also does not cover maintenance or improvement operations.

Terms and acronyms	Definition
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, territories law, or "HPST"	French Act of 21 July 2009 (and the corresponding decree dated 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 (MR)	Term designating all the personalised resources implemented to enable an elderly person who has lost their independence to continue to live under good conditions in their own home.
Care home (RH)	Term used in Belgium to refer to public or private facilities approved by the regional (Flemish, Brussels or Walloon) governments, offering collective housing and services for people aged over 60.
Care home for the elderly (MRPA)	A term used in Belgium to refer to (nursing) beds in care homes reserved for the elderly.
Nursing and care home (MRS)	Term used in Belgium to refer to (care) beds housed in care homes. These beds are reserved for highly dependent people who do not require acute care, but for whom the assurance of a higher level of care is provided.
Medicine-surgery-obstetrics (MCO)	Acronym used to define facilities providing acute care.
Medizinischer Dienst der Krankenversicherung (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.
Call for the improvement of the quality of professional practices (MOBIQUAL)	A French national action plan whose goal is to support the improvement of the quality of professional practices, of providing medical care for and taking care of disabled and elderly people in healthcare facilities and at home. Within this context, kits are used to verify that the best practices developed under this action plan are properly implemented.
Patto di Salute	In the Italian healthcare system, this document officially organises the transfer of the MCO's regional budgets towards medium and long-term stays, with detailed targets of bed closures, by region.
Pflegeheime	A German term for long-term care nursing homes.
Pflegekasse	A branch of German Social Security that ensures the financing of dependency care.
Business Continuity Plan (PCA)	The French PCA is both the name of a concept, a procedure and the document that allows a group (government, local authority, institution, corporation, hospital, etc.) to operate even in the event of significant change, whether in reduced mode or in a major crisis.
Healthcare control plan (PMS)	A plan outlining the measures taken by each facility to ensure the hygiene, health and safety of its catering activities vis-à-vis biological, physical and chemical dangers. This file translates the standards into pedagogical information: employee hygiene, traceability, control of foodstuffs, etc.
National Heatwave Plan (PNC)	In order to prevent health risks, each year, the French Ministry of Social Affairs and Health prepares a heatwave plan. As part of this, monitoring is stepped-up each year between 1 June and 31 August. Each heatwave plan includes 3 levels of progressive alerts, which are triggered by a daily assessment of the health and meteorological risk during this period by the Health Watch Institute, in conjunction with Météo France.
Residenze Sanitarie per Anziani (RSA)	An Italian term for long-term care nursing homes.
Social, societal and environmental responsibility (RSE)	Extra-financial information on social, societal, environmental and governance issues, subject to a report certified by an independent body.
Safety and Security Managers (RMS)	In France, managers, present in all French regions, primarily tasked with implementing and monitoring safety standards as well as monitoring maintenance. In coordination with the technical managers in each facility, they ensure best practices are implemented and monitor them.
Regional healthcare organisation plans (SROS- PRS)	Outline plans in France designed to comprehensively organise, qualitatively and quantitatively, public health, by seeking to respond to both patients' needs and healthcare planning requirements at the regional and sometimes departmental level.
Home nursing care services (SSIAD)	Social and medico-social bodies that provide nursing services in the patient's everyday environment (home, long-term care nursing home or collective housing) so as to shorten, or if possible avoid, hospital stays.
Syndicat National des Établissements et Résidences Privées pour Personnes Âgées (SYNERPA)	One of the professional unions in the medico-social sector in France that facilities can join.

