2013 REGISTRATION DOCUMENT

KORIAN MEDICA

AUTORITÉ
DES MARCHÉS FINANCIERS

This Registration Document was filed with the Autorité des marchés financiers (French financial markets authority - AMF) on 30 April 2014, in accordance with Article 212-13 of its general regulations. It may be used for a financial transaction if accompanied by a prospectus approved by the AMF.

This document has been prepared by the issuer and is binding for its signatories.

The Registration Document may be viewed on Korian - Medica's website (**www.groupe-korian.com**) and on the AMF's site (www.amf-france.org).

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KORIAN

On 18 March 2014, the Group launched the new Korian brand: a strong brand promoting Ageing Well

To ensure that the 2013 Korian - Medica Registration Document is reader-friendly, the following is specified:

- on 18 March, 2014, at the end of a process lasting several months, the listed *Société Anonyme*, Korian, absorbed the listed *Société Anonyme*, Medica, (hereinafter the "**Merger**"). Korian was then renamed "Korian - Medica";
- the term "**Korian**" refers to the Company and the Group as a whole until 18 March 2014, the date on which the Merger was completed;
- the term "**Korian - Medica**" refers to the new corporate name of the Company and to the new Group created as from the Merger.

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1.1. MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

"In 2013, we implemented a strategy to transform Korian through the "Korian First" corporate project, with compelling results:

- *on the Performance pillar, we have kept all of our commitments, exceeding all of our targets: revenue of €1.37 billion (>€1.35 billion), EBITDAR margin of 27.3% (>27%) and a leverage ratio of 2.7x (< 3.0x);*
- *on the Innovation pillar, we have focused our efforts on research, establishing the Korian Ageing Well Institute, and on practical applications to better serve our residents and patients. Our goal is for everyone to benefit from best practices in a business undergoing radical changes;*
- *on the People pillar: with the development of our "Korian employer brand", a new managerial project has been launched to attract, train and retain Group employees and make our industry more and more attractive;*
- *on the Development pillar, we have seen a year marked by great developments, with a view to strengthening our position of European leader of Ageing Well. With the completion of the acquisition of Curanum in Germany on 1 March 2013, the acquisition of Senior Living Group, a key player in the Belgian market, by Medica at the end of September, and the Korian - Medica merger, we now have a solid footing in four important European markets.*

Moreover, our Group governance has been strengthened by the creation of a Group Executive Committee, comprising mainly Country Chief Executive Officers. We have also strengthened the management team, acquiring international staff to better support our international expansion strategy.

In 2014, our efforts will focus on France, on the success of the Korian - Medica integration. We are carrying out this process methodically and at an even pace. A major challenge awaits us, and all teams have already started working to design this common project. The first milestone was reached the day after the Merger, with the appointment of the France Steering Committee and the France Regional Managers. This work will lead to a perfectly defined organisation, which will be operating from 1 January 2015.

Our strong international presence and our sound performance put us in a good position to benefit from a number of opportunities in the Ageing Well market. Our target for 2014 is pro forma revenue of €2.5 billion, with a slight increase in our operating profits."

Yann Coléou, Chief Executive Officer of Korian - Medica.

1.2. PRESENTATION OF THE MERGER BETWEEN KORIAN AND MEDICA (*FUSION-ABSORPTION DE MEDICA PAR KORIAN*)

1.2.1. Merger (*fusion-absorption*) completed on 18 March 2014

On 18 November 2013, Korian announced the signing of a memorandum of understanding on a merger with Medica, with the purpose of creating the European leader of the elderly care sector. The Merger was completed on 18 March 2014. The company's name was changed to "Korian - Medica".

The Merger took place under favourable demographic and economic conditions (on the one hand, the population growth and ageing in Europe, and, on the other hand, the purchasing power of the over 65, who will account for more than 54% of the purchasing power in France in 2015), with an ageing and increasingly dependent population.

In this environment, the Korian and Medica groups, key players in the market that provides medico-social and healthcare solutions to the growing phenomenon of population ageing and dependency, wished to strengthen their Ageing Well leaders' position. The Merger makes it possible to pool complementary networks and skills. In addition, the new company is now better equipped to develop a genuine growth project to meet the challenges of a burgeoning industry undergoing radical changes. The new entity covers a network comprising

over 57,000 beds in approximately 600 facilities across France, Germany, Italy and Belgium, thereby allowing the Group to better tackle the complexity of new clients' paths and their needs in terms of preservation of independence, and also fostering further development.

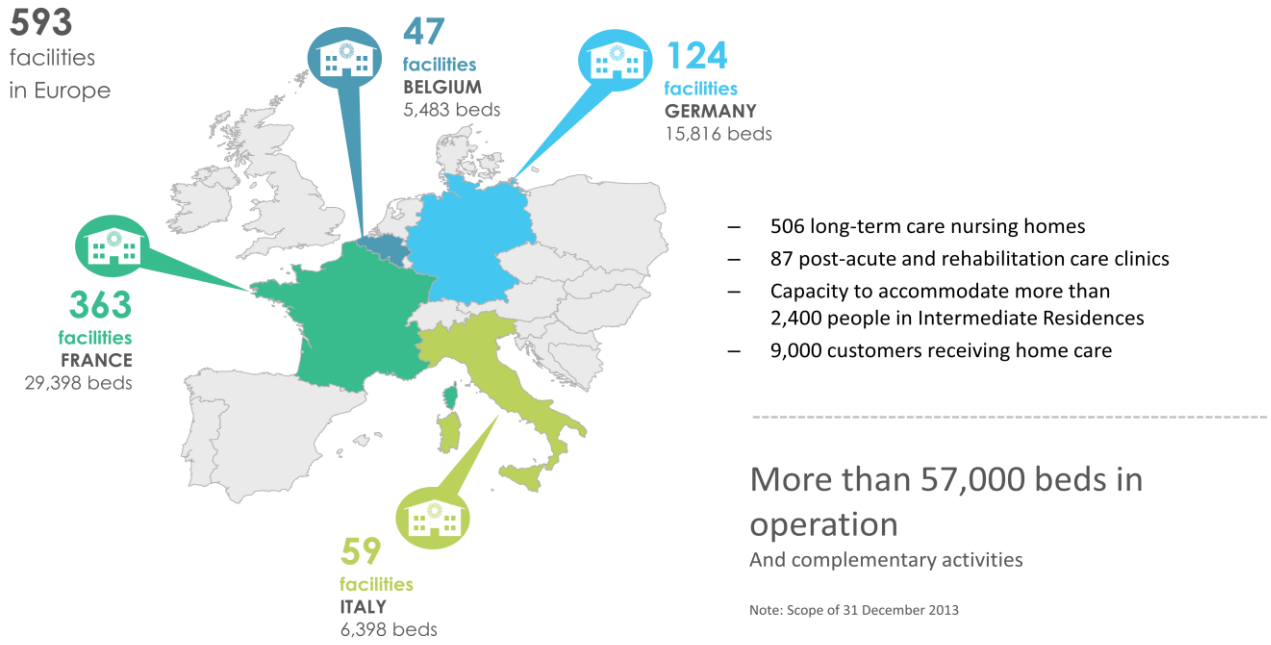
This combination is also an opportunity to establish a prominent French group in Europe, generating employee pride, but also offering additional security through financial soundness and stronger ties with health authorities and local governments.

Pooling know-how and exchanging best practices should be beneficial for the operating performance of the newly created company, in terms of both income and processes, generating €15M in cost synergies per annum over three years, with the following breakdown:

- €8 million saving in purchases;
- €4 million saving in the post-acute and rehabilitation care business;
- €3 million saving in operating expenses.

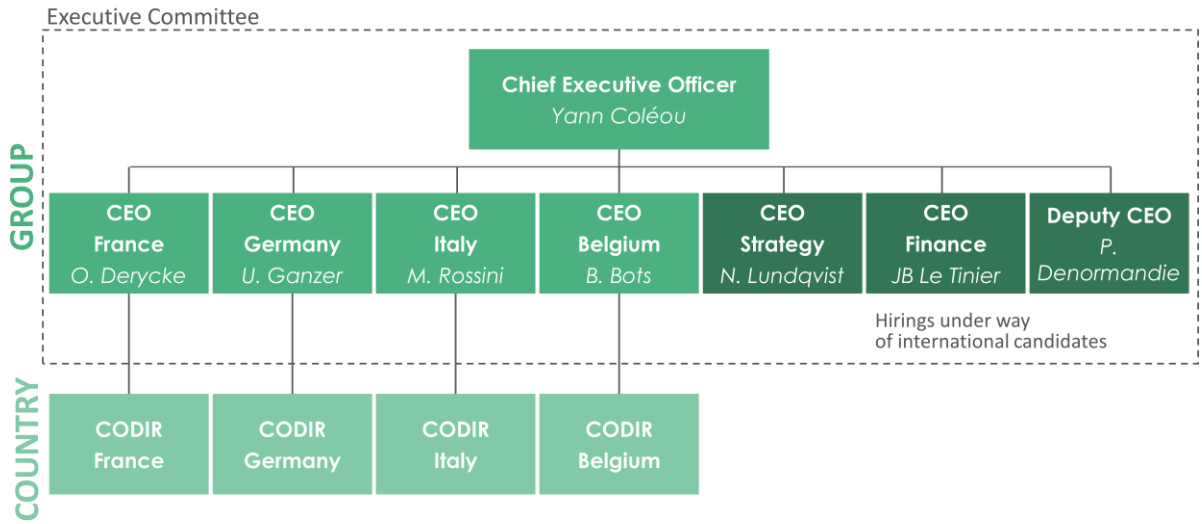
The Merger should also boost the potential for growth of the new group, which aims to make €3 billion in revenue by 2017, in particular through:

- 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.



1.2.2. A new functional organisation

A new functional organisational structure was implemented the day after the Merger to take into account the Group's international reach by reforming the Group Executive Committee. In addition, each Country Chief Executive Officer is supported by a specialised team, which meets regularly in Steering Committees to discuss business issues.



1.3. SELECTED FINANCIAL INFORMATION

Strong growth

With reported revenue of €1,371 million (+23.7%), Korian exceeded its target of €1.35 billion for 2013. This strong business growth is supported by sound organic growth of 4.2%, powerful development dynamics with the opening of 8 nursing and residential care homes and 2 clinics in Europe, as well as the acquisition of the Curanum group in Germany on 21 March 2013.

Profit increase of 230 basis points

In 2013, EBITDAR stood at €374 million, up 35.2%. The EBITDAR margin grew to 27.3%, i.e. an improvement of 230 basis points, in excess of the 27% target set at the beginning of the year. This margin ratio is going up across all countries.

In € millions	Consolidated		France		Germany		Italy	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenue	1,371	1,108	766	762	414	157	192	190
EBITDAR(1)	374	277	202	188	125	44	47	45
margin/revenue	*27.3%*	*25.0%*	*26.5%*	*24.7%*	*30.1%*	*28.0%*	*24.5%*	*23.6%*

A sound financial structure

Net debt stood at €716 million at the end of December 2013. Thanks to a significant improvement in performance, the restated leverage ratio improved, reaching 2.7x of EBITDA at 31 December 2013.

1.4. PERFORMANCE ON THE STOCK EXCHANGE

The graph below shows the movements of the share price and daily volumes over a period of two years, from 23 April 2012 to 23 April 2014.

In the last two years, the Company's shares benefited from the investors' more favourable perception of Korian. In particular, the share price continued to rise after the announcement of the Korian First corporate project and the offer on Curanum in December 2012, the 2012 annual results on 28 March 2013, the half-yearly results on 12 September 2013 and of the planned merger with Medica on 18 November 2013. With a market capitalisation in excess of €2 billion after the merger and a free float of almost 40% of the share capital, volumes increased significantly.

The Korian - Medical stock is part of the SBF 120 Index.



1.5. HISTORY

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

Korian (the "**Company**" or "**Korian SA**") was created in March 2003, 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.

In parallel, Korian SA 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 €224.20 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 unique organisation was put in place for the two groups' operational positions and support functions, based in particular on centralising administrative tasks (accounting, information systems, purchasing systems, etc.) at the head office level. Furthermore, the

Korian Group divided its operations into two large operational divisions: the medico-social division and the post-acute and psychiatric division (which in turn is split in a post-acute and rehabilitation care sub-division and a psychiatric division).

More in particular, in order to implement the operational synergies produced 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 SA 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 and a very fragmented market that is still evolving, etc.).

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 the one applied by the Group in France.

As a result, in April 2007, Korian SA acquired 92.5% of the Italian group Segesta, the second leading private player in Italy specialising in dependency care. The remaining capital was held by the management. Segesta operated 7 facilities for a total of 909 beds.

In addition, in October 2007, Korian SA 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 held by the management.

Meanwhile, in the first half of 2008, Korian SA signed an agreement with the Belgian real estate company Cofinimmo to sell 19 real estate properties for a value of almost €144 million over two years (14 real estate propoerties 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 comprehensive dependency care, 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 close to 5,003 beds in Germany; and
- 31 facilities, representing close to 4,349 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 (affordable long-term care, PPPs, temporary accommodation, etc.), 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.

Thereafter, the Board of Directors decided to opt for the separation of the offices of, on the one hand, Chairman of the Board of Directors and, on the other hand, CEO. This decision became effective on 30 April 2012, when CEO Yann Coléou actually took office.

This change in governance led to a comprehensive strategic study and restructuring of the organisation at the end of 2012, leading to the far-reaching 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 (in particular work aimed at expanding the service offering) to optimise revenue;

- took control of Curanum in March 2013, which allowed the Group to become a leader in Germany, opened 6 nursing and residential care homes and 2 clinics in France and Italy and acquired a clinic in Italy;
- finished refocusing its business activities in France by selling its psychiatric division comprised of 7 clinics and 2 nursing and residential care homes.

This transformation will allow Korian to become a leader in the areas that will make a difference tomorrow: internationalisation and innovation.

At the end of 2013, the Korian group has the capacity to accommodate more than 34,000 residents/patients in Europe (France, Germany and Italy) and has more than 26,000 employees. The Group manages almost 270 nursing and residential care homes, 50 specialised clinics, with the capacity to accommodate more than 2,200 people in intermediate residences. It also provides home care services to 9,000 patients.

Creating the European leader in Ageing Well (18 March 2014)

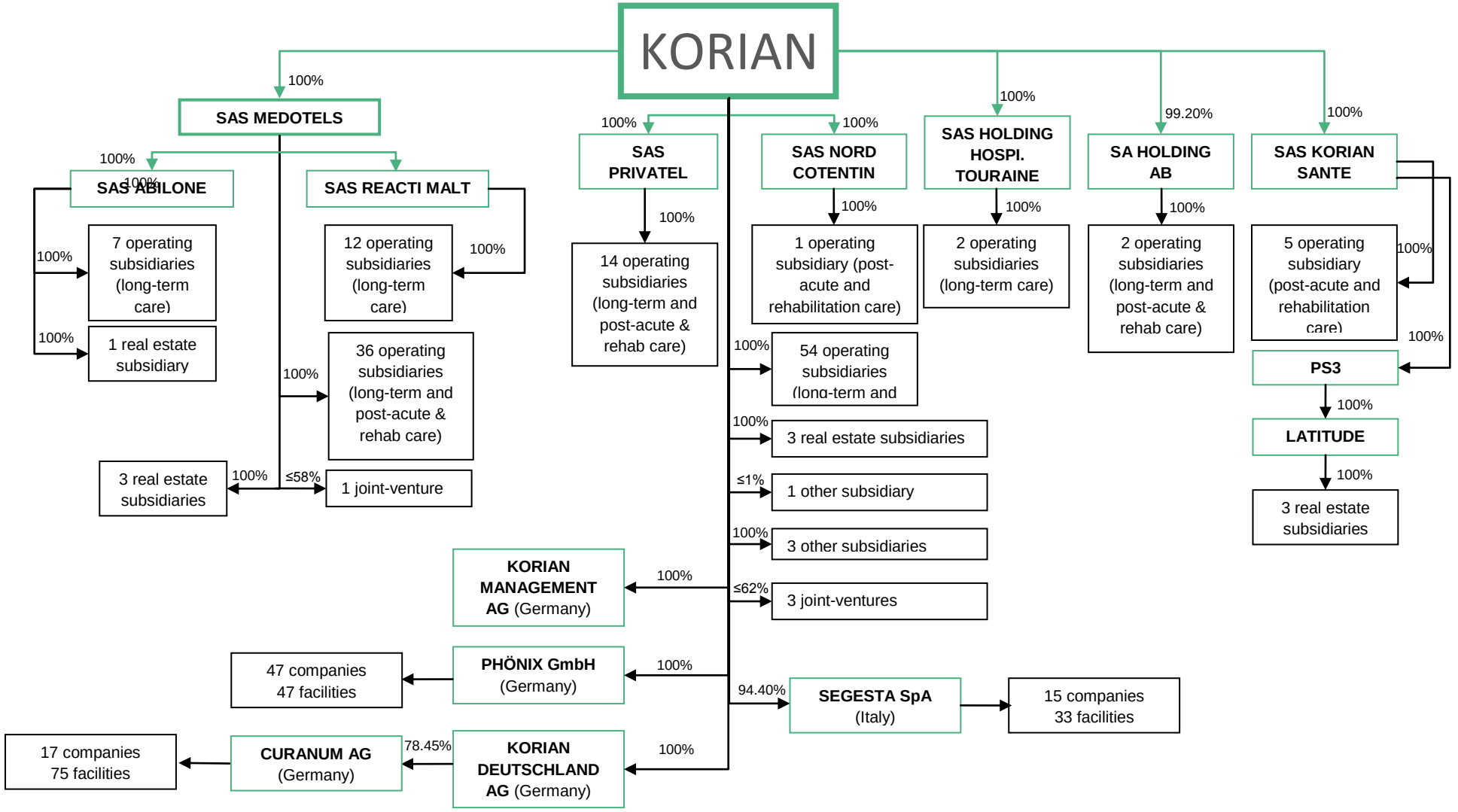
On 18 March 2014, the Annual General Meetings of Korian and Medica approved the merger (*fusion-absorption*) of the latter with the former, which took place on the same day, thereby creating the European leader in Ageing Well (see section 1.2 above).

1.6. LEGAL STRUCTURE

1.6.1. Simplified legal structure of the Korian group as at 31 December 2013

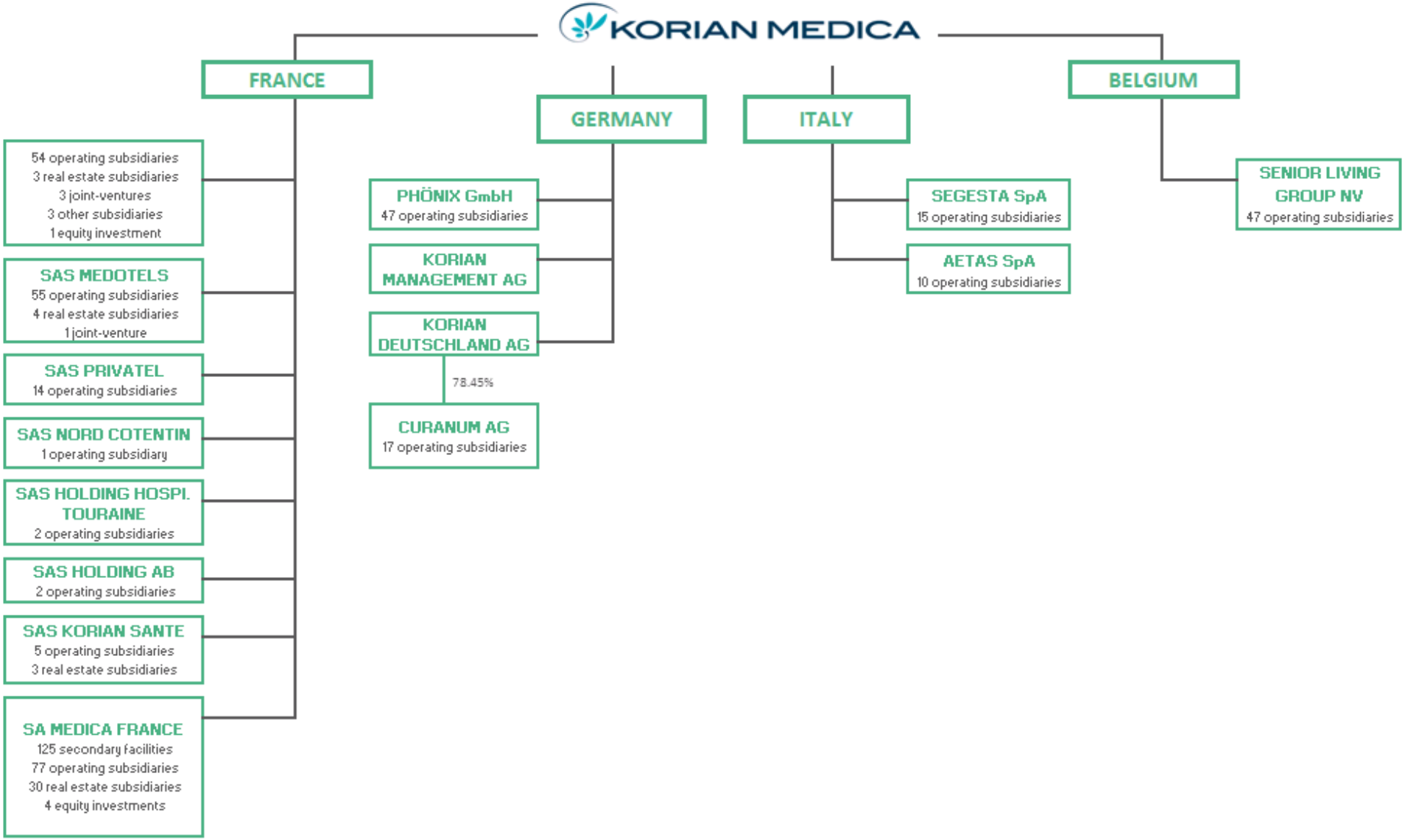
As at 31 December 2013, Korian's scope included 244 consolidated companies.

The legal structure of the Korian Group as at 31 December 2013 is presented on the next page.


KORIAN
100%
SAS MEDOTELS
100%
SAS ABILONE
100%
SAS REACTI MALT
100%
7 operating subsidiaries (long-term care)
100%
1 real estate subsidiary
12 operating subsidiaries (long-term care)
100%
100%
36 operating subsidiaries (long-term and post-acute & rehab care)
3 real estate subsidiaries
100%
≤58%
1 joint-venture
100%
SAS PRIVATEL
100%
14 operating subsidiaries (long-term and post-acute & rehab care)
100%
SAS NORD COTENTIN
100%
1 operating subsidiary (post-acute and rehabilitation care)
100%
54 operating subsidiaries (long-term and
100%
3 real estate subsidiaries
≤1%
1 other subsidiary
100%
3 other subsidiaries
≤62%
3 joint-ventures
100%
SAS HOLDING HOSPI. TOURAINE
100%
2 operating subsidiaries (long-term care)
99.20%
SA HOLDING AB
100%
2 operating subsidiaries (long-term and post-acute & rehab care)
100%
SAS KORIAN SANTE
100%
5 operating subsidiary (post-acute and rehabilitation care)
100%
100%
PS3
100%
LATITUDE
100%
3 real estate subsidiaries
KORIAN MANAGEMENT AG (Germany)
100%
PHÖNIX GmbH (Germany)
100%
47 companies
47 facilities
94.40%
SEGESTA SpA (Italy)
15 companies
33 facilities
17 companies
75 facilities
CURANUM AG (Germany)
78.45%
KORIAN DEUTSCHLAND AG (Germany)
100%

1.6.2. Simplified legal structure of the Korian - Medica group as at 31 December 2013

The following page presents the simplified legal structure of the Korian - Medica Group based on the scopes of consolidation of Korian SA and Medica SA as at 31 December 2013.


KORIAN MEDICA
FRANCE
54 operating subsidiaries
3 real estate subsidiaries
3 joint-ventures
3 other subsidiaries
1 equity investment
SAS MEDOTELS
55 operating subsidiaries
4 real estate subsidiaries
1 joint-venture
SAS PRIVATEL
14 operating subsidiaries
SAS NORD COTENTIN
1 operating subsidiary
SAS HOLDING HOSPI. TOURAINE
2 operating subsidiaries
SAS HOLDING AB
2 operating subsidiaries
SAS KORIAN SANTE
5 operating subsidiaries
3 real estate subsidiaries
SA MEDICA FRANCE
125 secondary facilities
77 operating subsidiaries
30 real estate subsidiaries
4 equity investments
GERMANY
PHÖNIX GmbH
47 operating subsidiaries
KORIAN MANAGEMENT AG
KORIAN DEUTSCHLAND AG
78.45%
CURANUM AG
17 operating subsidiaries
ITALY
SEGESTA SpA
15 operating subsidiaries
AETAS SpA
10 operating subsidiaries
BELGIUM
SENIOR LIVING GROUP NV
47 operating subsidiaries

When reading this chapter, please note that it refers to the new post-Merger group.

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2.1. MAIN ACTIVITIES OF THE GROUP

2.1.1. Definition of the Group's businesses with a view to Ageing Well

As Europe faces the challenge of an ageing population, Korian-Medica is now Europe's leading specialist in Ageing Well. It operates in four European countries (France, Germany, Italy and Belgium), managing nearly 600 facilities (nursing and residential care homes, clinics, intermediate care and home care services) with more than 57,000 beds, and employing approximately 40,000 people.

Ageing Well means allowing everyone to remain independent for 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.

At Korian, Ageing Well means allowing people to continue pursuing happiness and enjoying life.

The Korian offer of products and services (facilities, medical care, technologies, entertainment, etc.) meets this challenge. Through the development of the personalised care and life plan, this offer supports the independence of the elderly.

Within the Korian-Medica Group, care for Ageing Well is based around three different but complementary sectors.

- Nursing and residential care homes for the dependent elderly (long-term care homes, intermediate residences, etc.), which take long-term care of elderly people who find it hard to stay at home due to the severity of their dependency and the costs this creates. 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.

- The post-acute and rehabilitation sector (post-acute and rehabilitation clinics) provides short-term care (typically for around 30 days) to physically dependent patients to reduce their functional incapacity and restore their independence:

  - 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.

  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.

- The home care sector, which covers hospital home care (“**HHC**”) and home nursing services (“**HNS**”), offers an alternative to hospitalisation and aims to shorten or even avoid hospital stays altogether.

2.2. THE KORIAN-MEDICA GROUP IN FRANCE

2.2.1. Korian-Medica: a complete range of services for Ageing Well with high-quality standards

Korian offers and develops an extensive range of dependency services at facilities spread throughout France: long-term care homes, post-acute and rehabilitation care clinics and psychiatric clinics.

Korian manages its portfolio of facilities by focusing on increased medical care in its retirement homes and enhanced specialisation where its post-acute and psychiatric care facilities are concerned.

- Long-term care homes are designed in such a way to favour the resident's independence, offering a universal approach to medical care, but accommodation areas that are differentiated by illness in order to ensure personalised care tailored to the needs of each individual.
- Post-acute and rehabilitation care sites 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's psychiatric clinics accept patients who need treatment for psychosomatic illnesses as well as acute and progressive mental illness, bipolar disorders (depression), behavioural problems, etc. They offer individual or group psychotherapies alongside drug-based treatments to guarantee that each patient gets the individualised care they need.

2.2.1.1. Facilities designed and run as places to live

Korian's aim is to offer the best possible lifestyle to elderly residents in its facilities and to maintain their mobility and intellectual capacities for as long as possible. To do this, Korian pays particular attention to the layout of its facilities: the site must encourage residents' independence and be designed to function as a secure environment while allowing for as much freedom as possible.

Korian prioritises the layout of different rooms in each facility to offer residents convivial places to meet or welcome their family. They can, for instance, have their own furniture in their rooms. There are rooms for leisure, hairdressing, beauty treatments, newspaper kiosks and spaces reserved for particular entertainment activities (music, reading, cooking, etc.) in most facilities.

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.

2.2.1.2. Korian's post-acute and rehabilitation care business: efficient and specialised short-term care

Korian's post-acute and rehabilitation care

Korian's post-acute and rehabilitation clinics look after patients coming out of the hospital or coming from their 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. The goal is to help patients return home as soon as possible, or, when necessary, or refer them to long-stay facilities, when necessary.

Short-term care clinics work to an individualised 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.

Korian's psychiatric clinics: a high-quality offer based on an innovative medical approach

In psychiatry, the Korian Group's clinics accept patients who need treatment for psychosomatic illnesses as well as acute and progressive mental illness, bipolar disorders (depression), behavioural problems, etc. They offer individual or group psychotherapies alongside drug-based therapies to guarantee that each patient gets the individualised care they need. It should be noted that the doctors who work in psychiatric clinics are self-employed and not employees of the facility.

2.2.2. The regulatory framework

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

- strong entry barriers to obtaining operating licenses and/or increasingly stringent operating standards;
- in long-term care, by public sector funding (from the state, region, social security system, etc.) of the 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.

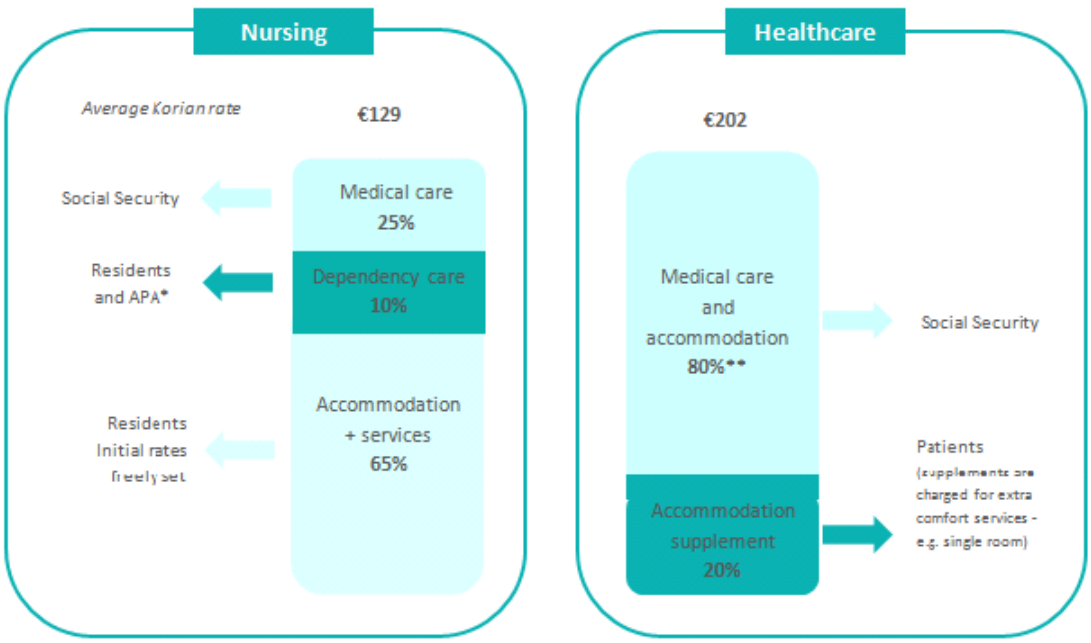
In the long-term care business, accommodation for people with long-term dependency is tightly regulated, both when setting up and when running long-term care facilities. The 2002 reforms increased the regulatory burden, which effectively represents a restrictive entry barrier against new and inexperienced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

In the post-acute and psychiatric business, accommodation of people with short-term dependency is also heavily 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).

Rates paid are closely regulated and this too helps create entry barriers around the Group's markets.

The rates paid to Group facilities break down as follows.

Standard funding for day rate in France



* Personal independence allowance (APA)

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

Source: Korian

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 rates. The budget allocated to a long-term care facility by the regulatory authorities under the tripartite agreement is directly related to its residents' level of dependency (classified by IRG score).

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 is set under a tripartite agreement and has three components.

- Accommodation rate (covering accommodation, food and residents services)

The accommodation rate is paid by the resident and can be negotiated freely by the facility when a new resident arrives under a residence contract. Thereafter, annual increases are capped at a level set by the Minister of Finance.

The accommodation rate accounts for around 65% of the Group's revenue in its long-term care business.

Certain facilities are entitled to partial social welfare (this entitlement relates to a set number of beds per facility). 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 retirement home.

- Treatment rate (basic medical care or nursing and technical medical care)

Rates are set by the ARS and represent approximately 25% of the Korian Group's long-term care revenues. They cover the medical services required to treat the residents' medical conditions and the para-medical services associated with a 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 devices.

These rates are not passed on to residents but are paid directly to the facility by the French National Health Service as a single payment. Rates are negotiated with the ARS based on the projected budget of each facility.

These rates are generally subject to an annual adjustment rate close to inflation, but facilities have the option of negotiating new rates if, for example, the average degree of dependence 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. As the fixed sum paid to a facility in respect of medical care comes from the public purse, it cannot be saved and the facility is obliged to spend it in full. If it is not used in full, the facility can repay the unspent portion or keep this sum in a reserve account to compensate possible future losses. Facilities are thus required to provide the public authorities with any and all documentary evidence they need to assess the accuracy of their financial statements.

- Dependency rates (maintenance of premises, laundry, incontinence, interpersonal and daily living assistance services)

Dependency rates are set by the local departmental authority and make up around 10% of the Korian Group's long-term care revenues. They cover 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 the miscellaneous expenses (such as the salaries of qualified care assistants, nurse’s 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 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 kind of "excess".

The flat rate dependency charge is paid either by the resident, with the APA reimbursing costs above the "excess", or directly by the local departmental authority for the portion exceeding the non-refundable expense.

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 APA, fund all or part of the dependency rate above the "excess" and accommodation charges for the most underprivileged through social assistance.

Rates for post-acute and psychiatric care facilities

Since the French Social Security Financing Act of 2000, discussions on setting rates for the private commercial sector are carried on directly between the government and professional bodies. Each year, the government issues a ministerial order setting the OQN (National Quantified Objective) for private facilities using contractual rates (referred to as "outside the global grant" or "under OQN") which consists of the annual cost of hospitalisation fees in these facilities covered by the National Health Service. This amount is determined according to the ONDAM (National Health Insurance Spending Target) voted by the French Parliament.

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.

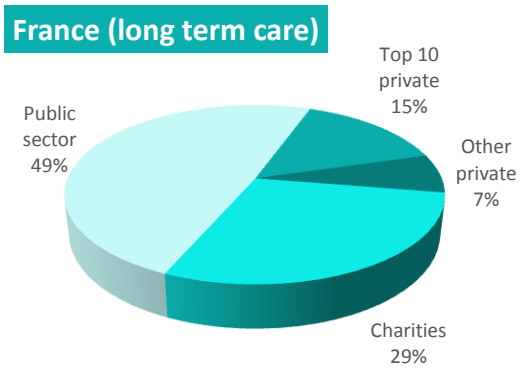
The ARS can also set rates for new facilities, or for new activities authorised in an existing facility, based on regional average rates.

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

2.2.3. Players in the market

Of the 684,000 long-term care beds in France, 78% are in the public and charitable sectors. The private market is consolidating but remains fragmented.

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



2.2.4. A strong growth market, driven by favourable demographic trends and with structurally short supply

In short, Korian's business activity is dominated by a rapidly ageing population.

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 19 million people aged over 60 in 2024 (compared with 16 million today, an increase of more than 18% in 20 years) and nearly 22.6 million in 2040, nearly one third of the total population[1].

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 2011, life expectancy at birth was 84.8 years for women and 78.2 years for men. 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[2].

INSEE analyses also confirm that the elderly and very elderly segments of the population will expand sharply until 2035. This sharp rise reflects, among other trends, the arrival of the baby boom generations at these *ages*. As a result, by 2040, the number of people aged 75 and over will rise by 1.7 times and the number of people over 85 will double, to 10.3 million and 4.0 million, respectively[3].

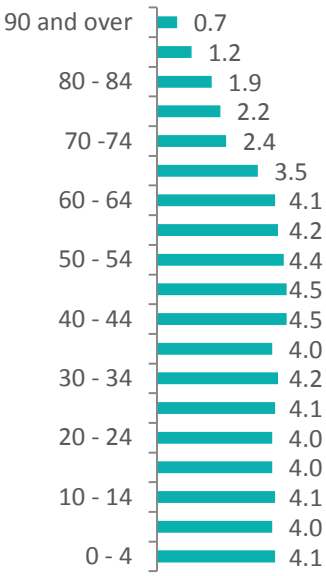
2.2.4.2. Demand for dependency care increases as the population ages and new needs emerge related to new illnesses

The dependency care sector can look forward to structural growth.

Demographic explosion 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"). Also, one APA recipient in two was over 85 in 2011[4].

French age distribution in 2013:
(by age band, millions of people)
Source: Omphale 2010 INSEE



The number of dependent people first began to rise from 2005 with the ageing of the generations born between 1920 and 1940. The previous generations had been less populous, with a particular slump in births during the First World War.

While medical advances and improving living conditions should tend to delay the onset of dependency, the speed at which this shift will occur varies depending on the assumptions used. In the central scenario, the scenario preferred in INSEE's 2003 studies, based on the latest available data, the number of dependent people is set to rise by 50% between 2000 and 2040, to reach 1,230,000 people. This figure varies between 1.1 million and 1.5 million according to the scenario used.

[1] *Central scenario in OMPHALE-INSEE demographic projection model, 2010.*
[2] Source: *INSEE, Population projections, n°1320, 2010.*
[3] *Central scenario in OMPHALE-INSEE demographic projection model, 2010.*
[4] *Source: Drees Research and Results n°876.*

In 2040, the number of dependent elderly and the age when people start to lose their independence will both be higher than in 2000. The change in the number of dependent people reflects the interplay of two 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 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 facilities have the high level of medical provision required 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 more 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.

Alzeimer's and related diseases are the main reason that people move into care facilities. In 2004, there were nearly 800,000 people suffering from Alzheimer's or related illnesses (18% aged over 75 and 30% over 80). Of these, 40% were being cared for in a facility[5]. Given the ageing population and better diagnosis, the number of people with such illnesses is set to rise sharply, perhaps to 1.3 million in France by 2020[6].

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

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.

Increase in post-acute care, particularly in partial hospitalisation

The post-acute and rehabilitation care in healthcare facilities increased in 2008: across all types of hospitalisation, more than three million patients were admitted, a 6.7% increase on 2007. This activity is thus continuing the growth it embarked upon several years ago. Since 2002, the number of admissions has gone up 36.2%. More than two-thirds of this business activity is in partial hospitalisation, which is increasingly becoming

[5] *Source: Seniorscopie – The ten Douste-Blazy measures against Alzheimer's – September 2004.*
[6] *Source: Seniorscopie – The ten Douste-Blazy measures against Alzheimer's – September 2004.*

more common than full hospitalisation. In 2008, the number of partial admissions for post-acute and rehabilitation care rose by 8.7% versus a 2.4% increase in full admissions.

This upsurge in activity is more significant in private clinics. The number of stays and their average length in private post-acute care facilities rose by 7.7% and 6.2%, respectively, in 2008 (46% of stays are in public facilities, 28% in private clinics and 26% in non-profit private facilities)[7].

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 revenues from a Korian Group long-term care facility are split into three components (medical care, dependency and accommodation). The "accommodation" component, which continues to be paid by the resident and/or his or her family, amounts to approximately €2,500 a month (incl. VAT) based on the average daily accommodation rate per bed at the Korian Group's facilities. On average, it is estimated that around a third 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 long-term care may, based on their personal resources, receive various types of government aid, including "social assistance" from the local departmental authorities, to cover accommodation costs.

In the post-acute and psychiatric care sector, the day rate in France is met by the social security system apart from a "daily flat-rate", 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, rehabilitation and psychiatric care.

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.

2.3. THE KORIAN - MEDICA GROUP IN GERMANY (PHÖNIX & CURANUM BRANDS)

2.3.1. Phönix & Curanum: an offer focused on retirement homes, intermediate residences and home care with the best quality standards

Phönix and Curanum work mainly in the medicalised retirement home sector (*Pflegeheime*), but also carryout related activities:

- intermediate residences attached to long-term care facilities. Phönix operates approximately five intermediate care residences for 100 *Pflegeheime* beds. Curanam's intermediate care business takes up more than a quarter of its *Pflegeheime* beds. Overall, Curanam operates around 2,100 apartments, each with one or two beds;
- outpatient or home care from long-term care facilities;
- small specialist care units or structures tailored to patients in chronic vegetative states;
- facilities for treating different dependencies and addictions.

The German healthcare system is based on the major reforms of 1995 and 1996, which codified the system for health insurance (SGB V) and social care (SGB XI). Therefore, anyone subscribing to a private or public health insurer must take out dependency insurance at the same insurer. 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, in turn, have set up two bodies:

[7] Source: *Drees -Activity of healthcare facilities in 2008 in full and partial hospitalisation, February 2010.*

- 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 facilities are overseen by the *Heimaufsicht*.

2.3.2. The regulatory framework

Since 1996, Germany has had a fifth branch of the social security system to fund dependency care, the *Pflegekasse*. 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 two tasks or several types of basic medical care at least once a day Assistance for 90 minutes a day + 45 minutes of medical care
***Pflegestufe* 2**	Needs basic medical care at least three times a day and household assistance several times a week Assistance for 180 minutes a day + 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 + 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 three times in the night *Vollstationäre Pflege*: full hospitalisation Ongoing medical care for hospitalised patients with staff continually present

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 *Pflege* (care level). The German system tries to home support services for the elderly by offering higher allowances to those using home care services.

€/month	*Pflege* 1	*Pflege* 2	*Pflege* 3	*Pflege* 3+
Family	€235/month	€440/month	€700/month	
***Ambulant Pflege* (German name)**	€450/month	€1,100/month	€1,550/month	
Pflegeheime	€1,023/month	€1,279/month	€1,550/month	€1,918/month

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

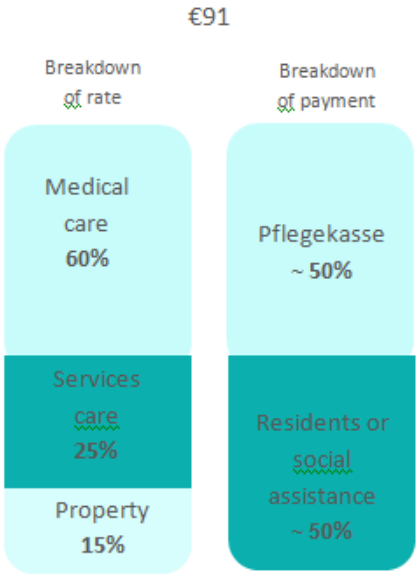
Wholly independently of the above, the operator negotiates some components of their rate with the local long-term care oversight authorities, the *Heimaufsicht* and the Health Insurers:

- the medical care (*Pflege*) portion covers everything except services (U+V) and real estate costs (IK); the "Services" (U+V) portion covers expenses linked to accommodation services (food, laundry) and are set by the health insurer (*Krankenversicherung*);
- the investment portion (IK) covers rent and associated costs;
- the training (*Ausbildungsumlage*) portion funds training of apprentices (around €1 per day).

The first two components of the rate are regulated, but the authorities allow facilities to make a margin and there are no requirements for retrospective adjustment accounts as in France).

The IK rates are set freely for residents not receiving public aid.

Rates are set at the start of the year for the first two years and then renegotiated on a case by case basis.

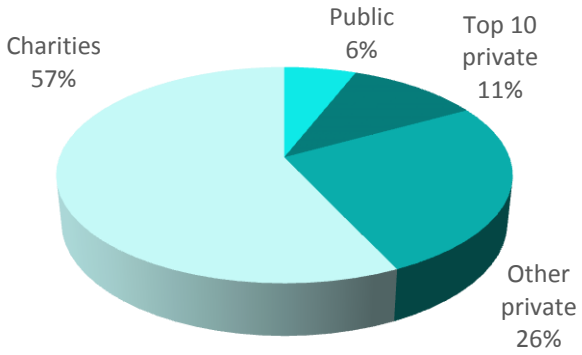


Source: Korian

2.3.3. Players in the market

Of the 867,000 long-term care beds in Germany, 57% are managed by charities, including four large-scale organisations. Between 1999 and 2007, 71% of beds were created by private operators. The private sector now provides 37% of beds and remains highly fragmented.

Germany has 12,400 retirement homes, more than half of these in the *Länder* of North Rhein-Westphalia, Bavaria, Baden-Württemberg and Lower Saxony, which also have the strongest demand. In most regions, the sector continues to grow (on average by 5.1% since 2009).