Terms and acronyms	Definition
Quality Management System (SGQ)	Term used in Italy to refer to <i>the</i> reporting system set up by facilities benefiting from ISO 9001-2008 certification, based on a quality manual, appropriate procedures for each type of facility and a reporting platform accessible by the Group's Quality Department in Italy over the Intranet.
Total quality manager (TQM)	Term used in Germany to refer to staff responsible for ensuring the proper application of the quality manual containing the legal and regulatory requirements along with the internal standards of each facility regarding medical care and relations with residents.
Collective food poisoning (TIA)	In France, CFP is characterised by the appearance of at least 2 similar cases of a gastrointestinal symptomatology, the cause of which can be attributed to the same food source.
Validation of prior experience (VAE)	A French system that allows a person to obtain all or part of a certification (diploma, professional credentials or certificates of professional qualification) based on employee or contractor experience (retailer, employee of a retailer, freelancer, farmer or craftsman, etc.) and/or unpaid experience (union, charity) and/or volunteer experience. This experience, in line with the certification sought, is approved by a board of examiners.



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 chapters of this document.

European Commission Regulation (EC) No. 809/2004 of 29 April 2004 - Annex I	Reference
Chapter 1: Person responsible	
1.1 - Person responsible for the information contained in this Registration Document	8.1 (236)
1.2 - Declaration of the person responsible	8.2 (236)
Chapter 2: Statutory Auditors	
2.1 - Identity of the Statutory Auditors	8.3 (236 and 237)
2.2 - Resignation or new appointment of Statutory Auditors	8.3 (236 and 237)
Chapter 3: Selected financial information	
Number of beds and facilities operated	1.3 (6 and 7) / 2.1 (12)
Key operating figures	1.1 (4)
Chapter 4: Risk factors 3.6 (46 and s.)	
Chapter 5: Information concerning the issuer	
5.1 - History and development of the Company	1.3 (6 and 7) / 3.1 (36 and s.) / 3.4 (44 and 45)
5.2 - Investments	3.9.7 (101) / 5.1 Notes 2 (167 and s.), 3 (169), 5 (171), 6 (172), 7 (172 and 173), 8 (173) and 34 (191)
Chapter 6: Overview of the Group's business	
6.1 - Main activities of the Group	2.1 (12)
6.2 - The Group's principal markets	2.2 à 2.5 (13 and s.)
6.3 - Extraordinary factors in the 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 business sector	2.2 à 2.5 (13 and s.)
Chapter 7: Organisational Structure	
7.1 - Position of the issuer within the Group	1.4 (8 and 9)
7.2 - List of subsidiaries	5.1 Note 35 (192 and s.)
Chapter 8: Properties owned 1.3 (6) / 3.6.1.2 (48)	
Chapter 9: Operating and financial review	
9.1 - Financial position of the Korian group	3.3 (40 and s.)
9.2 - Operating results	3.3 (40 and s.) / 5.1 (153)
Chapter 10: Cash and share capital	
10.1 - The Company's share capital	5.1 (152 à 155) Notes 1 (159), 2 (168 and 169) and 34 (191) / 6.1 (206, 209, 214, 219 and 220)
10.2 - Cash flow	5.1 (154)
10.3 - Borrowing terms and financing structure	5.1 Note 17 (178 and 179) / 6.1 (215)
10.4 - Restrictions on the use of capital	5.1 Note 17 (178 and 179) / 6.1 (215)
10.5 - Expected sources of funding	N/A
Chapter 11: Research and development 3.8 (97)	
Chapter 12: Information on trends 2.2 (13 and s.) / 3.5 (45)	
Chapter 13: Profit forecasts or estimates N/A	