Ranking	Operator	Number of beds
1	Pro Seniore	18,846
2	Curanum-Phönix	15,709
3	Kursana	13,600
4	Casa Reha	9,501
5	Vitanas	8,106
6	Marseille Kliniken	8,028
7	Matemus & Cura	7,540
8	Alloheim	6,000
9	Silver Care holding	5,231
10	Azurit	4,418

Source: JP Morgan

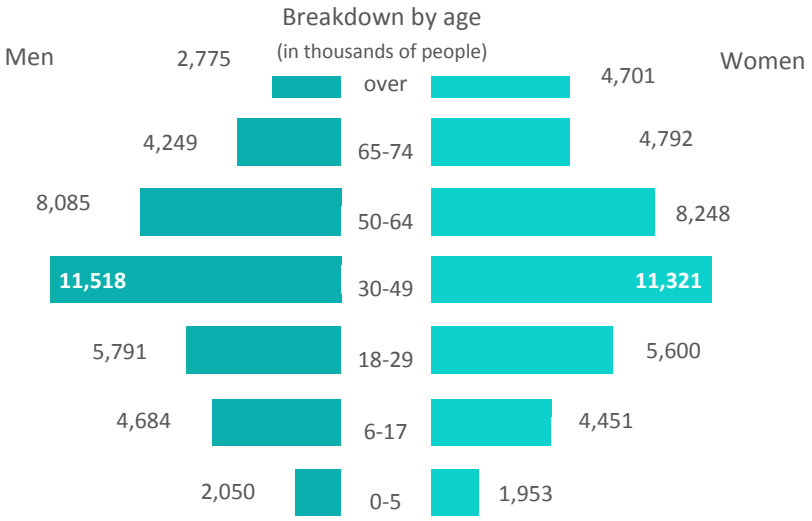
2.3.4. Market trends

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

Basically, the business activities of Phönix and Curanum are dominated by a rapidly ageing population and a shortage of bed numbers compared to demand.

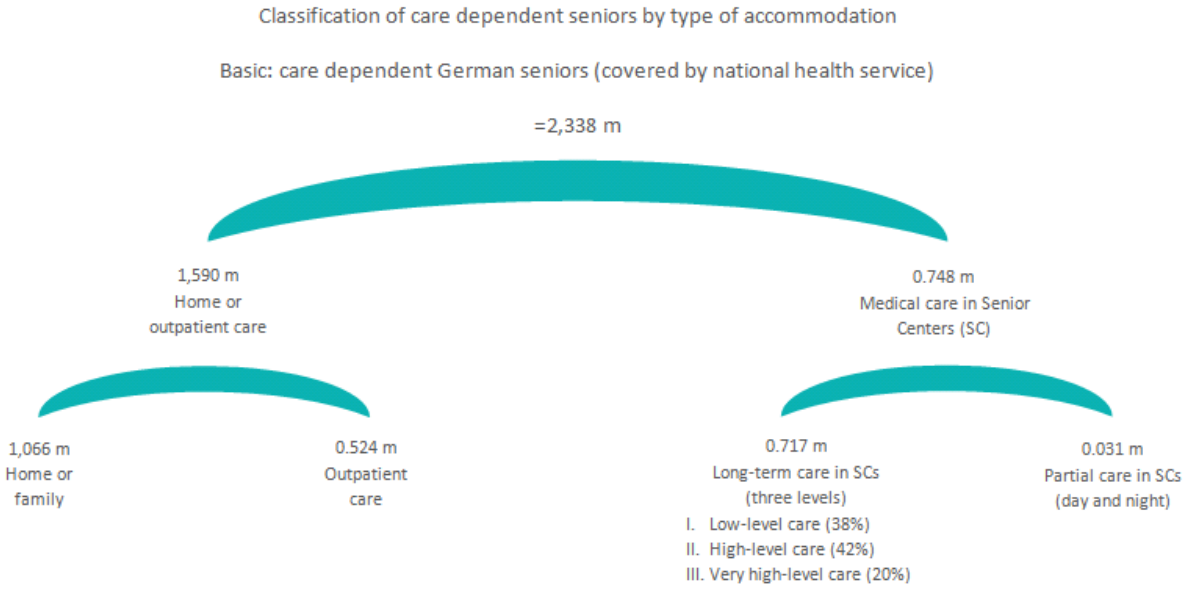
German age distribution in 2011:

(Source: Statistische Ämter des Bundes und der Länder)

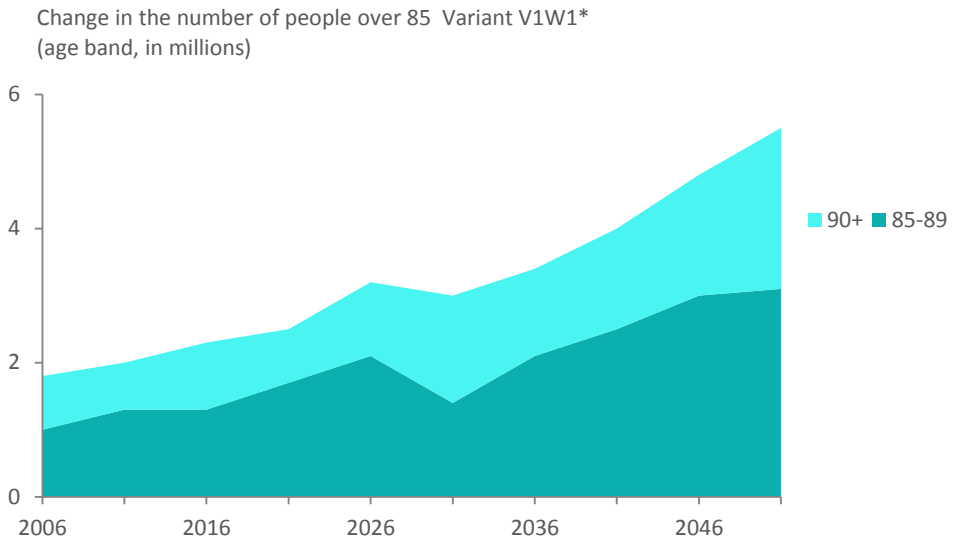


2.3.4.2. A demographic, economic and social environment that favours the expansion of the dependency care market

Of the 2.3 million dependent elderly, 68% receive home care or outpatient care. 787,000 elderly people are residents in *Pflegeheime*, most of them as long-term residents.

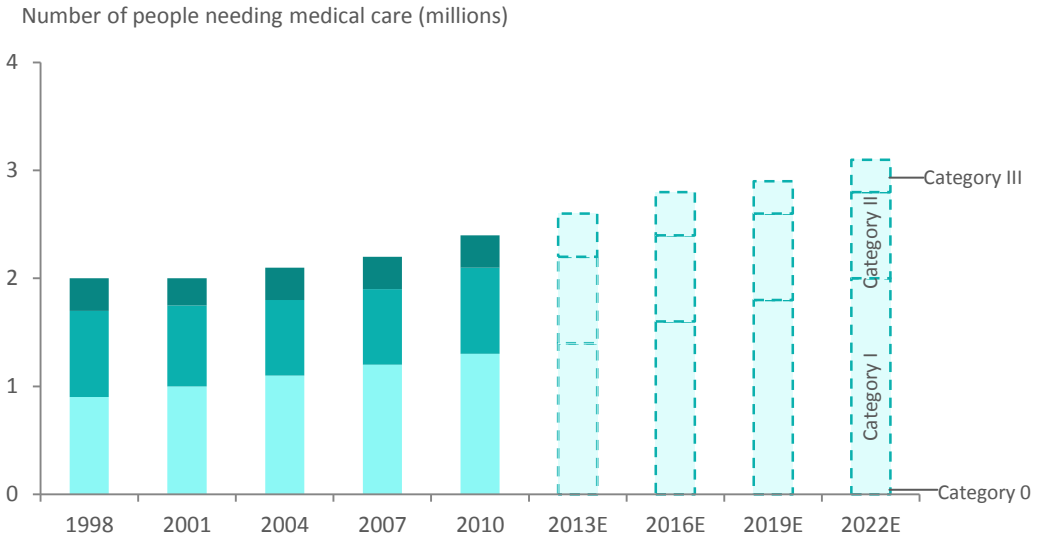


The number of elderly over the age of 85 is set to rise sharply over the coming years, faster than in France in the years to 2020 (Source: Destatis). This is due to the higher birth rate in Germany in the 1930s, the cohort of people that is now entering the eldest tier of the population.



Note: (*) 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.



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

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)

(Source: Destatis; ADMED/HCB/RWI; Litsearch; Bain interviews)

This model predicts a 30% rise in the number of dependent elderly by 2022. Converting this into demand for long-term care beds suggests an extra 200,000 new beds will be needed in the next 10 years.

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

2.4. THE KORIAN - MEDICA GROUP IN ITALY (SEGESTA & AETAS BRANDS)

2.4.1. Segesta & Aetas: universal players with the best quality standards

With 59 sites spread across 9 growth regions in Italy, Segesta and Aetas are the only organisations active in all branches of healthcare. Their know-how and ability to meet the expectations of Italian regulators have made Segesta and Aetas a leading player in all areas of healthcare (retirement homes, post-acute and rehabilitation clinics, psychiatric clinics, day care and home care).

2.4.1.1. Facilities for the elderly - *Residenze Sanitarie Assistenziali* (RSA)

The Group operates 47 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 their degree of dependency and Alzheimer's units in most homes;
- services including accommodation, laundry, food and various kinds of entertainments.

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

2.4.1.2. Day care

Segesta runs 7 day care centres with a total capacity of 225 spaces. Day care associated with RSA take in the elderly, Alzheimer's sufferers or people with mental disabilities or mobility problems. People can receive post-acute and psychiatric care 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.

2.4.1.3. Intermediate residences

The Group has 2 intermediate residences attached to the RSAs, which are apartments for elderly people who remain independent. The single or double apartments are designed to provide the maximum possible independence, privacy, continuity of social and family life while also providing a safe day-to-day environment and, where necessary, post-acute or psychiatric support.

2.4.1.4. Clinics

There are 12 Italian clinics of three 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 medicalised retirement home;
- psychiatric clinics accommodate patients suffering from acute mental illness. They provide psychiatric treatment for the patient throughout their stay;
- 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 while looking over their daily needs on a long-term basis, including through neurological stimulation and while encouraging ongoing relationships with patients' families). They also specialise in geriatric care (rehabilitation, long-term hospitalisation, dialysis, orthopaedics - notably hip replacements and out-patient activities).

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2.4.1.5. Home care

In Lombardy, Venetia, Lazio and Apulia, Segesta provides rehabilitation and home care. These services, which are paid in full by the regulator, provide nursing, re-education, blood tests, care for complex conditions such as vegetative states and palliative care in the home for terminal patients.

This huge range of services reflects the way the Italian healthcare system is organised to deal with 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 between them it deems necessary. 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. One may decide to prioritise post-acute clinics, another RSAs, and a third home care. 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 patients, respect for personal dignity, guarantee of care continuity and the option for patients to choose between different care solutions along with a high level of professionalism and dedicated staff.

2.4.2. Regulatory and financing framework

The Italian system is similar to the French model since the operation of a retirement home is subject to an authorisation and accreditation regime, which then entitles them 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 for structure, technology and organisation. This was amended by the Presidential decree of 14 January 1997, which required regions to set their own quality standards for accreditation and authorisation. These could be more stringent than the national requirements. In Lombardy, for instance, the regional health authority sets a minimum time to be given to each resident and, since 2001, new facilities cannot 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.

2.4.2.1. Regulatory changes in Lombardy

At the end of 2010, Lombardy extended to retirement homes the 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 retirement home signs off a forecast 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 and Aetas.



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 medico-social facility 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.

Note that rates vary widely across the country: treatment rates range from €29 to €64 per day and accommodation rates are set freely in Lombardy and Venice but capped elsewhere, such as in Piedmont, for instance, at €35.58 per day.

	SERVICE	RATE PAID BY the ASL (€/DAY)	ACCOMMODATION RATE (€/DAY)	TOTAL (€/DAY)
EMILIA	long-term care	€42.77	€42.77	€85.54
LOMBARDY	Long-term care A	€59.20	€58.95	€118.15
	Long-term care B	€49.20	€46.16	€95.36
LIGURIA	Long-stay psychiatric facilities	€29.49	€49.69	€79.18
	long-term care maintenance	€46.93	€42.00	€88.93
	Alzheimer's	€57.88	€42.00	€99.88
LOMBARDY	long-term care	€29 - €39 - €49	Freely set	-
	Long-term care in Alzheimer's unit	€52.00	Freely set	-
PIEDMONT	Basic long-term care	€35.58	€35.58	€71.16
	Medium-low level long-term care	€36.50	€36.50	€73.00
	Medium-level long-term care	€38.68	€38.68	€77.36
	High-level long-term care	€44.00	€44.00	€88.00
	High-level plus long-term care	€52.22	€52.22	€104.44
APULIA	Retirement homes (RSSA)	€46.45	€46.45	€92.90
SARDINIA	Low-intensity long-term care	€59.00	€59.00	€118.00
	High-intensity long-term care	€64.00	€64.00	€128.00
TUSCANY	Low-intensity long-term care	€43.23	€43.23	€86.46
	Medium-intensity long-term care	€57.97	€57.97	€115.94
	High-intensity long-term care	€60.00	€60.00	€120.00
VENICE	Low-intensity long-term care	€51.00	Freely set	-
	Medium-intensity long-term care	€58.00	Freely set	-

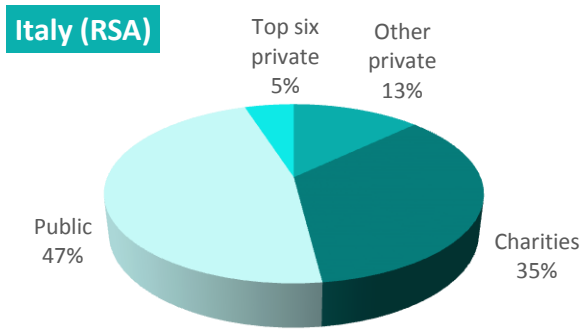
2.4.3. Players in the market

The 340,000 dependency beds in Italy break down as follows:

- the vast majority are public sector or charity run (82%);
- a highly fragmented private sector: the top 6 operators only have 5% of total beds.

Aside from the Korian Group, the main national players in dependency care are Kos, Eukedos and Orpéa.

There are many regional companies.



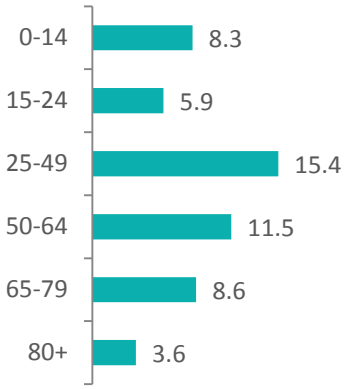
2.4.4. A strong growth market, driven by favourable demographic trends and with structurally short supply

2.4.4.1. Ageing of the over-65 population

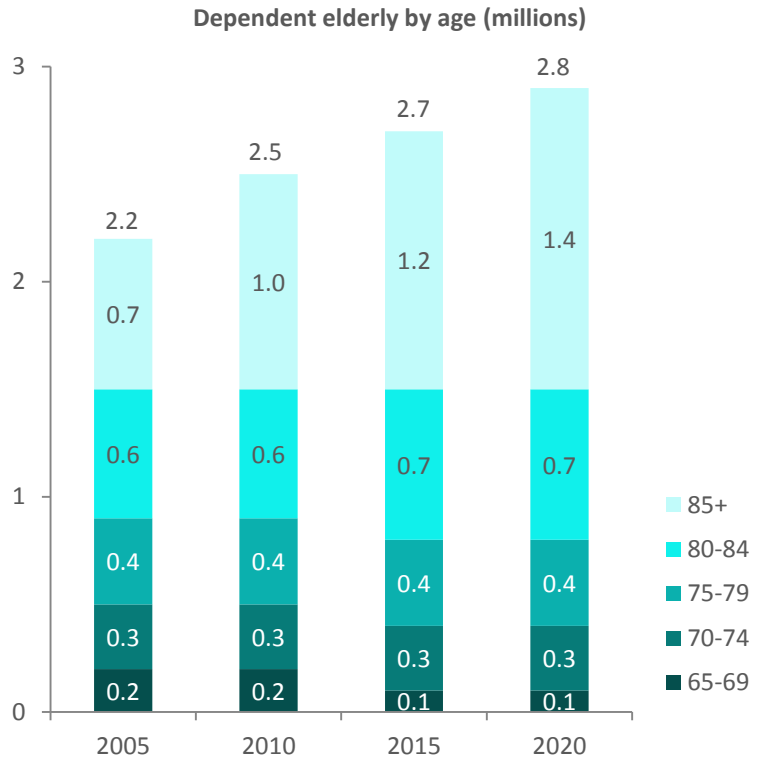
Italy currently has 147.2 people over 65 for every 100 young people, a total of 12.4 million elderly people over 65 (Source: ISTAT). This compares to 11.2 million in France (Source: INSEE) at 1 January 2012. This proportion of people over 65 makes Italy one of the countries with the most elderly in the world, along with Germany, and one of the fastest ageing populations. In 2012, more than 20% of Italians were over 65.

Italian age distribution in 2012:
(by age band, millions of people)

(Source: Eurostat)



Dependent elderly by age (2005-2020):



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 79.4 and women to 84.4[8].

More than 43% of the population over 65 is concentrated in Lombardy, Piedmont, Liguria, Tuscany and Sardinia - the regions where Segesta and Aetas operate.

Other characteristics of the French market (scale of dependency, changing lifestyles, etc.) are identical in the Italian market. However, the Italian market is differentiated from France by the low proportion of dependent people in specialist institutions compared to other European countries: around 64 retirement home beds per 1,000 people aged over 75 in Italy, compared to around 127 in France. This is explained by two factors: the limited capacity in the public sector and major role played by families in the care of their senior members, particularly in southern Italy.

2.5. THE KORIAN - MEDICA GROUP IN BELGIUM (SENIOR LIVING GROUP BRAND)

2.5.1. Presentation of the market

In Belgium, demand in the Ageing Well sector is addressed by several different types of accommodation.

- the facilities referred to as "retirement homes" (RHs) house elderly people aged over 60[9]. Retirement homes have two types of beds: rest home beds for the elderly and rest and medical care home beds. These two types of medical care have different care staffing ratios and different forms of financing.

[8] Source ISTAT "Noi Italia 2013"
[9] 65 in Flanders

Rest and care home beds are for people with higher degrees of dependency and are therefore better funded;

- intermediate residences (IRs) accept independent residents and offer accommodation plus an *a-la-carte* range of other provisions;
- 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 three months.

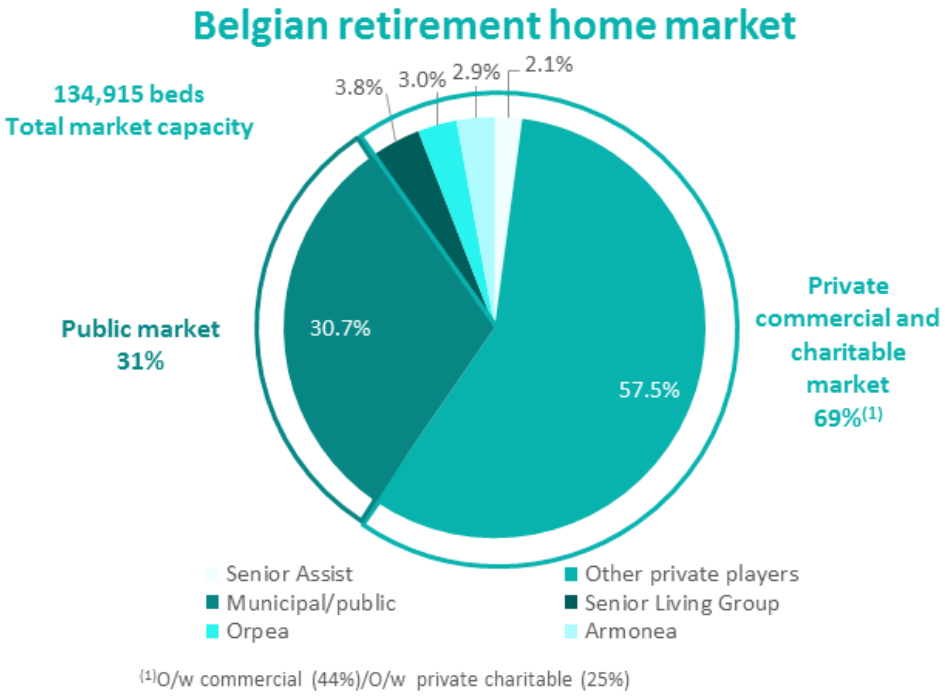
2.5.2. Market trends

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 2011 by the Plan Office show that the people over 65, who made up 17% of the Belgian population in 2010, will represent 21% in 2025 and 26% by 2050. Also, the population of people over 85 - 2.2% of all Belgians in 2010 - will rise to 3% in 2025 and 5.8% in 2050. Today, Belgium has around 2,400,000 people over the age of 60 and the available supply of retirement homes is around 130,000 accommodation units[10], barely 5% of the population concerned. To meet current demand, therefore, would mean creating more than 76,000 additional beds by 2050.

2.5.3. Players in the market

The Belgian market remains fragmented. Capacity is currently split between 1,530 homes, which are owned by private operators (44%), charities (25%) and the public sector (31%). The top 5 private operators control 13% of the total supply.



(Source: Senior Living Group Company presentation, PWC report, L.E.K. analysis)

[10] Source: www.kce.fgov.be

2.5.4. Regulatory and financing environment

Regulations, at both federal and regional level, pose a substantial barrier to entry in the Belgian market. An operating licence must be granted and accommodation rates are controlled by the federal government.

The Belgian market for retirement homes is solvent, with around 44% of day costs reclaimable from the social security system.

2.5.4.1. Current regulation in the sector

Currently, regulatory requirements are as follows.

- Operating licence

Licences (or certificates of operation) are issued under regional procurement programmes and must comply with federal law as they are funded by the INAMI[11] (federal institute for health insurance). The programmes take account of projections for the number of people aged 65 and over in each region.

Licences are normally awarded by the regional authorities, but in Flanders this responsibility is devolved to district councils[12]. 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).

Special authorisations, for instance to qualify as a rest and care home, require additional standards to be met, which were set out in Appendix 1 to the Royal Decree of 21 September 2004, as amended by the Royal Order of 7 June 2009.

Responsibility for initial authorisation, monitoring and quality control of facilities is shared by the federal government, district authorities and regions. Licences can be withdrawn if standards are not met.

There is no programme for intermediate residences. As a result, there is no obligation to have a licence, but they still need authorisation from the public authorities in Wallonia and Flanders, notably in order to pay reduced-rate VAT (12% instead of 21%) on their building costs.

- Financing medical care

Medical care and dependency are subsidised by the federal Ministry for Social Affairs and Health via INAMI. 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"[13]). 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.

- Day rates

Rest homes are not free to set their own pricing policy. Control is exercised by the Ministry of the Economy, which regulates annual increases.

The day rates paid by residents for room and board are freely negotiated when the rest home first opens, then automatically indexed to consumer price inflation. Larger increases in day rates require approval from the federal authorities. The facility has to submit a specific file arguing its case[14].
According to SPF Economie, the average day rate charged by the kingdom's 1,993 facilities in the first half of 2012 was €41.25, or €1,245 monthly. The average in Flanders is €1,423, but this does not include medical costs (drugs, physio, etc.) and some additional costs are billed separately (telephone, laundry, *etc.*).).

[11] Institut National d'Assurance Maladie Invalidité (INAMI).
[12] In Wallonia, district councils; Brussels-Capital region, the region.
[13] 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 INAMI.
[14] Annual increases are capped in some regions (5% per year in Wallonia).

2.5.4.2. The 6th state reform: changes expected in the sector

Regulations covering the Belgian dependency sector were recently overhauled throughout the country. The sector is in the throes of change and still adapting to the new legislation, particularly following the institutional agreement of 2011 known as the "Papillon Agreement", which will come into force from 2015 and decentralise federal powers to the federated entities, regions and communities.

Implementation of this power transfer was suspended, however, pending a deal on financing, which was reached in July 2013. Under this agreement, the Belgian federal government transfers a major part of its jurisdiction to the regions and communities. Policy on the elderly and long-term care will be transferred in its entirety to the communities.
Once this transfer is complete, INAMI's only remaining task will be to repay the cost of medical treatment provided in rest homes.

When reading this chapter, please note that it refers to the Korian Group. However, Section 3.1.2.4 presents the acquisition of the SLG Group by Medica SA, while certain parts of Section 3.6 on the risk control and management policy concern the Korian - Medica Group.

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3.1. HIGHLIGHTS

3.1.1. Strategic project: Korian First

2013 was marked by the launch and initial results of the Group-wide corporate project called "Korian First", which is based on four pillars: Performance, Development, Innovation and People. The most significant results of Korian First include the following:

- Performance pillar: the processes and action plans of the Korian First corporateproject are delivering the expected results and the Group's operational performance indicators have considerably improved. Indeed, as detailed below, the EBITDAR indicators have sharply increased in all countries where the Group operates. Within the scope of its strategic objectives, Korian has also completed the Group's refocus on its most strategic assets with the definitive sale of its 7 psychiatric clinics and 2 long-term care facilities;
- Development pillar: the success of the Curanum takeover at the end of the first quarter 2013 marked a major step in the Group's growth and development strategy. This acquisition immediately placed the Group in the leading position in Germany, a high-potential country. Indeed, Germany is the largest European country, with a population that is extremely favourable to our business, a fragmented market which must be consolidated, and a solid public funding system. The merger with Medica, detailed hereunder, positions Korian as leader in France and across Europe with a total of 597 facilities and 57,164 beds;
- Innovation pillar: on 11 December 2013, Korian officially launched the Korian Institute of Ageing Well, an applied research institute focused on the changing needs of seniors and the requirements of Ageing Well;
- People pillar: a managerial project has been set up to attract, train and retain employees within the Group. A first opinion poll, launched in France last June, proved highly successful. Moreover, Korian is the 1st major company in its sector to have finalised an agreement concerning the government-backed inter-generation contract aimed at promoting the employment of young people by opening-up some 500 positions every year while preserving the jobs of employees aged over 57.

3.1.2. Development

The year 2013 was mainly characterised by the acquisition of the Curanum Group in Germany and the planned merger with Medica, as well as the Group's ongoing organic growth with the opening up of 6 long-term care facilities and 2 clinics in France and Germany representing 890 beds.

3.1.2.1. In France

The Group pushed ahead with the restructuring of its facilities and the implementation of its organic development plan. Under Korian, the long-term care facility of Korian Le Diamant was opened in Alençon (84 beds).

Moreover, the Group carried out acquisitions through the ongoing gradual integration of the facilities of the Seniors Santé Group, following their ramp-up. In 2013, the acquisition clause was thus exercised for the outstanding 40% of the shares in Les Lierres Gestion and Vauvenargues Gestion.

As part of its strategic plan, Korian sold 7 psychiatric clinics (Korian Les Horizons, Korian Jeanne d'Arc, Korian Maylis, Korian Pays de Seine, Korian Vontes & Champgault, Korian La Mare O'Dans and Korian USLD Saint Cyr) as well as the long-term care facilities Korian Les Tilleuls located in Chatellerault and Korian Villa Lorca in Pau.

At the end of 2013, Korian operated 14,045 beds in France within 161 facilities.

3.1.2.2. In Germany

- Acquisition of Curanum AG

  In March 2013, Korian Deutschland AG, fully held by Korian SA, acquired via a takeover bid 78.45% of the shares of Curanum AG at a price of €83,555K.
  The Curanum Group, listed on the Deutsche Börse, is No. 2 in Germany's lucrative private retirement home market with 9,962 beds in 75 facilities. At the end of 2013, the Group employed 7,102 people, mainly in North Rhine-Westphalia, Hesse and Bavaria. In its official publication for the *Deutsche Börse*, Curanum announced that it achieved revenue of €293 million in 2013 with EBITDAR of €89.5 million (30.5%) and EBITDA of €34.0 million.

- Opening of a new residence in Hamm in North Rhine-Westphalia at the end of 2013 (80 beds + 18 beds in intermediate residences)

At the end of 2013, Korian operated 15,816 beds in Germany within 124 facilities.

3.1.2.3. In Italy

- Acquisition of the outstanding 40% minority interests in Heliopolis in January 2013. Heliopolis, located near Milan, is an RSA with 280 beds and 64 places in intermediate residences.
- Set-up of the company Vittoria S.r.l in June 2013. The company's mission is to develop business in the Brescia region (Lombardy); one of its first projects is the management of an RSA in the Brescia region in 2015 with a capacity of 118 beds, 34 mini-apartments and 20 places in day-care facilities.
- Acquisition of *Istituto Reumatologico Munari – Casa di Cura S.r.l.* in July 2013. This company manages a rehabilitation and recuperative care clinic of 40 standard beds in Florence.

At the end of 2013, Segesta operated 4,233 beds in 31 sites.

3.1.2.4. In Belgium

On 30 September 2013, a few weeks before the announcement of the Merger project, the Medica Group completed the full acquisition of the Senior Living Group (SLG), the leading private operator of dependency care facilities in Belgium.
At the end of 2013, SLG operated 5,481 beds within 47 facilities, mainly in Flanders. It has a strong organic growth potential with a portfolio of 1,256 beds to be built.

3.2. CHANGE IN THE GROUP'S BUSINESS ACTIVITIES

3.2.1. Evolution of the consolidated revenue

In € millions	2013	2012	Change, 2013/2012
France	765.5	762.0	0.5%
Italy	191.7	189.6	1.1%
Germany	413.7	156.8	163.8%
Consolidated revenue	**1,371.0**	**1,108.4**	**23.7%**

In 2013, the Group recorded growth of 23.7% supported by:

- a solid base of 4.2% organic growth;
- strong growth in Germany with the acquisition of the Curanum Group;
- despite the pull-out from the psychiatric sector (impact of -1.75% in 2013) and the sale of a few non-strategic facilities.

In 2013, Korian thus added 9,580 beds to its facilities for a total of 34,094 beds within 316 facilities at the end of 2013.

3.2.2. Business growth of 0.5% in France driven by organic growth of 4.6%

With revenue of €765.5 million in 2013, business in France grew by 0.5%. This limited growth is mainly due to the impact of the disposal programme implemented in 2013. Indeed, the entire psychiatric division (seven facilities) was sold, as well as four long-term care facilities (two at the end of 2012 and two in 2013). Excluding those disposals, organic growth in France stood at 4.6%.

This growth stems from the opening of new facilities and extensions carried out in 2012/2013, as well as from the ongoing high occupancy rate and from a dynamic pricing policy.

Accommodation rates for long-term care 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. For 2013, the increase in the rates of services offered to elderly people residing in retirement homes at 31 December 2012 was limited to 2.3%. A rate increase above this indexation is only possible upon a change of residents. To a certain extent, the Group's management can thus increase its accommodation prices in its long-term care facilities.

At the end of 2012, the marketing policy for private rooms in the medical care sector was reviewed for all of our facilities and thus contributed to the significant growth of our clinics' revenue in 2013.

3.2.3. Business growth of 1.1% in Italy

In 2013, Segesta's revenue amounted to €191.7 million, up 1.1% compared with 2012. The restructuring operations conducted by several facilities during the year, in particular the work done in the RSAs of Crocetta and Nuova Fenice had a negative impact on the year's results.

Mature facilities generated revenue of €134.6 million, with an ongoing high occupancy rate of 97.1%, and good performance in home care and day care services.

The facilities being ramped up and those to be restructured generated revenue of €56.1 million.

These facilities have a high potential for improvement.

3.2.4. Strong external and organic growth (+163.8%) in Germany

On a like-for-like basis, Phönix, the long-held subsidiary of Korian in Germany, consolidated its growth in 2013 with revenue of €168.1 million, up 7.3%. This mainly stems from organic growth (5.2%), boosted by the opening of two new facilities in 2013. This comfortable organic growth is attributable to the facilities' improved occupancy rate and the impact of price increases.

Moreover, Korian's German network tripled in size with the consolidation of Curanum, No. 2 on the market, following the friendly takeover initiated at the beginning of the year. Curanum has thus contributed €245.6 million to the Group's revenue since its consolidation on 1 March 2013, with the sub-Group recording organic growth of 1.2% for the period. For 2013 as a whole, Curanum generated revenue of €293 million.

3.3. REVIEW OF THE FINANCIAL POSITION AND RESULTS AS AT 31 DECEMBER 2013

3.3.1. Consolidated financial statements of the Korian Group

No change in accounting policy had a material impact on the consolidated financial statements. Following the acquisition of the Curanum Group in Germany, and the resulting relative increase in European business activities compared with French activities, the Group's management concentrated its per-sector analysis on three countries (France, Germany and Italy).

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 has 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.

3.3.1.1. Consolidated income statement

In € millions		31.12.2013	31.12.2012	Change, 2013/2012
Revenue		1,371.0	1,108.4	23.7%
EBITDAR		374.1	276.8	35.2%
	% of revenue	27.3%	25.0%	
External rent		191.3	137.7	39.0%
EBITDA		182.8	139.1	31.4%
	% of revenue	13.3%	12.5%	
Operating profit		100.4	86.7	15.9%
Financial result		(44.9)	(34.0)	31.9%
Profit/(loss) before tax		55.6	52.7	5.5%
Net profit/(loss) attributable to owners of the company		28.6	23.3	22.2%

The main operational indicators show growth well above that of the business, confirming the ongoing impact of our performance improvement policy in a context of strong growth.

In the breakdown of the EBITDAR, employee expenses accounted for 47.9% of revenue (excluding VAT), amounting to €656.4 million at 31 December 2013 and remaining stable compared to 2012. Within the Group, the relative reduction in the weight of Italy, which has a lower employee expense/revenue ratio, conceals the good performance of France and Germany, which both recorded significant drops in this ratio.

In France, the ratio of employee expenses to revenue (excluding VAT) went from 52.6% in 2012 to 51.3% in 2013; 1 point was due to the introduction of the CICE employment tax credit in 2013, while the remaining 0.3 point was attributable to the stringent management of our workforce. In Italy, this ratio remained stable at 25.7%, versus 25.6% in 2012. Note that this relatively low ratio stems from the fact that, in Italy, part of the employee expenses is invoiced through cooperatives (not by the clinics). In Germany, the ratio stands at 51.8%, down 0.3 point compared with 2012.

Other purchases and expenses accounted for 24.8% of revenue (excluding VAT), i.e. €340.7 million. This represents a significant drop (-2.3% points) compared with 2012, due to the stringent central purchasing policy implemented within the Group.

The consolidated EBITDAR thus stands at €374.1 million as at 31 December 2013, up by €97.3 million. Korian's 2013 EBITDAR margin was 27.3%, representing a rise of 230 basis points compared with 2012. This rise breaks down as follows by country.

Operating segments	Total		France		Italy		Germany	
	2013	**2012**	2013	2012	2013	2012	2013	2012
Revenue	**1,371.0**	**1,108.3**	765.5	762.0	191.7	189.6	413.7	156.7
EBITDAR	**374.1**	**276.8**	202.5	188.1	47.0	44.7	124.6	44.0
% of revenue	**27.3%**	**25.0%**	26.5%	24.7%	24.5%	23.6%	30.1%	28.0%

Rents increased 39% (35% of which relates to the acquisition of Curanum) to €191.3 million, versus €137.7 million in 2012. They accounted for 51% of the Group's consolidated EBITDAR.

The increase in rents is due to the changes in the scope of consolidation, the acquisition of facilities or the outsourcing of premises. On a like-for-like basis, rents only increased by 0.8%, in keeping with the leases' indexation clauses.

Operating profit amounted to €100.4 million in 2013, up by €13.7 million compared with 2012, i.e. a 15.9% increase. This increase takes account of expenses relating to acquisitions and restructuring operations. Excluding these non-recurring expenses, the growth in operating profit stood at 27.2%, thereby exceeding business growth.

The cost of net debt amounted to €44.9 million versus 34.0 million in 2012, up 31.9%, due to the acquisition of Curanum in the first half of 2013. At the end of December 2013, the average debt ratio was 4.3%.

The tax rate was 43.5% at 31 December 2013. This apparently high rate includes the CVAE in France and the IRAP in Italy. It should also be noted that, since 2012, only 85% of financial expenses are deductible. Lastly, an employment/competitiveness tax credit (CICE) was recorded in 2013. Taking account of these items, the adjusted tax rate stood at 35%.

The net profit attributable to the Group thus came out to €28.6 million, up 22.8% compared to the previous year.

3.3.1.2. Consolidated Balance Sheet

In € millions	31.12.2013	31.12.2012
Non-current assets	2,047.0	1,774.5
Current assets	280.2	364.4
Assets held for sale	0.8	92.9
Total Assets	**2,328.0**	**2,231.9**
Shareholders' Equity	768.6	732.7
Total non-current liabilities	997.3	935.8
Current liabilities	562.1	537.2
Liabilities held for sale	0.0	26.2
Total equity and liabilities	**2,328.0**	**2,231.9**

Assets

- Intangible assets amounted to €1,420 million, i.e. 71% of non-current assets and 61% of the Balance Sheet total. They consisted of licenses to operate the facilities. The value of these licenses and the Group's goodwill are tested for impairment in accordance with IAS 36 based on their "value in use" determined using the discounted cash flow (DCF) method. The change in intangible assets mainly stems from the year's acquisitions and disposals, and in particular the acquisition of the Curanum Group.
- Tangible assets increased €170 million during the year to €557 million. This increase is due to construction work and acquisitions on the one hand, and disposals or extensions on the other. Changes in the scope of consolidation in France reduced fixed assets by €10.7 million. The consolidation of Curanum resulted in a €178.1 million increase in fixed assets.
- Within current assets, trade receivables amounted to €88 million, up by €8 million, i.e. 10% compared with business growth of nearly 24%, a sign of the ongoing effectiveness of the collection policy implemented.
- Current assets also include cash and cash equivalents, which decreased by €110.8 million, mainly due to the acquisition of Curanum.

Liabilities

- The consolidated equity attributable to owners of the company increased by €33.7 million, mainly due to:
  - the net profit of €28.6 million attributable to owners of the company;
  - the distribution de €20.3 million in dividends in June 2013 in respect of 2012 profits;
  - the €12.5 million capital increase resulting from the payment of the 2013 dividend in shares;
  - the recognition of interest rate hedging instruments amounting to €10.6 million.
- As at 31 December 2013, the share capital of Korian consisted of 34,839,613 shares.
- Net debt and borrowings amounted to €715.9 million, up by €153.9 million.

The Group's debt breaks down as follows:

	31.12.2013	31.12.2012
Bank loans	521,920	567,361
Finance lease liabilities	190,502	96,628
Employee profit-sharing	34	35
Other financial liabilities	1,120	1,024
of which liabilities held for sale		(154)
Long-term debt	**713,576**	**665,202**
Short-term loans from credit institutions	28,463	42,102
Short-term finance lease liabilities	13,896	7,826
Bank overdrafts and advances	5,867	5,077
Other short-term financial liabilities	11,080	4,662
of which liabilities held for sale		126
Short-term financial liabilities	**59,306**	**59,541**
Financial liabilities (A)	**772,881**	**724,743**
Marketable securities	25,678	135,574
Cash	26,255	27,313
of which assets held for sale		164
Cash (B)	**51,933**	**162,723**
Cash provided as collateral **(C)**	5,003	
Net debt (A) – (B) – (C)	**715,945**	**562,020**

At 31 December 2013, net financial liabilities amounted to €716 million, including a real estate liability of €282 million. Excluding the real estate liability, Korian's net debt/EBITDA ratio is thus 2.7x, well below the covenant of 4.75x. The Group therefore managed to finance a major development operation in Germany while lowering its financial leverage.

The consolidation of Curanum resulted in a €100.8 million increase in "long-term finance lease liabilities" and a €6.8 million increase in "short-term finance lease liabilities".

3.3.2. Annual financial statements of Korian SA

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

Income statement

In € millions	2013 12 months	2012 12 months
Revenue	40.1	36.0
Other operating income	3.7	1.7
Total operating income	**43.8**	**37.7**
Other purchases and external costs	(20.9)	(16.4)
Income and other taxes	(2.1)	(1.5)
Employee expenses	(27.9)	(26.2)
Depreciation, amortisation and provisions	(5.5)	(5.0)
Other charges	(0.3)	(0.4)
Total operating expenses	**(56.7)**	**(49.5)**
Operating results	**(12.9)**	**(11.8)**
Financial result	**10.4**	**28.4**
Non-recurring profit (loss)	**(4.5)**	**(2.7)**
Income tax (consolidation gains)	10.9	11.0
Net profit	**3.9**	**24.9**

Operating results

The income of Korian SA mainly consists of Group fees paid by all facilities under an assistance agreement. These fees, which totalled €24.3 million in 2013 (up €0.8 million), are divided among the facilities according to the number of beds they operate.

Korian SA also re-invoices other expenses to its subsidiaries, such as insurance, advertising, and engineering services, as well as various services to companies outside the Group. These re-invoiced expenses amounted to €2.3 million in 2013. External services invoiced outside the Group amounted to €9.5 million (up €1.2 million).

Totalling €27.9 million for an average workforce of 305 people, employee expenses accounted for nearly 50% of total operating expenses.

Amortisation and depreciation expenses increased by €0.5 million following the Group-wide roll-out of various IT tools.

Financial result

As the Group's holding company, Korian SA also receives dividends from its subsidiaries. These dividends decreased from €45.4 million in 2012 to €30 million in 2013.

Korian SA bears most of the Group's debt. Loan expenses amounted to €27.4 million in 2013 (up €2.8 million).

As head of the cash pooling arrangement, Korian SA paid €5 million in interest expenses on current accounts and received €10.2 million in interest earned on the current accounts of its subsidiaries.

Non-recurring profit (loss)

The non-recurring loss of €4.5 million breaks down as follows:

- subsidiary dissolution costs of €2.4 million;
- depreciation of non-operating receivables amounting to €1.3 million;
- development costs of €3.8 million; and
- a capital gain of €3.8 million on the sale of securities.

Balance Sheet

Assets	31.12.2013	31.12.2012
Intangible assets	282.6	309.9
Property, plant and equipment	3.2	3.5
Non-current financial assets	665.8	578.5
Total non-current assets	**951.6**	**892.3**
Trade receivables	3.5	3.3
Other receivables	370.1	370.3
Cash	24.5	141.0
Prepaid expense	0.3	0.8
Total current assets	**398.4**	**515.4**
Debt issuance costs and bond discounts	0.6	0.0
Total assets	**1,350.6**	**1,407.7**

Liabilities	31.12.2013	31.12.2012
Share capital	174.2	170.2
Reserves and premiums	439.0	429.8
Retained earnings	22.8	18.9
Profit (loss)	3.9	24.9
Regulated provisions	4.6	4.6
Financial position	**644.5**	**648.4**
Borrowings with special terms	17.5	0.0
Provisions for risks and expenses	**0.7**	**2.0**
Financial liabilities	662.4	738.5
Trade payables	4.7	4.9
Tax and social security liabilities	13.6	13.4
Other liabilities	6.7	0.0
Deferred income	0.5	0.5
Total operating liabilities	**687.9**	**757.3**
Total liabilities	**1,350.6**	**1,407.7**

The Balance Sheet total of Korian SA amounted to €1,350 million. It mainly consisted of the following:

Assets:

- €952 million in non-current assets, accounting for nearly 70% of the Balance Sheet. They break down as follows:
  - €264 million in net merger expenses relating to the Korian/Medidep merger in 2006 (-€50 million following the sale of shares in companies operating the Korian psychiatric clinics and the winding-up of a subsidiary);
  - €666 million in shares of subsidiaries. Korian carried out a €101 million capital increase on its German subsidiary Korian Deutchland AG.
- The two other main items in the Balance Sheet assets are:
  - current accounts with subsidiaries amounting to €360 million;
  - €24.5 million in cash.

Equity and Liabilities:

- for the payment of the 2013 dividend, shareholders were able to choose between a payment of the dividend in cash or in new Company shares. Following this transaction, the share capital of Korian SA was increased by €3,993,925 through the issue of 798,785 shares on 23 July 2013, thus raising the share capital to €174,098,065 divided into 34,839,613 fully paid-up shares, all of the same category and with a par value of €5 each;
- financial liabilities amounted to €662.4 million, breaking down into borrowings of €471.3 million (down €93 million), and subsidiaries' current accounts amounting to €190.7 million;
- trade payables amounted to €4.7 million, and broke down as follows:
  - €1 million in provisions for invoices not yet received,
  - €3.7 million in trade payables.

As at 31 December 2013, the payment schedule for these liabilities is the following.

In € millions	Due +60d	Due -60d	Not yet due -60d	Not yet due +60d	Total
Operating trade payables	0.2	1.7	1.0	0	2.9
Trade payables, Group	0.6	0.1	0.1	0	0.8
Total	0.8	1.8	1.1	0	3.7

Note that the payment schedules for these liabilities as at 31 December 2012 was the following.

In € millions	Due +60d	Due -60d	Not yet due -60d	Not yet due +60d	Total
Operating trade payables	0.1	2.4	1.1	0.3	3.9
Trade payables, Group	0	0	0	0	0
Total	0.1	2.4	1.1	0.3	3.9

3.4. MATERIAL EVENTS SINCE THE YEAR-END

Since 1 January 2014, Korian has carried out the following transactions.

3.4.1. Merger between Korian and Medica (*fusion-absorption de Medica par Korian*)

On 18 November 2013, Korian announced the signing of a memorandum of understanding in view of a merger with Medica, aimed at creating the European leader in services to the elderly. On 20 January 2014, the Boards of Directors of both Korian and Medica approved the draft agreement setting out the terms and conditions of the Merger. The draft merger agreement was signed by Korian and Medica on 23 January 2014.

In accordance with Article 212-34 of the AMF General Regulation, the information document concerning the Merger, drawn up according to the requirements of Annex II of AMF Instruction 2005-11, was registered by the AMF on 5 February 2014 under number E. 14-003, after its approval by the two companies' Boards of Directors. It can be examined on the Company's website (www.groupe-korian.com) and on the AMF website (www.amf-france.org).

On 18 March 2014, the General Meetings of both companies approved the Merger, which took place on the same date, with retroactive effect as of 1 January 2014 with respect to accounting and taxation. The company was renamed "Korian-Medica".

The exchange ratio offered to Korian and Medica shareholders was set at 10 Korian shares for 11 Medica shares. In consideration for the Merger, on 18 March 2014, Korian issued 43,549,260 new shares with a par value of €5 each, within the scope of a capital increase totalling €217,746,300. These new shares were admitted to trading in Compartment B of Euronext Paris on 24 March 2014.

Following the Merger, the Company's share capital increased from €174,198,065 to €391,944,365. It is now divided into 78,388,873 fully paid-up shares of the same category, with a par value of €5 each.

Consolidated *pro forma* income statement

The *pro forma* income statement presented hereunder intends to illustrate, on an indicative basis, the effects of the merger of the Korian and Medica Groups on the Korian Group's main indicators as at 31 December 2013 and 31 December 2012, as if the merger had occurred on 1 January 2012.

In particular, the following *pro forma* income statement was prepared under the following assumptions:

- accounting of the Curanum Group by Korian as of 1 January 2012;
- accounting of the Senior Living Group (SLG) by Medica as of 1 January 2012;
- sale of the psychiatric division by Korian before 1 January 2012;
- merger of the Korian and Medica Groups on 1 January 2012.

In thousands of euros	TOTAL *Pro forma* 31.12.2013	TOTAL *Pro forma* 31.12.2012
Revenue	2,375,847	2,251,959
Other income	-	-
Income from operations	**2,375,847**	**2,251,959**
Purchases used in the business	(172,785)	(152,390)
Personnel expenses	(1,137,897)	(1,082,495)
External charges	(653,477)	(642,627)
Income and other taxes	(84,515)	(79,591)
Amortisation and depreciation	(102,138)	(88,758)
Gain/(loss) on acquisition and disposal of consolidated entities	6,891	(40)
Non-recurring operating income and expenses	(1,013)	4,468
OPERATING PROFIT	**230,912**	**210,525**
Financial expense	(68,572)	(66,343)
Financial income	50	97
Cost of gross debt	**(68,522)**	**(66,247)**
Income from cash and cash equivalents	436	480
Cost of net debt	**(68,086)**	**(65,767)**
Other financial expense	(5,723)	(6,266)
Other financial income	2,833	1,604
Profit/(loss) before tax	**159,936**	**140,096**
Income tax	(62,919)	(59,816)
Profit (loss) of consolidated companies	**97,016**	**80,280**
Group share of profit (loss) of equity associates	2,230	118
Net profit (loss) from continuing operations	**99,245**	**80,398**
Net profit (loss) from operations discontinued, sold or being disposed of	-	-
Net profit	**99,245**	**80,398**

In millions of euros	TOTAL *Pro forma* 31.12.2013	TOTAL *Pro forma* 31.12.2012
Revenue	**2,375.8**	**2,252.0**
Purchases and external expenses	(502.5)	(492.2)
Personnel expenses	(1,137.9)	(1,082.5)
Income and other taxes	(84.5)	(79.6)
Other income and expenses	3.8	3.4
EBITDAR	**654.8**	**601.1**
EBITDAR rate	27.6%	26.7%
External rent	(320.2)	(300.7)
EBITDA	**334.6**	**300.4**
EBITDA rate	14.1%	13.3%
Net depreciation, amortisation and provisions	(102.1)	(88.8)
EBIT (operating income)	**232.5**	**211.6**
Other non-recurring income and expenses	(1.6)	(1.1)
Operating profit	**230.9**	**210.5**
Financial result	(71.0)	(70.4)
Profit/(loss) before tax	**159.9**	**140.1**
Taxes	(62.9)	(59.8)
Group share of profit (loss) of equity associates	2.2	0.1
Net profit	**99.2**	**80.4**

Pro forma 31.12.2013 *In millions of euros*	France	Italy	Germany	Belgium	Total
Revenue	**1,441.4**	**271.3**	**461.2**	**202.0**	**2,375.8**
EBITDAR	**401.8**	**65.2**	**137.9**	**49.9**	**654.8**
EBITDAR rate	*27.9%*	*24.0%*	*29.9%*	*24.7%*	*27.6%*

Pro forma 31.12.2012 *In millions of euros*	France	Italy	Germany	Belgium	Total
Revenue	**1,356.3**	**267.6**	**445.6**	**182.6**	**2,252.0**
EBITDAR	**360.9**	**63.8**	**131.1**	**45.4**	**601.1**
EBITDAR rate	*26.6%*	*23.8%*	*29.4%*	*24.9%*	*26.7%*

3.4.2. Favourable refinancing of the syndicated loans

The merger between Korian and Medica (*fusion-absorption de Medica par Korian*) required the immediate repayment of Medica's syndicated loan. In December 2013, Korian accordingly negotiated bridge financing to cover this refinancing requirement.

However, given the favourable market conditions, the Company negotiated a refinancing contract covering the entire debt of the new Group.

This new syndicated loan was signed on 12 March 2014, subject to the condition precedent of the completion of the Merger. It comprises two five-year tranches:

- a tranche refinancing the syndicated loans of Korian and Medica in the amount of €800 million;
- a revolving credit tranche of €300 million to finance the Group's general needs.

The covenant (debt – mortgage debt)/(EBITDA – 6.5% of mortgage debt) is set at 4.5x for the term of the loan. The loan is not secured, and its terms allow the Group to raise loans in addition to the syndicated loan in amounts of €700 million in real estate debt and €150 million in non-real estate debt.

The loan contract also contains a change of control clause:

- Korian - Medica's major shareholders must keep their interest above 40%; and
- no other shareholder may hold more than 1/3 of share capital.

The pool consists of 12 banking groups, most of which are European.

Following the completion of the Merger, the refinancing tranche was fully drawn on 26 March, which allowed the simultaneous repayment of the syndicated loans of Korian and Medica.

With this refinancing, Korian - Medica has given itself considerable leeway to continue its development while optimising its financing cost and significantly extending the maturity of its debt.

3.4.3. Evolution of prices

By order of the Ministry of the Economy, Finance and Employment, the increase in the prices charged by retirement homes has been set at 1.0% for 2014 (applicable to persons already living in facilities as of 31 December 2013).

3.5. FORESEEABLE CHANGES – OUTLOOK

A new, larger, fully operational entity

With over 57,000 beds under operation, Korian - Medica has moved into the leading position in 4 major European markets. The Group's geographical diversification will enable it to continue its development and benefit from international growth drivers.

In 2014, the Group will concentrate its efforts on its successful integration in France. In addition to standard management duties, Olivier Derycke, Head of the French business, is tasked with leveraging operational synergies and identifying organic growth opportunities. This grassroots work will feed the Group's strategic plan, which should be finalised at the end of 2014 and rolled out as from 1 January 2015.

Moreover, the Group Executive Committee led by Yann Coléou is composed of seven members including the Heads of the four countries in which the Group operates. This structure reflects the Group's new dimension, which is resolutely international.

Solid outlook

With a sharp increase in profits, a robust financial structure and an efficient organisation, Korian - Medica has good visibility on its business segment and encouraging prospects. The Group is targeting *pro forma* revenue of €2.5 billion in 2014, and expects a slight increase in operational profitability.

With a growth pipeline of 7,901 beds, i.e. 3,391 beds to be built and 4,510 beds under restructuring, and numerous growth opportunities to come in its markets, Korian - Medica reiterates its objective of €3 billion in revenue by 2017.

3.6. RISK PREVENTION AND MANAGEMENT POLICY

The risks presented here are those that the Company considers, on the date of this report, as liable to have a significant negative impact on the Group, its business, its financial position and its results or its development.

However, the Group cannot rule out the possibility of other risks materialising in the future and having a significant negative impact on it.

3.6.1. Risk prevention and management policy

The Group takes a certain number of measures to limit its exposure to the risks inherent in its dependency care, medico-social care and post-acute and psychiatric care activities.

To date and to the Company's knowledge, no Group facility is or has been involved in any significant litigation related to any of the risks identified by the Group and covered by its risk management policy.

The Group's risk management policy, as detailed hereunder, applies to retirement homes as well as post-acute and psychiatric care facilities, with the understanding that the risks associated with healthcare activities vary according to the level of medical care provided at each facility.

3.6.1.1. Risks involved in obtaining and maintaining operating permits and risks associated with the subsequent agreements

The Group's activities in France, Germany, Italy and Belgium are governed by a strict legal and regulatory framework. The Group is thus exposed to risks of expiry, suspension, withdrawal or non-renewal of the licenses or subsequent agreements or to the tightening of operating conditions, which may have direct impacts on its business, its development policy and its results.

For French facilities

The creation, transformation or extension of any long-term care facility 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 (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 five-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.

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 (two-month period, twice a year). For such periods, the ARS draws up a summary of the quantified objectives in terms of facilities, based on the needs defined in the regional medical care plan (SROS) and regional health project (PRS) whose prime objective is to coordinate the post-acute and psychiatric, outpatient 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 PSRS, 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 which takes account of needs.

A multi-year target and resource contract (MYTRC) is signed for a five-year period. Its objectives are to define the facility's strategic policies, define indicators aimed at improving control of medical expenses and professional practices and setting the corresponding prices. 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.

A license given before the start of construction automatically entitles its holder to operate, subject to the successful conclusion of a compliance inspection, carried out within six months of the start of the medical care activities.

A license granted to a facility may lapse if its operation hasn't started within three years, or if its construction, implementation or set-up isn't completed within four years. It may also be suspended or withdrawn in the event of a major malfunction of the facility.

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. The MYTRCs were drawn up at the same time.

For German facilities

The dependency insurance scheme was set up in 1996 and is organised around a regional structure. The *Länders* regulate and control the operators via the *Medizinischer Dienst der Krankenversicherung* (MDK).

To operate a retirement home, all that is needed is prior declaration to the authorities. This declaration comprises numerous details on financial aspects, the number of persons in the teams and their qualifications, as well as quality aspects. Through this declaration, the authorities can carry out checks at any time to ensure that the facility's structures and organisation comply with the requirements they have set.

This compliance with the authorities' requirements must continue throughout the operation of the facility; failing that, the competent authorities can order the stoppage of the activity or the partial or total closure of the facility if they deem it necessary.

Moreover, the competent authorities carry out regular compliance audits to ensure compliance with license obligations and subsequent agreements. These audits may result in an injunction to modify the methods used, carry out renovations, or in the most extreme cases, suspend the operation of a facility if the inspection reveals major malfunctions within the facility or insufficient quality of care.

Furthermore, the renewal of a license also depends on compliance with care standards, verified during a compliance inspection.

For Italian facilities

The Italian system is similar to the French model since the operation of a retirement home is also subject to a license and accreditation regime. The minimum framework to be complied with in terms of structure and organisation is thus set by law, while each region defines its own specific requirements (for example, in Lombardy where the Group operates, the supervisory authorities have set a minimum amount of time to be dedicated to each resident).

Licenses for the opening of new facilities are subject to the filing of an application (including numerous certificates of compliance with structural and management standards) in the region concerned; public funding is subject to accreditation (which requires more stringent management standards and implies that the business be carried out in a geographical area in which the supervisory authorities have identified unsatisfied needs).

Checks are carried out on a regular basis by the local authority to ensure the compliance of operating conditions. In the event of serious breaches, it can impose penalties and even withdraw licenses.

After a review of the standards required to obtain a license, the facilities may be required to adjust their structures and organisation within the legally required time frame.

3.6.1.2. Risks associated with changes in rates and social policies

An unfavourable change in social and pricing policies in France, Germany, Italy and Belgium, in particular regarding the players in the lucrative private sector, could have a negative impact on the Group's business, strategy, results, financial position and outlook.

For French facilities

Part of the revenue of medico-social facilities (approximately 35% for long-term care facilities) is set by the public authorities according to the costs incurred by these facilities. There is a risk that these public authorities may limit their share in the financing of these costs, in particular for medical care.

A change in the allocation of social benefits or in the reimbursement of medical care by the National Health Service could reduce the facilities' profit margins.

A major part of the post-acute and psychiatric care facilities' revenue depends on the prices set by the social security bodies. Any reduction, freeze, or insufficient adjustment in rates could have a negative impact on the Group's profitability and financial position.

Prior agreement (MSAP) may be required for post-acute and rehabilitation care clinics, which have a high number of patient admissions for post-surgery rehabilitation. Once notified, the MSAP requirement is imposed for a maximum of six months and may result in a drop in activities for our facilities. The Group's facilities have thus set up a more stringent analysis of admissions in order to avoid and limit these MSAP requirements.

For German facilities

Prices are negotiated with the dependency branch of the regional health insurance offices (Pflegekasse) and the authorities in charge of social assistance for the region. All of the services provided are charged to the resident, who receives a fixed monthly allowance from the dependency branch of the social security office, depending on the person's dependency level (6 levels). Renegotiations with the regional bodies take place on a multi-year basis for each facility.

The scheme is funded 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.

For Italian facilities

The rates are composed of a care fee and an accommodation fee. Their regulation is managed on a regional basis and varies greatly from one region to another. Thus, the accommodation fee is totally discretionary in Lombardy but is capped in the Piedmont region.

Likewise, there may be significant differences in the definition of care quality standards. Thus, in the south, rates as well as standards are generally lower.

In all regions, the care fee is covered by the public authority (ASL) while the accommodation fee is paid by the resident (or by the municipalities for persons with low income). On average, at Segesta, the breakdown between the two parts of the rate is 50-50.

The revenue of the post-acute and psychiatric care facilities totally depends on the rates set by the regional authorities. Like for the medico-social facilities, there may be significant differences in rates from one region to another. A drop or freeze in the budget allocated by the ASL could thus have a negative impact on the Group's profitability and financial position.

3.6.1.3. Employee-related risks

The shortage of medical staff and/or a possible increase in staff turnover, in particular concerning medical staff, could have an impact on the quality of service within the Group's facilities, affect its image and its development prospects or drive up wages, with a negative impact on margins. Any enduring shortage of staff in certain facilities could lead to the loss of certain operating permits.

Moreover, the Group cannot rule out a possible deterioration in employer-employee relations liable to cause strikes or other union actions. Any employee unrest could affect the proper functioning of the Group's facilities, its financial position and its operating results. 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, a change in regulations or in the requirements of the regulatory authorities in terms of staff qualifications could require the Group to increase its number of qualified staff for the same accommodation capacity. This could result in an increase in its payroll and the need for major recruitment campaigns in a context of shortage of qualified staff. To cope with the difficulty in recruiting qualified staff, partnerships have been formed with business schools and universities to create breeding grounds for future facility directors.

In Germany, the organisation of the medical care in retirement homes is centred on nurses. In fact, current regulations require a minimum of 50% qualified nurses and 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 also launched a major recruitment campaign called *pfleg 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. This experiment could be extended to a larger number of people in 2014, and to other countries.

Phönix and Curanum are particularly attentive to the constant improvement of working conditions in the facilities. Phönix has set up a "great place to work" programme, which keeps it informed of the areas of improvement expected by its employees. As for Curanum, it has launched annual satisfaction surveys which keep it informed of employees' main expectations.

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.

3.6.1.4. Risks of infection associated with medical care

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, 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 and ethics.

The facilites' 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.

Moreover, 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. Furthermore, non-compliance with such new regulatory requirements could result in the suspension of licenses and have an unfavourable impact on the Group's business, financial position and results.

Prevention of infections

In the Group's French facilities, the management of the risk of infection revolves around the following measures: supply of the required means 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, infectious medical waste, linen cycle, etc.), management of epidemics and vaccination policy, raising the awareness of the persons at risk (patients, residents and families), training of employees and external personnel, and the development of partnerships with specialised health bodies such as CLINs focused on the fight against nosocomial infections. 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, multidrug-resistant bacteria 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 alert measures (internal and external alert in the event of nosocomial infections) are defined in each facility. Every year, the facilities fill out the supervisory authorities' standardised report on the measures implemented to prevent nosocomial infections.

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 checked by the audit and quality assurance departments of Phönix (Léos). Moreover, during their visits, the health authorities check that the 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 retirement homes that provide medical care and its clinics. Like in France and Germany, internal procedures of best practices (hand hygiene, prevention and control of legionella, etc.), drawn up by the medical department, are disseminated to all Segesta facilities and updated on a regular basis. The implementation and monitoring of these best practices is then placed under the responsibility of the facilities' health director. The proper implementation of these procedures is checked during internal and external audits performed in all facilities at least once a year.

Management of infectious medical wastes (IMW)

The management of IMW is subject to specific internal procedures aimed at identifying this waste, using appropriate packaging (safe bins for sharp objects, containers), providing intermediate and final storage facilities and removing 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 is handled by specialised companies.

Epidemics

The development of an epidemic is 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.

In France, while standard precautions limit the risk of nosocomial infections 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. The Group's post-acute and psychiatric care facilities and long-term care facilities have no emergency services, but must take measures to be able to cope with an exceptional situation, as described in their white plan or blue plan, now defined with the ARS (in line with the work initiated with the DDASS), through the drafting of a BCP, which must also provide for degraded organisation and operation procedures 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, the facilities roll out a vaccination campaign for their teams (flu and whooping cough) and for the elderly people in their long-term care facilities (flu and pneumococcal vaccines).

In Germany, the facilities are obliged to immediately inform the regional health authorities, who will 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, the health directors input the list of the persons vaccinated on a web portal. In accordance with the national procedures, each suspected epidemic focus is reported to the ASL by the RSA's health director. The Government provides all facilities with a regularly updated list of the diseases to be reported and the corresponding protocols to follow. In the event of contamination of a facility, after having informed the competent authorities, the health director undertakes the decontamination of the facility in accordance with the protocols defined by the health authorities.

Medication circuit

Each step in the medication circuit is liable to generate errors, giving rise to risks for patients or residents, ranging from the inhibition of active principles to the toxicity of the medication given. In the event of a malfunction 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 patient or resident.

In this concern, 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 post-acute and psychiatric or medico-social 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 facilities. The prescribing doctors must now sign an agreement defining operating rules to ensure the safety of the prescriptions. A commission composed of representatives of all of the facility's medical personnel (the CCG) meets at least twice a year to review the topic of medication.

In the healthcare 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 medical committee (CME) to conduct projects and promote communication between services or players. A team tasked with working on the medication policy is clearly identified, with four key players: the head of the facility, the CME, the risk management coordinator and the head of the quality assurance system and medication management.

Korian has asked all its facilities to carry out an annual self-assessment of the medication circuit and to 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 illnesses, and reduce the medication-related risk and workload for the nursing team.

To round up this work, a medication booklet was produced over the past 3 years and disseminated to all Korian facilities, listing the molecules most suited to elderly patients, in the light of the current 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 medical 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 facilities. These systems allow the automatic analysis of prescriptions, avoid the need for transcription and provide indicators on which we can base our reflection.

In France, Germany and Italy, medications are prescribed by a doctor, delivered by a pharmacy and distributed by a nurse. However, a specific traceability system is used for opiates and medication expiry dates.

In Germany, medical prescriptions are issued by each resident's GP, and carried out under their control. The medications are purchased from local 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 give the medications. The data concerning the administration of the medications and their effects is fed into a monitoring tool, allowing the resident's doctor to view the treatment information in real time.

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

Risks associated with medical equipment and devices and medical device vigilance

In France, patient care may require the use of biomedical equipment and devices for diagnostic, therapeutic or rehabilitation purposes.

Improper preventive maintenance could induce a diagnostic error or performance shortfall resulting in a medical accident or inappropriate treatment. Moreover, 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.

In order to control these risks, 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.

Moreover, 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 German subsidiary's quality assurance manager and by the authorities. The maintenance of the equipment is handled by the local teams and certified by external bodies such as Ecomed System & Management, Gedias and TUV.

In Italy, the facilities' medical equipment and devices are listed and inventoried in a 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 company specialised in this field in accordance with Act 81/08 and standards IEC 62/148 and IEC EN 62353. Internal and external audits are also carried out on a regular basis. Furthermore, in each region, the health authorities check the compliance of the medical equipment once a year.

3.6.1.5. Risks associated with real estate properties

Any non-compliance with building regulations by Group facilities could result in the Group's civil and/or criminal liability and damage its reputation. 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. 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.

Ensuring the physical safety of the persons cared for and of property is a prerequisite for any healthcare or medico-social 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 which ensure ongoing compliance monitoring and control, and independent specialists tasked with controlling the safety of the installations (equipment, buildings, etc.).

In France, the facilities fall under the regulations applicable to facilities open to the public. A ten-person team working in the Real Estate Department is tasked with supervising the maintenance and safety of the French 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 diagnosis 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 the Real Estate Department, a risk manager anticipates the work to be carried out to keep up with standards and for proper operation. In most current leases, the operating facilities are responsible for maintenance while the owners handle any major operations.

In Italy, in each facility, a health 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. 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 existing risks in their workplace.

Every year, 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. The main risks associated with the buildings are detailed hereunder.

Fire risks

In France, special attention is paid 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. The safety commission carries out a prior check upon completion of a building's construction, before its opening. A check is then carried out every three years in all facilities.

In Germany, Phönix has a fire safety system, which is similar to that used in France. All of the residences are directly linked to a fire station and have a regulatory fire-fighter access reserved for authorised 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. Like in France, the Group's policy is based on prevention (compliance with standards, staff training, etc.): 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, personnel and subcontractors). In each region, periodic audits are conducted by the fire department.

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. 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 are conducted every 2 years.

According to the control offices' reports, a few facilities' building components are liable to contain asbestos. However, 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 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.

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

Risks associated with hot water (legionella)

In France, the concentration of legionella in the water networks is monitored, and actions are undertaken to prevent the risk of Legionnaire's disease. A diagnosis of the water supply network is done in all facilities (by a control body or approved service provider). A network control plan has been drawn up and work has been carried out or is under way to improve the network. A search for legionella is conducted once a year by accredited laboratories, using samples from ten 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.

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.

Accessibility for disabled persons

In France, all diagnostic testing concerning accessibility for disabled persons has been carried out by Bureau Veritas in accordance with regulatory requirements. After analysis of the reports, they will enable the Group to plan out the work required to meet the compliance requirements by 1 January 2015. Through the restructuring and renovation of certain sites, a certain number of recommendations issued by Bureau Veritas have already been implemented.

In Italy, all medico-social facilities are accessible to disabled persons. The clinics which do not yet meet the required standards are under restructuring and this work will be completed in 2015.

3.6.1.6. 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 the facilities were unable to cope with this risk, they could be held liable and their image could be affected, thereby reducing their attractiveness, with possible negative impacts on the Group's business and results.

Moreover, an increase in the mortality rate of elderly people living in their own homes following an exceptional climatic event could temporarily affect the occupancy rate of the Group's retirement homes.

In France, the Group takes a certain number of measures to control the risks associated with heat waves. Every year, the Ministry of Social Affairs and Health publishes a plan (the PNC) which details the national, local and individual actions to be implemented in each facility to prevent and reduce the health consequences of a heat wave. Since 2004, the PNC has required each facility to draw up its own plan – the "Blue Plan" for long-term care facilities and the "White Plan" for post-acute and psychiatric – and upgrade it annually. This transitional and exceptional measure must be implemented in a progressive and appropriate way, in keeping with the severity of the heat wave and in accordance with the trigger levels of the departmental heat-wave management plan (PGCD); its internal implementation is decided by the facility's director and medical personnel, in addition to the usual precautions taken for vulnerable persons. The Group provides all its facilities with sample charts for the drawing-up of a Blue Plan or White Plan, which must be adjusted to suit the facility's local context and, in particular, its mode of operation.

In accordance with regulatory requirements, all French facilities have air-conditioned or cooled rooms and mobile air-conditioning units, in particular for bedridden persons unable to leave their rooms. In certain facilities, shutters have been installed on the sides of the building most exposed to the sun in addition to the heat wave management measures.

The "Hydration & Prevention - Treatment of Dehydration" protocols are known by the care personnel. The management in charge of the medical and nursing teams organise training sessions on a regular basis. The persons at risk are identified and paid particular attention. Each facility signs an agreement with a nearby healthcare establishment, setting out the terms of their cooperation, the rules for the transfer of residents or patients and shared best practices in terms of prevention of hospitalisation.

Following the publication of a decree relating to the modernising of civil protection, the Group has started to install generators to circumvent electricity blackouts. The documents analysing the risks of technical failures (DARDE) were updated at the end of 2012. The DARDE documents produced for each French facility is updated on a regular basis; its aim is to supplement the *ex ante* risk control measures and the management of any crisis due to a storm or snowy episode causing a blackout.

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; maintenance contracts have been signed for that purpose. Heating systems vary from one facility to another; in certain cases, their management is handled by an external company in charge of temperature control. In all cases, the 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.

3.6.1.7. Commercial risks

In the Group's retirement homes, there are out-of-pocket expenses payables by the families. Their amount varies depending on the country and region: nearly €80 per day in France, €45 in Germany and €75 in Italy (with significant regional disparities). As the French and Italian facilities generally target high-income brackets, the economic crisis could affect the facilities' occupancy rate, and perhaps our ability to increase rates.

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.

Whether as private practitioners or Group employees, the doctors who work in the facilities are legally responsible for any professional malpractice. While their liability is separate from that of the facility, the fact remains that the facility's reputation, and therefore its business and results, may be affected by any claim on the part of patients or their relatives against one of these practitioners, even if the claim proves unfounded.

3.6.1.8. Public counterparty risks

Nearly half of the Group's revenue stems from public contributors: National health service, Conseil Général, *Pflegekasse*, ASL, etc. These bodies are directly or indirectly linked to the countries' governments and their financial health.

However, it should be noted that the Group's business activities are limited to four Eurozone countries: France, Germany, Italy and Belgium.

- In France, the National health service and departmental authorities have forecast significant structural deficits.
- In Germany, the *Pflegekasse*, funded since the reform of 1996, posts a surplus. The *Länders* of North Rhine, Bavaria and Bade Wurtemberg have adopted a new law requiring the facilities to broaden their offer of single rooms (80%), something which could have a financial impact on our German business activities. Moreover, by 2018, a new reform will require North Rhine facilities to reduce their accommodation capacity to a maximum of 80 beds.
- In Italy, certain regions (to which the ASLs are linked) have significant debt levels. Note that the situation varies greatly from one region to another (the debt level ranges from €1,000 to €3,600 per inhabitant).

3.6.1.9. Other business-related risks

Due to its business activities, the Group is exposed to other risks which, if they materialised, could damage its reputation or have a significant negative impact on its development, its outlook and/or its results.

Risks of falls

As the Group is in charge of dependent persons, all of its staff is trained in the risks of patients/residents falling, which may have serious effects on their general health, especially as concerns the elderly people in the medico-social facilities. All falls are reported and recorded.

Risks of wandering

The Group's facilities caring for residents who are confused or suffer from Alzheimer's disease are particularly exposed to the risk of their wandering from the facility without the staff's knowledge. Controlling this risk of residents/patients wandering is a constant concern for the staff, as when such an incident occurs, the ancillary risk of falls and serious injury is relatively high, and may even result in the death of the resident/patient. To be able to respond quickly and efficiently, the Group has established a set of risk management and prevention measures.

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 is a risk which is controlled by the use of the 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 audits and microbiological tests on "control" dishes and on surfaces.

In France, these audits and tests are entrusted to independent COFRAC-certified firms. This food control method is also applied in Germany and Italy. Through the combined audits performed by the public authorities (such as the DDPP in France), subcontractors and the Group's professional staff, the food risk is kept under control.

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 audit.

Water potability

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, a diagnosis 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 specific control points in accordance with stringent technical procedures using advanced control tools: sampling frequencies vary according to the structure of the water networks, number of users, uses and areas at risk.

Audits are 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 two 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 six months in all Group facilities by its own staff and by the relevant authorities.

3.6.2. Quality process and ethical development

Strong Group commitments for better risk control

3.6.2.1. Quality assurance and continuous improvement of practices: a priority for the Group

The Group has defined a quality assurance policy to take account of factors such as the legal and industrial risks inherent in its business activities.

In France, a centralised system has been set up, facilitating the monitoring of the facilities and the rapid detection of undesirable events, in order to ensure the effectiveness of quality assurance process across the network. This also contributes to creating team spirit among Group employees, focused on the interest of residents and patients. Risk management is an essential component of the quality assurance process, which primarily aims to ensure the safety of the 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. Within the scope of this reporting procedure, any potentially serious event must be reported by each facility director to his or her regional director, who in turn informs the Operations Director France[15]. The latter, in agreement with the Chief Executive Officer, may call an emergency meeting if the event warrants it. Externally, reporting such events is also recommended and controlled in order to transmit appropriate information (event and precautionary measures and/or planned measures) and to work in partnership and transparency with the authorities (ARS, local authorities, etc.).

A department dedicated to the two business lines provides the facilities with the required methodological assistance, monitors the procedures, and replicates the Group's quality assurance process in France. It assists the facilities with tasks such as the gradual roll out of a quality-focused management process. Each quality assurance officer thus has cross-functional assignments in order to continuously improve the process and tools available to the facilities.

In Germany, a quality manual has been in use for several years. It contains legal and regulatory requirements, as well as all internal standards, which are more stringent than the general standards. These quality standards mainly focus on medical care procedures and relations with residents, as well as pain management, falls, musculoskeletal pains and nutrition. Compliance with legal and regulatory requirements is firstly validated by the regulatory authorities, which conduct at least one formal audit per year in each facility, as well as several control visits (generally 5 to 6 per year in each facility), with the backing of the quality manual. Moreover, a team of Total Quality Managers (TQMs) ensures the proper application of the quality manual in each facility. These regionally-based TQMs supervise the quality of some ten facilities and conduct a full audit of each facility at least once a year. According to the results of the internal audits, a customised training programme is defined and implemented for each facility, including a special course on "ethics and responsibilities". In addition, a quality dashboard is drawn up and transmitted to the German management, making it possible to keep track of the continuous improvement of practices.

At the Segesta Head Office, the Quality Department, overseen by the Corporate Office, is composed of three employees. This team is backed by ten employees responsible for quality in the facilities. The main assignments of this department are: the training of employees, the management of relations with certification bodies, and the supply and deployment of internal procedures. At least once a year, the quality assurance department conducts audits in all facilities to check the protocols in all departments. The Head Office, the training centre, the cooperatives and nineteen facilities are ISO 9001/2008 certified.

3.6.2.2. Ethical development vital to Group requirements

The Group has adopted a proactive best care practices policy, coordinated by the Department of Ethical Development.

Moreover, within the Group, the care of residents and patients rests on strong commitments: respect for each person, their dignity and their wishes are the key words for care providers in the Group's facilities.

One of the Group's projects: making ethics central to our practices

In accordance with regulatory requirements, all facilities must respect the rights of patients and residents. Within the facilities, directly involving field staff, the Group's ethics policy is reflected by a strong daily commitment for the care of residents and patients: respect for each person, their dignity and their 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 and complying with regulations concerning restraint and the person's consent to care. They also involve respect for the person's choice of the place where they want to spend the day and the things they want to do.

[15]Since 18 March 2014, the Regional Director either informs the Director of Medico-Social Operations or the Director of Post-Acute and Psychiatric Care Operations and the Chief Executive Officer France, depending on the case.

In France, the Group is now organised around the following key focuses: group discussions taking place at wrap-up meetings; wrap-up meetings involving the facility's care personnel; group discussions within the COVIRIS (risk watchdog committee) and CVS (social life committee) for long-term care facilities and within the CRUQ-PC (committee focused on relations with users and the quality of care) for post-acute and psychiatric care facilities; the use of ethics centres in the event of difficulties beyond the facility's capacities; specific tools developed within the Group to help the teams in their ethical approach (including the BEST training programme, the MobiQual and Korum kits and the Group Intranet).

This cross-functional project thus involves all of the Head Office departments concerned – the DEMQ, the Operations Department France and the Department of Human Resources France – in order to improve medical care practices and provide tools to assess the impact of this policy.

In Germany, an ethics committee was formed under the aegis of Dr. Phil. Helen Kohlen, Professor at the Faculty of Philosophy of Vallendar, allowing the monitoring and improvement of the ethics charter and reflection tools set up (in particular to deal with situations of palliative care provided to patients suffering from dementia, to communicate with families and doctors and to preserve the patients' autonomy). Standardisation procedures and information documents have been drafted and give rise to training sessions.

In 2013, Segesta provided all of the medical personnel with training on ethics and best care practices. This course, which was attended by 2,063 employees, focused on four main topics (appropriate medical care, patient respect and dignity, integration and communication, being attentive to the patient) as a follow-up to the previous training sessions.

A key driver: continuous training

Over recent years, the Group has made the decisive choice of investing in training for its employees well beyond what is legally required. This ambitious decision is backed by the will to provide action-based training immediately reflected in the quality of the medical care and assistance or, depending on the course, on the organisation of the facilities.

In Germany, the *Curanum Akademie* training institute was created in 2010 to coordinate the training courses. The training plans are drawn up according to the needs detected at the annual interviews, then prioritised by the *Akademie*. An annual programme is then prepared based on the given priorities. In 2013, new series of courses on dementia, support and palliative care were thus launched. These technical training courses are backed by behavioural and management courses dedicated to the functioning of Curanum homes.

In Italy, Segesta has a training centre which analyses training needs, defines *ad hoc* training plans and ensures their implementation and pertinence. Furthermore, in each facility, a training officer assists the facility director in the defining of annual training programmes. The main topics are the care protocols, specific programmes for healthcare professionals, specific programmes for reference persons, and the development of personal skills (communication, solving conflicts, team building, etc.). In 2013, Segesta employees attended 23,286 hours of training.

Receptiveness and appraisal

This receptiveness is primarily directed at the clients of our facilities: the patients, the residents and their families can express their dissatisfaction and transmit their complaints to the management. A specific procedure has been set up to follow-up on complaints and claims within the facilities.

In France, Doctor Claude Malhuret is tasked with assisting the facilities in dealing with these claims and any event liable to cause problems or malfunctions or affect the quality and serenity of a facility. This assignment does not replace that of the regulatory bodies such as the commissions in charge of relations with users.

All complaints must be recorded on a single form according to a standardised procedure and be brought to the attention of the Regional Director.

In compliance with applicable regulations, in France each post-acute and psychiatric facility has set up a CRUQ-PC (committee focused on relations with users and the quality of care). Likewise, each long-term care facility has set up a CVS (social life committee). These committees enable the patients/residents and their families to meet and have discussions with the facility's management and personnel.

This approach also concerns the facilities' personnel: indeed, each French facility has set up a procedure to manage undesirable events. Following this procedure, the members of staff report all events liable to cause malfunctions or go against the principle of kindness. The idea is to manage the events as quickly as possible to prevent the worsening of the situation, find avenues of improvement and set up a prevention strategy, in particular concerning ill-treatment, in keeping with ethical developments.

Phönix has set up a system whereby the complaints are filed according to the department targeted, in one of nine predefined categories (from medical care to reception services); this breakdown makes it easier to follow-up on the complaints and inform the departments concerned. The complaints are then analysed according to their origin (patients, families, personnel) then by category, and dealt with within three days of their filing. This system was developed and set up in-house. It has recently been computerised, allowing the facility directors to track complaints instantaneously. Likewise, Curanum has set up a centralised claims monitoring system, which ensures that all claims get a satisfactory reply.

In Italy, each claim is analysed by the facility director and by the head office; a reply is given to the complainant within ten days. The claims are then recorded in the central system and filed in the patient's folder (even once solved). In 2014, a proprietary software solution will be rolled out at Segesta for handling claims. To improve the system, satisfaction questionnaires are sent to residents and their families twice a year. The responses are then carefully analysed.

The Board of Directors' Ethics and Risk Committee

To round off internal measures and policies, the Board of Directors' Ethics and Risk Committee puts forward proposals on ethical issues arising from providing dependency care in the Group's facilities, as well as risk management within the Group (appraisal of procedures already set up within the Group to ward off risks, the submittal of proposals to the Board on the introduction of specific procedures and the follow-up of complaints).

3.6.3. Inherent risks of the Company

In addition to risks associated to its business, the Company is also exposed to various risks related to the Group's strategy.

3.6.3.1. 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 management team has extensive experience in the markets in which the Group operates, proven expertise in its business lines and a strong 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 and/or its growth could experience a temporary slow down.

3.6.3.2. Risks related to the acquisition of new facilities

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 dependency care 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 new entities and deliver the anticipated synergies in a successful and profitable manner while maintaining harmonised internal processes and good relations with their personnel.

3.6.3.3. Real estate risks

The Group mainly rents rather than owns the buildings in which it operates its facilities. Rent paid by the Group totalled 51.1% of EBITDAR in 2013.

Rents are linked either to the rent review index (IRL) or to inflation (IPC), or to the cost of construction index (ICC) of which the Group cannot predict the trend in the coming years, or to a combination of the ICC, IPC and IPT (intervention rate of long-term care facilities). Given the strong increase in the cost of construction index (ICC) over the past years, the Group has made considerable efforts to switch its leases indexed on the ICC to an index closer to inflation. A strong rise in the ICC rate and inflation in the next few years could have a significant adverse effect on the Group's results.

3.6.3.4. Risks relating to information systems and internal control

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 the Group's daily operations, a failure of these systems could temporarily paralyse the business and have a negative impact on the Group's results. A failure in the Group's information system could prevent it from conducting its daily operations, which would have highly negative consequences on the Group’s activity, its results and it financial position.

However, the Group believes that the work carried out on infrastructure and the implementation of an integrated network performed over the past years in France by the Information Systems Department combined with the average annual budget invested, should prevent such risk. The Information Systems Department presents a report and an assessment of its projects to the France Steering Committee on a regular basis.

In Germany, a business continuity plan was implemented and ensures that both the key IT processes required to conduct business (applications to access and monitor resident and patients health records, and billing applications) are restored within a reasonable time frame.

In Italy, a failure of the information system, particularly if the failure were to affect the accounting or billing software application, could prevent the Group from conducting its daily operations which would have highly negative consequences on the Group’s business activity. To offset this major risk, backups are performed on a daily basis and the historical Italian accounting data is copied and saved over a year in a secure place.

The Group has also put in place a certain number of procedures in relation to management control, internal control and audit (see in particular Chapter 4 of this document on corporate governance and internal control) in order to secure the management of invoicing and cashflows, and prevent risks relating to fraud.

Although the Group has backup systems to safeguard its databases and has implemented management control, internal control and audit procedures in order to prevent the risks mentioned above, the occurrence of one or several of these risks cannot be ruled out. Such incidents could impact the Group's business, have a considerably negative impact on its financial position and results, expose the Group and its employees to penal or civil sanctions or damage the Group's reputation.

3.6.4. Hedging of risks inherent in the Company's business

An appropriate insurance policy

3.6.4.1. Operational risk coverage

The Group is currently covered by insurance policies in particular with respect to damage to goods and operating losses, as well as policies which cover financial impacts subsequent to the liability of the Group's companies in relation to their business activities.

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, all of the facilities are insured within the limits of their ceilings and coverage for general and particular risks as follows.

Damage to Goods and Operating Losses policy	
Limits, including all damages and losses, per claim and per facility,	€49,900,000
Sub-limit for operating losses	€19,988,914
Deductible per claim	
• Damage	€4,997 except broken glass €1,665
• Operating losses	3 times the average daily amount in gross margin loss during compensation period
Civil liability	
Coverage including all claims	€15,000,000 per claim and per year
Including damage to goods entrusted	€100,000 per claim
Deductible	€7,500 per claim for physical damage and consequential losses including bailee liability and damage to goods entrusted

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.

The Group's German business is covered by a damage to goods and operating losses policy as well as a civil liability. The contractual coverage of Phönix and its subsidiaries for damage to goods and operating losses is limited to €10,000,000 and to €5,000,000 for civil liability; €6,000,000 for Curanum and its subsidiaries.

In Italy, all facilities are covered by insurance policies that cover damage and civil liability. Coverage limits of damage are specific to each facility, coverage for civil liability is limited to €4,500,000 or €1,000,000, depending on the facility in question (deductibles applicable may vary between €1,500 and €50,000)

3.6.4.2. Coverage of senior corporate executives

The Group subscribed for an insurance covering civil liability and penal defence for its senior corporate executives in the event of personal negligence in relation to their occupation within the Group. The coverage ceiling is €15,000,000 per year with no deductible (per claim as of 1 January 2014). In this context, executive officers 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 office or delegation of powers.

German and Italian Senior Group Executives are also covered by the same policy.

3.6.4.3. Crisis management

The Group 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 Group such as the death of a key person, an investigation or 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.

The coverage amounts to €2,000,000 per crisis and per term of insurance for a compensation period of 30 days. The pre-authorised crisis management company is EURO RCSG. A specific deductible of €75,000 is applicable to labour movement claims.

3.6.5. Legal and tax risks

In addition to disputes in relation to current business operations, the companies of the Group are facing an important dispute in relation to value-added tax. Further to a verification of the accounts with respect to VAT, covering a period from 1 March 2003 to 31 March 2005, a tax adjustment notice was addressed to Korian in September 2006. Authorities considered that Korian was not subject to a deductible proportion of 100% and therefore was not allowed to recover the total amount of VAT attributable to its purchase invoices for assets and general expenses. As a result, Korian received and paid a VAT reminder amounting to €679,000. The Company contested this reassessment and was reimbursed for the fees paid in the course of 2013. The dispute was settled as of 31 December 2013.

3.6.6. Financial risks

3.6.6.1. Risks related to the Group's indebtedness

Net debt of the Group stood at €716 million as at 31 December 2013.

The Group has diversified lines of credit, which break down as follows:

- a syndicated loan in the amount of €500 million maturing in 5 years (23 July 2015), reduced to €400 million, including a €120 million revolving credit facility. At 31 December 2013, Korian had €80 million available on the revolving credit facility;
- real estate debt in the amount of €282 million. These debts mainly consisted of operating and finance leases with long maturities (from 10 to 12 years);
- medium-term borrowings in the amount of €68 million;
- bonds placed with private investors for a total amount of €105 million.

Korian also has entered into a loan agreement with a financial institution union for an amount of €500 million as at 6 December 2013. Drawings from the credit facilities with respect to this agreement may only begin as from the date of the Merger and are primarily purposed to refinance the syndicated loan of Medica. At 31 December 2013, this credit line was undrawn.

Moreover, at 31 December 2013, the Group's net cash position stood at €51 million.

However, given the favourable market conditions, the Company negotiated a refinancing contract covering the entire debt of the new Group. The new syndicated loan was signed on 12 March 2014, under the condition precedent of the completion of the Merger. It comprises two 5-year tranches:

- a tranche refinancing the syndicated loans of Korian and Medica in the amount of €800 million;
- a revolving credit tranche of €300 million to finance the Group's general needs.

Following the completion of the Merger, the refinancing tranche was fully drawn on 26 March, which allowed the simultaneous repayment of the syndicated loans of Korian and Medica. With this refinancing, the Company has given itself considerable leeway to continue its development while optimising its financing cost and significantly extending the maturity of its debt.

The Company carries out periodic reviews of its liquidity risk and believes that it is in a position to honour its future repayments.

3.6.6.2. Interest rate risk and hedging policy

At 31 December 2013, most of the Group's borrowings were mostly at variable interest rates. The Group has financial instruments to hedge against fluctuations in interest rates. It uses standard derivatives (interest rate swaps, caps, floors, *etc.*) Including financial instruments, 81% of variable-rate borrowings were hedged at 31 December 2013 with an average hedge maturity of three years, thus reflecting the Group's cautious management policy.

In addition, marketable securities 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 2013, the value of our financial instruments amounted to €38.1 million, recognised as liabilities.

3.6.6.3. Risks related to off-balance sheet commitments

All off-balance sheet commitments are detailed in the appendix to the consolidated financial statements for the year ended 31 December 2013.