European Commission Regulation (EC) No. 809/2004 of 29 April 2004 - Annex I	Reference
Chapter 14: Management and supervisory bodies	
14.1 - Composition of the management and supervisory bodies and the General Management	3.10 (101 and s.) / 4.1 (135 and s.)
14.2 - Conflicts of interest within management and supervisory bodies and executive management	3.10.4 (126)
Chapter 15: Compensation and benefits	
15.1 - Amount of compensation paid	3.10.2 (111 and s.)
15.2 - Total amount provisioned or otherwise recorded	5.1 Notes 18 (179 and s.) and 19 (181 and 182)
Chapter 16: Operation of management and administrative bodies	
16.1 - Terms of office of members of the management and administrative bodies	3.10.1 (102 and s.)
16.2 - Service contracts binding members of the Executive Board or Board of Directors to the Company or any of its subsidiaries	3.10.2 (111 and s.) / 5.1 Note 27 (187)
16.3 - Specialised committees formed by the Board of Directors	4.1.1.4 (141 and s.)
16.4 - Corporate governance principles	4.1 (133 and s.)
Chapter 17: Employees	
17.1 - Number of employees	3.7.1 (59) / 3.9.1 (98)
17.2 - Profit-sharing and stock options of company agents	3.7.1 (60) / 3.10.2 (112 ; 114 à 119 ; 121 and s.) / 5.1 Note 30 (188 and 189)
17.3 - Employee profit-sharing	5.1 Note 22 (184)
Chapter 18: Major shareholders	
18.1 - The Company's shareholding structure	6.1 (214) / 7.2 (232 and 233)
18.2 - Voting rights	6.1 (214) / 7.2 (232 and 233)
18.3 - Control of the Company	6.1 (214) / 7.2 (232 and 233)
18.4 - Agreement providing for a change in control of the Company	N/A
Chapter 19: Related party transactions	
5.1 Note 27 (187) / 6.1 (215)	
Chapter 20: Financial information	
20.1 - Historical financial information	1.1 (4) / 3.9 (98) / 9.1 (240)
20.2 - Pro forma financial information	1.1 (4) / 3.2 (38 and 39) / 3.3.1 (40 and s.)
20.3 - Financial statements	5.1 (152 and s.) / 6.1 (206 and s.)
20.4 - Auditing of historical annual financial information	5.2 (204) / 6.2 (221) / 9.1 (240)
20.5 - Age of latest historical financial information	5.1 (152) / 9.1 (240)
20.6 - Interim and other financial information	N/A
20.7 - Dividend policy	3.9.3 (99) / 3.9.4 (99)
20.8 - Legal and arbitration proceedings	3.6.1.2 (48) / 5.1 Notes 1.17 (165) ; 19 (181 and 182) and 28 (188) / 6.1 (214 and 217)
20.9 - Significant change in the issuer's financial or trading position	N/A
Chapter 21: Additional information	
21.1 - Share capital	6.1 (214) / 7.2 (232 and 233)
2.1.1 - Amount of share capital subscribed, number of authorised shares, number of fully paid-up/not fully paid-up shares issued, share par value, number of outstanding shares	6.1 (214) / 7.2 (232 and 233)
2.1.2 - Shares not representing share capital	N/A
2.1.3 - Shares held by the issuer or its subsidiaries	3.9.6 (100 and 101)
2.1.4 - Convertible or exchangeable securities or securities with warrants	N/A
2.1.5 - Conditions governing any right of acquisition and/or any obligation regarding subscribed share capital, that has not been paid up, or any undertaking increasing the share capital	N/A
2.1.6 - Share capital of group members subject to an option or a conditional or unconditional agreement providing for such an option	N/A
2.1.7 - History of the share capital	7.2 (232 and 233)
2.1.1 - Amount of share capital subscribed, number of authorised shares, number of fully paid-up/not fully paid-up shares issued, share par value, number of outstanding shares	1.3 (6) / 7.1 (226 and s.)
21.2 - Articles of Association and bylaws	N/A
Chapter 22: Material contracts	
N/A	
Chapter 23: Third-party information, expert statements and declarations of interest	
N/A	
Chapter 24: Documents on display	
9.2 (240)	
Chapter 25: Information on holdings	
25.1 - Equity investments	3.9.7 (101) / 5.1 Notes 2 (167 and s.) and 35 (192 and s.)
25.2 - Disposals of equity interests	3.9.7 (101) / 5.1 Notes 2 (167 and s.) and 35 (192 and s.)
25.3 - Activity and earnings table of Korian and its subsidiaries	6.1 (211 and s.)



Legal information

KORIAN SA

**A French public limited company with share capital
of €397,343,365**

21-25 rue Balzac - 75008 Paris

Registered at the Paris Trade and Companies

Registry under No. 447 800 475