3.6.6.4. Market risks (currency and equity)

At 31 December 2013, the Group held 0.3% of Korian shares in treasury stock and 78.45% of Curanum's stock, a company listed on the Frankfurt stock exchange.

Except for these holdings, the Group is neither exposed to currency risks nor is it exposed to equity risks.

3.6.6.5. Risk related to financial communications

Financial and accounting information processes, information flows and their compliance are controlled at various levels:

- the support departments implement appropriate internal control processes and ensure that procedures are effective and are observed;
- the Statutory Auditors verify the financial statements and their preparation independently and in accordance with strict professional standards;
- the Audit Committee reviews the financial and accounting information and the issues relating to its preparation and control. It prepares the background work for the Board's approval of the annual financial statements or review of the interim financial statements;
- the Board approves the financial statements and ensures the integrity of financial information released to the market.

Chapter 4 on corporate governance and internal control sets out the procedures for this control.

3.6.6.6. 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 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.

3.6.6.7. 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 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 Group's care activities, a new service provider might also have a particular need for a period of transition to acquire the same level of knowledge about the Group's facilities as the previous supplier. This could lead to a temporary reduction in the efficiency of services provided and more generally their quality. It could also lead to a decline in resident and patient satisfaction during the transition period, as well as to additional costs.

3.7. LABOUR, SOCIETAL AND ENVIRONMENTAL INFORMATION

In 2013, the Group's business was marked by the launch and initial results of the Group-wide corporate project called "Korian First", which is based on four pillars: Performance, Development, Innovation and People.

This new dynamic led to the achievement of several acquisitions and the implementation of new internal processes which enable the Group to confirm its leading position in comprehensive dependency care, long-term and short term, and to post fast-moving growth in 2013.

This performance is particularly the result of core values shared by the teams of the Group. A project focusing on values was carried out in order to identify shared values and strengthen the sense of belonging of the teams: solidarity, dialogue, commitment, efficiency.

An active approach bringing the teams together around workshops enabled employees:

- to share backgrounds and positive behaviours experienced at Korian;
- to identify common grounds and differences through testimonials in order to stimulate collective thinking on Group values;
- to share the best practices adopted by each facility.

In the course of 2013, the Group confirmed its commitment to CSR in particular by using renewable energies in its new facilities and through insulation works to reduce CO2 emissions and especially through the responsible management of its sanitary water network, of its buildings and of its waste. Thanks to these measures, the Group was granted the third place in the 2013 ISR GAIA index in the "service providers" category among the 70 other companies that make up this index.

This performance reflects the Group's strong commitment to integrate ESG criteria (Environment, Social, Governance).

3.7.1. Social information

The human resources policy of the Group aims to value and motivate the entire workforce. It hinges on combining several principles which form the Group's key corporate values such as:

- ethics, a targeted collective driver that must be shared by all Company employees;
- adherence to and active involvement in the quality process;
- services for Ageing Well, which take into account the moral and physical integrity of the resident /patient.

The Groups aims to achieve a pro-active social policy through the quality of its training and ongoing social dialogue across all of its facilities and abroad, which will enable the Group to attract and retain the most talented workers in the sector. It is one of the General Management's priorities.

3.7.1.1. Employment

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

The table below summarises the total workforce and the breakdown of employees by sex and age in France in 2012 and 2013.

	2012			2013		
Data	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Aged < 25	1,064	116	**1,180**	973	132	**1,105**
Aged between 25 and 30	1,417	164	**1,581**	1,360	162	**1,522**
Aged between 30 and 35	1,280	181	**1,461**	1,236	179	**1,415**
Aged between 35 and 40	1,181	217	**1,398**	1,055	204	**1,259**
Aged between 40 and 45	1,324	224	**1,548**	1,243	219	**1,462**
Aged between 45 and 50	1,316	200	**1,516**	1,261	200	**1,461**
Aged between 50 and 55	1,213	186	**1,399**	1,152	186	**1,338**
Aged between 55 and 60	954	194	**1,148**	917	163	**1,080**
Aged > 60	433	144	**577**	402	124	**526**
Total	**10,182**	**1,626**	**11,808**	**9,599**	**1,569**	**11,168**

The table below summarises the total workforce and the breakdown of employees by sex and age in Germany[16] in 2012 and 2013.

	2012			2013		
Data	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Aged < 25	936	237	**1,173**	939	245	**1,184**
Aged between 25 and 30	1,121	282	**1,403**	1,110	305	**1,415**
Aged between 30 and 35	915	252	**1,167**	952	265	**1,217**
Aged between 35 and 40	875	201	**1,076**	867	187	**1,052**
Aged between 40 and 45	1,101	214	**1,289**	1,053	230	**1,283**
Aged between 45 and 50	1,427	228	**1,655**	1,377	230	**1,607**
Aged between 50 and 55	1,467	204	**1,671**	1,507	182	**1,689**
Aged between 55 and 60	1,240	103	**1,343**	1,194	138	**1,332**
Aged > 60	511	116	**627**	605	104	**709**
Total	**9,593**	**1,836**	**11,430**	**9,602**	**1,886**	**11,488**

Finally, the table below summarises the total workforce and the breakdown of employees by sex and age in Italy in 2012 and 2013.

	2012			2013[17]		
Data	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Aged < 25	46	15	**61**	25	17	**42**
Aged between 25 and 30	202	69	**271**	197	72	**269**
Aged between 30 and 35	288	105	**393**	300	120	**420**
Aged between 35 and 40	424	116	**540**	473	125	**598**
Aged between 40 and 45	475	155	**630**	550	172	**722**
Aged between 45 and 50	451	167	**618**	557	187	**744**
Aged between 50 and 55	332	112	**444**	376	141	**517**
Aged between 55 and 60	172	70	**242**	200	94	**294**
Aged > 60	41	27	**68**	48	26	**74**
Total	**2,431**	**836**	**3,267**	**2,726**	**980**	**3,680**
Of which Cooperatives				**1,060**	**146**	**1,206**

[16] Germany also recorded 714 apprenticeship contracts as at 31 December 2013.
[17] The 2013 headcount includes the employees of Kinetika Sardegna Srl (subsidiary held at 28% and fully consolidated).

Recruitment and dismissals

- **Recruitment**

  Particularly attentive to the quality of its medical care, the Groups recruitment policy is based on three main guidelines:

  - the development of in-house recruitment through a job exchange programme updated every month and made available to all Group staff;
  - a strategy for communication and targeted external recruitment (e.g. signing of agreements with external key players, participation in job fairs) to attract young talents towards healthcare and social careers;
  - a specific integration process dedicated to freshly hired employees in order to build their loyalty and foster a strong sense of belonging to the same Group.

The table below summarises recruitments in France in 2012 and 2013.

	2012			2013		
Reason of recruitment	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Recruitment	928	200	**1,128**	830	211	**1,041**
Rehirings	497	106	**603**	569	95	**664**
Total	**1,425**	**306**	**1,731**	**1,399**	**306**	**1,705**

The table below summarises recruitments in Germany in 2012 and 2013.

	2012			2013[18]		
Reason of recruitment	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Recruitment	1,413	278	**1,691**	2,697	721	**3,420**

The table below summarises recruitments in Italy in 2012 and 2013.

	2012			2013		
Reason of recruitment	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Hiring	189	58	**247**	132	70	**202**

- **Dismissals**

The table below summarises dismissals in France in 2012 and 2013.

	2012			2013		
Reason of departure	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Dismissals	288	65	**353**	316	71	**387**

The table below summarises dismissals in Germany in 2012 and 2013.

	2012			2013[19]		
Reason of departure	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Dismissals	1,366	301	**1,667**	1,618	398	**2,016**

[18] The amounts shown include the hirings carried out by Curanum.
[19] The amounts shown include the dismissals carried out by Curanum.

The table below summarises dismissals in Italy in 2012 and 2013.

	2012			2013		
Reason of departure	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Dismissals	252	95	**447**	120	36	**156**

Compensation levels

In France, the basic wages paid by the Group amounted to €251,178,297 (i.e. a Social Security gross amount of €265,966,281) in 2012 and €260,233,421 (i.e. a Social Security gross amount of €276,788,094) in 2013.

In Germany the Group paid €71,169,125 for Phönix's basic wages (i.e. a Social Security gross amount of €84,250,972 in 2012). In 2013, this amount breaks down as follows:

- Phönix basic wages: €79,910,027 (i.e. a Social Security gross amount of €90,662,620);
- Curanum basic wages: €115,615,077 (i.e. a Social Security gross amount of €137,040,461).

In Italy, the basic wages paid by the Group amounted to[20] €53,151,979 (i.e. a Social Security gross amount of €60,026,151) in 2012 and €53,031,589 (i.e. a Social Security gross amount of €60,026,151) in 2013.

Employee savings schemes, stock options and bonus shares

Following the IPO in November 2006, Korian SA implemented an employee shareholding policy through a reserved capital increase and the creation of a group savings plan (approved and signed by the trade union organisations).

At 31 December 2013, the employees of the French facilities held 94,095 shares of the Company through an employee investment fund (FCPE), i.e. 0.27% of the Company's share capital.

At the same time, the Extraordinary General Meeting held on 21 June 2007 followed by the one held on 17 June 2010 authorised the former Management Board to grant options to subscribe for or purchase ordinary shares to employees and/or executives of the Group, within the limit of 138,433 ordinary shares. On 28 August 2007 and 30 June 2011, the Management Board set out the terms of these stock option plans:

- 2 year lock-up period as of the allocation date;
- 2 year exercise period;
- subscription or purchase price at least equal to 95% of the average share price quoted during the 20 trading sessions prior to the allocation.

In addition, the Extraordinary General Meeting held on 21 June 2007 authorised the former Management Board to grant, on one or more occasions, bonus shares of existing or new shares to certain employees and executive officers of the Group within the limit of 138,433 ordinary shares (0.5% of the share capital).

On 28 August 2007, the former Management Board set out the terms of this stock award plan:

- 3 year vesting period as of the allocation date;
- 2 year lock-up period as of the final allocation date.

3.7.1.2. Organisation of working time

Organisation of working time

Work time and the planning of working hours within the Companies of the Group are decided and implemented in accordance with the law and various collective bargaining agreements in force and, particularly in France, agreements on the reduction of working hours.

Overtime is also managed in accordance with legal provisions and collective bargaining agreements. Schedules are managed at the facility level with a time management software programme called Gestor. This tool was rolled out in France in 2012 and 2013. This time management tool has several goals: harmonise human resources processes, prepare schedules with a simple software programme shared by all, and secure the payroll data flows thanks to an interface between the payroll and time management tools. The payroll and time

[20] Excluding the cooperatives and Kinetika Sardegna Srl.

management interface for French facilities is being finalised: at the end of 2013, 115 facilities were connected to the payroll tool.

In France, the Human Resources Department coordinates a network of regional human resources managers who help the facility directors in their region apply the social legislation and conventional agreements (collective branch or company agreements) and assist them in recruitment and training. The memorandum on human resource management and the legal and social news are drawn up by the French Employee Relations Department and distributed to all of the French staff.

In Italy, the Human Resources Department ensures that the facilities comply with social legislation and conventional agreements, and deals with the recruitment of their employees.

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. In order to meet the company's needs, a large number of part-time contracts are signed in Germany.

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 General Management entered into a group agreement with the union organisations regarding the establishment of an attendance and loyalty bonus. This bonus aims to build loyalty and retain employees, reward their effective presence and help to reduce absenteeism. This programme is expected to ramp up over the next four years. The bonus amount is calculated every year and cannot be lower than a certain percentage of the conventional minimum wage. The maximum amount of the bonus is weighted according to seniority and is reduced according to the absences of the employee.

In Italy, there is no labour shortage in the healthcare and social sector. The collective agreements negotiated with the unions contain a bonus scheme particularly in order to limit absenteeism.

In Germany, no specific agreement was entered into regarding the implementation of measures aiming to reduce the absenteeism ratio.

The absenteeism ratios in 2012 and 2013 by geographic regions are as follows:

- France: 7.4% in 2013 vs. 7.3% in 2012;
- Germany: 6% in 2013 for Curanum, mainly stable compared with 2012. The ratio stood at 7.36% for Phönix in 2013, a decrease compared to the 7.54% ratio posted in 2012;
- Italy: 6.55% in 2013 vs. 6.89% in 2012[21].

3.7.1.3. Employee relations

Organisation of social dialogue, staff information and consultation procedures

The Group's social policy is based on careful listening and hands on management performed by responsible facility directors and the human resources departments of each country. They are committed to foster an open proactive communication between Management and the staff. They aim to engage a positive social dialogue in order to achieve the targets set for the Company and its different operating units.

- In France, the facility director who manages his staff, assisted by the human resources manager in his region, is in charge of establishing this open dialogue, which promotes the Group's corporate values. In accordance with legal provisions, the French subsidiaries of the Group have employee representative bodies.
- The same applies for Germany and Italy, where most facilities have an employee representative body which can be deeply involved in negotiations and the management of the facility (schedules, etc.).

[21] The 2012 absenteeism rate in Italy does not include the absenteeism of the Elia Domus and Aurea Salu staff.

Lastly, members of Korian's SA Work Council attend the meetings of the Board of Directors of the Company.

A desire to develop the Group's internal communication

Creation of an Intranet site, strictly internal

To a wider extent, the Group uses direct communication tools to communicate with all of its staff in France, particularly an Intranet site called *Korum*, which is available to all employees as soon as they connect to their computer.

In general, the Korum site is used to:

- publish news about the Group and its French facilities every week;
- present the organisational structure with all the different departments and the people to contact if needed, as well as an internal directory;
- provide a library with all documents, information, templates, corporate identity that may be useful to employees in their daily work. This library is continuously being improved and is updated on a regular basis;
- provide an access point to the Formadep catalogue, Korian's internal training institute;
- provide an access point to the collaborative forums. These accesses are intended for people who are part of certain work groups, they enable users to work, exchange documents, discuss with colleagues from other regions or different departments in a constructive manner and safeguard a record of the information exchanged;
- enable facility directors to access the Korian online store, which sells a few promotional items with the Korian logo.

Korum enables users to access other specific Intranet platforms, which are internal sites developed by certain departments, and that are used to run long-term care or post-acute and rehabilitation care facilities.

Sharing best practices throughout the Group

On 1 December 2013, Korian organised a best practices challenge in France via a dedicated platform.

The aim of this challenge was to draw up an inventory of best practices implemented within our facilities and promote them to other regions/facilities.

The challenge was open to all French employees and covers all four pillars of Korian's Group-wide project: Performance, Development, Innovation and People.

Pursuant to this commitment to share best practices and improve the performance of its facilities, at the end of 2013, Korian initiated an improvement project called OPTIM and appointed a dedicated project team to help facility directors, senior health workers, doctors and accommodation managers implement certain activities and measure their impact on the daily performance of their facilities.

Employee satisfaction ratio: a good indicator

Between 29 May and 29 June 2013, Korian organised its first employee survey called *Kommunity*.

This anonymous survey involving 8,958 French employees measured the satisfaction level of employees regarding their company, their job, their relationships at work and their working conditions. The participation rate was extremely high for a first survey with a rate of 93% questionnaires received from facility directors and 54% from other employees.

The results of this first employee survey revealed that employees are in general fondly attached to their job and primarily to their special relationship with patients and residents as well as their families. It is also important to note that the managers of the Group have a particularly clear vision of Korian's strategy.

Professional pride, special relationships with residents/patients and respecting diversity were the French employees' favourite strong points:

- 85% of the employees are proud of their job;
- 77% consider that their relationship with the patients, residents and their families are instructive.
- 60% consider that Korian respects its employees' diversity (age, sex, origin, etc.).

Summary of collective agreements

In 2012, Korian signed two Group agreements in France:

- the first agreement concerns the employee profit sharing plan over a 3 year period;
- the second aims to loosen up payment terms and conditions of the attendance bonus paid to employees of French facilities at the end of year by taking better account of maternity and adoption leaves.

On 10 September 2013, Korian SA signed a new group agreement in relation to generation contracts, whose main objective is to hire and retain the young and older employees within the workforce. Thus, Korian committed to hire 500 young people a year over the next three years and to maintain the employment rate of seniors at 11% of the French workforce.

Additionally, every year, wage negotiations take place in all the Group's French subsidiaries, which have union delegates.

In Germany, even though there is no collective agreement in force at a national level, agreements were nevertheless entered into with the facilities.

In Italy, a collective agreement was entered into on 5 September 2012 with respect to the safety and health conditions of employees at work.

3.7.1.4. Health and safety at work

Health and safety conditions at work

Preventing musculoskeletal disorders, assessment of occupational risks, managing work-related stress are all key focus areas to which the Group pays special attention.

- Thus, in 2012, in France, the Group launched bio-cleaning, a new concept to provide all French facilities with new ergonomic equipment for the personnel in charge of cleaning. The benefits of this new concept are multiple, improvement of working conditions thanks to ergonomic equipment that reduces and to prevents musculoskeletal disorders (MSDs). The ergonomic accessories of this concept limit the numerous displacements in the cleaned areas, loads carried, uncomfortable and painful postures, cleaning time, recurrent tasks and movements listed. Korian aims to reduce the back and shoulder issues experienced by employees by 30%. This new concept was the subject of a report by an independent consulting firm specialising in ergonomics which confirmed that 83% of the agents appreciated the new process.
- In 2013, two educational films were produced, one on preventing MSDs, and the second on chemical-biological risks; they were displayed to all of the employees concerned: staff in charge of medical care and bio-cleaning. These two educational tools were designed in connection with the national agreement on the prevention of occupational risks and arduous working conditions and are intended for all employees (current and newly hired). These campaigns for preventing occupational risks were rolled out during a special event called "protecting and preserving yourself at work", which was organised from 30 September to 4 October 2013. External healthcare professionals (labour doctor, CARSAT, independent doctors), but also families and residents took part in this event.
- Korian is continuing to raise the awareness of its employees and embed best practices and the right postures through these prevention campaigns.
- During the last quarter of 2013 and like every year, Korian launched a national influenza vaccination campaign.

Finally, further to the "well being at work" survey, which was also run in 2013, a special budget was allocated to 34 facilities (i.e. one fifth of the Group's French facilities) to carry out renovation works and fit out staff rooms. In 2014, this renovation programme for equipping staff rooms was continued in the aim to eventually renovate all of the staff rooms in the Group's French facilities.

In Italy, Segesta pays particular attention to its employee's working conditions and stresses the importance of their well being and safety at work. In addition to the training courses implemented to raise the employees' awareness of existing occupational risks, Segesta pays close to attention to the equipment it purchases and promotes working methods that preserve the employees' health.

The German companies are also very careful in matters of safety at work and see that their facilities comply with the legislation in force and with branch agreements.

Assessment of the agreements signed with the union organisations and staff representatives related to 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.

The goal of this agreement is to identify all the occupational risks specific to our business sector (risk of musculoskeletal disorders, infection, work-related stress, chemicals, etc.), and to define prevention measures which take account of both the physical and the mental aspects of working conditions, and to implement solutions in the event that these risks materialise.

In addition, Korian committed to equipping all of its facilities with patient hoists, rails for patient hoists, transfer equipment, electric beds, bins with lift-up bottoms for the laundries as well as an ergonomic relaxation armchair.

This agreement enabled the French staff to benefit from a social assistant who was hired in 2013 to provide guidance to employees experiencing social difficulties and direct them towards social welfare institutions or non-profit organisations that can help them.

In Italy, a collective bargaining agreement regarding health and safety at work was also signed in September 2012.

Workplace accidents or work-related illness

In 2013, in France, occupational and commuting accidents totalled 69,736 calendar days, i.e. a frequency rate of 87.4 work stoppages per a million hours worked, and a severity rate of 4.4 days work stoppage per a thousand worked hours. Occupational illnesses over the same period came to five thousand calendar days of work, i.e. a rate of 0.5%.

In Italy, the occupational accident rate stood at 0.5% with a severity rate of 7.5 hours.

This indicator is not measured in Germany.

3.7.1.5. Training

Training policy

Employee training is a constant priority for the Group Measures to keep employees at the top level of professionalism while developing their skills to guarantee outstanding care for patients and residents.

The training of Group employees also plays a key role in bringing teams together around shared objectives and in continuously offering patients and residents innovative accommodation solutions and medical care to better match their needs. Through this training, the Group is seeking to enhance and ensure the implementation of other strategic projects.

There are two ways to benefit from a training course in France:

- Overall training plan: following a consultation with all of the facility's employees, a comprehensive training plan was drawn up in each facility in order to improve and enhance the skills of each employee;
- Individual entitlement to training (DIF) Employees can follow qualifying courses by using their individual training hours (nursing auxiliary state diploma, nurse state diploma, bachelor degree in hygiene,etc.) These courses can either be validated through professional experience or followed through a personal leave for training (CIF).

In France, the career management and information department and the in-house training centre, Formadep, are grouped under the same entity. The strong synergies between these two activities enable us to achieve our training targets.

Every year, Formadep publishes a training catalogue shaped around 5 main development paths, which are the key drivers of the French training policy: promoting access to qualifying training courses, improving accommodation practices and care provided to patients and residents, optimising the operational processes of our facilities, securing our professional practices and assisting hands-on managers in performing their day-to-day responsibilities.

Promoting access to qualifying training courses in France

Access to nursing auxiliary and medico-psychological assistance diplomas as well as any other qualifying course remains a major focus of the training policy, which funds school admission fees and promotes validation of professional experience. In 2013, 67,869 hours were allocated for these professional training initiatives (vs. 48,305 hours in 2012). In 2013, 127 employees began a qualifying training course.

These multi-annual courses spread out over several years.

Best care practices at the core of the Group's training policy in France

A work group composed of professional trainers and health workers set up a course based on the BEST method (Ethics, Best Care Practices and Medical Aid for All), in order to consolidate and promote outstanding medical care. In 2013, 520 interns benefited from BEST training, equivalent to 13,174 hours (figures stable compared with 2012 with 526 trained people).

Training of hands-on managers

Korian's training policy is also focused on enhancing professionalism, developing, harmonising and promoting best managerial practices. The Group managers are the main drivers of successful projects; the Group assists them in their daily tasks by giving them the keys and the fundamentals of efficient management.

In 2011, Korian launched the Korian Academy in France to train hands-on managers and ensure a high quality stay and a personalised care for residents and their families.

The Korian Academy focuses on promoting the hands-on manager position and setting out motivating career prospects, establishing an ongoing dialogue and sharing best managerial practices and Korian's core values, supporting Group projects, the creation of a hands-on manager community, multidisciplinary team work and cooperation with directors.

This seven-day training course includes three modules spread-out over nearly 18 months:

- 1st Module: Management/Human Resources - three days;
- 2nd Module: Work processes and organisation - two days;
- 3rd Module: Promoting change management - two days.

In 2013, 109 employees attended the 2nd module and 152 attended the 3rd one. As of 2014, a fourth module (Sales and marketing - two days) will be available to managers who have already attended the first three modules. In addition, new sessions will be organised for new employees starting in March 2014.

In France, the Group also implemented in 2013 a young talent integration policy through the creation of incubators and the assignment of mentors to new employees during their probationary period. Our facilities welcomed 35 management trainees, which led to ten hirings in deputy director and deputy head of department positions. In 2014, we aim to welcome 80 management trainees in order to hire 15 young talents.

In Italy, Segesta has a training centre which analyses training needs, defines *ad hoc* training plans and ensures their implementation and pertinence. Furthermore, in each facility, a training officer assists the facility director in defining annual training programmes. The main topics are the care protocols, specific programmes for healthcare professionals, specific programmes for reference persons, and the development of personal skills (communication, solving conflicts, team building, etc.). Directors benefit from a special training, which includes 7 courses a year on various topics such as crisis management, communication, human resources management, etc.

In Germany, the audits run by independent firms allow the company fine-tune the ongoing training programmes for medical staff with the director. Training courses are decided on with the employee based on his/her year-end assessment. A special programme is intended for high-potential managers who are destined to management positions in the future.

Total number of hours of training

In 2013, 238,369 hours were allocated to the professional training of French Group employees (vs. 197,600 hours in 2012).

In Italy, 23,286 training hours were recorded in 2013, including 2,063 hours on ethics and best care practices.

In Germany, training hours were not subject to a specific monitoring. This information is therefore not available.

3.7.1.6. Equal treatment

Measures taken towards gender equality

On 26 January 2012, the company signed a group agreement, applicable to all French subsidiaries, towards gender equality.

Pursuant to this agreement, Korian committed to promoting the principles of non-discrimination between men and women among all facility directors, and particularly to ensure that:

- job opportunities address men and women, regardless of their sex;
- 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.

With full parity in management positions and no inequalities in compensation, Korian is exemplary in matters of gender equality.

There is no group agreement regarding gender equality applicable in Germany or Italy.

Measures taken towards the integration of disabled workers

Employment of disabled workers has always been a major concern, and particularly in 2011 during the awareness campaign, the goal of which was to remind that disability was not only about hiring disabled workers but was also part of a long-term process of the Group's policy to encourage integration, employability and job retention.

The Group has always been committed to the inclusion of disabled workers and therefore signed a contract for the collection of Electronic and Electrical Equipment Waste (WEEE) with an approved specialist company compliant with Article L. 5213-13 of the French Labour Code. This company employs mostly disabled workers with impaired capabilities and provides them with a remunerated professional activity adapted to their needs. These jobs aim to promote and support sustainable professional career paths for disabled workers in order to enhance and foster their status and occupational mobility within the Company itself as well as towards other companies.

In the same context, and in order to encourage the recruitment of disabled workers within the Group's French facilities, a partnership was entered into with a job board website to communicate on our business fields and display our job opportunities.

Additionally, in connection with the agreement entered into between the Group and union organisations in 2012, Korian made the commitment to define a personalised project for each disabled employee regarding their workstations, working hours and career development.

There is currently no specific agreement in Germany or in Italy related to the employment of disabled workers.

Anti-discrimination policy

In France, the Group entered into an agreement with the representative union organisations in relation to generation contracts on 26 January 2012.

This group agreement supersedes the agreement on the 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.

This agreement aims to define the specific actions intended to promote the sustainable employment of young people through a full time contract, retain the older employees within the workforce and insure the transfer of knowledge and expertise.

No agreement was entered into in Germany or Italy related to preventing discrimination.

3.7.1.7. Promotion of and compliance with the ILO’s fundamental conventions

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.

A career management policy that combats discrimination

Attracting talent is a major goal of our recruitment policy. Setting a good example is key to success. All employees in charge of recruitment are aware of business ethics and non-discrimination rules Diversity is a valuable asset that Korian 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, which are also important vectors to retain them in a sector experiencing shortage and therefore a tense employment market.

The Group strives day after day to create a rewarding work environment, which enables everyone to build on their potential and fully express their talent.

The Group's ambition is to help its employees develop their full potential in order to achieve the company's objectives. To achieve this, it is essential to develop the skills of each employee in order to motivate and involve everyone in the company's objectives.

The Group established a clear and fair career management policy in order to easily reward talent with no discrimination. This policy is applied particularly through the implementation of performance management, which involves an annual assessment of each employee so that the latter can further develop according to his/her wishes, capacities and results.

In France, the Human Resources Department chairs career committees and uses 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 the employees (Korian's Job Exchange).

Elimination of forced labour, abolition of child labour

In France, Italy, and Germany, the Group complies with the principles provided for by the fundamental conventions of the ILO, and particularly with respect to the elimination of forced labour and the abolition of child labour.

3.7.2. Environmental information

3.7.2.1. General environmental policy of the Group

Organisation of the Company to take environmental issues into account

The Group's environmental commitments stem from the regulations that are applicable to all of the facilities in France and abroad.

The group strives to reduce its facilities' CO2 emissions and combat climate change. The Group also endeavours to limit its dependency on fossil fuels and turn towards renewable energy sources more frequently within the framework of its real estate investments.

Employee training and awareness-raising regarding environmental protection

Regarding best practices, the Group launched a think tank in France in 2014 to identify and implement eco-friendly measures (heating, sorting, lighting, etc.) within the Group's French facilities. This think tank aims to define a policy to raise the awareness of employees on eco-friendly behaviours.

Resources dedicated in the prevention of environmental and pollution risks

The actions taken by the Group to prevent environmental and pollution risks centre on three priority areas: construction and sustainable management of buildings as well as waste processing and responsible purchasing.

The resources implemented by the Group to prevent environmental and pollution risks are: reducing the heating consumption of buildings (analyses and carbon footprint report carried out by an approved independent firm, insulation works in buildings, renewable energy sources for the Group's new buildings); sorting and reduction of waste (systematic waste sorting, the promotion of composting).

Provisions booked and coverage for environmental risks

In 2013, the Group did not book any provisions, nor did it hold any insurance policy in relation environmental risks.

No administrative sanction with respect to environmental regulations was identified and no environmental incident was declared.

3.7.2.2. Pollution and waste management

Prevention, reduction and neutralisation of emissions into the air, water and soil

- Monitoring the water network

Measures are implemented to prevent, monitor and fight against legionellosis in post-acute and psychiatric facilities as well as social and medico-social facilities. Therefore, tests are run by an approved laboratory once a year to identify the presence of any legionella.

All of the French facilities carried out an assessment of their hot water network and keep a sanitary record. Following the results of these tests, corrective measures have been, or will be implemented.

In Germany, tests are also conducted under the control of the competent health authorities to identify any presence of legionella.

In Italy, most sites are equipped with specific water filters, and tests are run by laboratories with ISO/IEC 17025 certification. In the event of the detection of legionella, special protocols are set up to eradicate any trace of these bacteria.

- Bio-cleaning an efficient means of reducing pollution

The new bio-cleaning concept rolled out in all of the French facilities reduces the water consumption and the quantity of chemicals used, as well as disposable consumables, which are particularly polluting and the production of waste. The equipment used secures and limits the access of our residents and patients to detergents (particularly in Alzheimer care units). The concept eliminates products in sprays, which reduces the risk of people who are attending the facility of inhaling chemical particles. Reducing the quantity of water used for cleaning the floors limits the humidity of the floors and therefore shortens drying times. The combination of these two features reduces slipping and falling risks and enhances the security of the people attending our facilities. Korian aims to reduce its facilities' water consumption and use of chemicals by 50%.

- Visual inspection of the components that may contain asbestos every two years

Each French facility keeps a specific DTA record; currently, the components likely to contain asbestos were considered to be in good condition.

In Germany, building owners are obliged to remove asbestos in the event of total renovation of the building. Employees must be informed of the presence of asbestos in the facility.

In Italy, samples are taken and checks are carried out by the relevant authorities. If any asbestos is found, works are compulsory.

Measures to prevent, recycle and eliminate waste

As described in the chapter concerning the risk prevention and management policy, the activities of Korian's facilities require the management of infectious medical waste from activities with risk of infection (IMW). The IMW are regulated by the French Environmental Code and the French Public Health Code (in particular Article L. 541-2 of the French Environmental Code

IMW estimates for 2013 (In France)	2013	
	long-term care	post-acute and rehabilitation care
Number of facilities that answered the survey	90	28
Quantity of medical waste (IMW) (in Kg)	87,582	74,922
Annual cost (in euros)	220,383	169,171

Each facility is responsible for the end-to-end elimination of IMWs (sorting, packaging, collection, transportation, storage and processing).

This process is initiated locally by the Group's facilities. The output of IMWs exposes the Group to serious sanitary risks for its employees, patients, public and the environment; it is therefore crucial to control the entire process from the generator to the incinerator and also ensure good storage conditions.

To achieve this, in 2014, the Ethics, Medical and Quality Department as well as the Accommodation and Purchasing Department of the Group set a goal of centralising these measures (after an inventory among Korian's French facilities by means of a questionnaire) and promoting best practices.

Each French facility is in charge of managing its own waste output. The household waste, cartons and plastic of a great number of facilities are collected by the town services. Cardboard and plastic are recycled. Facilities also took initiatives regarding best practices and implemented measures such as sorting and recycling waste oils or food waste, promoting composting, collection and recycling WEEE or batteries.

For WEEE, the Paris and Lyon headquarters manage the collection of demanufacturing waste through a specialist company. The Lyon head office gathers the aforesaid waste from the facilities of the region before the collection.

The Group's French head office has adopted selective waste sorting, uses paper from sustainable sources and seeks new recycling solutions for used equipment.

Taking account of noise pollution

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 its business activity.

3.7.2.3. Sustainable use of resources

Water consumption and water supply according to local constraints

In all countries, the Group's facilities are supplied by town water.

In France, annual water consumption stood at 1,827,561 m³ in 2013

(in € millions)	2011	2012	2011-2012 Change	2013	2012-2013 Change
Annual water bill	3.00	3.33	11%	3.30	-0.7%

In Germany, Curanum's annual water consumption stood at 624,849 m³. However, this indicator is not available for Phönix.

Water consumption is not an indicator used in Italy.

Further to its commitment to a sustainable use of resources, the Group put in place a certain number of measures to reduce its water consumption:

- installation of tap regulators in its French facilities to reduce water consumption on average by 25%;
- using the bio-cleaning concept that cleans floors by just dampening them and therefore significantly reduces the quantity of water used for washing floors in its facilities, as described in the section entitled "Prevention, reduction and neutralisation of emissions into the air, water and soil" above.

Consumption of raw materials and measures to enhance efficiency in their use

The Group strives to use raw materials, which have limited impacts on natural and non-renewable resources.

A paper consumption policy was implemented in France. The Group has thus used a different type of paper since the beginning of 2012; the A4 80g white paper was replaced by A4 75g recycled paper.

In 2013, the Group consumed 38,250 reams of 500 pages vs. 43,071 in 2012; i.e. an 11.19% reduction compared with 2012. According to the estimate drawn up by the "paper calculator" of the Office Federal Environmental Executive, this represents 161 trees.

Energy consumption

The tables below summarises the energy consumptions, i.e. natural gas, electricity, fuel oil in 2013, for France, Germany and Italy (including Kinetika Sardegna Srl).

Consumption in France	2011	2012	2013[22]	Change 2011-2012	Change 2013-2013
Total number of facilities	**168**	**173**	**162**	**3%**	**-6%**
Annual Group expenditure (in € millions)	**9.90**	**10.90**	**8.90**	**11%**	**-18.35%**
Natural gas	3.50	4.10	3.09	17%	-24.53%
Electricity	5.60	5.80	5.31	5%	-8.41%
Fuel oil	0.80	1.00	0.49	20%	-51%
Annual expenditure (in euros)					
Natural gas	20,955	23,821	19,508	14%	-18.10 %
Electricity	33,075	33,692	32,164	2%	-4.54%
Fuel oil	4,942	5,752	41,150	16%	615.40%
Breakdown of annual energy consumption (in kWh)					
Natural gas	69,561,337	76,692,938	69,350,661	10%	-9.57%
Electricity	65,987,393	67,356,740	55,263,471	2%	-17.95%
District heating	495,000	495,000	NC	0%	NC
Fuel oil	13,425,858	14,012,256	6,302,964	4%	-55.02%

[22] This table takes into account the 2013 consumptions and energy expenditures of 162 facilities in electricity, 118 facilities in natural gas, 15 facilities in propane and 12 facilities in fuel oil.

Consumption in Germany	2013	
	Phonix	Curanum
Number of facilities	**49**	**75**
Total annual consumption	**35,745,308**	**83,729,264**
Natural gas in kWh	23,846,479	51,376,326
Electricity in kWh	11,560,157	26,051,831
Fuel oil in kWh	338,672	6,301,107

Consumption in Italy (including Kinetika Sardegna)	2013	
	In € millions	In kWh
Number of facilities	**31**	**31**
Total annual consumption	**6.06**	**76,184,011**
Natural gas	1.30	24,229,702
Electricity	3.92	45,316,728
Other fuels	0.84	6,637,581

Improving energy efficiency and promoting renewable energy sources

When possible, the Groups facilities use low-energy light bulbs. Also, solar panels were installed in some facilities for the hot water and heating systems of new buildings, which are sufficiently well exposed to sunlight.

For example, the new post-acute and rehabilitation care facility located in Narbonne was built according to environment-friendly standards. It offers efficient energy solutions: the green roof of the ground floor and the solar panels for the hot water network ensure optimal insulation and significant savings in energy.

Lastly, when possible, the facilities make the choice of town gas rather than using energies, which are less efficient, such as fuel oil.

Soil use

This indicator is deemed irrelevant to the Group's business activity for which soil use is not a deciding factor. Notwithstanding the above, this exclusion will be reviewed each year based on the Group's areas of operation and the current situation.

3.7.2.4. Climate change

Green house gas emissions

The table below summarise the CO2 estimates in France, in Germany and in Italy, with regard to their total energy consumption in 2013.

CO2 emissions (in France)	Number of facilities	Kg CO2 equivalent
Propane	15	256,395
Natural gas	118	4,285,583
Fuel oil	12	516,843
Electricity	162	1,271
Total	**162**	**5,060,092**

CO2 emissions (in Germany)	Kg CO2 equivalent
Natural gas	4,889,482
Fuel oil	544,461
Electricity	4,137
Total	**5,438,080**

CO2 emissions (in Italy)	Kg CO2 equivalent
Propane	1,817,227
Fuel oil	544,281
Electricity	4,984
Total	**2,366,492**

- Control of energy consumption

Energy efficiency is a priority for the Group, both in terms of environmental protection and in terms of cost reduction.

In 2011 and in 2012, the Group appointed ECO2 INITIATIVE, an independent firm, to perform the carbon footprint assessments in all of the Group's French facilities. Korian therefore became the first Group in the medico-social and post-acute and psychiatric sector to have measured 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 CO2 emissions.

In France, all of this led to works on exterior insulating systems in 2012 and loft insulation programmes in 2013. All together, these works enabled the Group to obtain Energy Savings Certificates. This work concerned 33 facilities in 2012 and 30 facilities in 2013 of the French real estate portfolio and should reduce the annual energy consumption by nearly 5,900,000 kWh in 2012 and by 5,300,000 kWh in 2013 as well as an annual reduction in CO2 emissions of about 1,000 tons in 2012 and 900 tons in 2013. These efforts will be continued in the years to come.

- A travel policy to reduce green house gas emissions

Since 2010, Korian has committed to optimise its vehicle fleet with the goal of reducing its average CO2 emissions /km.

- In 2010, after an inventory of its fleet, the Group's average stood at 135 g of CO2/km[23]. Since 2011, this ratio has fell nearly 9% and amounted to 123 g of CO2/km, 113 g of CO2/km in 2012 and 107.69 g of CO2/km in 2013 (i.e. a decrease of 4.7% compared with 2012 and 20.23% since 2010). The Group aims to bring its average down to less than 105 g of CO2/km, particularly by using vehicles with low CO2 emissions equipped with *start &* stop and by using hybrid vehicles.

Additionally, in 2013, the consumption of CO2 for France[24] totalled:

- 248.5 tons of CO2 (travelling by air);
- 124.5 tons of CO2 (travelling by train);

For France, Korian set up a video-conference system in September 2013 with the goal of reducing travel and CO2 emissions by 7%.

[23] Main office vehicles excluding long term leases.
[24] All staff included. Long term leases and taxi travel expenses are excluded.

Adaptation to the impacts of climate change

In accordance with the PNC published by the Ministry of Social Affairs, each French facility of the Group prepares and updates its "Blue Plan" for long-term care facilities and its "White Plan" for post-acute and rehabilitation care facilities to prevent and reduce the health consequences of a heat wave.

The implementation of a Plan by the director and the health workers of a facility enable that facility 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.

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 heat waves, all of the French facilities have air-conditioned rooms that have mobile air conditioners as well as blackout blinds that can be fitted on the windows of the rooms 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 White and Blue Plans are sent every year in April to the facilities 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).

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.

3.7.2.5. Protecting biodiversity

In its sustainable development charter, the Group requires that its suppliers commit to finding raw materials that have limited impacts on natural and non-renewable resources (petrol, methane).

3.7.3. Societal responsibility

3.7.3.1. Territorial, economic and social impact of Company's business activity

The Group's facilities are fully involved in the local economy and play a key role in the region in which they operate: stimulating the local economy, integrated in the local medical care sector, close cooperation with regulatory authorities and town halls, participation in the social intergenerational challenge, sponsoring and partnerships. These actions reflect the Group's commitment and societal responsibility.

Employment and regional development

The establishment of a new facility in a region is strong growth driver.

- A long-term care facility of a hundred or so residents represents 88 jobs that cannot be outsourced.
- A post-acute and rehabilitation care facility of 100 or so patients represents 130 jobs that cannot be outsourced.

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.

- For example, has a strong presence on the Languedoc-Roussillon region, with 2 post-acute and rehabilitation care facilities and 7 long-term care facilities, totalling 748 beds. The Group is now well-established in the Aude, the Gard, the Hérault and the Pyrénées-Orientales departments and employs over 500 people.
- With 11 post-acute and rehabilitation clinics and 32 long-term care clinics totalling 3,558 beds, the Group is also well-established in Île-de-France - the Greater Paris region (including the Hauts de Seine,

Paris, Seine-et-Marne, Val-de-Marne, Essonne, Seine-Saint-Denis, Val d'Oise and Yvelines departments).
- With 4 post-acute and rehabilitation and 32 long-term care clinics totalling 3 281beds, the Group has a strong presence in the South East of France (Aude, Pyrénées Orientales, Hérault, Gard, Bouches-du-Rhône, Var, Alpes-Maritimes, Drome, Ardèche, Tarn, Haute-Garonne).
- In Lower Normandy, the Group employs more than 525 people within its 11 facilities (long-term care and post-acute and rehabilitation care facilities) and plans to strengthen this presence by opening a new facility in 2015, 100% dedicated to Alzheimer's disease.
- In the Centre region, with an investment of more than €12 million to build its new long-term care facility in 2013, the Group confirmed its active presence with over 1,100 beds spread across 16 long-term care facilities.

At a European scale, the opening of a facility also supports employment significantly.

- In Italy, a facility located in Lombardy with a hundred or so beds created 65 full-time jobs.
- In Germany, a facility sheltering a hundred beds enabled the company to hire 55 people full-time.

Local populations and neighbours

With a consistent local demand in dependency care in France, Korian shaped its strategy around the implementation and development of local gerontology businesses. The aim is to provide the dependent elderly with a *continuum* of healthcare needs (long-post-acute and rehabilitation clinics, hospital home care), medico-social (long-term care) and social (at home) and limit unnecessary hospitalisation, which leads to disorientation issues for residents and patients and higher costs for the town. Beyond 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.

We were not able to summarise the impact on local populations and neighbours in Italy and Germany in this report.

3.7.3.2. Relationships with people and organisations of the sector, and particularly not-for-profit organisations focusing on social inclusion.

A partner of the public sector and charities

In France, Korian has 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. For example, when Korian's La Pinède post-acute and rehabilitation care facility at Sigean in the Aude department had to be relocated, it entered into a partnership with the Hospital in Narbonne. These two entities decided to build a new facility in 2013, the post-acute and rehabilitation clinic Les Quatre Fontaines, which now welcomes their respective patients. Thanks to this project, the Hospital of Narbonne was authorised to create 30 additional rehabilitation beds. In addition, at the end of 2013, the six long-term care facilities located in Indre-et-Loire signed an agreement with the Regional University Hospital of Tours to optimise the healthcare paths of the elderly between the Group's regional long-term care facilities and the hospital.

Partnerships with hospitals also allow facility directors to take part in certain conferences. For example, in December 2013, during the 2013-2014 geronto-psychiatric conferences, the Saint Jean de Dieu hospital in Lyon invited the director of Korian's facility in Bellecombe to share his expertise on palliative care and its characteristics, and more specifically his "Blue Room" initiative.

In addition, further to the opening of a new facility located in Le Teilleul, which is scheduled for spring 2015, Korian entered into a partnership with the medico-psychological training centre of le Teilleul. Korian is going to offer internships to the students year-round in the new facility alongside with qualified care assistants, which have been trained in mentoring and that will support them throughout their training.

Lastly, the Group partners and sponsors quite a few non-profit organisations that focus on the well-being of residents, such as:

- Music'O sénior, which has organised opera concerts at Korian's facilities since 2010;
- S.I.E.L Bleu, which organises fall prevention workshops and light gymnastics routines for the residents;
- Le Cercle de l'Orchestre National de France, sponsored by Korian between 2009 and 2012, which organised chamber music concerts in order to safeguard the cultural and social life of residents who were no longer physically capable of getting to concert halls;
- since 2011, Korian is also a partner and a sponsor of the "Aidant Attitude" endowment fund dedicated to non-profit organisations, whose mission is to provide families that have a dependent member with as much information as possible on this subject. Korian's partnership hinges on the organisation of 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.

In Italy, the Group developed a number of partnerships with public bodies or non-profit organisations over the past years. Segesta has been operating an RSA of 100 beds in the outskirts of Milan since 2008 and will be in charge of it for a 30-year period.

Additionally, Segesta entered into partnerships with certain universities in Milan (Politecnico di Milano, Cattolica, Bocconi) within the framework of its employee recruitment policy. Other partnerships were formed locally in order to facilitate the access to physiotherapist and nursing internships. Lastly, two years ago, a new master's degree on ageing psychology was developed with Pavie university and enabled future psychologists to participate in an internship in one of our facilities.

In Germany, there are also many partnerships with the public sector and non-profit organisations, yet these are generally not formalised.

Opening up to the outside

Korian encourages its facilities to develop best practices to offer enhanced comfort and opportunities to open-up to the outside.

- For example, La Petite Maison Korian is an area run by the Korian Artémis long-term care facility, that can be made private free of charge for the families. In 2012, 30 different families were able to enjoy La Petite Maison Korian (including 7 families that used it several times); it was used 42 times in total (35 meals and 7 tea parties).
- Additionally, the new long-term care facility at Le Teilleul, which will open during the spring 2015, will be devoted to elderly disoriented people suffering from Alzheimer's disease or other similar disorders. In order to meet the specific needs of these residents, Korian envisioned a facility comprising 4 different living quarters centred around a mutual living space in order to encourage and maintain social interaction as well as a reassuring environment "like at home". The lifestyle was thought out so as to stimulate the residents' senses and help maintain their functional capacities as well as their social and cognitive abilities thanks to new kinds of support. An area outside the facility will be available for the residents' families to enable them to get together and share warm family moments with the resident family member.
- During the course of 2013, Korian and its catering service providers organised an inter-regional cooking contest between Korian's different facilities, sponsored by a famous chef. In early 2013, two contests were held between the facilities catered by Sodexo followed by contests between Korian's facilities that are catered by Restalliance and Restapro. The cooking contests goal was to bring all of the facility players together around a mutual project: residents/patients, employees and catering staff.
- World Alzheimer's Day is the occasion to organise open house days during which the families can attend conferences given by the facilities and have discussions with the in-house psychologist about the difficulties related to this disease. In September 2013, fifteen or so facilities organised open house days with special workshops for their residents.
- Korian's facilities are also members of professional unions in the long-term care sector, such as the Syndicat National des Etablissements et Résidences Privées pour Personnes Agées (SYNERPA) and the Fédération de l'Hospitalisation Privée (FHP) in the healthcare 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.

Promoting dialogue

An ongoing dialogue between the residents and their families is fostered by compulsory meetings such as social life councils within the long-term care facilities, the Resident Relations Committee in the post-acute and rehabilitation care facilities; these proceedings ensure that clients' rights are respected and make their procedures easier. They are also a good occasion to give opinions and to actively contribute to the facility's policies regarding accommodation and care provided to the resident as described in Section 3.5.2 on quality assurance and ethical development ("Receptiveness and appraisal").

Residents and their families confirmed their satisfaction in 2013

Every year, Korian questions residents and their families on the key components of comprehensive dependency care: medical care, daily accommodation, comfort, rooms, organisation of catering, meals, social life, activities, staff.

In France:

- for the long-term care facilities, the 2013 satisfaction survey, which took place in between the middle of April and the end of May, showed an overall satisfaction rate of 91.8% (93.6% for residents and 90% for the families), whereas the satisfaction rate in 2012 stood at 92.9% (94.7% for residents and 91% for the families). The overall recommendation rate stood at 87% (vs. 88.1% in 2012), which shows that nearly 9 out 10 people would recommend our facilities to close friends or family;
- for post-acute and psychiatric care facilities in France, the exit questionnaire posted an overall satisfaction rate of 95.9% (vs. 96.2% in 2012). The overall recommendation rate stood at 94.1% (vs. 94.6% in 2012), which shows that nearly 9 out 10 people would recommend our clinics to close friends or family.

In Italy, satisfaction surveys are conducted every year. In 2013, they were disseminated to all of the long-term care facilities in September and throughout the year in the clinics. The overall recommendation rate stood at 86% in 2013.

3.7.3.3. Subcontracting and suppliers

A responsible purchasing policy taking intoaccount social and environmental issues

In France, the Group would like to adopt a sustainable development process that involves its partners, suppliers and subcontractors.

The Group drew up its own sustainable development charter related to purchasing, and requires that its suppliers and partners share two fundamental commitments:

- accept a relationship based on transparent exchanges regarding the sustainable development policy implemented;
- ensure that at each stage their own suppliers and partners comply with the same requirements regarding sustainable development.

To this end, the Group strives to learn more about, communicate, foster, and promote social and environmental best practices and see that these are applied.
the Groups social commitments are (i) to comply with the provisions of the ILO’s fundamental conventions, (ii) practice non-discrimination regarding sex, race, religion, or political affiliation, (iii) to guarantee legal safety and hygiene conditions in the working place during work time, (iv) to be compliant with local regulations and agree never to exceed the limit work time of 60 hours per week authorised at an international level, (v) to guarantee a wage level which ensures employees decent living conditions, taking into consideration the local cost of living, (vi) to refuse degrading behaviours within the company, (vii) to respect the freedom of association and union activity and (viii), to take active measures against sex tourism involving minors.

The Group's environmental commitments are, (i) the implementation of a environmental policy to bring the company in line with the best environmental practices of the business sector, (ii) compliance with environmental regulations at the international, national and local levels regarding the usage of certain products and processes, (iii) management of environmental impacts resulting from facilities and products (acknowledgement of impacts, monitoring processes, and publication of results), (iv) implementation of an ongoing improvement policy (optimal management of resources and management of impacts), (v) finding raw materials which have limited impacts on natural and non-renewable resources, vi) development of particularly innovating products conceived especially for Korian regarding environmental protection, both in terms of manufacturing and in terms of use, and (vii) the implementation of a systematic recycling policy for waste and recovery of used manufactured equipment.

Importance of subcontracting and taking the corporate social responsibility of suppliers and subcontractors into consideration in relationships with them

Korian's sustainable development policy particularly focuses on energy and fluid savings (water, gas, electricity), the use of as many non-hazardous products as possible and promoting measures to protect the environment.

Buying well and better buying are the main goals of the Group's accommodation and purchasing department in France.

In order to make significant savings, this department endeavours to guarantee the best quality/price/service ratio for the purchases of each French facility. The department is fully committed in the sustainable development process, whether in choosing its suppliers or managing the operations of facilities. Certain requirements are subject to very close attention regarding each product category of which the purchasing is centralised; more than just suppliers, they are real sustainable development partners for Korian.

In general, the sustainable development criteria count for 15% in the selection of suppliers:

- all of the contracts and tenders related to accommodation and purchasing include sustainable development provisions. In addition to resident and patient satisfaction, the main compulsory requirement is the compliance with European regulations and local legislation in force;
- three main objectives were provided for in the bio-cleaning tender: quality (through standardised operations); training of all the bio-cleaning staff of the Group's French facilities on the products ensured by the service provider, cost efficiency and environmental protection through the implementation of economical dispensers for dosing products (such as dilution systems, washing/rinsing dosers, etc.).

3.7.3.4. Fair trade practices

Anti-corruption measures

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. Korian is committed to fair trade practices For example, Korian always operates in a fair competition environment when selecting its suppliers or when ordering work. The selection is based on an analysis table which includes several objective criteria, such as the amount of the offer compared with either the human time planned or references. The criteria are weighted according to their importance and the context.

In Italy, during the second half of 2013, Segesta also implemented an e-procurement platform in order to secure the purchasing process. Thus, every purchase is submitted for formal approval through this purchasing platform. In addition, in accordance with internal processes, Sogesta's main suppliers are chosen following a tender initiated by a purchasing committee, which includes not only Group buyers but also employees from operations. The supplier is chosen according to both a quantitative (price, lead-time, etc.) and qualitative assessment (test phases, compliance with specifications). The quality of the products acquired is monitored by the purchasing department all throughout the contract term through satisfaction surveys sent out to the facilities.

Pursuant to a 2011 law, Segesta adopted a code of ethics, which includes all of the Italian Group's values and commitments, in particular, impartiality, honesty, integrity, preventing corruption and absence of conflicts of interest.

Measures taken to promote the health and safety of consumers

Korian takes a certain number of measures to limit its exposure to the risks inherent in its dependency care, medico-social care and post-acute and psychiatric care activities, as described in Section 3.6 regarding the risk prevention and management policy.

- Ethics and best care practices training

For many years now, a number of efficient measures have been taken to promote best care practices: training, implementation of internal and external processes, the deployment of wrap-up meetings, etc.

In 2011, Korian gave a new impetus to this strategic priority with the strong commitment to transition from care practices to best care practices. One of the most significant measures in France was the launch of the new BEST training course (Ethics, Best Care Practices for All):

- the BEST 1 module hinges on the four essential pillars, which support our ethical approach to dependency care and support, and which take account of the Group's core values, tools and processes. These four pillars are (i) knowing and understanding the person in care by working on the impact of social representations, (ii) best care practices in day-to-day tasks regardless of the position held, (iii) team communication with the patient and the families, and (iv) a personalised medical path, which guarantees a tailored medical accommodation for each patient;
- the BEST 2 module is designed to help teams to work together and to reflect on what to do in complex situations (particularly behavioural disorders and issues that arise as individuals approach death).

In order to help the medical staff roll out the best practices, the facilities can also benefit from the MobiQal kits provided by the *Société Française de Gériatrie et de Gérontologie*. 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 2013, Segesta provided all medical personnel with training on ethics and best care practices. This training course is shaped around four main priority areas (appropriate medical care, patient respect and dignity, integration and communication, being attentive to the patient) as a follow-up to the previous training sessions.

To strengthen its ethical process, Korian also relies on its Ethics and Risk Committee, which submits recommendations on ethical issues related to dependency care in its facilities and on risk management at a Group level. It meets on average twice a year.

In France, the long-term care charter defines the fundamentals in terms of support, respect, ethics and professionalism, which are critical for the care of residents.

Gerontology is a sector undergoing continuous change and requires continuous development in understanding and practices in order to better meet the needs of the dependent elderly cared for in clinics or in residences. The Group is one of the only private players in the sector, which is able to run its own research programmes and offer partnerships to both companies and college students.

- The Group launched study in 2008 aiming to define concrete measures to improve the quality of the medical care provided to residents. It aims to prevent falls, which can often disable elderly people, and to better understand the interest of the Snoezelen method for people suffering from dementia, or fight against undernutrition.
- The Group carried out a certain number of studies aiming to better acknowledge the medical condition of its residents and patients and identify the conditions required for improving care practices through ongoing training. Other projects result in practical recommendations to improve the living conditions of residents. These recommendations are distributed via the Group's the Intranet site in France and newsletters. Lastly, the studies carried out also aimed to enable the nursing staff to work in better conditions and benefit from the results obtained put into practice.

- Safety of the medication use system

This measure is described in Section 3.6.1.4 concerning the medication use system.

- Increased vigilance in preventing climate change and risk of heat wave

This measure is described in Sections 3.6.1.6 and 3.7.2.4 concerning adapting to the impacts of climate change.

- Priority is given to the safety of buildings and equipment

This measure is described in Section 3.6.1.5 concerning risks related to buildings.

Eight safety and security managers ensure the application of regulatory provisions with respect to fire prevention, sanitary risks, and easy access to facilities by disabled people.

- Promoting the well-being of residents by organising activities within our facilities

The Group committed to give first priority to activities in the resident's social and cultural lives, aiming to improve the everyday living conditions of residents by taking account of their desires, their needs, their level of dependency and their illness, to promote relationships and mutual projects between the long-term care facility and the outside through outings, intergenerational exchanges, partnerships, and to launch an offer devoted to elderly people who are not residents, within the framework of opening the facility to the neighbourhood and to the town.

In 2012, the Group implemented a Korian Activity policy (PAK) in France, which plans to hire an activity leader in each Korian facility. His or her role is to bring together all the teams and stakeholders around the well-being of the resident.

The residents are offered four packages, which cover different kinds of activities:

- the social and cultural package, which offers activities that help respect the residents as individuals and help them thrive in their social and cultural environment: jazz concerts, intergenerational exchanges, board games, inter-residence exchanges;
- the memory improvement package, which aims to encourage memory retrieval and memory improvement through activities such as reviews of press clippings, expression workshops, cognitive activities or writing workshops;
- the physical well-being package, which aims to work on the autonomy of the residents: walks, light exercise, medical care, beauty care, hairdressing are part of the activities offered;
- the creative well-being package, which contributes to the internal well-being of the elderly by improving their everyday life through cooking, gardening, animal-assisted therapy or art therapy.

3.7.3.5. 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

The process to determine the contents of this first CSR report was based on the guidelines set out by the Grenelle II French Act (in accordance with Article L. 225-102-1 of the French Commercial Code) and by Decree No. 2012-557 of 24 April 2012 regarding corporate transparency obligations on social and environmental matters.

As there is no set of standards shared by the whole Group, this reporting policy document aims to present the reporting methods used for labour, societal and environmental 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. Scope of Report - Consolidation Method

The entities covered under the reporting scope are the entities in which Korian SA holds a controlling stake (directly or indirectly) strictly in excess of 50%, with the exception of Kinetika Sardegna Srl, a subsidiary of Segesta located in Sardinia, which is held at 28%.

3.7.4.2. Change in scope

Changes in scope are linked with the establishment, acquisition, disposal or liquidation of subsidiaries during 2013; they have therefore been treated in accordance with predefined rules to assess the Group's performance over a comparable scope period to period.

Thus, in France, psychiatric activities, sold in April 2013 and including eight simplified joint-stock companies, were excluded: Kovest 37, Clinique Psychiatrique du Pays de Seine, Clinique Maylis, Société du Château Chavasse,Clinique Médicale d'Ymare, Société de Gestion des Cliniques du Domaine de Vontes, Clinique Jeanne d'Arc and Société de Participation CJA. In total, these companies had seven psychiatric clinics.

Moreover, the company Les Tilleuls and the Villa Lorca facility are not included in the French scope, as they were both sold before 31 December 2013.

In Italy, the reporting scope includes Segesta and Kinetika Sardegna Srl, a subsidiary held at 28%. Munari, acquired in July 2013, is not included in the scope.

Lastly, in Germany the data collection scope covers the Phönix companies and Curanum, a business acquired following the friendly takeover bid in March 2013.

3.7.4.3. Reporting period

Indicators are calculated over the period from 1 January 2013 to 31 December 2013 (12 months), with data recorded at 31 December 2013.

Where available, quantitative data for 2012 was included to make it possible to calculate the percentage change between 2012 and 2013.

3.7.4.4. Data collection

The data relating to the defined scopes was collected directly from each of the departments concerned (HR Department, Accommodation and Purchasing Department, Real Estate Department and Ethics, Medical and Quality Department), which ensure the consolidation of labour, environmental and societal data, respectively, submitted by the Group's subsidiaries and facility directors.

Employee-related data is collected in each Group subsidiary. As a general rule, the reported data originates from the payroll systems used in the subsidiaries. The data is checked for consistency and then approved by the HR Department at Korian SA's registered office.

Environmental data is collected in each facility and is then checked and approved by the Accommodation and Purchasing Department and by the Real Estate Department.

Societal data is mostly managed by Korian SA's head office for France, by Segesta for Italy and by each German company directly at the local level.

Lastly and for certain indicators managed locally, data was collected directly from the Group's French facilities.

3.7.4.5. External audit

The reported CSR information was verified by our external Statutory Auditor Mazars, appointed as an independent third-party assessor. Detailed tests were carried out on the data considered most important.

3.7.4.6. Methodological clarifications and limitations

First of all, it is specified that certain indicators are not applied in Germany and Italy. Each one of said indicators is mentioned in the above report.

3.7.4.7. Headcount

Salaried employees of the Korian Group's entities in France were calculated based on the list of staff present in France under fixed-term and open-ended employment contracts across all French Group sites and at Korian SA's registered office.

In Germany, the headcount was calculated based on fixed-term and open-ended contracts at Phönix and Curanum.

In Italy, the stated headcount corresponds to the total headcount of the Segesta Group (excluding Munari, as explained in "Reporting scope" above). It takes into account the staff of the cooperatives Segesta works with to manage part of its personnel and provide certain services, as well as all of the employees of Kinetika Sardegna Srl. Employees under fixed-term and open-ended contracts were taken into account, as well as interns.

3.7.4.8. Absenteeism rate

The absenteeism rate in France is calculated as the sum of ordinary illness/work accidents/commute accidents / unjustified absences for each employee under a fixed-term or open-ended contract over 12 months, divided by the number of contractual hours over the same period.

As for Germany, the amounts taken into account to calculate the absenteeism rate at Phönix and Curanum correspond to a different definition. Phönix took into account absences due to illness linked to commute time and unjustified absences in relation to the company's total headcount at 31 December 2013. Curanum, on the other hand, took into account the number of absences due to illness in relation to the number of company employees over the same period.

In Italy, the number of hours of absence for ordinary sickness, occupational illness, maternity, work and/or commute accidents and any other absence not covered under the employment contract was taken into consideration against the number of actual worked hours by all contracted employees, including training hours. The reference rate calculated for 2012 did not take into account the data relating to Elia Domus and Aurea Salus.

3.7.4.9. Frequency rate of work accidents

The frequency rate of work accidents is the number of work and commute accidents causing work stoppage for one day or more, occurring over a period of 12 months, and for one million worked hours.

3.7.4.10. Number of training hours and trained employees

Training data for French subsidiaries take into account all training sessions (continuous education, diplomas or one-off sessions), delivered to the employees of the Korian Group, whether by our training centre, Formadep, or by external organisations. Training data was collected from the OPCA (Authorised Equal Collection Body - Organisme Paritaire Collecteur Agréé).

3.7.4.11. Waste

The data collected on waste from Korian Group sites relates to two different categories, IMW and other waste from the daily operation of the facilities (HAW, OIW, WEEE). Only IMW in France is presented as quantitative data in this report, calculated based on the facilities' declared figures.

The number of tonnes of IMW was calculated based on the questionnaire sent to all Group sites, which replied providing the annual IMW volume generated by their facility. 118 facilities (90 long-term care and 28 post-acute and rehabilitation centres) filled out the questionnaire based on their suppliers' information or on the number of boxes and drums.

3.7.4.12. Water consumption

In 2013, the yearly consumption of water in France was calculated based on the average 2013 monthly price as published by the INSEE for a consumption of 120 m^3.

3.7.4.13. Energy consumption

Energy consumption was mainly drawn from the management software of large power distributors (GDF, EDF, Totalgaz). For local contracts, consumption was based on the review of invoices by the Group's accounting department.

Some sites, on the other hand, manage the supply of gas and fuel oil locally. Thus, we were not able to report this data. However, as it accounts for a minor share, this missing data does not make the information provided less representative of the Group's situation.

3.7.4.14. Atmospheric emissions of CO2

- Total CO2 emissions by region

Direct atmospheric emissions are emissions linked to the consumption of fuels or energy (natural gas, propane gas, electricity and domestic fuel oil) and are calculated based on fuel emission factors provided by the Environment and Energy Management Agency (ADEME - Agence de l'Environnement et de la Maîtrise de l'Energie).

- CO2 emissions by car fleet

The data presented for CO2 release linked to the use of the Korian Group car fleet concerns the vehicles of the Company's registered office, excluding long-term leases. This data was calculated using as reference the CO2 emissions published by each of the brands of the vehicles used by the Group's companies.

3.7.4.15. Reducing paper consumption

The reduction in paper use was calculated using the Paper Calculator site published by the Office of the Federal Environmental Executive and recommended by our paper supplier Lyreco.

3.7.4.16. Exclusions

In accordance with the statements herein, the other actions launched by Korian in favour of human rights, as well as noise pollution generated by the Group's facilities are excluded from this report.

These two indicators are considered non relevant to the Group's business. Notwithstanding the above, this exclusion will be reviewed each year based on the Group's areas of operation and the current situation.

3.7.5. Report of the independent third-party assessor on the consolidated labour, societal and environmental information given in the Management Report

The merger between Korian and Medica having taken place on 18 March 2014, labour, societal and environmental information for 2013 only relates to Korian.

Dear Shareholders,

In our capacity as independent third-party assessor, whose accreditation application has been approved by the COFRAC, and as a member of the Mazars network, Statutory Auditors of Korian, we present our report on the consolidated labour, societal and environmental information for the financial year closed on 31 December 2013, included in the Management Report (hereinafter the "**CSRInformation**"), pursuant to Article L.225-102-1 of the French Commercial Code.

3.7.5.1. Company's responsibilities

The Board of Directors is responsible for drafting a Management Report including the CSR Information pursuant to Article R.225-105-1 of the French Commercial Code, prepared in accordance with the standards used by the Company (hereinafter the "**Standards**". A summary of the Standards is included in the Management Report.

3.7.5.2. Independence and quality control

Our independence is defined by the applicable regulations, the industry code of ethics and by Article L.822-11 of the French Commercial Code. In addition, we have established a quality control system that includes documented policies and procedures aimed at ensuring compliance with ethical and professional standards, as well as with the applicable laws and regulations.

3.7.5.3. Responsibility of the independent third-party assessor

Based on our work, we are responsible for:

- certifying that the required CSR Information is included in the Management Report, or, in case of omission, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Certification of inclusion of CSR Information);
- providing a moderate assurance conclusion that the CSR Information as a whole is presented in a truthful manner in all its relevant aspects, in accordance with the Standards (Motivated opinion on the truthfulness of the CSR Information).

Our work was carried out by a team of 1 to 4 people between December 2013 and March 2014 over a period of approximately 15 weeks. To carry out our work we relied on the assistance of our CSR experts.

We carried out the work described below in compliance with the professional standards applicable in France and with the ordinance of 13 May 2013 setting the conditions for the performance of the independent third-party assessor's duties.

Certification of inclusion of CSR Information

We have taken note of the sustainable development strategy through interviews with the department managers concerned, based on the social and environmental impact connected to the Company's business and its labour commitments and, where applicable, the derived actions or programmes.

We have compared the CSR Information in the Management Report with the list included in Article R.225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we have ascertained that explanations had been provided in compliance with Article R.225-105, paragraph 3, of the French Commercial Code.

We have verified that the CSR Information covers the consolidated scope, i.e. the Company and its subsidiaries as defined in Article L.233-1, and the companies it controls as defined in Article L.233-3 of the French Commercial Code, within the limits stated in our note on reporting methods included in the "Reporting methods" section of the Management Report.

Based on this work and taking into account the aforementioned limitations, we certify that the required CSR Information has been included in the Management Report.

Motivated opinion on the truthfulness of the CSR Information

- Nature and scope of work

We have conducted approximately a dozen interviews with the persons responsible for preparing the CSR Information in the departments overseeing data collection and, where required, responsible for internal control and risk management, with a view to:

- assessing the appropriateness of the Standards, ensuring they are relevant, comprehensive, reliable, neutral, understandable, taking into consideration, where applicable, industry good practices,
- checking the implementation of a data collection, compiling, treatment and control process to ensure the CSR Information is complete and consistent and to familiarise ourselves with the internal control and risk management procedures for processing CSR Information.

We have determined the type and scope of our tests and checks based on the nature and relevance of the CSR Information in relation to the Company's features, the social and environmental issues linked to its business, its strategies for sustainable development and industry good practices.

For the CSR Information that we have deemed most important[25]:

- at the level of the parent company and consolidated entities, we have reviewed the documents and conducted interviews to corroborate the qualitative information (organisation, policies, actions); we have implemented analytical procedures on the quantitative information and verified the calculation and consolidation of data through sampling. We have also verified their consistency and coherence with the other information included in the Management Report;
- we have conducted interviews in a representative sample of companies we selected[26]based on their business, their contribution to the consolidated indicators, their location and a risk analysis, in order to verify the correct application of procedures and to identify any omissions. We have also carried out detailed tests on samples to verify the calculations made and match the data with the corresponding supporting documentation. The selected sample represents 42% of employees and 40% of energy consumption.

We have assessed the consistency of the other consolidated CSR Information in relation to our knowledge of the Company.

Lastly, we have assessed the appropriateness of the explanations, if any, of the total or partial absence of certain information.

We believe that that sampling methods and sample sizes we used based on our professional judgement allow us to provide a conclusion of moderate assurance. A higher level of assurance would have required a more extensive review. Due to the use of sampling techniques and to other limitations inherent to the operation of any information and internal control system, the risk of non-identification of a significant anomaly in the CSR Information cannot be excluded completely.

[25] Headcount and breakdown by age and gender, number of terminations, number of training hours, IMW tonnes, waste prevention, recycling and disposal measures, energy consumption, number of employees trained under the BEST programme, satisfaction rate of residents, number of jobs generated by a facility with a hundred residents.
[26]Korian France.

- Conclusion

Based on our work, we have not identified any significant anomaly likely to call into question the fact that the CSR Information as a whole has been presented truthfully and in accordance with the Standards.

- Comment

Without prejudice to the conclusion above, we draw your attention to the following point: certain definitions used to draw up the report remain undocumented.

Courbevoie, 28 April 2014

The independent third-party assessor

The Statutory Auditors

Mazars

Manuela Baudoin-Revert – Partner

Emmanuelle Rigaudas - Partner, Head of the CSR and Sustainable Development Department

3.8. RESEARCH AND DEVELOPMENT

In light of its business being the provision of accommodation to dependant people, the Group does not carry out systematic research and development and does not own any significant licences.

Similarly, the Group's operations do not depend on any licences.

The Group's research and development work is conducted in its internal training centre. The Group has established a Scientific Committee that sets out research objectives, monitors the progress of studies and provides independent insights.

Korian's medical-social research is action-driven clinical research with a dual aim: improve the knowledge of residents and foster advances in professional practices.

The research carried out has focused on the three main fields defined by the Scientific Committee, thus encompassing a wide range of themes (epidemiological studies, studies on the quality of care and the assessment of professional practices and ethical issues regarding the provision of care to institutionalised elderly people).

More in particular, the following projects are worthy of mention for 2013: fall prevention (notably the reduction of patient restraining in the facilities), the European study on falls, the assessment of wellbeing in nursing homes, the security of the medication circuit and the medication booklet, the care services for behavioural disorders, suicide prevention, an ethical review during therapeutic projects and support for the visually and hearing impaired (IK). The Group has also implemented a good practices policy for incontinence care. As for hygiene in the facilities and the prevention of infections, the Group continued to put into action its improvement strategy for the vaccination of residents and employees against the flu. The infection risk analysis document is used in long-term care facilities.

Several other initiatives have been launched on the following themes: a study on on-site hands hygiene (drivers for improvement and impact on the occurrence of infections)(IK); experiments on the reduction of on-site neuroleptics' prescriptions and the non-pharmacological care for behavioural disorders; a study on the medication circuit in long-term care facilities; research on the oral effects of medications; a study of the assessment of patients' autonomy in terms of medication administration in our clinics; a study on denaturation prevention; a study on the impact of entry into LTC on the relationship between carer and patient; an analysis of the links between treating physicians and long-term care facilities, and in particular gate keeper doctors.

The deployment of the electronic resident records system (DRI) provides a comprehensive and up-to-date database that can be queried in real time and is expanded through work on indicators (project at pilot stage of deployment). The adoption of electronic medical records (DPIs) should progressively make it possible to apply the same dynamics.

3.9. OTHER FINANCIAL INFORMATION

3.9.1. Results and other data concerning Korian SA

Type of indications/Periods Duration of the period	31.12.2013 12 months	31.12.2012 12 months	31.12.2011 12 months	31.12.2010 12 months	31.12.2009 12 months
Financial position for the FY					
a) Share capital	174,198,065	170,204,140	163,593,805	161,000,590	156,863,135
b) Number of shares issued	34,839,613	34,040,828	32,718,761	32,200,118	31,372,627
Comprehensive income of actual operations					
a) Revenue excluding taxes	40,117,384	36,031,309	32,417,902	29,613,908	28,791,919
b) Profit before taxes, profit-sharing and share plans, amortisation/depreciation and provisions	(19,082,963)	20,438,967	(2,997,705)	8,693,596	23,104,662
c) Income tax	(10,923,921)	(11,042,880)	(15,892,382)	(11,737,382)	(11,309,898)
d) Profits before taxes but after amortisation/depreciation and provisions	(8,159,042)	31,481,847	12,894,803	20,430,978	34,414,560
e) Profits after taxes, profit-sharing and share plans, amortisation/depreciation and provisions	3,911,864	24,887,516	9,086,329	16,541,478	33,528,711
f) Amount of profit distributed	20,903,798	20,424,497	19,631,257	19,320,071	18,823,576
g) Employee profit-sharing	0	0	0	0	0
Earnings per share					
a) Earnings after taxes, but before amortisation/depreciation	(0.23)	0.92	0.39	0.63	1.10
b) Earnings after taxes, amortisation/depreciation and provisions	0.11	0.73	0.28	0.51	1.07
c) Dividend per share	0.30	0.60	0.60	0.60	0.60
d) Other distributions	0.30	-	-	-	-
Employees					
a) Headcount	305	326	327	305	292
b) Total payroll	19,742,098	18,011,569	16,616,427	15,206,984	13,900,472
c) Employee benefits	8,124,830	8,166,082	7,629,479	7,256,610	6,421,774

** The dividend planned for 2013 will be submitted to the vote of the Annual General Meeting scheduled for 26 June 2014.*

3.9.2. Activities and results of the Company's subsidiaries and consolidated companies

The subsidiaries are:

- clinics, which care for convalescent or disabled patients after an intensive care stay. Their purpose is to reduce physical disability or restore autonomy to help the patient return home and fit back into his or her social and work environment;
- medical retirement homes offering accommodation and care for elderly people who are unable to live at home due to their status of dependants. Their mission is to provide dignified support and care, irrespective of their level of dependency, up until the end of their life;
- holdings whose sole purpose is to hold stakes in the aforementioned facilities;
- companies whose purpose is to hold the facilities' premises.

3.9.3. Dividends paid over the past three years

Financial year	Number of shares	Dividend paid	Dividend conferring right to a tax credit*
2012	34,040,828	€0.60	€0.60
2011	32,718,761	€0.60	€0.60
2010	32,200,118	€0.60	€0.60

** This dividend confers the right to a 40% tax credit for natural persons who are residents of France for tax purposes.*

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 2013

The General Meeting of 26 June 2014 will be asked to appropriate the 2013 profit in the following way:

- allocation of €3,160,234.38 to the legal reserve account, taken from the year's profit;
- distribution (i) of a €0.30 dividend per share to the 78,388,873 shares in the Company's capital, taken from the year's distributable profit of €23,516,661.90 (including the balance of the year's profit, €751,629.23 plus prior retained earnings of €22,765,032.67), and (ii) of €0.30 per share to the 78,388,873 shares in the Company's capital, taken from the share premium ("*prime d'émission*") account, i.e. €23,516,661.90, for a total distribution of €0.60 per share paid to the 78,388,873 shares in the Company's capital, i.e. €47,033,323.80.

3.9.5. Sumptuary expenses and overheads to be added back

The Group's sumptuary expenses covered under Article 39-4 of the General Tax Code amount to €73,091, of which €69,855 for Korian SA.

3.9.6. Share buyback programme

Pursuant to the 7thResolution approved by the Combined General Meeting of 20 June 2013, the Company renewed its share buyback programme.

The description of the share buyback programme - established in accordance with Articles 241-1 et seq. of the AMF General Regulations, as well as with European Regulation (EC) 2273/2003 of 22 December 2003 - aims to state the objectives and terms and conditions of the new programme to purchase the Company's own shares.

- Securities concerned: ordinary shares.
- Transaction authorisation: Combined General Meeting of 20 June 2013.
- Maximum purchase of the share capital authorised by the General Meeting: 10% of the number of shares in the Company's capital (at any given time, this percentage applies 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 improve liquidity under

the conditions set out by the AMF General Regulations, the number of shares taken into account to calculate the aforementioned 10% threshold corresponds to the number of shares purchased minus the number of shares resold during the validity of the authorisation.

- Maximum purchase price: €30 (excluding expenses).
- Maximum amount of funds available for the purposes of this programme: €5,000,000.
- Objectives in decreasing order of importance:
    - improve transaction liquidity and the price stability of the Company's shares under a liquidity agreement executed with an investment service provider acting in compliance with AMF market practices;
    - ensure that stock option plans or free share awards and other share allocation schemes to the benefit of Group employees and/or executive officers are covered, in particular in terms of profit-sharing and of the employee savings plan, under the conditions set by law and by market authorities and at the times the Board of Directors or the persons acting on behalf of the Board shall deem appropriate;
    - to retain the shares purchased and subsequently use them for payment or exchange as part of potential external growth transactions;
    - allow (i) the transfer of Company shares upon exercise of the rights attached to transferable securities entitling the holder to the award of Company shares, immediately or in the long term, through reimbursement, conversion, exchange, redemption of a warrant or in any other way and (ii) the execution of any hedging transaction connected to the issuance of said transferable securities, under the conditions set by market authorities and at the times the Board of Directors or the persons acting on behalf of the Board shall deem appropriate; or
    - void them partially or completely through a reduction of the share capital.
- Terms and conditions of the buyback: the acquisition, disposal, transfer or exchange of these shares may be carried out by any means pursuant to the applicable regulations, in one or multiple transactions, by trading on the market or over the counter, in particular through block trading (up to the entire value of the programme), financial contracts (traded on a regulated market or over the counter), or through warrants or transferable securities conferring a right to the Company's shares, or through the implementation of option strategies (as long as this does not contribute to a significant increase of the security's volatility), or through the issuance of transferable securities giving right to Company shares held by the Company itself, following a conversion, exchange, reimbursement, the exercise of a warrant or any other transaction, at the times the Board of Directors or the persons acting on behalf of the Board shall deem appropriate. Subject to the applicable laws and regulations, these operations may be executed at any time.
- Length of the programme: from 21 June 2013 until 19 December 2014, i.e. 18 months from the Combined General Meeting of 20 June 2013.
- Breakdown of shares held at 31 December 2013 by objective:
    - 32,052 shares to boost the secondary market or the liquidity of the Company's shares through the aforementioned liquidity agreement;
    - 115,076 shares to be held, disposed of or generally transferred by any means, notably through the exchange or allocation of shares, in particular as part of external growth transactions or in the event of the issuance of securities giving access to the capital;
    - this allocation may be modified, within regulatory limits, to allow one of the transactions covered in the objectives of the new share buyback programme.
- The Company has not used any derivatives as part of this buyback programme or the preceding one and has no open positions.

This share buyback programme was published on 21 June 2013 in accordance with the AMF General Regulations and prior to its implementation.

On 3 February 2012, the Company entered into a liquidity agreement with Oddo Corporate Finance to boost transaction liquidity and the stability of its share price (the "**Liquidity Agreement**"). Moreover, 115,076 treasury shares held by the Company were allocated to the external growth objective. However, the shares are no longer needed for this objective, as at this time there is no short-term external growth project requiring Company shares to be awarded.

Following the Merger, to take into account the significant increase in the Company's size and given that at this time there is no short-term external growth project requiring Company shares to be awarded, the Board of

Directors, at its meeting of 18 March 2014 following the Merger, decided to amend the Liquidity Agreement, increasing the funds included in the liquidity account (to €5,000,000 from €1,000,000) and to reallocate the aforementioned 115,076 treasury shares to the Liquidity Agreement in accordance with the applicable regulations.

3.9.7. Acquisition and disposal of equity interests

3.9.7.1. Acquisition of equity interests

In accordance with the provisions of Article L. 233-6 of the French Commercial Code, the CEO presents below the significant acquisition of equity interests in other companies executed during the financial year closed on 31 December 2013.

In France:

- Exercise of the call option on the remaining 40% of the shares of Les Lierres Gestion and Vauvenargues Gestion.

In Italy:

- Acquisition of the 40% stake held by minority interests in Héliopolis;
- Acquisition of *Istituto Reumatologico Munari – Casa di Cura S.r.l.*

In Germany:

- Acquisition of 78.45% of the share capital and voting rights of Curanum AG;
- Incorporation of Korian Management AG, wholly owned by Korian SA.

3.9.7.2. Disposals of equity interests

In accordance with the provisions of Article L. 233-6 of the French Commercial Code, the CEO presents below the significant disposals of equity interests in other companies executed during the financial year.

In France:

- Disposal of all the shares in the eight companies operating the Group's seven psychiatric clinics (Korian Les Horizons, Korian Jeanne d'Arc, Korian Maylis, Korian Pays de Seine, Korian Vontes & Champgault, Korian La Mare O'Dans, Korian USLD Saint Cyr);
- Sale of all the shares in the company operating the Korian Les Tilleuls long-term care facility.

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, on the one hand, Chairman of the Board of Directors and, on the other hand, Chief Executive Officer. The decision became effective on 30 April 2012, when CEO Yann Coléou took office.

On 18 March 2014, following the merger between the Company and Medica SA (*fusion-absorption de Medica par Korian*), all the Directors and the Observer resigned. The persons whose appointments were approved by the Combined General Meeting held on the same date took office as Directors.

The new Directors mostly come from Korian SA's and Medica SA's boards. Thus, the Board of Directors now comprises the following twelve members: Jacques Bailet (Chairman), Christian Chautard (Vice-Chairman), Jérôme Grivet, Prédica (represented by Françoise Debrus), Batipart Invest (represented by Charles Ruggieri), MAAF Assurances SA (represented by Sophie Beuvaden), Malakoff Médéric Assurances (represented by Hugues du Jeu), Jacques Ambonville, Guy de Panafieu, Martin Hoyos, Anne Lalou and Catherine Soubie. Jean-Claude Georges-François was also appointed Observer.

3.10.1. Presentation of administrative and management bodies



Yann Coléou

Born on 14 February 1962 in Rouen (76)
Nationality: French
Address: 32 rue Guersant, 75017 PARIS

Main role: Chief Executive Officer of Korian - Medica
Start of term: 30 April 2012
End of term: 29 April 2017
Other offices within the Group: Member of the Supervisory Board of Korian Deutschland AG, Curanum AG and Korian Management AG, Director of Segesta SpA, Chairman and CEO of Medica France SA, Director of Aetas SpA and Senior Living Group NV

Biography

Yann Coléou joined Sodexo in 1985 and spent 24 years with the world leader in high-quality daily life solutions, developing a very diverse and successful career that led him all the way to the top of the organisation. Between 1985 and 1994 he took on a variety of roles: sales (1985 - 1989), head of sales in France (1989 - 1993), then head of marketing, development and communication (1993 - 1994). Between 1994 and 2002, Yann Coléou was the head of Sodexo's Health Division, where he remained for 17 years. In 2002, he was appointed head of the Business Division. In 2003 he became Chairman and CEO of Sodexo France. He maintained this position until he moved to London in 2008, where he was appointed CEO of Sodexo UK & Ireland. From 2006 to 2009 he was also Chairman of Sodexo India and of the national contract catering union (SNRC), as well as Vice-Chairman of FERCO, the European Federation of Contract Catering Organisations, in charge of industrial relations.

From October 2009 to April 2012, Yann Coléou chaired and led the ISS France group, the main subsidiary of global leader Facility Services.

He has been the Chief Executive Officer of Korian since 30 April 2012.

As at the date of this Management Report, Yann Coléou does not hold any Korian - Medica shares.

Offices outside the Group

Director: Synerpa, Fédération de l'Hospitalisation Privée, BAQUIMEP, Institut Esprit Services
Treasurer: PopEnglish

Offices having expired in the last five years

Chairman: ISS Facility Services, ISS Espaces Verts, ISS Hygiène et Prévention, Charlestown, ISS Propreté, ISS Sécurité, ISS Environnement, ISS Logistique et Production, Sodexo France, Société Française de Restauration, Société Française de Services, Société Française de Restauration et Services, Sodexo Prestige, Syndicat National de la Restauration Collective (SNRC)
Director: Banque de France des Yvelines, Groupement des Professions de Services
Chairman: Sodexo India
CEO: Sodexo UK
Vice-Chairman: European Federation of Contract Catering Organisations



Jacques Bailet

Born on 3 December 1951 in Avignon (84)
Nationality: French
Address: 32 rue Guersant, 75017 PARIS

Main role: Chairman of the Board of Directors of Korian - Medica
Date of appointment: 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2014
Other offices within the Group: Member of the Investment Committee

Biography

Jacques Bailet, 62, has a degree from the École des Hautes Études Commerciales. After working mainly for financial institutions, he joined Caisse des Dépôts et Consignations (CDC) in 1989, where he was an executive for 14 years. This experience enabled him to progress both to the senior management of private sector companies as well as within local government. He has been Chairman and Chief Executive Officer of Medica France since 1999. He is also Vice-Chairman of SYNERPA (Syndicat National des Établissements et Résidences privées pour Personnes Âgées) and serves on the Executive Committee of FHP (Fédération de l'Hospitalisation Privée).

As at the date of this Management Report, Jacques Bailet holds 807,420 shares in Korian - Medica.

Offices outside the Group

Director: Projenor SA
Manager: ISTAR Industries SARL

Offices having expired in the last five years

Permanent representative of SFM SA, Manager: Société civile d'investissement Groupe Medica, Société civile d'investissement Groupe Medica II
Chairman: SAS Les Quatre Trèfles, Association "Les doyennés"
Chairman and CEO, Director: Société financière Medica (SFM) SA, Medica SA, Medica France SA
Permanent representative of Medica France SA, Manager: SNC Les Pins, SNC Topaze, SCI CMA, SCI CCN
Manager: Institut des Bonnes Pratiques SARL
Co-manager: Gestion de Maison de Retraite SARL
Chairman of the Board of Directors: Projenor SA, Senior Living Group N.V, Aetas SpA



Christian Chautard

Born on 9 July 1948 in Valence (26)
Nationality: French
Address: Ladenburgerstrasse 61, 69120 Heidelberg, Germany

Main role: Vice-Chairman of the Board of Directors, Member of the Investment Committee, Member of the Ethics and Risk Committee
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2016
Other offices within the Group: Member of the Supervisory Board of Curanum AG, Member of the Supervisory Board of Korian Deutschland AG, Member of the Management Board of Korian Management AG, Director of Segesta SpA,*Geschäftsführer* of Phönix

Biography

Christian Chautard, 65, started his career supervising operations for two 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. Christian Chautard is a member of the Board of Marsh SA.

He studied at the Ecole Polytechnique and holds an MBA from INSEAD.

As at the date of this Management Report, Christian Chautard holds 10 shares in Korian-Medica.

Offices outside the Group

Director: Marsh France, Spigraph
Chairman: Rénovia

Offices having expired in the last five years

Director: Batipart SA, Batipart SAS, Medica SA
Chairman of the Supervisory Board: Korian



Jérôme Grivet

Born on 26 March 1962 in London, UK
Nationality: French
Address: 50-56 Rue de la Procession, 75015 Paris

Offices held at Korian - Medica: Director and Chairman of the Investment Committee
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2016
Main role: CEO of Crédit Agricole Assurances and Prédica

Biography

Jérôme Grivet, 51, has been the CEO of Predica and Crédit Agricole Assurances since late 2010.

Since 2013, he has also been the Chairman of Groupement français des Bancassureurs.

Jérôme Grivet started 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 S.A.

After joining Calyon in 2004 as the head of Finance, the Corporate Secretariat and Strategy, he became its Managing Director in 2007.

Born in 1962, Jérôme Grivet, an Inspector of Finance, studied at ENA and graduated from the ESSEC and the Institut d'Etudes Politiques de Paris.

As at the date of this Management Report, Jérôme Grivet holds 1 share in Korian - Medica.

Offices outside the Group

Chairman of the Board of Directors: Spirica (ex Axeria Vie), Dolcéa Vie
Director: CAAGIS, Crédit agricole Vita (Italy), Pacifica, CA Indosuez Private Banking (ex BGPI)
Chairman: CA Life Greece
CEO: Crédit Agricole Assurances, Predica
Observer: La Médicale de France, Aéroports de Paris
Permanent representative of Crédit Agricole Assurances, Director: CACI
Permanent representative of Predica, Director: Foncière des Régions
Permanent representative of Predica, Member of the Supervisory Board: CA Grands Crus

Offices having expired in the last five years

Member of the Supervisory Board: Korian SA, Union de Banques Arabes et Françaises
Director: LCL Obligation Euro, Cedicam, CA Chevreux, Newedge Group
Chairman and Chief Executive Officer: Mescas
Vice-Chairman: BES VIDA
Deputy Chief Executive Officer: Calyon
Managing Director: CLSA BV, Stiching CLSA Foundation
Permanent representative of Calyon, Director: Fletirec
Permanent representative of Predica, Director: CAPE, La Médicale de France
Permanent representative of Predica, Observer: Siparex Associés



Predica - Permanent representative: Françoise Debrus

Prévoyance Dialogue du Crédit Agricole (Predica)
Société Anonyme
Share capital: €960,745,065
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

Offices held at Korian - Medica: Permanent representative of Predica, Director and Member of the Audit Committee
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2014
Main role: Head of Investments at Predica

Biography

Françoise Debrus, 53, began her career in 1987 with the Crédit Agricole group, and since January 2005, has been Chief Financial Officer of Caisse Régionale de l'Ile de France. She joined Crédit Agricole Assurances on 2 March 2009 as Director of Investments.
She is a graduate of the École nationale du genie rural des eaux et des forêts and the Institut national agronomique Paris-Grignon.

Offices held by Predica

Offices outside the Group

Director: Foncière des Régions, Urbis Park, Altarea, AEW Immocommercial, CAA Commerces 2, CAAM Mone Cash, Eurosic, Frey, Gécina, La Médicale de France, Lesica, Medica, Messidor, Prédica Bureaux, Prédica Commerces, Prédica Habitation, Previseo Obsèques, River Ouest, SANEF (HIT)
Member of the Supervisory Board: Foncière des Murs, Foncière Développement Logement de la Soie, CA Grands Crus, Effi-Invest I, Effi-Invest II, Interfimo, Lion SCPI, Ofelia, Sopresa, Unipierre Assurance
Chairperson: Citadel, Citadel Holding
Member of the Management Committee: Fondis
Member of the Partners Committee: Logistis, Parholding
Co-manager: Predicare
Observer: Siparex Associés

Offices having expired in the last five years

Director: Altapar, B Immobilier, CAAM Convertibles Euroland, Financière du Carroussel, Crédit Agricole Immobilier Promotion, Dolcea Vie, Domaine Listel, Foncière Régions Dynamique, Foncière Paris France, SCI Holding Dalhia, Cyrius Conseil
Member of the Supervisory Board:CA Private Equity

As at the date of this Management Report, Prédica[27] holds 15,976,403 shares in Korian - Medica.

Offices held by Françoise Debrus

Offices outside the Group

Member of the Supervisory Board: Foncière Développement Logement, Foncière des Murs
Director: Altarea, Ramsay Santé, Beni Stabili (Italy)
Permanent representative of Predica, Director: Eurosic

Offices having expired in the last five years

Permanent representative of Predica S.A, Director: Crédit Agricole Immo. Promotion SA, Foncière Paris France, Medica SA

As at the date of this Management Report, Françoise Debrus holds 1,180 shares in Korian - Medica.

[27]Controlled by *Société Anonyme* Crédit Agricole.



Batipart Invest - Permanent representative: Charles Ruggieri

Batipart Invest
Société Anonyme incorporated in Luxembourg
Share capital: €51,031,000
Registered office: 28 Boulevard Joseph II, L-1840 Luxembourg – Luxembourg
Registered at the Luxembourg Trade and Companies Registry under No. B 116420

Charles Ruggieri
Born on 6 January 1948 in Cappelle sul Tavo (Italy)
Nationality: French
Address: 28 Boulevard Joseph II, L-1840 Luxembourg

Offices held at Korian - Medica: Permanent representative of Batipart Invest, Director, Member of the Investment Committee and Member of the Appointments and Compensation Committee
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2015
Main role: Chairman of Batipart Invest

Biography
Born in 1948, 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. Simultaneously he went into the healthcare business, beginning in 2000 and helped to found the Korian Group, a private operator of retirement homes in France, Germany and Italy.
Charles Ruggier is a Doctor in Law.

Offices held by Batipart Invest
Offices outside the Group
Director: Medica, Promeo
Offices having expired in the last five years
Member of the Supervisory Board: Foncière des Régions
Chairman: Batipart SA, Batipart SAS, Beni Stabili (Italy), Monroe (Luxembourg)
Director: Onomo International SAS, MonUsine SAS

As at the date of this Management Report, Batipart Invest SA holds 12,452,500 shares in Korian - Medica.

Offices held by Charles Ruggieri
Offices outside the Group
Chairman: Batipart Invest (Luxembourg), JPF (Luxembourg)
Director: Banque CIC Est, L'Arsenal (association), Le Républicain Lorrain, Batipart Invest (Luxembourg), JPF (Luxembourg), Immobilière Monroe (Luxembourg), Monroe Invest (Luxembourg), Batipart SAS, Batipart International (Luxembourg)
Permanent representative of Batipart Invest, Director: Eurosic

Offices having expired in the last five years
Honorary Chairman: Batigere
Chairman: Batipart SA, Batipart SAS, Beni Stabili (Italy), Monroe (Luxembourg)
Director: Batipart SA, Groupe Proméo, Manutan International, Groupe ICN (association), Foncière Développement Logements (association), Monroe (Luxembourg)
Member of the Supervisory Board: Foncière des Régions, Anthémis
Vice-Chairman of the Board of Directors: Korian SA
Chairman of the Investment Committee: Korian SA
Permanent representative of Batipart Invest, Director: Medica SA

As at the date of this Management Report, Charles Ruggieri holds 1,181 shares in Korian - Medica.



MAAF Assurances SA – Permanent representative: Sophie Beauvaden

MAAF Assurances S.A.
Société Anonyme
Share capital: €160,000,000
Registered office: Chaban – 79180 Chauray
Registered at the Niort Trade and Companies Registry under No. 542 073 580

Sophie Beuvaden
Born on 1 April 1957 in Romilly-sur-Seine (10)
Nationality: French
Address: 76 rue de Prony, 75017 Paris

Offices held at Korian - Medica: permanent representative of MAAF Assurances SA, Director and Member of the Investment Committee
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2016
Main role: Deputy Chief Financial Officer at COVEA, GMF, MAAF and MMA

Biography

Sophie Beauvaden, 56, is a graduate of the Institut d'Etudes Politiques de Paris, and holder of a degree in Advanced Accounting Studies. Between 1980 and 1989 she served as Corporate Secretary and Client Management Manager at GMF Vie. She was then Head of Management Control at GMF Assurances until 1995. In 2000, she was appointed Deputy Chief Financial Officer at Azur-GMF, and then in 2003 Deputy Chief Financial and Support Officer for the same company. In 2005, she became the Deputy Chief Financial Officer of Covéa, GMF, MAAF; she then took on the same role at MMA in 2009. In 2013, she was appointed CEO of Covéa.

Offices held by MAAF Assurances SA

Offices outside the Group

Member of the Supervisory Board: ABP IARD, Covea Fleet, Effi Invest 1, MAAF Vie, OFI Reim
Director: APJ, CCL, Covea, Covea Coopérations, Covea Fleet Solutions, Fidelia Assistance, Gestepargne Investissements Services, Medica, NEXX Assurance
Chairman: Chauray Valeurs, Foncière Opéra Gaillon, MAAF Télésurveillance, Precerti
Committee Member: Covea Immobilier
Member of the Supervisory Board: Covea Finance

Offices having expired in the last five years

Member of the Supervisory Board: Covea Mab
Director: Novea Assurances, Fondation MAAF, Savour Club, Savour Club Sélection, Ucar, Solassur
Member of the Supervisory Board: Gimar Finance
Member of the Strategic Committee: Appellations SAS
Chairperson: Chaurinvest
Manager: SCI Maison des 4

As at the date of this Management Report, MAAF Assurances SA holds 1,682,780 shares in Korian - Medica and, more generally, the Covéa Group owns 9,934,881 shares in Korian - Medica.

Offices held by Sophie Beuvaden

Offices outside the Group

Deputy Chief Executive Officer: Assistance Protection Juridique, Assurances Mutuelles de France, Covéa Coopérations, Fidélia Assistance, GMF Assurances, GMF Vie, La Garantie Mutuelle des Fonctionnaires, La Sauvegarde, MAAF Assurances, MAAF Assurances SA, MMA IARD Assurances Mutuelles, MMA IARD, MMA Vie Assurances Mutuelles, MMA Vie
Chairperson of the Board of Directors: Cofitem-Cofimur
Chairperson of the Supervisory Board: Covea Immobilier
Chairperson of the Supervisory Board: Foncière de Paris SIIC
Director: Foncière des 6e et 7e arrt. de Paris, Foncière Paris France, Paris Hotels Roissy Vaugirard, Sté d'Exploitation de l'Hôtel du Parc de Bougival, CSE Ico, CSE Insurance Services, CSE Safeguard, GMF Financial
Permanent representative of Assurances Mutuelles de France, Director: Covéa Immobilier Services
Permanent Representative of MAAF Assurances SA, Director: Medica
Permanent representative of Covéa, Member of the Supervisory Board: Covéa Finance

Offices having expired in the last five years

Deputy Chief Executive Officer: Azur-GMF Mutuelles d'Assurances Associées, MMA Coopérations
Director: Assurances Mutuelles d'Europe, Ame Life Lux, Ame Lux SA
Chairperson and Chief ExecutiveOfficer: Grands Millésimes de France
Member of the Management Committee: SC du Château Beychevelle, SCE du Château Beaumont
Member of the Supervisory Board: Le Mans International Holding, Foncière LFPI, LMIH
Member of the Supervisory Board: Covea Mab
Permanent representative of Boissy Finances, Director: GMF Vie
Permanent representative of Assurances Mutuelles de France, Director: Covéa Immobilier Immobillier
Permanent representative of Azur-GMF Mutuelles d'Assurances Associées, Member of the Supervisory Board: Covéa Finance
Permanent representative of Covéa Finance, Director: Assistance Protection Juridique
Permanent representative of GMF Assurances, Administrateur: Paris Hotels Roissy Vaugirard
Permanent representative of GMF Vie, Director: Covéa Finance Actions Japonaises, Covéa Finance Actions Françaises, Covéa Finance Moyen Terme, Cofitem-Cofimur, Foncière des 6e et 7e arrt. de Paris
Permanent representative of MAAF Assurances SA, Chairperson: Chauray Valeurs
Permanent representative of MAAF Assurances SA, Member of the Supervisory Board: OFI REIM
Permanent Representative of MAAF Assurances SA, Director: Medica
Permanent representative of MAAF Assurances SA, Member of the Supervisory Board: Ofivalmo Partenaires
Permanent representative of La Sauvegarde, Director: Boissy Finances
Permanent representative of Assistance Protection Juridique, Director: Foncière Malesherbes Courcelles
As at the date of this Management Report, Sophie Beauvaden holds 1,180 shares in Korian-Medica.



Malakoff Médéric Assurances – Permanent representative: Hugues du Jeu

Malakoff Médéric Assurances
Société Anonyme
Share capital: €822,660,600
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 Laffite, 75009 Paris

Offices held at Korian - Medica: Permanent representative of Malakoff Médéric Assurances, Director and Member of the Investment Committee

Date of appointment: GM of 18 March 2014

End of term: GM to approve the financial statements for the year ending 31 December 2014

Main role: Deputy CEO, Social Action, Strategy and Partnership at Malakoff Médéric

Biography

Hugues de Jeu, 56, graduated in engineering from ENSTA; he is also a Maritime Engineer and an IAF-certified actuary.
He started his career overseeing marine operations at Entreprise d'Equipements 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 Pension, Head of Management and Customer Service and executive responsible for the Malakoff - Médéric merger.
Hugues du Jeu has been Chief Strategy Officer and Head of Industrial Action at the Malakoff Médéric Group since 2008. He is the Deputy CEO, as well as serving on the Group's Executive Committee.

Offices held by Malakoff Médéric Assurances

Offices outside the Group

Director: SCOR SE

Offices having expired in the last five years

Member of the Supervisory Board: Lybernet Assurances, Quatrem
Director: Médéric Conseil, MMA IARD Assurances Mutuelles, MMA IARD, MMA VIE Assurances Mutuelles, MMA Vie, MMA Coopérations, LVL Médical Groupe
Member of the Supervisory Board: Assisteo France

As at the date of this Management Report, Malakoff Médéric Assurances holds 4,025,643 shares in Korian - Medica and, more generally, the Malakoff Médéric Group owns 5,032,047 shares.

Offices held by Hugues du Jeu

Offices outside the Group

Director: Médéric Epargne, Fédéris Gestion d'Actifs, Quatrem
Member of the Investment Committee: Malakoff Médéric Participations
Member of the Management Board: Saprem
Chairman: Malakoff Médéric Epargne Entreprise, Bien Etre Assistance
Member of the Steering Committee: Vigisanté

Offices having expired in the last five years

Director: Malakoff Médéric Assurances, Médéric Assurances
Member of the Supervisory Board: Fédéris Gestion d'Actifs
Member of the Management Board: Médéric Assurances
Chairman: Sévriéna 3
Permanent representative of Malakoff Médéric Assurances, Director: LVL Médical Groupe, Quatrem Assurances Collectives
Permanent representative of Médéric Assurances, Member of the Supervisory Board: Quatrem
Permanent representative of Médéric Assurances, Member of the Management Board: Quatrem

As at the date of this Management Report, Hughes Du Jeu does not hold any shares in Korian - Medica.



Jacques Ambonville

Born on 13 December 1949 in Nancy (54)
Nationality: French
Address: 1 Villa Marceau, 75019 Paris

Offices held at Korian - Medica: Director, Member of the Investment Committee and Chairman of the Ethics and Risk Committee
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2015

Biography

Jacques Ambonville, 64, holder of diplomas in pharmacy and management (ICG and INM), started 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 106 shares in Korian - Medica.

Offices outside the Group

Chairman: Hâm Consulting
Director: Galien Développement

Offices having expired in the last five years

Member of the Supervisory Board: Korian SA
Director: Welcoop



Guy de Panafieu

Born on 5 April 1943 in Paris (17th)
Nationality: French
Address: 52 rue de Ponthieu, 75008 Paris

Offices held at Korian - Medica: Director, Chairman of the Audit Committee and Member of the Appointments and Compensation Committee
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2015
Main role: Chairman of the India Committee of MEDEF international and Vice-Chairman of BIAC

Biography

Guy de Panafieu, 70, has an arts and economics degree from the Institut d'Études Politiques de Paris and is a graduate 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, as well as Vice-Chairman of BIAC (the OCDE's Advisory Committee for industry).

As at the date of this Management Report, Guy de Panafieu holds 1,710 shares in Korian - Medica.

Offices outside the Group

Director: SANEF, Medica
Member of the Supervisory Board: Métropole Télévision M6

Offices having expired in the last five years

Director: Medica SA



Martin Hoyos

Born on 27 October 1947 in Vienna (Austria)
Nationality: Austrian
Address: Belvederegasse 10, 1040 Vienne, Austria

Offices held at Korian - Medica: Director, Member of the Ethics and Risks Committee and Member of the Audit Committee
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2016
Other offices held within the Group: Chairman of the Supervisory Board of Curanum AG

Biography

After studying law, Martin Hoyos mainly worked at auditing firm KPMG. In 1971, he joined the department of audit of German big caps at KPMG Munich. In 1976, he moved to KPMG Vienna, where he focused on auditing the Austrian subsidiaries of listed German companies. After obtaining his accounting qualifications in 1982, he was appointed partner of KPMG Austria and then, in 1993, he joined the Board of Directors of KPMG Germany. From 1993 to 1999 he led KPMG Southern Germany; during this period his main clients included Siemens, BMW and EADS. In 2000, he was appointed CEO of KPMG EMEA and also became a member of KPMG's International Board. From 2002 until his retirement in 2008, he headed the Sales and Marketing Department, continuing to manage certain key accounts at the same time.

He served on the Supervisory Board of KPMG Germany until May 2013.

At present, Martin Hoyos is a Member of the Supervisory Board of the following listed companies: Advanced Metallurgical Group, headquartered in Amsterdam, Curanum AG, headquartered in Munich, and Koenig & Bauer AG, headquartered in Würzburg. He is also director of two unlisted Austrian companies.

As at the date of this Management Report, Martin Hoyos does not hold any shares in Korian - Medica.

Offices outside the Group

Member of the Supervisory Board: Advanced Metallurgical Group NV (Netherlands), CAG Holding GmbH (Austria), Prinzhorn Holding GmbH (Austria), Koenig&Bauer AG (Germany)

Offices having expired in the last five years

Member of the Supervisory Board: KPMG Deutschland Wirtschaftsprüfungs AG (Germany)



Anne Lalou

Born on 6 December 1963 in Paris (14th)
Nationality: French
Address: 9 rue Titon, 75011 Paris

Offices held at Korian - Medica: Director, Chairperson of the Appointments and Compensation Committee
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2015
Main role: Director of the Web School Factory and CEO of Innovation Factory

Biography

Anne Lalou, 50, started out 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 Managing Director 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 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 - Medica.

Offices outside the Group

Chief Executive Officer: WebSchoolFactory, Innovation Factory, SAS Nexity Solutions
Member of the Supervisory Board: Eurazeo, Foncia Holding, Foncia Groupe

Offices having expired in the last five years

Director: SAS Neximmo 39, SA Guy Hoquet L'Immobilier, SAS Financière Guy Hoquet L'Immobilier et SAS Naxos, Medica SA
Member of the Management Board: SAS Neximmo 39
Member of the Supervisory Board: SA Financière de la Baste, SAS Parcoval, SAS Century 21 France
Co-manager: Sarl FDC Holdings
Ad hoc executive officer: Sarl FDC Holdings
Chairperson: SAS Nexity Solutions
Permanent Representative of Nexity Franchises, Director: Guy Hoquet L'Immobilier SA



Catherine Soubie

Born on 20 October 1965 in Lyon (6th)
Nationality: French
Address: 34-36, avenue de Friedland, 75008 Paris

Offices held at Korian - Medica: Director, Member of the Audit Committee and Member of the Appointments and Compensation Committee
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2014
Main role: Managing Director, Head of Investment Banking for France, Belgium and Luxembourg at Barclays Capital.

Biography

Catherine Soubie, 48, 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 the 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 - Medica.

Offices outside the Group

Managing Director - Head of Investment Banking (France and BeLux): Barclays

Offices having expired in the last five years

Deputy CEO: Rallye SA
Director: Mercialys SA, Groupe Go Sport SA, Fondation Euris, Medica SA
Chairperson of the Board of Directors: Groupe Go Sport SA
Manager: EURL Bozart
Permanent representative of Euris SAS, Director: Rallye SA
Permanent representative of Casino, Guichard-Perrachon, Director: Banque du groupe Casino SA
Permanent representative of Matignon Sablons, Director: Groupe Go Sport SA
Permanent representative of Finatis, Director: Casino, Guichard-Perrachon SA
Permanent representative of Miramont Finance et Distribution, Director: Groupe Go Sport SA



Jean-Claude Georges-François
Born on 6 June 1937 in Le Havre (76)
Nationality: French
Address: 10 avenue de l'Opéra, 75001 Paris

Offices held at Korian - Medica: Observer
Date of appointment: GM of 18 March 2014
End of term: GM to approve the financial statements for the year ending 31 December 2016

Biography
Jean-Claude Georges-François, 76, is a graduate of the Institut d'Etudes 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 an Officer of the French Légion d'Honneur.

As at the date of this Management Report, Jean-Claude Georges-François holds 35,630 shares in Korian - Medica.

Offices outside the Group
Manager: JCGF Conseil, Clodapier SCI
Director: CMAV, Fédéris, Batipart SAS
Legal representative of JCGF Conseil
Chairman: Batipart
Observer: Fédéris Epargne Salariale

Offices having expired in the last five years
Chairman of the Supervisory Board: Korian SA
Member of the Supervisory Board: SAPREM, Prévoyance Ré
Chairman of the Management Board: Korian SA
Director: Batipart SA, Prévoyance et Réassurance
Chairman: Ingénieurs 2000
Observer: Korian

3.10.2. Compensation of administrative and management bodies

Korian's policy for the compensation of its executive officers is compliant with the AFEP-MEDEF Code of Governance of Listed Companies (June 2013 version) (the "**AFEP-MEDEF Code**"). In line with the recommendations of the AFEP-MEDEF Code, the compensation of executive officers is set by the Board of Directors based on a proposal by the Appointments and Compensation Committee.

The compensation of individual executive officers for 2013 will be submitted to the advisory opinion of shareholders at the Company's Annual General Meeting on 26 June 2014.

3.10.2.1. Compensation of executive officers

Compensation of Yann Coléou, Chief Executive Officer

- Fixed compensation

Yann Coléou's fixed yearly compensation was fixed at €436,000 gross by the Board of Directors at the meetings held on 21 March and 5 December 2012, on the recommendation of the Appointments and Compensation Committee. This compensation was not changed for 2013.

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 on 11 April 2014, to bring Yann Coléou's fixed yearly compensation to €550,000 effective from the date of said Board meeting.

- Variable compensation

The variable component of the CEO's compensation accounts for up to 50% of his fixed yearly compensation. 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 qualitative (50%) and quantitative (50%) criteria determined by the Board upon a proposal by said Committee.

The Compensation and Appointments Committee adopted the following quantitative and qualitative criteria for 2013:

- quantitative criterion: achievement of budget targets;
- qualitative criterion: changes in the occupancy rate target and positive overall performance of the Company.

Having ascertained that these targets were met in 2013, on 18 March 2014, the Board of Directors, on the recommendation of the Appointments and Compensation Committee of 4 March 2014, granted Yann Coléou the entire variable component of his compensation for 2013, i.e. €218,000, equivalent to 50% of his fixed yearly 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 on 11 April 2014, that Yann Coléou's annual variable compensation shall not exceed €500,000. The amount will continue to be determined each year by the Board, after proposal from the Appointments and Compensation Committee's proposal, based on quantitative (50%) and qualitative (50%) criteria set at the start of the financial year on the recommendation of said Committee.

- Equity incentive plan

On 27 March 2013, the Board of Directors, upon a proposal by the Appointments and Compensation Committee of 14 March 2013, approved the establishment of an equity incentive plan for Yann Coléou in his role as CEO for 2013 and 2014. Under the plan, at the start of each year the CEO 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-Medica's share at that date (up to a maximum of €25), multiplied by the number of acquired performance units, subject to Yann Coléou being in the Group at the payment date.

On 27 March 2013, the Board of Directors awarded Yann Coléou, on the recommendation of the Appointments and Compensation Committee of 14 March 2013, 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, upon a proposal by the Appointments and Compensation Committee of 4 March 2013, took note of the acquisition by Yann Coléou of 42,000 performance units for 2013. The amount corresponding to these 42,000 performance units will be paid in 2015, subject to the condition precedent of being in the Group and to the conditions described above.

On 20 January 2014, the Board of Directors awarded Yann Coléou, on the recommendation of the Appointments and Compensation Committee of 8 January 2014, the second lot of 35,000 performance units, their vesting being subject to the achievement of the following performance criteria:

- quantitative criterion: achievement of target EBITDA;
- qualitative criterion: determined based on the target occupancy rate.

- Exceptional compensation

At its meeting on 20 January 2014, Korian's Board of Directors, upon a proposal by the Appointments and Compensation Committee of 8 January 2014 and based on a study conducted by Towers Watson on corporate practice on exceptional compensation linked to major merger transactions, approved an exceptional compensation of €436,000 to Yann Coléou for the Merger. A third of this amount rewards the execution of the Merger and €145,333 was consequently paid to Yann Coléou for the month of March 2014. The remaining two-thirds, i.e. €290,667, will be paid to Yann Coléou for the upcoming integration, based on criteria to be set by the Board of Directors upon a proposal by the Appointments and Compensation Committee.

- Benefits

In addition to his compensation, the CEO received a company vehicle. He is also entitled to social security schemes equivalent to those applicable to salaried managers (illness and personal protection insurance).

Moreover, Yann Coléou waived his right to be paid attendance fees for his work as Member of the Supervisory Board of Curanum AG, Member of the Supervisory Board of Korian Deutschland AG and Member of the Supervisory Board of Korian Management AG.

- Termination benefits

On 21 March 2012, the Board of Directors, on the recommendation of the Appointments and Compensation Committee of 12 January and 7 February 2012, authorised the award of a benefit to Yann Coléou in the event of the termination of his office as CEO pursuant to the so-called "TEPA" Act (Article L. 225-42-1 of the French Commercial Code).

This termination benefit was approved by the General Meeting of Shareholders of 20 June 2013.

It is limited to cases where the Company decides to revoke or not-renew his term of office, excluding gross negligence or misconduct. Furthermore, it will be equal to a year's gross compensation plus 25% for each year in office, up to a maximum of 24 months of compensation. It will be calculated based on the gross fixed and variable compensation over the last 12 months preceding his departure.

Payment of the termination benefit is subject to the following performance conditions:

- the cumulative EBITDA recorded for the 12 months preceding his departure is equal to at least the yearly EBITDA recorded at 31 December of the year preceding his departure and to a minimum target EBITDA; achievement of this criterion alone will give him right to 70% of the benefit;
- the average occupation rate of facilities in France over the 12 months preceding his departure reaches a minimum target; achievement of this criterion alone will give him right to 30% of the benefit.

Compensation of Christian Chautard, Chairman of the Board of Directors up to 18 March 2014, date of the Merger

The former Supervisory Board, convened on 21 December 2011, decided - on the recommendation of the Appointments and Compensation Committee of 15 December 2011 - to award Christian Chautard fixed gross yearly compensation of €250,000 for his services as [28]Chairman, excluding attendance fees[29]. This amount has not changed since then.

In addition, on 5 December 2012, Korian's Board of Directors, upon a proposal by the Appointments and Compensation Committee of 4 December 2012, 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 and then, in the event of a successful public offer, to closely supervise the integration and to establish synergy plans and a growth plan for the German companies. On 27 March 2013, upon a proposal by the Appointments and Compensation Committee of 20 February 2013, the Board of Directors set Christian Chautard's compensation for these services at a gross annual amount of €140,000, in addition to paying for his 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.

In addition, on 3 February 2014, on the recommendation of the Appointments and Compensation Committee of 23 January 2014 and based on a study conducted by Towers Watson on business practice in relation to exceptional compensation for major merger transactions, Korian's Board of Directors awarded Christian Chautard exceptional compensation of €85,000 for the execution of the Merger. Consequently, this amount was paid in March 2014.

Moreover, on 18 March 2014, upon a proposal by the Appointments and Compensation Committee of 23 January 2014, the Board of Directors decided to extend Christian Chautard's duties to include the strategic integration of Korian - Media companies in France, Italy and Belgium from 1 April 2014 to 31 March 2015. €70,000 thousand gross will be paid for this assistance.

Lastly, Christian Chautard waived his right to attendance fees as member of Curanum AG's Supervisory Board and Korian Deutschland AG's Supervisory Board.

Summary table

The following table shows a summary of the compensation paid to executive officers for the last two financial years[30]. No stock options or bonus shares were awarded. Yann Coléou is not paid any attendance fees for his services as CEO; the attendance fees received by Christian Chautard for his role as Chairman of the Board of Directors and Chairman and Member of certain committees are described in paragraph 3.10.2.3 below.

[28]The compensation received by Christian Chautard for his former role as Chairman and CEO of Korian SA from 21 March to 30 April 2012 is included on page 66 of the 2012 Registration Document filed with the AMF on 24 April 2013 under No. D.13-0422.
[29]The attendance fees received by Christian Chautard for his work as Chairman of the Board of Directors and Chairman and member of certain committees are shown in section 3.10.2.3 of the 2013 Registration Document.
[30]The compensation due and paid up to 21 March 2012 to Jean-Claude Georges-François for his former role of Chairman of the Management Board and to Philippe de Normandie, Louis Guyot and François Mercereau for their former duties as Members of the Management Board is shown on page 66 of the 2012 Registration Document filed with the AMF on 24 April 2013 under No. D.13-0422..

Summary table of compensation paid to executive officers				
	Year ended 31 December 2012		Year ended 31 December 2013	
	Amount due	Amount paid	Amount due	Amount paid
Yann Coléou, Chief Executive Officer				
Fixed compensation	€290,668	€249,667	€436,000	€477,001
Variable compensation	€200,000	-	€218,000	€200,000
Benefits in kind	€1,995	€1,596	€4,788	€5,187
Total	€493,062	€251,263	€658,788	€682,188
Christian Chautard, Chairman of the Board[31]				
Fixed compensation	€250,000	€250,000	€250,000	€250,000
Variable compensation	-	-	-	-
Benefits in kind	-	-	-	-
Total	€250,000	€250,000	€250,000	€250,000

The Group did not grant options to subscribe or purchase shares in 2013. The table summarising the share subscription or purchase options awarded for the previous years is included on page 72 of the 2011 Registration Document filed with the AMF on 24 April 2012 under No. D.12-0395.

In addition, no share subscription or purchase options were exercised in 2013 by an executive officer.

The table below shows the history of share subscription or purchase options awarded by the Group.

Information on share subscription or purchase options	Plan 1	Plan 2
Date of meeting	21 June 2007	17 June 2010
Date of meeting of former Management Board	28 August 2007	30 June 2010
Total number of shares that can be subscribed or purchased	138,433	138,433
of which by executive officers	138,433	138,433
Start date to exercise options	28/08/2007	30/06/2010
Expiration date	From 28/08/2009 to 28/08/2014	From 30/06/2012 to 29/06/2015

[31]The €250,000 due and paid to Christian Chautard for the year ended on 31 December 2012 includes the compensation he received for his work as Chairman and CEO of the Company from 21 March 2012 to 30 April 2012.

The table below shows the share subscription or purchase options awarded to the top 10 employees who are not executive officers, as well as the options they have exercised.

Total number of options awarded/shares subscribed or purchased	Weighted average	Plan 1	Plan 2
10,000	€30.39	28 August 2007	–
2,000	€16.83	-	30 June 2010

The table below shows the information required by the recommendations of the AFEP-MEDEF Code in relation to the existence, for executive officers, 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 benefits.

Executive officers	Employment contracts	Supplementary pension scheme	Termination or change-in-role benefits	Non-compete benefits
Yann Coléou	NO	NO	YES	NO
Christian Chautard	NO	NO	NO	NO

Compensation of Jacques Bailet, Chairman of the Board of Directors from 18 March 2014, date of the Merger

On 18 March 2014, Jacques Bailet, formerly Chairman and CEO of Medica SA, was appointed Chairman of the Board of Directors of Korian-Medica.

On the recommendation of the Appointments and Compensation Committee, formulated during its meeting on 18 March 2014, Jacques Bailet receives yearly compensation of €345,000 for this role.

Jacques Bailet has been given a company vehicle to use whilst carrying out his duties, equivalent to a yearly benefit of €1,934. In addition, he continues to benefit from the same "health and personal protection, incapacity, disability, life insurance" schemes as when he was Chairman and CEO of Medica SA.

On 4 February 2014, the Board of Directors of Medica SA authorised payment of an exceptional bonus of €150,000 to Jacques Bailet for the work executed in view of the Merger.

3.10.2.2. Compensation components of executive officers in 2013 subject to the advisory vote of shareholders (say on pay)

Compensation components due to Yann Coléou, CEO, for 2013, subject to the advisory vote of the shareholders

Compensation components	Amount	Comments
Fixed compensation	€436,000	Yann Coléou's fixed yearly compensation was set by the Board of Directors at the meetings held on 21 March and 5 December 2012, on the recommendation of the Appointments and Compensation Committee meetings of 12 January, 7 February and 5 December 2012. This compensation was not changed for 2013.
Variable annual compensation	€218,000	The variable component of Yann Coléou's compensation accounts for up to 50% of his fixed yearly compensation. 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. For 2013: • quantitative criterion: achievement of budget targets; • qualitative criterion: changes in the occupancy rate target and positive overall performance of the Company. Having ascertained that these targets were met in 2013, on 18 March 2014, the Board of Directors, on the recommendation of the Appointments and Compensation Committee of 4 March 2013, granted Yann Coléou the entire variable component of his compensation for 2013, equivalent to 50% of his fixed yearly compensation.

Deferred variable compensation	None 42,000 performance units acquired for 2013 (to be paid in 2015 based on the share market price, capped at €25).	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 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 (subject to Yann Coléou being in office at the date of payment). 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, upon a proposal by the Appointments and Compensation Committee of 4 March 2013, took note of the acquisition by Yann Coléou of 42,000 performance units for 2013. Payment of the amount corresponding to these 42,000 performance units is scheduled for 2015, provided the CEO is still in office and based on the share market price, capped at €25.
Variable multi-annual compensation	n/a	Yann Coléou does not receive any variable multi-annual compensation.
Exceptional compensation	None	In 2013, Yann Coléou was not paid exceptional compensation.
Stock options, bonus shares or any other long-term compensation component	None	Since his appointment as CEO on 30 April 2012, Yann Coléou has not been awarded any stock-options and/or bonus shares.
Directors' fees	None	Yann Coléou does not receive any attendance fees. Moreover, he has waived his right to be paid attendance fees for his work as Member of the Supervisory Board of Curanum AG, Member of the Supervisory Board of Korian Deutschland AG and Member of the Supervisory Board of Korian Management AG.

Value of benefits of all types	€4,788	In addition to his compensation, the CEO received a company vehicle.
Termination benefit	None	On 21 March 2012, the Board of Directors, on the recommendation of the Appointments and Compensation Committee of 12 January and 7 February 2012, authorised the award of a benefit to Yann Coléou in the event of the termination of his office as CEO pursuant to the so-called "TEPA" Act (Article L.225-42-1 of the French Commercial Code). This termination benefit was approved by the General Meeting of Shareholders of 20 June 2013. It is limited to cases where the Company decides to revoke or not-renew his term of office, excluding gross negligence or misconduct. Furthermore, it will be equal to a year's gross compensation plus 25% for each year in office, up to a maximum of 24 months of compensation. It will be calculated based on the gross fixed and variable compensation over the last 12 months preceding his departure. Payment of the termination benefit is subject to the following performance conditions: • the cumulative EBITDA recorded for the 12 months preceding his departure is equal to at least the yearly EBITDA recorded at 31 December of the year preceding his departure and to a minimum target EBITDA; achievement of this criterion alone will give him right to 70% of the benefit; • the average occupation rate of facilities in France over the 12 months preceding his departure reaches a minimum target; achievement of this criterion alone will give him right to 30% of the benefit.
Collective personal protection insurance and healthcare scheme	yes	Yann Coléou is 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 is not entitled to any supplementary pension scheme.

Components of the compensation of Christian Chautard, Chairman of the Board of Directors, for 2013, subject to the advisory vote of shareholders

Compensation components	Amount	Comments
Fixed compensation	€250,000	On 21 December 2011, the former Supervisory Board, upon a proposal by the Appointments and Compensation Committee of 15 December 2011, set the gross annual fixed compensation of Christian Chautard for his work as Chairman. This amount has not changed since then.
Variable annual compensation	n/a	Christian Chautard does not receive any annual variable compensation.
Deferred variable compensation	n/a	Christian Chautard does not receive any deferred variable compensation.
Variable multi-annual compensation	n/a	Christian Chautard does not receive any multi-annual variable compensation.
Exceptional compensation	€140,000	On 5 December 2012, Korian's Board of Directors, upon a proposal by the Appointments and Compensation Committee of 4 December 2012, 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 and then, in the event of a successful public offer, to closely supervise the integration and to establish synergy plans and a growth plan for the German companies. On 27 March 2013, upon a proposal by the Appointments and Compensation Committee of 20 February 2013, the Board of Directors set Christian Chautard's compensation for these services, in addition to paying for his 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.
Stock options, bonus shares or any other long-term compensation component	None	Since his appointment as Chairman of the former Supervisory Committee, Christian Chautard has not been awarded any stock-options and/or bonus shares.
Directors' fees	€16,600	Christian Chautard received attendance fees for his services as Chairman of the Board of Directors and as Chairman or Member of certain committees. Christian Chautard waived his right to attendance fees as member of Curanum AG's Supervisory Board and Korian Deutschland AG's Supervisory Board.

Termination benefit	n/a	There are no commitments for any termination benefits.
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.

3.10.2.3. Compensation of Directors

At 31 December 2013, €150,200 were 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.

The following paragraphs explain how attendance fees were calculated for 2012 and 2013, based on the Internal Regulations approved by the Board of Directors. They break down as follows:

- a fixed annual sum:
  - for the Chairman of the Board of Directors: €5,200,
  - for the members, other than the independent members: €2,600,
  - for the independent members: €17,000;
- a variable amount based on the attendance of members at Board meetings:
  - €600 (double for the Chairman) for each attendance at a Board meeting.

In addition, members of specialised committees receive the following compensation:

- a fixed annual sum for the Chairman: €1,200;
- a variable amount for the Chairman and members: €600, based on attendance at specialised committee meetings.

The table below shows the attendance fees paid to the Company's Directors for the last two financial years.

Non-managing executive officers	Attendance fees paid in 2012 (N-1)	Attendance fees paid in 2013 (N)
Christian Chautard	€18,400	€16,600
Charles Ruggieri	€9,200	€7,400
Jérôme Grivet	€5,600	€5,600
Jean-Jacques Duchamp	€10,400	€8,600
Julien Ruggieri[32], permanent representative of Batipart Invest[33]	€6,800	€5,600
Malakoff Médéric Assurances	€5,600	€6,200
MACSF	€2,600	€3,200
ACM Vie	€7,400	€6,200
Jacques Ambonville	€23,000	€21,800
Jean Castex	€23,600	€23,600
Catherine Chouard	€20,600	€22,400
Jean-Paul Thonier	€22,400	€21,800
Total	**€155,600**	**€149,000**

Attendance fees paid in 2013 to Directors are in line with the 15th resolution of the General Meeting of Shareholders of 21 March 2012, which set the overall annual amount of attendance fees at a maximum of €200,000. This amount was confirmed by the Ordinary General Meeting of 18 March 2014[34].

In view of the significant change to the Company's market capitalisation as a result of the Merger, with the Company now ranking among the SBF120 companies, it was decided that a study should be conducted of best practice among SBF120 companies in terms of the payment of attendance fees. In light of that study and with the approval of the Appointments and Compensation Committee, a proposal will be made at the General Meeting to take place on 26 June 2014 to increase the annual sum allocated to attendance fees to €300,000, as from the date of that General Meeting and for all following financial years, until a further decision is made otherwise.

In addition, Jean-Claude Georges-François, Observer, received €200,000 excluding taxes in 2013 and €133,334 excluding taxes in 2012 pursuant to a services agreement entered into by the Company and SARL JCGF Conseil - of which he is the manager - on 21 March 2012.

[32] Julien Ruggieri was the permanent representative of Batipart until 21 March 2012, when Batipart ceased to be a member of the Supervisory Board; Monroe then became a Director and he became permanent representative of the latter.
[33] On 24 June 2013, Monroe changed its business name to "Batipart Invest".
[34] The Board meeting held at the end of this General Meeting adopted new Internal Regulations modifying how this package is distributed amongst the Directors. Thus, Article 1.9 of the Internal Regulations provides for the following breakdown.
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 six times the fee.
Three tenths 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.
One fifth of the total amount of attendance fees would be 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.

3.10.3. Transactions carried out by the administrative and management bodies

Only the following officers carried out transactions on Korian shares in 2013.

Executive officers	Purchases	Price	Sales	Price
Batipart Invest SA*	129,679**	€15.65	None	None
Prédica	408,348**	€15.65	None	None
Malakoff Médéric Assurances (including Malakoff Médéric Prévoyance)	185,798**	€15.65	None	None

**Legal persons controlled by the Ruggieri family.*
***From the option of dividend payment in shares.*

The table below shows the transactions on Company shares executed in 2014, before the Merger.

Name	Position	Type Transaction	Transaction date	Gross unit price	Quantity of shares	Total gross amount
ACM Vie	Director	Acquisition	11 March 2014	24.25	620,000	€15,035.000
MACSF Epargne Retraite	Director	Disposals	11 March 2014	24.25	620,000	€15,035.000

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 part of the presentation of the documentation concerning items on the agenda submitted to the Board or the Committee[35].

Charles Ruggieri is the permanent representative of Batipart Invest, Director of the Company. Batipart Invest and Novaé, shareholders of the Company, are controlled at the highest level by the Ruggieri family.

Jean-Claude Georges-François, a contractor remunerated by the Company, holds 0.63% of the share capital and voting rights of Foncière des Régions, in which Predica and ACM Vie hold significant interests.

During disposal transactions in 2004 and 2005, Foncière des Murs acquired 51 properties owned or leased by the Group and entered into a partnership agreement with the Group for the externalisation of its real estate assets.

Moreover, Jean-Claude Georges-François is the Chairman of Fédéris, a social security insurance group, of which the Malakoff Médéric Group is a member, and is a Director of Caisse Mutuelle d'Assurance sur la Vie, a company of the Malakoff Médéric Group.

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:

- the executive officers have not accepted any restrictions on the disposal of their stake in Korian's share capital;
- no executive officer 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;
- no Board members have been convicted for fraud over the last five years;
- none of the members of Korian's Board of Directors has been associated with a company which has declared bankruptcy, entered into receivership or been liquidated over the last five years;

[35]The new Internal Regulations adopted on 18 March 2014 by the Board of Directors in its new composition provide for a similar mechanism.

- none of the Board Members has been incriminated and/or publicly sanctioned by a statutory or regulatory authority over the last five years; and
- none of the Board Members 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 five years.

3.10.5. Summary of currently valid authorisations and of authorisations used

On 21 March 2012, the Combined General Meeting granted the Board of Directors the following financial powers.

Type	Purpose
1) Authorisation in view of stock-option allocation **Term: 26 months** **Application: None**	Authorisation granted to the Board to issue options giving right to the subscription or purchase of ordinary shares in the Company up to a maximum stake of 1% of the Company's share capital. The purchase or subscription price is fixed by the Board when the option is granted. However, it will be ≥ 80% of the average market price of the 20 trading days preceding the day the Board decides to allocate the options. The terms and conditions of this authorisation are set out in the 24th Resolution.
2) Authorisation to allocate free shares **Term: 38 months** **Application: None**	Authorisation granted to the Board of Directors to allocate free shares, existing or to be issued, within a limit of 0.7% of the Company's share capital on the day the Board makes the decision. 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. The terms and conditions of this authorisation are set out in the 25thResolution.

On 20 June 2013, the Combined General Meeting granted the Board of Directors the following financial powers.

Type	Purpose
3) Power to increase the share capital with preferential subscription rights **Term: 26 months** **Application: None**	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 €75 million[36] for equity securities and €500 million[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.
4) Power to increase the share capital with cancellation of preferential subscription rights, through a public offering **Term: 26 months** **Application: None**	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 €75 million[1]for equity securities and €500 million[1]for the issuance of debt securities giving access to the capital. Potential priority period allowing existing shareholders to have priority to subscribe to the aforementioned issues.
5) Power to increase the share capital with cancellation of preferential subscription rights, through a private offering **Term: 26 months** **Application: None**	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 €75 million[1] for equity securities and €500 million[1]for the issuance of debt securities giving access to the capital.
6) 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**	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 2, 3 and 4 of this table.

[36] Cap shared with the powers outlined in rows 2 and 3 of this table.

7) Power to set the issue price for the different issuances **Term: 26 months** **Application: None**	Power granted to the Board of Directors to set the price of the issuances made by virtue of the powers summarised in rows 3 and 4: i. for ordinary shares, issue price ≥ the weighted average share price on Euronext Paris during the three 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. The maximum nominal amount of the capital increase is limited to 10% of the share capital per annum.
8) Power to issue transferable securities to compensate contributions in kind **Term: 26 months** **Application: None**	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.
9) Power granted to increase the capital through the incorporation of reserves, profits or other **Term: 26 months** **Application: None**	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: €10 million.
10) Power to execute capital increases for members of an employee savings plan **Term: 26 months** **Application: None**	Power granted to the Board of Directors to carry out capital increases up to a nominal amount of €1 million, by issuing shares or financial securities giving access to the capital, for members of an employee savings plan (legal obligation). The terms and conditions of this authorisation are set out in the 26th Resolution.
11) Powers granted to decide 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 two-year period.
12) 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 ≤ €30 per share. Buyback cap: 10% of the share capital.

It is paramount that the Board of Directors is granted financial powers to rapidly and easily collect the financial means required for the Group's development by executing different types of issuances in accordance with the applicable regulations. Consequently, the General Meeting of Shareholders of 26 June 2014 will be asked to renew all of the financial powers previously granted, taking into account Korian-Medica's new scale.

When reading this chapter, please note that information concerning corporate governance refers to the Korian-Medica Group and information concerning internal control refers to the Korian Group.

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"To the shareholders,

Pursuant to Article L. 225-37 of the French Commercial Code, in this document, the Chairman of the Board of Directors reports on the composition of the Board and the application of the principle of balanced representation of women and men within it, the conditions for preparing and organising the work of the Board, the internal control and risk management procedures in place within the Group, the scope of the powers of the Chief Executive Officer, the principles used to determine the remuneration of executive officers, the procedures related to the participation of shareholders at General Meetings and on the publication of the information required under Article L. 225-100-3 of the French Commercial Code."

This report was presented to the Audit Committee and was approved by the Board of Directors at its meeting of 24 April 2014.

4.1. REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

4.1.1. 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 June 2013 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. 226-10-1 of the French Commercial Code. The conditions governing the preparation and organisation the work of the Board of Directors are defined by law, by the Company's Articles of Association and by the provisions of the Internal Regulations of the Board of Directors and of the specialist Committees set up within it.

In reference to the "Comply or Explain" rule set out in Article L. 225-37 of the French Commercial Code and by Article 25.1 of the AFEP-MEDEF Code, the Company considers that its practices are compliant with AFEP-MEDEF Code recommendations, unless expressly indicated to the contrary in this Registration Document.

4.1.2. Governance structure

The General Meeting of Shareholders of 21 March 2012 decided to adopt a governance structure 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 CEO. This resolution became effective on 30 April 2012, when CEO Yann Coléou effectively took office.

On 18 March 2014, Korian SA acquired Medica. To reflect the Merger and ensure that the Articles of Association are compliant with the latest provisions of the AFEP-MEDEF Code, the General Meeting of Shareholders approved a thorough review of the Company's Articles of Association and, following the resignation of members of the Board of Directors and of the Observer, decided to appoint 12 Board members and a new Observer.

The provisions related to corporate governance prior to the Merger appear on pages 72 to 76 of the 2012 Korian Registration Document, which can be found on the Company's website (www.groupe-korian.com) and on the AMF website (www.amf-france.org), it being specified that no modification impacting on governance was introduced between 1 January 2013 and 18 March 2014.

4.1.3. 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.

4.1.3.1. The composition of the Board of Directors

The Board of Directors of Korian-Medica has 12 members: Jacques Bailet (Chairman), Christian Chautard (Vice-Chairman), Prédica (represented by Françoise Debrus), Jérôme Grivet, Batipart Invest (represented by Charles Ruggieri), MAAF Assurances SA (represented by Sophie Beuvaden), Malakoff Médéric Assurances (represented by Hugues du Jeu), Jacques Ambonville, Guy de Panafieu, Martin Hoyos, Anne Lalou and Catherine Soubie.

The Board of Directors is assisted in its work by an Observer, Jean-Claude Georges-François.

A summary describing the professional background of each member of the Board of Directors of Korian and of the Observer in office at the time of writing this report, including their respective terms of office and the number of Korian – Medica shares held by each one, is set out in section 3.9.1 of this Registration Document.

One member of the Board of Directors, Guy de Panafieu, is 71 years of age and the Board of Directors does not have a member elected by employees of the Company. However, two Works Council representatives attend meetings of the Board of Directors.

In accordance with the provisions of the law of 14 June 2013 concerning job security, a resolution will be put forward to the General Meeting to take place on 26 June 2014, to modify the Company's Articles of Association in order to establish procedures so that directors representing employees may be appointed to the Board of Directors.

In accordance with AFEP-MEDEF Code recommendations, the statutory term of office for Board members has been reduced from 5 years to 3 years and staggered terms of office, with a one-third renewal of Board membership, have been introduced. To that end, and as an exceptional measure, following a draw of lots before a judicial officer, certain directors have been appointed for a term of office shorter than the normal duration established by the Company's Articles of Association, solely for the purposes of implementing staggered terms of office and the one-third renewal of Board membership. The table below sets out the duration of each director's term of office.

Director	End of term
Jacques Bailet	GM to approve the financial statements for the year ending 31 December 2014
Christian Chautard	GM to approve the financial statements for the year ending 31 December 2016
Jacques Ambonville	GM to approve the financial statements for the year ending 31 December 2015
Anne Lalou	GM to approve the financial statements for the year ending 31 December 2015
Catherine Soubie	GM to approve the financial statements for the year ending 31 December 2014
Guy de Panafieu	GM to approve the financial statements for the year ending 31 December 2015
Martin Hoyos	GM to approve the financial statements for the year ending 31 December 2016
Prédica, represented by Françoise Debrus	GM to approve the financial statements for the year ending 31 December 2014
Jérôme Grivet	GM to approve the financial statements for the year ending 31 December 2016
Batipart Invest, represented by Charles Ruggieri	GM to approve the financial statements for the year ending 31 December 2015
MAAF Assurances SA, represented by Sophie Beuvaden	GM to approve the financial statements for the year ending 31 December 2016
Malakoff Médéric Assurances, represented by Hugues du Jeu	GM to approve the financial statements for the year ending 31 December 2014

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 become effective for listed companies in 2017, the composition of the Board of Directors respects the principle of balanced representation referred to here above, since at least 20% of its members are female, namely, François Debrus (permanent representative of Prédica), Sophie Beuvaden (permanent representative of MAAF Assurances SA), Anne Lalou and Catherine Soubie. The Board of Directors will strive to maintain the principle of balanced representation in the years to come.

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 ended 31 December 2016 (to be held in 2017).

4.1.3.2. 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 Chief Executive Officer 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.

On 18 March 2014, the newly composed Board of Directors adopted new Internal Regulations which specify both the functioning of the Board of Directors 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 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 telephone- and video-conferencing;
- the powers of the Board of Directors;
- the rules of operation applicable to Committees.

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 and, in the event of his absence, by the Vice-Chairman.

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 one 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.

During the 2013 financial year, the Board of Directors met 7 times and carried out all tasks under its responsibility, specifically, the examination and approval of the 2012 consolidated and separate financial statements, examination of the 2013 interim financial statements, as well as deliberating on the Group's strategy and development.

In 2013, the attendance rate of Board members at Board meetings was 80%.

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 Chair does not have a casting vote.

Minutes of Board meetings are taken and conserved under the conditions stipulated by the regulatory provisions in force; copies or extracts are certified in accordance with the law.

In view of Korian's merger with Medica (*fusion-absorption de Medica par Korian*) and the ensuing changes to the Company's governance, the Board of Directors has decided to carry out its self-assessment in the second half of 2014.

4.1.3.3. Independence of the members of the Board of Directors

The AFEP-MEDEF Code recommends that a significant portion of Board members should be independent directors and, in the case of controlled listed companies, should be at least one third, while, in the case of companies with a widely spread share capital and no controlling shareholders, it should be at least one half.

Korian is not a controlled company within the meaning of Article L. 233-3 of the French Commercial Code; however, its shareholding structure comprises several key shareholders. Consequently, the composition of the Board of Directors reflects its shareholding and this is why it only has five independent directors out of a total

of 12, namely Jacques Ambonville, Guy de Panafieu, Martin Hoyos, Anne Lalou and Catherine Soubie. None of these five directors holds more than 10% of the Company's share capital or voting rights.

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 officer of the Company, or an employee or director of a shareholder who holds, alone or in concert, a controlling interest in the Company within the meaning of Article L. 233-3 of the French Commercial Code, or of one of its consolidated subsidiaries and has not been in such a position for the 5 previous years;
- is not an executive officer 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 an important customer, supplier, investment banker or commercial banker of the Company or of a company of the Group, and is not dependent on the Company for a material proportion of its business;
- does not have any close family ties with an executive officer;
- has not been a statutory or contractual auditor of the Company for 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.

4.1.4. Specialised Committees

The Board of Directors decided, at its meeting of 18 March 2014, to retain the four specialist Committees (Investment Committee, Appointments and Compensation Committee, Audit Committee and Ethics and Risks Committee) in existence prior to the Merger.

The members of these Committees are appointed by the Board of Directors, by simple majority vote.

4.1.4.1. The Investment Committee

Before any decisions are taken by the Chief Executive Officer or by the Board of Directors, it is the responsibility of this Committee to examine and render an opinion on (a) any investment greater than €15 million or (b) any investment concerning (i) a transaction outside the long-term care or post-acute and psychiatric fields, or (ii) any equity investment which would not give the Company a controlling interest, whether directly or through a subsidiary.

The Committee met once in 2013 and carried out all tasks under its responsibility, namely, deliberating on various growth-related projects.

Following the changes made to the composition of the Board Directors on 18 March 2014, the Investment Committee now comprises: Jérôme Grivet (Chairman), Jacques Bailet, Christian Chautard and Jacques Ambonville, Batipart Investments (represented by Charles Ruggieri), MAAF Assurances (represented by Sophie Beuvaden) and Malakoff Médéric Assurances (represented by Hugues du Jeu).

4.1.4.2. The Compensation and Appointments Committee

It is the responsibility of this Committee to put forward candidates for independent directorships and for membership of the Audit Committee and the Investment 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 executive officers, 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 officers 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 officer replacement plan so that it may propose replacement solutions to the Board of Directors if a position should suddenly become vacant.

It met five times in 2013, and carried out all tasks under its responsibility, namely, deliberating on the Chief Executive Officer's equity incentive plan and the exceptional assignment entrusted to the previous Chairman of the Board of Directors, as well as deliberating on the Group's wage policy.

Following the changes made to the composition of the Board Directors on 18 March 2014, the Appointments and Compensation Committee now comprises: Anne Lalou (Chairman), Catherine Soubie, Guy de Panafieu and Batipart Invest (represented by Charles Ruggieri). As it has no executive officer among its members and is composed mainly of independent members, its composition adheres to the AFEP-MEDEF recommendations.

4.1.4.3. The Audit Committee

This 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, the proposed appointment of the Statutory Auditors, as well as any contracts concluded between the Company and any person holding a direct or indirect participation in the Company; 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.

It met twice in 2013 and carried out all tasks under its responsibility, namely, the examination of significant events during the financial year, the analysis of the separate and consolidated financial statements at 31 December 2012 and of the consolidated financial statements at 30 June 2013.

Following the changes made to the composition of the Board Directors on 18 March 2014, the Audit Committee now comprises: Guy de Panafieu (Chairman), Predica (represented by Françoise Debrus, Catherine Soubie and Martin Hoyos). Chaired by an independent director and with 3/4 of its members also being independent directors, the composition of the Audit Committee complies with the provisions of Article L.823-19 of the French Commercial Code and with the AFEP-MEDEF recommendations.

4.1.4.4. The Ethics and Risks Committee

This committee is responsible for evaluating risk prevention procedures currently in force within the Group and puts forward proposals to the Board of Directors on the implementation of specific risk prevention measures and on following-up on complaints.

It met once in 2013 and carried out all the tasks under its responsibility, namely, analysing the results of the long-term care facilities survey and the external assessment process, deliberating on ethics and how the risk management function is organised within the Group.

Following the changes made to the composition of the Board Directors on 18 March 2014, the Ethics and Risks Committee now comprises: Jacques Ambonville (Chairman), Christian Chautard and Martin Hoyos. Chaired by an independent director and with 2/3 of its members comprised of independent directors, the composition of the Ethics and Risks Committee complies with AFEP-MEDEF recommendations.

4.1.5. 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, besides choosing how General Management operates, the Board of Directors also decides on the appointment (and, as the case may be, the removal) of the Chief Executive Officer.

Following the decision taken by the General Meeting of Shareholders of 21 March 2012 to adopt a governance structure with a Board of Directors, the Board meeting which took place immediately after the aforesaid General Meeting decided to separate the functions of the Chairman of the Board of Directors from those of the Chief Executive Officer, and this decision was enforced from 30 April 2012, the date on which the Chief Executive Officer, Yann Coléou, effectively took up his term of office.

Yann Coléou does not hold a contract of employment with the Company itself 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.

He 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 Company's Articles of Association is not in itself sufficient proof thereof.

4.1.6. Principles and rules for determining the compensation and benefits awarded to executive officers

4.1.6.1. Principles for determining the remuneration of executive officers

Since the Company has formally adopted the AFEP-MEDEF recommendations concerning the remuneration of executive officers 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 the 2013 Registration Document.

4.1.6.2. Policy on the payment of attendance fees

In accordance with Article 13 of the Articles of Association of Korian - Medica, the General Meeting of Shareholders of 18 March 2014 allocated a total gross sum of €200,000 to the Board of Directors in respect of attendance fees from the date of the Merger and until a further and different decision is taken. The procedure for calculating attendance fees is described in section 3.10.2.2 of the 2013 Registration Document.

In view of the significant change to the Company's market capitalisation as a result of the Merger, with the Company now ranking among the SBF120 companies, it was decided that a study should be conducted of best practice among SBF120 companies in terms of the payment of attendance fees. In light of that study and with the approval of the Appointments and Compensation Committee, a proposal will be made at the General Meeting to take place on 26 June 2014 to increase the annual sum allocated to attendance fees to €300,000, as from the date of that General Meeting and for all following financial years, until a further and different decision is taken.

Finally, 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.

4.1.7. 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 votes on each resolution presented to the shareholders.

4.1.8. Publication of the information required under Article L. 225-100-3 of the French Commercial Code

Information related to the Company's capital structure, its risk management and factors which may have an impact in the event of a public offer for the Company are set out in the Company's Management Report which appears in Chapter 3 of the 2013 Registration Document.

4.1.9. The Group's internal control procedures

In Chapter 3.6 of its 2013 Registration Document, Korian – Medica describes 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. For each risk, the principal measures taken by the Group to limit its exposure are indicated.

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.

4.1.9.1. Definition and objectives of internal control

Internal control refers to all control processes in place within the Group that contribute to the rigorous and effective management of our business activities and to risk control.

More specifically, the purpose of internal control is to ensure compliance with laws and regulations but also with the Group's values, ensure the reliability and accuracy of accounting and financial information, preserve the Group's assets and reputation, monitor the achievement of goals and prevent and detect any fraudulent activity and irregularities.

Our internal control system aims to provide reasonable assurance, though not an absolute guarantee, with regard to the achievement of our goals.

4.1.9.2. The internal control environment

It is based on a centralised organisation with a policy of delegating responsibility to operational and functional departments. In particular, we strive to clearly communicate the Group's strategy and its operational goals, to provide optimal guidance to assist individuals in their work through the dissemination of best practices, to develop our employees' skills and ensure that they have the necessary resources to carry out their work (to that end, the Human Resources Department provides appraisals, periodic monitoring and training) and to ensure that our procedures and systems are under control.

4.1.9.3. Scope of internal control

The internal control system is applied to the parent company, Korian, and to all its consolidated subsidiaries, together forming the Group.

However, it should be noted that a number of the consolidated companies are not directly managed by Korian (namely, the Italian Segesta facilities and the German Phönix and Curanum facilities which are managed by their respective 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.

4.1.9.4. Internal control players at Korian

Internal control is implemented by the Board of Directors, the Chairman, General Management, the operational and functional divisions and departments and by Group employees.

The main players concerned with steering the internal control system in France are the following.

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 Chief Executive Officer and takes part in preparing the Company's strategic plan with the aim of facilitating communication and shared understanding between Management and the Board.

Group General Management

General Management establishes the guiding framework for the internal control system and ensures that it is implemented. It is the main internal control player.

French Operations Department[37]

This department is responsible, within all the French subsidiaries, for the application of Group procedures and adherence to budgets.

French Finance Department[38]

This department is responsible for the quality and accuracy of the accounting and financial information of all the Group's French subsidiaries. To ensure a more efficient output, the services within this department have been divided into specialist teams according to their function:

- for all long-term care and post-acute and psychiatric care businesses, one team is in charge of the facilities' accounting matters and another has responsibility for management control;
- at parent company level, a team takes care of accounting matters for Korian and it also has the role of determining the Group's consolidated tax expense in addition to monitoring changes to French tax regulations. A dedicated financial controller is responsible for the business activities of the registered office and holding companies, a team of financial controllers is specifically responsible for the business activities of the Real Estate Department and a specialist team is in charge of consolidation operations.

Internal Control Department

This department is responsible for monitoring the implementation of internal control systems within the Group, in compliance with the recommendations of the AMF's simplified reference framework (for small and medium-sized listed companies).

Quality Department

This department is an important player in internal operational control as it is very closely involved in our risk management policy and in our quality assurance drive, both in the facilities and at the registered offices.

Its work mainly consists of:

- ensuring the implementation of the quality management policy;
- providing methodological assistance to the facilities' management teams to support them with the implementation and monitoring of their quality assurance and risk management drives;
- ensure regulatory compliance and keep abreast of relevant documentation in the quality and risk management areas as well as any changes to HAS certification and ANESM assessment procedures, for post-acute and psychiatric facilities and long-term care facilities respectively;
- assist with the development of tools for teaching, procedural monitoring, information gathering, assessments and performance indicators, in addition to procedures and protocols;
- assist with the centralised storage, in a single database, of risk analysis data for the facilities, with the aim of revealing the emergence of new risk factors;
- carry out audits (using the Vigikor tool) in order to conduct assessments, carry out risk analyses and follow up the implementation of Group policies.

This department has a number of quality managers, each of whom is responsible for a given region. They work in a cross-functional relationship with the regional directors and the facilities directors.

Their work is strictly coordinated with that of the operational departments, through a jointly established programme. This department reports to the Ethics, Medical and Quality Department which in turn reports to the Operations Department France[39]. These reporting lines strengthen the links and working relationships between support services and operational departments.

[37] Since 18 March 2014, within the new organisation, these duties are carried out by General Management France.
[38] Since 18 March 2014, within the new organisation, these duties are carried out by the Group Finance Department.
[39] Since 18 March 2014, within the new organisation, this department reports to General Management France.

Regulatory Department

The Regulatory Department establishes the conditions governing the existence and operation of facilities, as well as their creation upon signature of a contract or agreement with regulatory bodies, in addition to seeking sources of supplementary funding needed for their operation.

Its work involves:

- providing assistance and technical support to the facilities in their relationships with the regulatory authorities (local departmental authorities, territorial delegations and regional health departments);
- monitoring contractual objectives, either in tripartite agreements for long-term care facilities or in MYTRC for post-acute and psychiatric care facilities.

This department reports to the Operations Department France[40].

Information Systems Department

Korian uses a number of IT tools and information systems to manage files and data related to residents and patients in its facilities; these are required for accounting, management control and tax consolidation monitoring purposes, as well as for human resource management, commercial management and the transfer of data to the social security authorities.

These systems are widely used in the day-to-day management of the Group's business activities. In this respect, the Information Systems Department is also an important participant in internal control. It reports to the Finance Department France.

For subsidiaries in Italy and Germany

Our foreign subsidiaries are organised with a centralised arrangement similar to the French structure. The organisation of these subsidiaries involves the same players (General Management, Finance Department, Regulatory Services and an Information Systems Department) which apply, in compliance with local regulations, the general policies defined by the Group's General Management.

4.1.9.5. 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.

The internal control function within the Group

The main roles of the Internal Control Department are:

- to identify major risks and inform General Management of their findings;
- to propose the implementation or improvement of risk management processes;
- to ensure observance of internal control procedures;
- to carry out audits to monitor the effectiveness of risk management processes.

The Internal Control Department has prepared (in collaboration with the Quality Department) a global risk map for the Group; risk mapping is considered a fundamental management tool in our approach to risk prevention and risk control. The department is in charge of updating the risk map as well its related action plans.

Organisation of the accounting and financial functions

The accounting work, for business activities based in France, is organised around three platforms, specialised by business line:

- a platform located close to Besançon (mainly long-term care business);
- a platform located close to Toulouse (mainly post-acute and psychiatric care business);
- a platform located in Paris at the registered office of Korian SA.

[40]Since 18 March 2014, within the new organisation, this department reports to the Oversight and Development Department, which in turn reports to General Management France.

These platforms, which share standardised work procedures, are all managed by an accounting director or manager who reports to the Finance Director France, who in turn reports to General Management France.

In 2013, we centralised the accounting function of our only remaining French subsidiary that continued to carry out its accounting in the facility itself.

For foreign subsidiaries, the accounting function is centralised in the local parent company (Segesta in Milan for Italy, Phönix in Füssen and Curanum in Munich for Germany). They 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 Italy and Germany.

The Group also has a management control function which is mainly responsible for ensuring the consistency of financial information produced and provides assistance to the operational departments and to General Management in managing the Group's facilities.

Monitoring and control of operational management

Operational reporting and the budgeting process contribute to providing more robust internal control in relation to the processing of published accounting and financial information. With the participation of the facility directors, reporting is carried out by the Group's financial controllers who provide technical support and methodological assistance with the financial management of business operations.

- Budgets

The Finance Department France assists the operational departments in drawing up operating budgets for each facility, observing the guidelines provided by the Group's General Management. The use of a single matrix for all operating budgets makes it easy to compare results by region or by business activity.

These budgets are then consolidated with the French budget which includes those of the functional departments. The procedure applied in our foreign subsidiaries is similar to this. Their budgets are ultimately consolidated at Group level.

- Reporting

The French Finance Department produces a monthly report, prepared by financial control, which is sent (via our Intranet) to the facility directors, the regional managers, the Operations Department France and to General Management.

Among other things, this report highlights key financial data such as revenue, occupancy rates, average accommodation price, changes to major expenditure items (employee expenses for example, in euros and in number of full-time equivalents), changes to trade receivables, follow-up on investments (these also form the subject of a dedicated management control exercise to monitor commitments),etc.

The report also includes a budget control procedure; any significant spread is analysed and explained. Performance indicators are then produced summarising key information, which encourages a proactive response from management. All these reports are combined into a single monthly report.

The combined reports enable General Management to assess levels of business activity and request that corrective measures be taken if necessary.

As far as our foreign subsidiaries are concerned, their budget and reporting procedures are very similar to those in place in France as described here above.

Financial statements and auditing

The Group publishes interim financial statements at 30 June (consolidated) and annual financial statements at 31 December (separate and consolidated). Each country's Finance Department prepares individual financial statements through their own accounting platform, thereby producing individual financial statements for all Group companies.

The Finance Department France also draws up the consolidated financial statements. The published consolidated financial statements are prepared using consolidation software which applies the same heading plan to all consolidated entities, including the foreign subsidiaries.

As part of its duties, 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.

Each legal entity that is legally required to do so provides the Statutory Auditors with a letter from the legal representative of the entity confirming the quality, reliability and completeness of the information and documentation provided to them.

Debt and cash management

The Group has diversified funding lines:

- a syndicated credit facility to serve the Group's general needs subscribed with a pool of banks;
- bilateral credit lines, specifically intended to fund the Group's real estate assets;
- bonds.

In December 2013, Korian set out to further diversify its sources of funding with a second bond issue for an amount of €67,500,000, placed with institutional investors.

Korian has also negotiated a bridging loan of €500,000,000 to refinance debt pertaining to Medica which was to become payable following the Merger (now cancelled)[41].

General Management proposes a funding strategy to the Board of Directors and the introduction of any new Group credit facility is subject to review and, if necessary, prior authorisation by the Board of Directors.

Our foreign subsidiaries may occasionally take out loans, arranged in their respective countries. These loans are intended to fund general needs, in particular development operations. Any new loan requires the prior approval of the Chief Executive Officer and the Group's Finance Director.

Finally, the Group has a cash pool in France arranged with its main banks. This simplifies centralised cash management and allows for better control of our financial flows. Cash management for the foreign subsidiaries is managed by the finance department in each country.

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. In that respect, and until 18 March 2014, the acquisition of any facility in France is subject to prior approval by the Development Committee (a dedicated sub-committee of the Steering Committee in France) and also, in the case of investments exceeding €5 million, by the Investment Committee (a specialist committee reporting to the Board of Directors). It should be noted that, for foreign subsidiaries, investment operations and credit facilities may not be undertaken without the approval of Korian. In addition, development projects follow the same procedure as in France and must be submitted to the Investment Committee for its approval.

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.

Following the adoption of the Company's new Articles of Association on 18 March 2014, new thresholds have been introduced to take into account the post-merger dimension of Korian - Medica (see section 4.1.4 below).

[41] Given the favourable market conditions, on 12 March 2014 the Company negotiated a refinancing contract covering the entire debt of the new Group (see Chapter 3.4.2 of the 2013 Korian-Medica Registration Document).

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.

Finally, 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.

4.1.9.6. 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 operational losses;
- financial consequences arising from Group companies' liability as a result of their activities in France.

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. This policy is similar for our foreign subsidiaries.

The "France" civil liability policy also covers Italy and Germany.

Quality policy, prevention of risks related to business activities and safety

For the facilities, to take account the risks inherent to our business activity, we have continued with our quality management drive, encouraging the delivery of patient and resident care under optimal quality and security conditions.

This drive, delivered under the leadership of the facility directors, is key to improving our processes and resolving issues.

In the Group's French facilities, COVIRIS (Vigilance and Health Risk Coordination plans) are implemented to quickly resolve problems detected and these prevent issues from escalating by providing a global risk management system.

In addition, each post-acute and psychiatric care facility has identified the corresponding applicable safety measures (pharmaco-vigilance, materials vigilance, infection vigilance, identity vigilance and, as required, haemovigilance). The coordination of vigilance measures is provided by COMEDIMS (the Drug and Sterile Medical Device Committee) under the auspices of the French CME (Medical Facilities Commission), or by the COVIRIS Steering Committee.

In addition, all our post-acute and psychiatric care facilities in France undergo the HAS certification procedures to evaluate operational standards and practices in each facility as well as their results.

This aims to ensure the safety and quality of care and to promote a policy of continuous quality improvement.

With a similar objective, an internal assessment of around ten long-term care facilities was initiated in 2011, in compliance with ANESM recommendations. The internal assessment process continued in 2012 with the assessment of around 20 facilities, increasing to around 80 in 2013, all operating under contracts approved prior to 2002.

These internal assessments must be followed up by external assessments carried out by an ANESM-authorised body. External assessments were carried out for around 20 facilities in 2013 and should be conducted for around 80 facilities in 2014. The renewal of licences is conditional upon the results of these assessments.

The authorised body selected in 2012 to carry out the assessments conducted a test during the first half of 2013 on ten facilities and this work is ongoing in 2014. Our objective is to confirm our choice of a single assessment body and a standardised assessment methodology for all long-term care facilities.

The Quality Department provides methodological assistance to the facilities and shapes the Group's quality approach. To fulfil this work, the quality managers work in collaboration with all personnel and visit the facilities regularly to:

- train the directors and their management teams;
- assist with the implementation of Korian projects;
- strengthen assessment systems through the implementation of quality indicators;
- perform audits (using the Vigikor tools, which facilitates the identification of vigilance areas and risk analysis for each site in order to clarify issues and guide facility management).

In addition, we have taken specific measures to prevent healthcare-related risks.

In this respect, the Quality Department helps to draft informative publications (in 2013, best practice guides on incontinence and on patient/resident restraint and a training module on prevention of suicide attempts). Similarly, updates have been issued (medical information factsheets on drugs policy, review of procedures for crisis management, complaints and serious adverse events).

A Korian best practice guide, intended to facilitate professional access to best practices, is updated regularly in digital format.

With regard to the policy on restraint and associated risks, existing provisions have been strengthened with the introduction of a systematic annual self-assessment process, for every facility, setting out key recommendations, procedures and protocols.

A drugs handbook for treatment of the elderly was issued in 2012. It is intended to improve the management of iatrogenic risk when prescribing for the elderly. This is just one of a range of actions implemented by Korian to improve patient care in its facilities. The content has been studied and validated by various Korian physicians and pharmacists and by various university research teams. It is regularly updated.

A study carried out at several sites has enabled us to validate the suitability, safety and efficiency of the drug distribution system used in our long-term care facilities. This has led to the publication of an article on this subject.

The "blue plan" for long-term care and the "white plan" for post-acute and rehabilitation care include components on combating flu pandemics and Business Continuity Plans underpinned by the Group's crisis management procedures.

In this way, the Group helps its facility directors to implement the quality and risk prevention drives in their facilities and assists them with the evaluation of their practices.

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, reporting to the Real Estate Department, 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, reporting to the Human Resources Department France, have issued common ERP guidelines (DUERP) to ensure regular monitoring of these risks.

These measures play a part in the risk prevention policy.

Care Ethics

The "user" (patient/resident) is placed at the heart of our work, in terms of his care experience, the coordination of medical care, his satisfaction and his access to information. Respect for individuals, their dignity, their wishes and their rights are the care watchwords in our facilities.

This is reflected by the promotion of therapeutic care plans (for post-acute and psychiatric care) and personalised care plans (for long-term care). Clients are fully involved in the development and implementation of these plans so that we may provide a service that is better matched to their expectations and needs.

This policy is founded on our wish to constantly strive for the welfare of our patients and residents, to ensure better risk control *a priori* by promoting preventive action. This proactive ethics- and welfare-led policy is coordinated by the Ethics, Medical and Quality Department, in collaboration with the Ethics Development Department (led by Dr Claude Malhuret, former Chairman of Médecins sans Frontières and former State Secretary for Human Rights).

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. A specific unit has been set up, under the direction of Dr Claude Malhuret, to help the facilities deal with these issues. The unit uses an IT tool to consolidate and ensure the traceability of these events and their management.

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).

Welfare training in our facilities is based on the BEST programme, which is divided into two modules:

- the first is based on knowledge of the population accommodated;
- the second is designed to help teams to work together and to reflect on what to do in complex situations (particularly behavioural disorders and issues that arise as individuals approach death). The training specifications are developed with the management team, the objective being to motivate reflection and teamwork in these complex situations.

In addition, we work in partnership with the leading ethical bodies:

- the national centre for ethical reflection on Alzheimer's disease (EREMA);
- the AP-HP Ethical Centre for the study of issues concerning institutionalised elderly persons;
- the Burgundy-Franche-Comté Centre for Ethics, reporting to Dijon University Hospital as part of a research partnership.

We are also involved in a partnership with the SFGG (the French Geriatric and Gerontology Society) to roll out the use of the MobiQual programme and its tools, with the aim of improving long-term care practices, in healthcare facilities and in the home.

This forms part of the renewal of tripartite agreements for long-term care facilities and, for doctors, it enables the evaluation of professional practice.

The main goal of this partnership is to improve the care and management of individuals accommodated in our facilities.

Finally, to ensure a far-reaching view of the Group's functioning, the Operations Department France has put incident reporting measures in place; each facility director is obliged to inform the head office of any unusual event that may have an impact on the safety of users, the continuity of operations at the facility, the Group's brand image or the Group's assets (Serious Adverse Events reporting procedure).

To conclude, the existence of the Ethics and Risks Committee, the development of a long-term care charter and a comprehensive training programme developed by a dedicated service, together comprise the elements we have put in place to ensure the day-to-day application of the Group's ethical principles.

For 2014, following Korian's merger with Medica (*fusion-absorption de Medica par Korian*), the Group intends to focus on its successful integration. Following the introduction of a new governance structure on 18 March 2014, the Group will perform an analysis of best practices and optimise the relevant systems and resources so that we may move forward into 2015 with a new and fully operational organisation.

Paris, 24 April 2014

Jacques Bailet
Chairman of the Board of Directors

4.2. STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Report of the Statutory Auditors, drawn up pursuant to Article L. 225-235 of the French Commercial Code (*Code de Commerce*), on the report prepared by the Chairman of the Board of Directors of Korian – Medica (formerly Korian)

To the Shareholders,

In our capacity as Statutory Auditors of Korian – Medica (formerly Korian) and pursuant to Article L. 225-235 of the French Commercial Code, we hereby present to you our report on the report prepared by your company's Chairman in accordance with Article L. 225-37 of the French Commercial Code, for the year ended 31 December 2013.

It is the Chairman's responsibility to prepare and submit a report for the Board of Directors' approval, detailing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-37 of the French Commercial Code 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; and

- confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code. It should be noted that are role is not to verify the fairness of this other information.

We conducted our work in accordance with the professional standards applicable in France.

Information concerning 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 on internal control and risk management procedures relating to the preparation and processing of accounting and financial information. Our procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information underlying the information presented in the Chairman's Report, and of the existing documentation;

- obtaining an understanding of the work involved in the preparation of this information and 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 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 provided about 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 of Directors in accordance with Article L. 225--37 of the French Commercial Code.

Other information

We hereby confirm that the report of the Chairman of the Board of Directors contains the other information required by Article L. 225-37 of the French Commercial Code.

Paris la Défense Cedex and Paris-La Défense, 28 April 2014

The Statutory Auditors

Mazars (*French original signed by*)	ERNST & YOUNG et Autres (*French original signed by*)
Manuela Baudoin-Revert	Benoît Gillet

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

When reading this chapter, please note that it refers to the Korian Group.

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5.1. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated statement of financial position

ASSETS			
In thousands of euros	Notes	31/12/2013	31/12/2012(*)
Goodwill	4	748,713	666,795
Intangible assets	5	669,886	657,910
Property, plant and equipment	6	556,842	386,808
Non-current financial assets	7	13,588	20,159
Shares in associates	8		3
Deferred tax assets	26	58,120	42,833
Non-current assets		**2,047,149**	**1,774,508**
Inventories	9	4,280	2,993
Trade receivables	10	88,361	79,591
Other receivables and current assets	11	135,543	119,097
Financial instruments - assets	16	35	36
Cash and cash equivalents	12	51,933	162,722
Current assets		**280,152**	**364,439**
Assets held for sale		721	92,939
Total assets		**2,328,022**	**2,231,886**

EQUITY AND LIABILITIES			
In thousands of euros	Notes	31/12/2013	31/12/2012(*)
Share capital		174,198	170,204
Premiums		293,419	284,949
Consolidated earnings and retained earnings		278,286	257,080
Equity attributable to owners of the company		**745,903**	**712,232**
Non-controlling interests		22,716	20,516
Total equity		**768,619**	**732,748**
Provisions for retirement benefits	18	23,324	23,426
Deferred taxes	26	245,942	238,291
Other provisions	19	14,411	8,882
Borrowings	17	713,576	665,201
Non-current liabilities		**997,251**	**935,800**
Provisions for liabilities due in less than 1 year	19	7,260	5,039
Trade payables	20	135,851	123,812
Other payables and accruals	20	321,721	296,428
Borrowings due within 1 year and bank overdrafts	17	59,306	59,541
Financial instruments - liabilities	16	38,014	52,369
Current liabilities		**562,152**	**537,188**
Liabilities held for sale			26,150
Total liabilities		**2,328,022**	**2,231,886**

(*)*The Group has applied IAS 19R since 1 January 2013. The financial statements for the year ended 31 December 2012 have been restated in accordance with the new rules for comparison purposes.*

Consolidated income statement

COMPREHENSIVE INCOME				
In thousands of euros	Notes	31/12/2013	31/12/2013 *pro forma* (Curanum 12 months)	31/12/2012(*)
Revenue		**1,370,990**	**1,418,440**	**1,108,357**
Other income				0
Operating revenue		**1,370,990**	**1,418,440**	**1,108,357**
Purchases used in the business		93,423	108,300	70,604
Personnel expenses	22	656,402	681,069	531,153
External expenses	23	396,817	398,139	325,367
Income and other taxes		45,223	47,878	44,240
Depreciation and amortisation		62,689	64,775	44,686
Gain/(loss) on acquisition and disposal of consolidated entities	24	(4,972)	(4,972)	(40)
Other operating income and expenses	24	(11,023)	(11,352)	(5,571)
Operating income		**100,441**	**101,955**	**86,696**
Financial expense		(43,414)	(45,316)	(31,862)
Financial income		50	50	97
Cost of gross debt	25	**(43,364)**	**(45,266)**	**(31,765)**
Income from cash and cash equivalents		366	366	40
Cost of net debt	25	**(42,998)**	**(44,900)**	**(31,725)**
Other financial expense	25	(3,169)	(3,169)	(2,926)
Other financial income	25	1,315	1,372	652
Profit/(loss) before tax		**55,588**	**55,257**	**52,698**
Income tax	26	(24,198)	(23,959)	(26,833)
Profit/(loss) of consolidated companies		**31,391**	**31,299**	**25,865**
Group share of profit/(loss) of associates		(3)	(3)	(14)
Net profit/(loss)		**31,387**	**31,295**	**25,851**
Non-controlling interests		2,812	2,792	2,577
Attributable to owners of the company		**28,576**	**28,504**	**23,275**
Basic earnings (attributable to owners of the company) per share (in euros)	15	0.83	0.83	0.68
Diluted earnings (attributable to owners of the company) per share (in euros)	15	0.83	0.83	0.67
Net profit/(loss) attributable to owners of the company		**28,576**	**28,504**	**23,275**
Recycled items: impact of IAS 39 (measurement of hedging derivatives), net of tax		10,625	10,625	(4,942)
Non-recycled items: impact of IAS 19 (actuarial gains and losses)		261	261	(99)
Gains and losses recognised directly in equity (attributable to owners of the company)		**10,886**	**10,886**	**(5,041)**
Profit/(loss) and gains and losses recognised directly in equity (attributable to owners of the company)		39,462	39,390	18,233
Profit/(loss) and gains and losses recognised directly in equity (non-controlling interests)		2,812	2,792	2,577

(*)*The Group has applied IAS 19R since 1 January 2013. The financial statements for the year ended 31 December 2012 have been restated in accordance with the new rules for comparison purposes.*

Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euros)	31/12/2013	31/12/2012(*)
Net profit/(loss)	**31,387**	**25,851**
Of which income tax expense	*24,198*	*26,833*
Net depreciation, amortisation and provisions	58,553	48,470
Deferred taxes	(4,891)	(1,545)
Expense on the discounting of pension liabilities	0	433
Gain/(loss) on financial liabilities at fair value through profit or loss	(584)	166
Gain on disposal of assets	1,517	(14,571)
Elimination of the share of income of associates	3	14
Cash flow after cost of net debt	**85,985**	**58,818**
Elimination of acquisition costs of securities	4,859	340
Elimination of net interest paid	43,349	31,725
Cash flow before cost of net debt	**134,193**	**90,883**
Change in inventories	71	(89)
Change in trade receivables	(5,085)	8,713
Change in trade payables	(11)	11,855
State: change in income tax	(5,360)	3,358
Change in other items	(4,873)	11,601
Change in working capital requirements	**(15,259)**	**35,439**
Net cash flow from/(used in) operating activities	**118,934**	**126,322**
Impact of changes in scope (acquisitions)	(82,974)	(21,699)
Impact of changes in scope (disposals)	67,463	8,149
Payment for property, plant and equipment and intangible assets	(121,540)	(72,972)
Payment for other financial investments	593	(1,856)
Proceeds from disposals of non-current assets (excluding securities)	71,709	57,430
Net cash from/(used in) investing activities	**(64,749)**	**(30,947)**
Net cash flow	**54,185**	**95,375**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)	31/12/2013	31/12/2012(*)
Capital increase of non-controlling interests	0	0
Treasury shares charged to equity	(72)	(1,236)
Increase in financial liabilities	184,573	131,548
Repayment of financial liabilities	(299,464)	(66,871)
Net interest paid	(43,349)	(31,725)
Dividends paid to shareholders of the parent	(7,617)	(4,533)
Dividends paid to non-controlling interests in consolidated companies		(160)
Dividends payable		
Net cash from/(used in) financing activities	**(165,930)**	**27,023**
Change in cash position	**(111,745)**	**122,398**
Cash and cash equivalents at start of period	157,809	35,412
Cash and cash equivalents at end of period	46,066	157,809
Marketable securities	25,678	135,573
Cash	26,255	27,313
Bank overdrafts and advances	(5,867)	(5,077)
Cash	**46,066**	**157,809**

(*)*The Group has applied IAS 19R since 1 January 2013. The financial statements for the year ended 31 December 2012 have been restated in accordance with the new rules for comparison purposes.*

Changes in consolidated equity

In thousands of euros	Share capital	Premiums	Charged directly to equity	Consolidated earnings and retained earnings	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31 December 2011	**163,594**	**277,097**	**(31,661)**	**293,725**	**702,754**	**20,025**	**722,780**
Impact of IAS 19 (actuarial gains and losses) at 1 January 2012**(*)**			(2,595)		**(2,595)**		**(2,595)**
Dividend distribution				(19,546)	**(19,546)**	(165)	**(19,711)**
Capital increase	6,610	7,852			**14,462**	550	**15,012**
Share-based payment			4		**4**		**4**
Business combinations			299		**299**	(2,471)	**(2,171)**
Treasury shares			(1,380)		**(1,380)**		**(1,380)**
Profit/(loss) for 2012				23,275	**23,275**	2,577	**25,851**
Impact of IAS 19 (actuarial gains and losses)			(99)		**(99)**		**(99)**
Measurement of hedging derivatives, net of tax			(4,942)		**(4,942)**		**(4,942)**
Comprehensive income			*(5,041)*	*23,275*	***18,233***	*2,577*	***20,810***
At 31 December 2012(*)	**170,204**	**284,949**	**(40,374)**	**297,453**	**712,232**	**20,516**	**732,748**
Dividend distribution				(20,336)	**(20,336)**	(4)	**(20,340)**
Capital increase	3,994	8,470			**12,464**	1,262	**13,726**
Share-based payment							
Business combinations			2,069		**2,069**	(1,869)	**200**
Treasury shares			11		**11**		**11**
Profit/(loss) for 2013				28,576	**28,576**	2,812	**31,387**
Impact of IAS 19 (actuarial gains and losses)			261		**261**		**261**
Measurement of hedging derivatives, net of tax			10,625		**10,625**		**10,625**
Comprehensive income			*10,886*	*28,576*	***39,462***	*2,812*	***42,273***
At 31 December 2013	**174,198**	**293,419**	**(27,408)**	**305,694**	**745,902**	**22,716**	**768,619**

(*)*The Group has applied IAS 19R since 1 January 2013. The financial statements for the year ended 31 December 2012 have been restated in accordance with the new rules for comparison purposes. See details in note 1.16.*

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.

The dividends allocated by the parent company to its shareholders during the period totalled €20,336 thousand, or €0.60 per share.

The Ordinary General Meeting of 20 June 2013 decided to offer shareholders the option of receiving payment of the dividend in new shares of the Company, instead of cash. The capital increase pursuant to the exercise of this option by certain shareholders resulted in the issue of 798,785 new shares representing a nominal amount of €3,994 thousand.

At 31 December 2013, Korian's share capital was therefore comprised of 34,839,613 shares, and amounted to €174,198 thousand.

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The consolidated financial statements approved by the Board of Directors at its meeting of 26 March 2014 are subject to the approval of the shareholders at the Ordinary General Meeting of 26 June 2014.

The Group provides and develops an extensive range of dependent care services through long-term care facilities and follow-up care and rehabilitation clinics initially found throughout France. As part of its expansion, Korian has acquired two platforms in Europe, located in Italy and Germany.

At 31 December 2012, the Group comprised 244 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 balance sheet date. These standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretations, and are available from the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The consolidated financial statements comprise the financial statements of Korian SA and the subsidiaries that it controls for the period between 1 January and 31 December 2013.

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 2012, with the exception of amendments to IFRS standards and interpretations subject to mandatory application for annual periods beginning on or after 1 January 2013. These specifically concern the following items.

- Presentation of Items of Comprehensive Income (Amendments to IAS 1)
- Fair Value Measurement (IFRS 13)
- Amendments to IFRS 7 – Disclosures: Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 19 – Employee Benefits: the application of this amendment has led to the recognition in other comprehensive income of actuarial gains and losses previously not recognised under the corridor approach
- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets
- Annual Improvements to IFRS – 2009-2011 cycle

The application of these standards, amendments and improvements from 1 January 2013 did not have a material impact on the consolidated financial statements.

The Group did not opt for early application in the financial statements for the year ended 31 December 2013 of the following standards published by the IASB and approved by the European Union.

- Consolidated Financial Statements (IFRS 10)
- Joint Arrangements (IFRS 11)
- Disclosure of Interests in Other Entities (IFRS 12)
- Separate Financial Statements (IAS 27R)
- Investments in Associates and Joint Ventures (IAS 28R)
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, 11, 12 – Transitional Provisions
- Amendments to IFRS 10, 12 and IAS 27 – Investment Entities
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-financial Assets
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

Similarly, the Group did not opt for early application in the financial statements for the year ended 31 December 2013 of the following texts published by the IASB but not yet approved by the European Union.

- Financial Instruments: Classification and Measurement (IFRS 9)
- IFRIC 21 – Levies Charged by Public Authorities
- Annual Improvements to IFRS – 2010-2012 cycle
- Annual Improvements to IFRS – 2011-2013 cycle

Korian is still in the process of determining the potential impact of the application of these standards and interpretations on the consolidated financial statements.

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 consolidated financial statements of the Korian Group include the financial statements of Korian SA and its subsidiaries for the period between 1 January and 31 December 2013.

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 carrying amounts 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 assets and property, plant and equipment 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 carrying amounts of assets are reviewed annually, and whenever events or circumstances indicate that they may have been impaired. Such events and circumstances could stem from material adverse changes of a lasting nature affecting either the economic environment or the assumptions and objectives used at the balance sheet date;
- 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;
- consequently, commercial leases are classified as operating leases, and leasing contracts are classified as finance leases;
- 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.

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 so as to obtain benefits from its activities. In general, controlled companies are those in which Korian SA 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 company and non-controlling interests.

1.2 Joint ventures

Joint ventures are companies in which the Group exercises joint control, generally pursuant to a contractual agreement.

The accounts of joint ventures are consolidated using the proportionate consolidation method. The proportionate consolidation method is a method whereby a venturer's share in each of the assets, liabilities, income and expenses of the jointly controlled entity is combined line by line with similar items in the venturer's financial statements.

The financial statements are consolidated with effect from the date when the Company acquires effective control until such time as control is lost.

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 accounts from the date of commencement of significant influence until the date when such influence is lost.

The carrying amount 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 balance sheet date. After a period of one year following the acquisition date, any change in fair value is recognised in profit or loss. Within this one-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.

However, these provisions do not apply to earn-out payments related to acquisitions prior to 1 January 2010. These earn-out payments are recognised according to the provisions of IFRS 3 (before revision). Any adjustment to prior earn-out payments will therefore be charged to goodwill, indefinitely.

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.

For business combinations prior to 1 January 2010, commitments to buy out non-controlling interests were initially recorded as a liability at the present value of the purchase price, offsetting investments in non-controlling interests, and the balance as goodwill; subsequent changes in the value of the commitment were recognised by adjusting the amount of goodwill. These arrangements are still applied to subsequent changes in commitments prior to 1 January 2010.

1.6 Currency translation methods

a) Transactions in foreign currencies

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 2013.

b) Financial statements in foreign currencies

The assets and liabilities of consolidated companies denominated in foreign currencies, including goodwill and fair value adjustments on consolidation, are translated into euros at the exchange rate prevailing at the balance sheet date. The income and expenses of these subsidiaries are translated into euros at the average exchange rate for the year. The resulting translation differences are recognised directly in equity.

At the 2013 balance sheet date, 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 carrying amount.

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

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 the authorities. Italian operating licences are measured at fair value at the acquisition date, by reference to a revenue multiple.

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. The valuation of these rights is therefore included in the amount recognised under goodwill.

1.8 Property, plant and equipment

a) Measurement of property, plant and equipment

Property, plant and equipment is initially measured at acquisition cost. Property, plant and equipment acquired as part of a business combination is measured at fair value at the acquisition date. It is not subsequently remeasured.

At each balance sheet 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.

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 property, plant and equipment

Depreciation of property, plant and equipment is calculated using the straight-line method over the useful lives set out below. Land is not depreciated. Useful lives are as follows.

Category	Useful life	Method
Structure	50 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 property, plant and equipment

Property, plant and equipment is 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 2013 was €1,726,000.

1.9 Leases

Items of property, plant and equipment acquired under finance leases, which transfer most of the risks and rewards incidental to ownership of the leased asset to the Group, are recognised as assets on the balance sheet at the lesser of the fair value of the leased asset or the present value of minimum lease payments. The corresponding liability is recorded in financial liabilities.

Lease payments are apportioned between the financial expense and the amortisation of the outstanding liability so as to 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 property, plant and equipment). 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 tied 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 property, plant and equipment and intangible assets

The carrying amounts of assets are reviewed to identify potential impairment:

- for non-amortisable intangible assets and goodwill: at each balance sheet date, or more frequently if there are indications of impairment;
- for all other assets: whenever indications of impairment are identified.

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.).

Testing is performed at least once a year for assets with indefinite useful lives, i.e. primarily operating licences and goodwill.

Depending on the type of asset, impairment testing is performed either on cash-generating units (CGUs) (intangible assets – mainly licences – and property, plant and equipment, 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 based on its value in use.

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;
- the discount rate is determined by reference to the Group's weighted average cost of capital;
- average discount rates are 7.00% for France and Germany, and 8.00% for Italy;
- the terminal 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 2.50%.

First-level testing

For property, plant and equipment 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 carrying amount (carrying amount of licences plus carrying amount of property, plant and equipment).

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, Italy and Germany). Second-level testing seeks to ensure that the recoverable amount (the greater of the market value and the value in use) 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 property, plant and equipment.

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 recorded at actual cost, i.e. the original invoice amount less value adjustments.

The risk of impairment is assessed on the basis of the age of the receivables and a qualitative analysis of the debtors' creditworthiness.

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).

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 balance sheet date

Financial assets (excluding hedging instruments) are classified into one of the following three categories for the purposes of balance sheet measurement.

Category	Measurement	Recognition of changes in value
Financial assets measured at fair value	Fair value	Profit or 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)	Equity (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 balance sheet 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 Korian Group, this category covers trade and related receivables, long-term loans and housing loans for employees at subsidised 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 two categories.

f) Cash and cash equivalents

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

Cash and cash equivalents consist of immediately available liquid assets (cash at bank and in hand) and short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of change in value (short-term deposits with an initial term of less than three months and euro-denominated money market funds classified in the AMF's "short-term money market fund" category).

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 balance sheet date.

For financial derivatives that qualify as hedges for accounting purposes:

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

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

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

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 ten 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.

The amendments to IAS 19 – Employee Benefits must be applied for annual periods beginning on or after 1 January 2013, with retrospective effect from 1 January 2012. Their main impacts for Korian are:

- the removal of the corridor method for the recognition in profit or loss for the year of the amortisation of actuarial gains and losses on defined benefit plans: as such, the actuarial gains and losses not yet recognised for the year ended 31 December 2011 were recorded in equity as of 1 January 2012;
- in addition, actuarial gains and losses generated after 1 January 2012 are immediately recognised in other comprehensive income, and will never be recycled in profit or loss. Thus, the consolidated financial statements for 2012 have been adjusted for the cancellation of the amortisation of actuarial gains and losses in financial income and the recognition of actuarial gains and losses generated in 2012 as items of OCI that will not be recycled subsequently.

The retrospective application of IAS 19R – Employee Benefits has led to the restatement of the consolidated financial statements for FY 2012 for comparison purposes.

The detailed effects of the first application of this standard are presented in the following tables.

In thousands of euros	2012
Actuarial gains and losses to be amortised	(3,989)
Deferred tax	1,393
Restatement of equity at 1 January 2012	**(2,595)**
Restatement/pension expense before tax	151
Tax	(52)
Impact/2012 net income	**99**
Non-recycled items: impact of IAS 19 (actuarial gains and losses)	(99)
Gains/losses recognised directly in equity	**(99)**

ASSETS				
In thousands of euros	Notes	Published financial statements 31/12/2012	Impact of IAS 19 Revised	Restated financial statements 31/12/2012
Goodwill	4	666,795		666,795
Intangible assets	5	657,910		657,910
Property, plant and equipment	6	386,808		386,808
Non-current financial assets	7	20,159		20,159
Shares in associates	8	3		3
Deferred tax assets	26	42,833		42,833
Non-current assets		**1,774,508**		**1,774,508**
Inventories	9	2,993		2,993
Trade receivables	10	77,939		79,591
Other receivables and current assets	11	120,749		119,097
Financial instruments - assets	16	36		36
Cash and cash equivalents	12	162,722		162,722
Current assets		**364,439**		**364,439**
Assets held for sale		92,939		92,939
Total assets		**2,231,886**		**2,231,886**

EQUITY AND LIABILITIES				
In thousands of euros	Notes	Published financial statements 31/12/2012	Impact of IAS 19 Revised	Restated financial statements 31/12/2012
Share capital		170,204		170,204
Premiums		284,949		284,949
Consolidated earnings and retained earnings		259,675	(2,595)	257,080
Equity attributable to owners of the company		**714,828**	**(2,595)**	**712,232**
Non-controlling interests		20,516		20,516
Total equity		**735,343**	**(2,595)**	**732,748**
Provisions for retirement benefits	18	19,438	3,989	23,426
Deferred taxes	26	239,684	(1,393)	238,291
Other provisions	19	8,882		8,882
Borrowings	17	665,201		665,201
Non-current liabilities		**933,204**	**2,595**	**935,800**
Provisions for liabilities due in less than one year	19	5,039		5,039
Trade payables	20	123,812		123,812
Other payables and accruals	20	296,428		296,428
Borrowings due within one year and bank overdrafts	17	59,541		59,541
Financial instruments - liabilities	16	52,369		52,369
Current liabilities		**537,188**	**0**	**537,188**
Liabilities held for sale		26,150		26,150
Total liabilities		**2,231,886**	**0**	**2,231,886**

COMPREHENSIVE INCOME				
In thousands of euros	Notes	Published financial statements 31/12/2012	Impact of IAS 19 Revised	Restated financial statements 31/12/2012
Revenue		**1,108,357**		**1,108,357**
Other income		0		0
Operating revenue		**1,108,357**		**1,108,357**
Purchases used in the business		70,604		70,604
Personnel expenses	22	531,153		531,153
External expenses	23	325,367		325,367
Income and other taxes		44,240		44,240
Depreciation and amortisation		44,686		44,686
Gain/(loss) on acquisition and disposal of consolidated entities	24	(40)		(40)
Other operating income and expenses	24	(5,571)		(5,571)
Operating income		**86,696**		**86,696**
Financial expense		(31,862)		(31,862)
Financial income		97		97
Cost of gross debt	25	**(31,765)**		**(31,765)**
Income from cash and cash equivalents		40		40
Cost of net debt	25	**(31,725)**		**(31,725)**
Other financial expense	25	(3,077)	151	(2,926)
Other financial income	25	652		652
Profit/(loss) before tax		**52,546**	**151**	**52,698**
Income tax	26	(26,781)	(52)	(26,833)
Profit/(loss) of consolidated companies		**25,765**	**99**	**25,865**
Group share of profit/(loss) of associates		(14)		(14)
Net profit/(loss) from continuing operations		**25,752**	**99**	**25,851**
Net profit/(loss) from operations discontinued, sold or held for sale		0		0
Net profit/(loss)		**25,752**	**99**	**25,851**
Non-controlling interests		2,577		2,577
Attributable to owners of the company		**23,175**	**99**	**23,275**
Basic earnings (attributable to owners of the company) per share (in euros)	15	0.68		0.68
Diluted earnings (attributable to owners of the company) per share (in euros)	15	0.67		0.67
Net profit/(loss) attributable to owners of the company		**23,175**	**99**	**23,275**
Recycled items: impact of IAS 39 (measurement of hedging derivatives), net of tax		(4,942)		(4,942)
Non-recycled items: impact of IAS 19 (actuarial gains and losses)				(99)
Gains and losses recognised directly in equity (attributable to owners of the company)		**(4,942)**		**(5,041)**
Profit/(loss) and gains and losses recognised directly in equity (attributable to owners of the company)		18,233		18,233
Profit/(loss) and gains and losses recognised directly in equity (non-controlling interests)		2,577		2,577

1.16.2 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 balance sheet 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.

1.16.3 In Germany

The Group does not have any material retirement commitments pursuant to German 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 balance sheet 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 balance sheet date. The amount of the provision reflects the best estimate of future expenditure.

1.18 Share-based payment

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 balance sheet 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 Taxes

Deferred taxes are recorded using the balance sheet liability method for temporary differences existing at the balance sheet date between the tax base of assets and liabilities and their carrying amounts, 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 balance sheet date.

Deferred taxes are calculated for each entity. They are offset when the tax is payable to the same tax authority and relates to the same taxable entity (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 fiscal years ending on or after 31 December 2011 and until 30 December 2015 has been added to income tax expense in respect of 2013. Initially levied at a rate of 5%, this contribution, applicable to the amount of corporate income tax due, was increased to 10.7% from 2013.

Tax rates used on international operations are 15.83% in Germany (or 30% depending on the company) and 31.40% in Italy.

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 set aside in the amount of €8,945 thousand in consideration of personnel expenses.

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 expenses.

1.24 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.

1.25 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.

Korian has changed its operating segments for the presentation of the consolidated financial statements for the year ended 31 December 2013, in line with the strategy followed and reporting segments monitored by management since the beginning of 2013.

Operating segments now correspond to geographical areas (France, Germany, Italy), notably to take into account the growing importance of Germany following the acquisition of Curanum.

In accordance with IAS 8, the Group has presented the new operating segments for the comparative year. The main impacts of this change are described in note 31.

The indicators presented are those monitored by the Group's operational management, including revenues and EBITDAR (earnings before interest, taxes, depreciation, amortisation and rent).

1.26 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 carrying amount or estimated selling price less selling costs.

Note 2 – Change in scope of consolidation and impact of acquisitions and disposals during the year

Scope of consolidation

As of 31 December 2013, the scope of consolidation comprised, in addition to the parent company Korian SA, 241 fully consolidated companies (239 as of 31 December 2012), one proportionately consolidated company (two as of 31 December 2012) and one equity associate (one as of 31 December 2012).

2013 was marked by various events.

Changes in scope – France

- Exercise of the call option on the remaining 40% of the shares of Les Lierres Gestion and Vauvenargues Gestion.
- Sale of 7 psychiatric clinics: Korian Les Horizons, Korian Jeanne d'Arc, Korian Maylis, Korian Pays de Seine, Korian Vontes et Champgault, Korian La Mare O'Dans and Korian USLD Saint Cyr.
- Sale of the shares of the company operating the Korian Les Tilleuls long-term care facility in Chatellerault.
- Sale of the business of Korian Villa Lorca in Pau.
- Opening of the Korian Le Diamant long-term care facility in Alençon (84 beds).

Changes in scope – Italy

- Acquisition of the 40% held by minority interests in Héliopolis.
- Incorporation of Vittoria S.r.l.
- Acquisition of Istituto Reumatologico Munari – Casa di Cura S.r.l., operating a clinic in Florence.

Changes in scope – Germany

- Acquisition of Curanum AG.
  On 10 December 2012, Korian Deutschland AG, wholly owned by Korian SA, informed Curanum AG of its decision to launch a takeover bid.
  The (amicable) public offer began on 21 January 2013, on the basis of a price of €2.5 per share. At the end of the subscription period, on 21 March 2013, Korian Deutschland AG held 78.45% of Curanum AG, acquired for a total of €83,555 thousand.
  Curanum AG was consolidated in Korian's financial statements on 1 March 2013.
  In view of the significant impact of this acquisition on the Korian Group, *pro forma* financial statements have been presented from 1 January 2013.
- Incorporation of Korian Management, wholly owned by Korian SA.
- Openings of Neumarkt (133 beds) by Phönix, and Hamm (80 beds + 18 intermediate care beds).

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

Purchase price of subsidiaries [A]	**96,692**
Cash-out/cash-in [B]	**96,692**
Debt incurred [C] = [A] – [B]	
Disposal price [D]	**70,343**
Cash acquired [E]	**13,718**
Cash transferred [F]	**2,880**
Impact of changes in the scope of consolidation [G] = [E-F-B+D]	**(15,511)**

The amount of assets and liabilities, other than cash and cash equivalents, of subsidiaries acquired during the year breaks down as follows.

In thousands of euros	Total changes in scope	
	Assets	Liabilities
Assets	185,459	
Inventories	1,356	
Trade receivables	9,236	
Other receivables	21,502	
Prepayments and accruals	6,590	
Equity		1,678
Provisions for risks and charges		4,396
Financial liabilities		168,455
Trade payables		12,202
Other liabilities		47,370
Other accruals		3,759

The impact of acquisitions made in 2013 on revenue and consolidated net income, on a full-year basis, is as follows.

In thousands of euros	Full-year basis	Impact since takeover	Full-year basis	Impact since takeover
	Consolidated revenue	Consolidated revenue	Consolidated net profit/(loss)	Consolidated net profit/(loss)
Curanum	293,037	245,587	1,050	1,122
Total acquisitions	**293,037**	**245,587**	**1,050**	**1,122**

The amount of assets and liabilities, other than cash and cash equivalents, of subsidiaries sold during the year breaks down as follows.

In thousands of euros	Total changes in scope	
	Assets	Liabilities
Assets	(41,517)	
Inventories	(132)	
Trade receivables	(4,453)	
Other receivables	(7,573)	
Prepayments and accruals	(851)	
Equity		(28,073)
Provisions for risks and charges		(4,828)
Financial liabilities		(154)
Trade payables		(3,474)
Other liabilities		(20,790)
Other accruals		(87)

Note 3 – Discontinued operations and assets held for sale

Discontinued operations

None.

Assets held for sale

At 31 December 2012, all psychiatric clinics in France were classified, pursuant to IFRS 5, as assets held for sale. All such clinics were sold in fiscal 2013.

The Korian Villa Spinale facility, previously classified pursuant to IFRS 5 as being held for sale, was reconsolidated subsequent to a decision not to sell it.

Curanum began the process of selling two assets (Ennepetal and Gatterburg); the relevant assets were classified as assets held for sale pursuant to IFRS 5.

Note 4 – Goodwill

In thousands of euros	31/12/2013	31/12/2012
Gross goodwill at start of period	**666,795**	**687,593**
Changes in scope	77,809	6,503
Definitive allocation of goodwill		1,981
Valuation of commitment to buy out minority interests	(245)	7,759
Disposals	(1,004)	(3,331)
Contingent consideration		
Reclassifications	5,359	
Assets held for sale		33,711
Gross goodwill at end of period	**748,713**	**666,795**
Amount of impairment at start of period		
Impairment during the year		
Amount of impairment at end of period		
Net goodwill at start of period	**666,795**	**687,593**
Net goodwill at end of period	**748,713**	**666,795**

Change in goodwill

In thousands of euros		France*	Italy	Germany
Net goodwill at start of period	**666,795**	**437,196**	**120,436**	**109,162**
Changes in scope	**77,809**		419	77,390
Definitive allocation of goodwill				
Valuation of commitment to buy out minority interests	**(245)**		(245)	
Disposals	**(1,004)**	(1,004)		
Contingent consideration				
Reclassification	**5,359**	5,359		
Impairment during the year				
Assets held for sale				
Net goodwill at end of period	**748,713**	**441,550**	**120,609**	**186,552**

**As of 31 December 2012, long-term care and post-acute and psychiatric care facilities were combined in the France segment.*

On 21 March 2013, Korian acquired 78.45% of the Curanum group for a total of €83,555 thousand. In accordance with IFRS 3R, the identifiable assets and liabilities of Curanum were recorded at their fair value at the acquisition date.

At 31 December 2013, the Group determined the definitive allocation of the purchase price of Curanum. Partial goodwill breaks down as follows.

Equity acquired	**(1,954)**
Fair value of assets acquired	**9,812**
Minority interests in restated equity	(1,693)
Equity attributable to owners of the company	**6,164**
Purchase price of securities	83,555
Goodwill	**77,390**

The fair value of assets acquired mainly comprises the value of property and leases.

Impairment tests were performed in accordance with the method described in note 1.10 (impairment of property, plant and equipment and intangible assets).

These tests identified no indication of impairment of these assets, either licences or goodwill.

Based on a perpetuity growth rate of 1%, a discount rate of 8.5% in the Italy CGU would make the recoverable amount of the assets tested less than the carrying amount.

Based on a perpetuity growth rate of 2.5%, a discount rate of 9.5% in the Italy CGU would also make the recoverable amount of the assets tested less than the carrying amount.

For the France and Germany 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 carrying amount.

Note 5 – Intangible assets

In thousands of euros	Licences	Other	Total
Gross amount at start of period	**639,827**	**36,817**	**676,644**
Changes in scope	3,200	19,445	22,645
Disposals	(1,151)	(4,096)	(5,247)
Acquisitions		4,855	4,855
Transfers	0	(135)	(135)
Reclassification	2,076		2,076
Assets held for sale			
Gross amount at end of period	**643,952**	**56,885**	**700,837**
Cumulative amortisation at start of period	**2**	**18,733**	**18,734**
Changes in scope		6,627	6,627
Disposals		(2,404)	(2,404)
Amortisation		8,002	8,002
Transfers		(8)	(8)
Reclassification			
Cumulative amortisation at end of period	**2**	**30,950**	**30,951**
Net carrying amount at start of period	**639,825**	**18,084**	**657,910**
Assets held for sale			
Net carrying amount at end of period	**643,950**	**25,935**	**669,886**

No single licence represents a significant amount for the Group.

The number of CGUs for which licences were valued is 168, with an average value of €3,826 thousand.

Impairment tests performed on the licences did not reveal any evidence of an impairment of these assets.

Note 6 – Property, plant and equipment

In thousands of euros	Land	Buildings	Plant and machinery	Other	In progress and advance payments	Total
Gross amount at start of period	**34,818**	**238,730**	**70,339**	**236,816**	**53,039**	**633,742**
Changes in scope	7,132	242,457	65,920	(11,993)	133	**303,649**
Disposals	(8,110)	(69,338)	(10,851)	(20,617)	(3,848)	**(112,763)**
Acquisitions	3,193	31,915	9,478	21,283	49,462	**115,331**
Transfers	2,934	73,807	3,746	30,395	(80,226)	**30,657**
Assets held for sale	321	400				**721**
Gross amount at end of period	**39,647**	**517,171**	**138,632**	**255,884**	**18,561**	**969,896**
Cumulative amortisation at start of period	**206**	**70,369**	**54,772**	**121,587**		**246,934**
Changes in scope	2,264	88,114	50,359	(4,817)		**135,920**
Additions	139	18,381	9,934	20,432		**48,885**
Disposals	(23)	(19,974)	(10,235)	(7,897)		**(38,128)**
Other	(55)	11,959	2,358	5,156	23	**19,441**
Assets held for sale						
Cumulative amortisation at end of period	**2,531**	**168,849**	**107,188**	**134,461**	**23**	**413,052**
Net carrying amount at start of period	**34,612**	**168,361**	**15,567**	**115,229**	**53,039**	**386,808**
Net carrying amount at end of period	**37,116**	**348,322**	**31,444**	**121,423**	**18,538**	**556,842**

The gross value of property, plant and equipment held under finance leases was €322,464 thousand at 31 December 2013; the net value was €223,192 thousand.

Note 7 – Non-current financial assets

- Change

In thousands of euros	Gross amount	Impairment	Net amount
Carrying amount at start of period	**20,366**	**207**	**20,159**
Additions	76		76
Repayments	(1,216)		(1,216)
Changes in scope	(357)	(30)	(326)
Other movements	(5,106)		(5,106)
Carrying amount at end of period	**13,764**	**177**	**13,588**

- Analysis

Available-for-sale securities				31/12/2013	31/12/2012
Company	**% interest**	**Gross amount**	**Impairment**	**Net amount**	**Net amount**
SCI Santé Immo 37					0
SCI Ymare	10%				137
SCI Le Perreux	22%	61	0	**61**	61
Furtado Gestion	10%				248
Les Combes Gestion	10%				216
Besset Gestion	10%				216
Curanum					5,359
Other		2		**2**	4
Total available-for-sale securities		**63**	**0**	**63**	**6,241**
Other non-current financial assets				**31/12/2013**	**31/12/2012**
Security deposits				**12,270**	12,929
Loans					
Other long-term securities				**1,255**	989
Total other non-current financial assets				**13,525**	**13,918**

Total non-current financial assets	**13,588**	**20,159**

Note 8 – Investments in associates and joint ventures

In thousands of euros	Carrying amount
Carrying amount at start of period	**3**
Newly-consolidated companies	
Removed from scope of consolidation	
Share of income	(3)
Dividends paid	
Reclassifications and other	
Carrying amount at end of period	**0**

The main items on the balance sheet and the income statement in respect of equity investments are as follows.

In thousands of euros	31/12/2013	31/12/2012
Total assets/liabilities	(7)	13
Revenue	0	0
Net profit/(loss)	**(3)**	(13)

The main items on the balance sheet and the income statement in respect of proportionately consolidated companies are as follows.

In thousands of euros	31/12/2013	31/12/2012
Non-current assets	6,978	8,967
Current assets	4,509	4,815
Total assets	**11,488**	**13,782**
Non-current liabilities	2,866	2,134
Current liabilities	8,621	11,648
Total liabilities	**11,488**	**13,782**
Revenue	14,617	14,522
Net profit/(loss)	28	368

At 31 December 2013, the 28%-owned Kinetika Sardegna in Italy was consolidated by the proportionate consolidation method, the 50%-owned Mieux-Vivre holding company having been liquidated.

Note 9 – Inventories

In thousands of euros	31/12/2013	31/12/2012
Gross amount	4,280	3,126
Impairment		
Assets held for sale		133
Net amount	**4,280**	**2,993**

Note 10 – Trade receivables

In thousands of euros	31/12/2013	31/12/2012
Gross amount	99,806	94,294
Impairment	(11,445)	(10,607)
Assets held for sale		4,096
Net amount	**88,361**	**79,591**

In thousands of euros	Outstanding liabilities not due at 31/12/2013	Outstanding liabilities due at 31/12/2013 by age			Total outstanding liabilities at 31/12/2013
		From 0 to 6 months	From 6 to 12 months	Greater than 12 months	
France					
Trade receivables	9,627	16,989	2,061	5,713	**34,390**
Impairment of trade receivables		(100)	(151)	(3,231)	**(3,482)**
Net value of trade receivables – France	**9,627**	**16,889**	**1,910**	**2,482**	**30,908**
Italy					
Trade receivables	23,768	808	8,192	18,671	**51,439**
Impairment of trade receivables			(8)	(7,126)	**(7,133)**
Net value of trade receivables – Italy	**23,768**	**808**	**8,184**	**11,545**	**44,305**
Germany					
Trade receivables	4,905	6,609	720	1,744	**13,978**
Impairment of trade receivables		(68)	(140)	(623)	**(830)**
Net value of trade receivables – Germany	**4,905**	**6,542**	**580**	**1,122**	**13,148**
Net value of trade receivables	**38,300**	**24,239**	**10,674**	**15,149**	**88,361**

In thousands of euros	Outstanding liabilities not due at 31/12/2012	Outstanding liabilities due at 31/12/2012 by age			Total outstanding liabilities at 31/12/2012
		From 0 to 6 months	From 6 to 12 months	Greater than 12 months	
France					
Trade receivables	10,983	17,603	1,978	5,823	**36,387**
Impairment of trade receivables		(2)	(316)	(3,006)	**(3,323)**
Net value of trade receivables – France	**10,983**	**17,601**	**1,662**	**2,818**	**33,064**
Italy					
Trade receivables	18,835	10,271	3,888	14,819	**47,813**
Impairment of trade receivables		(498)		(6,224)	**(6,722)**
Net value of trade receivables – Italy	**18,835**	**9,773**	**3,888**	**8,594**	**41,091**
Germany					
Trade receivables		4,153	680	808	**5,641**
Impairment of trade receivables		(7)	(7)	(190)	**(204)**
Net value of trade receivables – Germany		**4,146**	**673**	**617**	**5,437**
Net value of trade receivables	**29,818**	**31,520**	**6,223**	**12,029**	**79,591**

A portion of receivables in France and Italy corresponds to receivables from the Italian supervisory authorities (ASLs), which traditionally have settlement periods of more than six months but present no collection risk.

The Group also has €25.4 million in security deposits partially covering trade receivables in France. The quantitative and qualitative analysis performed revealed no significant residual collection risk.

Note 11 – Other receivables and current assets

In thousands of euros	31/12/2013	31/12/2012
Tax receivables	50,315	47,153
Social security receivables	3,375	1,563
Advances and down payments	1,912	1,940
Prepaid expenses	11,744	7,278
Other receivables	66,981	61,688
Assets held for sale		1,882
Value of other receivables	**134,326**	**117,741**

The "other receivables" item is mainly composed of non-group current accounts (venturers) and other receivables.

In thousands of euros	31/12/2013	31/12/2012
Loans		
Deposits and guarantees	1,217	1,356
Other financial assets		
Assets held for sale		
Value of other current financial assets	**1,217**	**1,356**

Total other current financial assets (net)	**135,543**	**119,097**

Note 12 – Cash and cash equivalents

In thousands of euros	31/12/2013	31/12/2012
Marketable securities	25,678	135,574
Cash	26,255	27,313
Assets held for sale	0	164
Total	**51,933**	**162,722**

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 provides a breakdown of financial instruments recognised at fair value by valuation method. The various 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.

	2013	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: unobservable inputs
NON-CURRENT ASSETS								
Available-for-sale securities	63	63						63
Other non-current assets	13,525			13,525				
Non-current financial assets	**13,588**	**63**		**13,525**				**63**
CURRENT ASSETS								
Trade receivables	88,361			88,361				
Other receivables	134,326			134,326				
Deposits and guarantees	1,217			1,217				
Other receivables and current financial assets	**135,543**			**135,543**				
Derivative instruments – assets	35				35		35	
Marketable securities	25,678		25,678			25,678		
Cash	26,255		26,255					
Cash and cash equivalents	**51,933**		**51,933**			**25,678**		

The carrying amount 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 sold (*prosolvendo factoring*).

Receivables assigned by the Italian subsidiaries are sold at their nominal value less an initial charge of between 0.3% and 0.6%, recorded in other expenses, plus financial interest based on Euribor, which is recorded in financial expense.

The total amount of receivables assigned and derecognised in 2013 was €80,641 thousand.

The gain or loss on assignment of said receivables in 2013 was a loss of €1,277 thousand.

Breakdown of assignments of receivables over the year	2013	1st quarter 2013	2nd quarter 2013	3rd quarter 2013	4th quarter 2013
Assigned receivables	**80,641**	22,965	19,150	19,137	19,390
Amounts received	**74,155**	21,003	17,166	17,646	18,340
Commissions for management and recovery of assigned receivables	**(544)**	(155)	(129)	(129)	(131)
Related financial expense	**(733)**	(208)	(170)	(174)	(181)
Gain/(loss) on assignment	**(1,277)**	**(362)**	**(299)**	**(303)**	**(312)**
Net cash received	**72,878**	**20,640**	**16,868**	**17,342**	**18,028**

Note 15 – Earnings per share

	31/12/2013	31/12/2012(*)
Net profit/(loss) attributable to owners of the company (in thousands of euros)	28,576	23,275
Weighted average number of shares (in thousands)	34,395	34,395
Earnings per share (in euros)	**0.83**	**0.68**
Net profit/(loss) attributable to owners of the company (in thousands of euros)	28,576	23,275
Weighted average number of shares (in thousands)	34,395	34,395
Adjustments for stock options	95	95
Average number of shares used for calculation of diluted earnings per share	34,490	34,490
Diluted earnings per share (in euros)	**0.83**	**0.67**

(*)*The Group has applied IAS 19R since 1 January 2013. The financial statements for the year ended 31 December 2012 have been restated in accordance with the new rules for comparison purposes.*

Note 16 – Hedging financial instruments

The Korian 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 2013, the market value of instruments designated as interest rate hedges was a negative €37,979 thousand at Korian's expense, changes in value recognised in equity amounted to a positive €16,173 thousand, and the impact of the ineffective portion recognised in profit or loss amounted to a positive €458 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 2013 for each category of financial instrument.

	Impact on equity and change in fair value	Impact of hedging on profit or loss	Impact of trading on profit or loss
Swaps eligible for hedge accounting	14,388	103	
Swaps not eligible for hedge accounting			38
Options eligible for hedge accounting	1,785	355	
Options not eligible for hedge accounting			89
Total	**16,173**	**458**	**126**

None of Korian's financial instruments that previously qualified for hedge accounting were recycled in profit or loss in 2013.

Assets	31/12/2012	Newly-consolidated companies	Removed from scope of consolidation	Change	31/12/2013
Options	36			(1)	35
Interest rate swaps				0	0
Total hedging instruments – Assets	**36**			**(1)**	**35**
Options					
Interest rate swaps					
Total trading instruments – Assets					
Total financial instruments - Assets	**36**			**(1)**	**35**

Liabilities	31/12/2012	Included in scope of consolidation	Removed from scope of consolidation	Change	31/12/2013
Interest rate swaps	44,891	2,402		(14,490)	32,803
Options	7,258			(2,141)	5,117
Total hedging instruments – Liabilities	**52,149**	**2,402**		**(16,631)**	**37,920**
Interest rate swaps	115			(38)	77
Options	105			(89)	16
Total trading instruments – Liabilities	**220**			**(126)**	**94**
Total financial instruments – Liabilities	**52,369**	**2,402**		**(16,757)**	**38,014**

Net total	**52,333**	**2,402**		**(16,756)**	**37,979**

Note 17 – Financial liabilities

Net debt (current/non-current)

	31/12/2013	31/12/2012
Loans from credit institutions	521,920	567,361
Finance lease liabilities	190,502	96,628
Employee profit sharing	34	35
Other financial liabilities	1,120	1,024
Liabilities held for sale		(154)
Non-current financial liabilities	**713,576**	**665,201**
Short-term loans from credit institutions	28,463	42,102
Short-term finance lease liabilities	13,896	7,826
Bank overdrafts and advances	5,867	5,077
Other Short-term financial liabilities	11,080	4,662
Liabilities held for sale		126
Short-term financial liabilities	**59,306**	**59,541**
Financial liabilities (A)	**772,881**	**724,742**
Marketable securities	25,678	135,574
Cash	26,255	27,313
Assets held for sale		164
Cash (B)	**51,933**	**162,722**
Cash provided as collateral (C)	5,003	
Net debt (A) - (B) - (C)	**715,945**	**562,020**

Breakdown of borrowings by interest rate category

In thousands of euros	%	31/12/2013	31/12/2012
Fixed rate	33%	256,023	38,906
Variable rate	67%	516,858	685,836
Total	**100%**	**772,881**	**724,742**

At 31 December 2013, most of the Korian Group's borrowings were 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, 92% of variable-rate borrowings at 31 December 2013 were hedged.

Moreover, borrowings secured by guarantees such as collateral, mortgages and leases accounted for 37% of gross borrowings.

Breakdown of borrowings by maturity

In thousands of euros	31/12/2013	31/12/2012
Less than 1 year	53,439	54,590
1 to 5 years	488,538	542,421
More than 5 years	230,905	127,731
Total	**772,881**	**724,742**

Breakdown of future interest linked to financial liabilities by maturity (projected flows based on interest rates at 31 December 2013)

In thousands of euros	31/12/2013	31/12/2012
Less than 1 year	22,911	24,674
1 to 5 years	58,435	46,201
More than 5 years	43,696	9,212
Total	**125,043**	**80,087**

Change in borrowings

	31/12/2012	New borrowings	Repayments	Changes in scope	Other	31/12/2013	Current	Non-current
Borrowings	**713,916**	173,242	(288,793)	62,243	(6,619)	**653,990**	42,359	611,630
Employee profit sharing	**35**		(1)			**34**		34
Other loans and similar borrowings	**5,686**	11,763	(10,671)	106,212	1	**112,991**	11,080	101,911
Other financial liabilities								
Liabilities held for sale	**(28)**			28				
Total borrowings	**719,665**	**185,005**	**(299,464)**	**168,427**	**(6,618)**	**767,015**	**53,439**	**713,576**
Of which non-current	**665,201**	180,082	(285,639)	151,145	2,787	**713,576**		
Of which current	**54,464**	4,923	(13,826)	17,283	(9,406)	**53,439**		

- Change in indebtedness as at 31 December 2013

At 31 December 2013, net debt was €716 million, an increase of €154 million compared with 2012. The increase was attributable to investments made by the Group, and notably the acquisition of Curanum group, consolidated from 1 March 2013. However, the debt ratio ((net debt – real estate debt)/(consolidated EBITDA – 7%* real estate debt)) declined to 2.7x over the period, well below the covenant of 4.75x on the syndicated loan.

Korian continued to diversify its sources of funding with the issue in July 2013 of a bond in the amount of €67.5 million (675,000 securities with a nominal value of €100,000 each maturing on 2 August 2019). Borrowings break down as follows:

- a syndicated loan of €500 million with a term of five years (23 July 2015), consisting of two tranches: a refinancing loan in the amount of €380 million reduced by €275 million after repayment, and a revolving credit facility in a maximum total amount of €120 million. At 31 December 2013, Korian had €80 million available on the revolving credit facility;
- real estate debt in the amount of €282 million. These debts consist primarily of operating and finance leases with long maturities;
- medium-term borrowings in the amount of €68 million;
- bonds placed with private investors in a total amount of €105 million.

The Group also had net cash of €51 million at 31 December 2013.

Within the framework of Korian's proposed merger with Medica (*fusion-absorption de Medica par Korian*), the Group has negotiated with its main banks:

- amendments to the syndicated loan to allow the merger;
- a new syndicated loan in the amount of €500 million, the purpose of which is to refinance Medica's syndicated loan made payable by the merger between Korian and Medica (*fusion-absorption de Medica par Korian*). This loan was due to mature on 30 June 2015, and was undrawn as of 31 December 2013.

- Sensitivity analysis of financial expense

The table below shows the sensitivity of financial expense to a one-percentage-point change in the variable interest rate at the balance sheet date.

Reference three-month Euribor

In thousands of euros	0.29%	1.29%
Impact on financial expense before hedging	22,911	27,889
Impact on financial expense after hedging	37,171	37,996

Note 18 – Provisions for pensions and other benefits

	31/12/2013	31/12/2012 (*)
Provisions for retirement benefits – France	(14,402)	(15,809)
Provisions for retirement benefits – Italy	(8,790)	(8,888)
Provisions for retirement benefits – Germany	(132)	0
Assets held for sale	0	1,271
Total	**(23,324)**	**(23,426)**

Reconciliation of commitments and provisions – France	31/12/2013	31/12/2012
Commitment	(15,301)	(16,683)
Fair value of assets	899	874
Provision at end of period	**(14,402)**	**(15,809)**

Components of financial expense for the year – France	31/12/2013	31/12/2012
Service cost (normal cost)	(1,551)	(1,227)
Interest expense (interest cost)	(471)	(534)
Amortisation of actuarial losses/(gains)	0	(55)
Other	25	38
Pension costs	**(1,997)**	**(1,779)**

Change in provisions – France	31/12/2013	31/12/2012
Provision at start of period	**(15,809)**	**(14,408)**
Expense for the year	(1,997)	(1,779)
Benefits or contributions paid by the employer	784	551
Recognition of actuarial gains/(losses) in OCI	615	(151)
Change in the scope of consolidation	2,012	(22)
Other	(7)	0
Provision at end of period	**(14,402)**	**(15,809)**

(Key) actuarial assumptions used	31/12/2013	31/12/2012
Discount rate	3.20%	2.90%
Wage increases	3.00%	3.00%
Mortality table	INSEE H/F 06-08	INSEE H/F 06-08
Retirement age – managers	63 years	63 years
Retirement age – non-managers	62 years	62 years
Type of retirement	voluntary	voluntary

(*)*The Group has applied IAS 19R since 1 January 2013. The financial statements for the year ended 31 December 2012 have been restated in accordance with the new rules for comparison purposes.*

Reconciliation of commitments and provisions – Italy	31/12/2013	31/12/2012
Commitment	(8,790)	(8,888)
Fair value of assets	0	0
Provision at end of period	**(8,790)**	**(8,888)**

Components of financial expense for the year – Italy	31/12/2013	31/12/2012
Service cost (normal cost)	(70)	(156)
Interest expense (interest cost)	(359)	(381)
Amortisation of actuarial losses/(gains)	0	(107)
Other	80	0
Pension costs	**(349)**	**(645)**

Change in provisions – Italy	31/12/2013	31/12/2012
Provision at start of period	**(8,888)**	**(9,422)**
Expense for the year	(349)	(645)
Benefits or contributions paid by the employer	699	1,179
Recognition of actuarial gains/(losses) in OCI	12	0
Change in the scope of consolidation	(264)	0
Other	0	0
Provision at end of period	**(8,790)**	**(8,888)**

(Key) actuarial assumptions used	31/12/2013	31/12/2012
Discount rate	4.00%	4.00%
Wage increases M/W	2.50%/2.00%	2.50%/2.00%
Mortality table	ISTAT M/F 2010	ISTAT M/F 2009
Retirement age – managers and non-managers	65 years	65 years
Type of retirement	voluntary	voluntary

(*)*The Group has applied IAS 19R since 1 January 2013. The financial statements for the year ended 31 December 2012 have been restated in accordance with the new rules for comparison purposes.*

- Other information
- Sensitivity of liabilities in respect of France at 31 December 2013 to change in the discount rate:

  2.70%: €15,955 thousand
  3.20%: €15,301 thousand
  3.70%: €14,693 thousand

- In France, the median age of employees on long-term contracts is 42.05 years.
- Commitments in respect of pensions and other benefits represented approximately 6% of the annual payroll for employees on long-term contracts at 31 December 2013.
- Estimation of the fair value of assets at 31 December 2013.

Fair value at 31/12/2012	**874**
Anticipated return on plan assets	25
Benefits paid in 2013	
Actuarial gains/(losses)	
Contributions paid by the employer	
Other	
Fair value of assets at 31/12/2013	**899**

Note 19 – Other provisions

- Non-current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at start of period	**1,306**	**1,797**	**5,777**	**8,882**
Additions	40	1,479	4,851	6,370
Used	(86)	(720)	(2,236)	(3,042)
Reversals	(621)	(18)		(640)
Changes in scope	(210)	106	3,272	3,169
Reclassifications	(442)	663	(549)	(328)
Liabilities held for sale				
Balance at end of period	**(13)**	**3,307**	**11,116**	**14,411**

Provisions for anniversary bonuses, included in non-current provisions ("social" column in the table above), amounted to €476 thousand at 31 December 2013.

- Current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at start of period	**107**	**2,629**	**2,302**	**5,039**
Additions	642	1,519	1,699	3,860
Used	(120)	(1,640)	(827)	(2,586)
Reversals		(176)		(176)
Changes in scope		200	714	914
Reclassifications	236	397	(423)	210
Liabilities held for sale				
Balance at end of period	**865**	**2,929**	**3,466**	**7,260**

- 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.

Korian 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 year totalled a negative €1.2 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 2013.

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	31/12/2013	31/12/2012
Trade payables	135,851	126,994
Liabilities held for sale	0	3,182
Total	**135,851**	**123,812**

Other payables and accruals	31/12/2013	31/12/2012
Residents' deposits	25,395	26,812
Commitment to buy out non-controlling interests	12,203	15,856
Suppliers of non-current assets	22,352	20,236
Advances and down payments made on orders	2,021	916
Tax liabilities	55,832	58,403
Social security liabilities	99,971	94,653
Dividends payable	8	7
Other liabilities	57,482	42,068
Deferred income	46,457	44,608
Liabilities held for sale	0	7,130
Total	**321,721**	**296,428**

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.

	2013	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss		Cash flow hedging derivatives	Fair value measurement		
			Fair value hedging derivatives	Derivatives not eligible for hedge accounting		Level 1: active markets	Level 2: observable inputs	Level 3: unobservable inputs
NON-CURRENT LIABILITIES								
Loans from credit institutions	521,920	521,920						
Finance lease liabilities	190,502	190,502						
Employee profit sharing	34	34						
Other financial liabilities	1,120	1,120						
Borrowings	**713,576**	**713,576**						
CURRENT LIABILITIES								
Loans from credit institutions	28,463	28,463						
Finance lease liabilities	13,896	13,896						
Bank overdrafts and advances	5,867	5,867						
Other financial liabilities	11,080	11,080						
Loans due in less than one year and bank overdrafts	**59,306**	**59,306**						
Derivative financial liabilities	38,014	38,014	2	94	37,918		38,014	
Trade payables and related accounts	135,851	135,851						
Commitment to buy out non-controlling interests	12,203	12,203						
Residents' deposits	25,395	25,395						
Other liabilities	284,123	284,123						
Other payables and accruals	**321,721**	**321,721**						

Note 22 – Personnel expenses

In thousands of euros	31/12/2013	31/12/2013 *pro forma* (Curanum 12 months)	31/12/2012
Wages and salaries	478,183	497,917	378,973
Social security charges	167,597	172,531	145,094
Employee profit sharing	5,357	5,357	5,516
Other personnel expenses	5,264	5,264	1,571
Personnel expenses of discontinued operations			
Personnel expenses	**656,402**	**681,069**	**531,153**

Note 23 – External expenses

In 2013, external expenses amounted to €396,817 thousand and included property and equipment leasing charges in the amount of €191,346 thousand. In 2012, external expenses amounted to €325,367 thousand and included property and equipment leasing charges in the amount of €137,705 thousand.

External expenses on the Italian scope amounted to €109,610 thousand. This includes salary expenses invoiced by cooperatives.

Note 24 – Gains and losses on acquisition and disposal of consolidated entities and other operating income and expenses

In thousands of euros	31/12/2013	31/12/2013 *pro forma* (Curanum 12 months)	31/12/2012
Securities acquisition costs	(4,859)	(4,859)	(340)
Gain/(loss) on disposal of consolidated entities	(113)	(113)	300
Gain/(loss) on acquisition and disposal of consolidated entities	**(4,972)**	**(4,972)**	**(40)**

In thousands of euros	31/12/2013	31/12/2013 *pro forma* (Curanum 12 months)	31/12/2012
Gain/(loss) on disposal of premises	10,378	10,378	6,861
Share of sale and leaseback gain	3,835	3,835	3,810
Gain/(loss) on disposal of non-current assets	(1,680)	(1,680)	(670)
Impact of free shares and stock options			(4)
Other operating expenses	(26,923)	(27,252)	(19,559)
Other operating income	3,367	3,367	3,991
Operating income from continuing operations			
Total income (expenses)	**(11,023)**	**(11,352)**	**(5,572)**

Other operating expenses primarily include:

- costs incurred in the Merger in the amount of €5.9 million;
- restructuring expenses on the German scope in the amount of €6.1 million, and
- contract termination fees in the amount of €3.8 million.

Note 25 – Net financial income excluding discontinued operations

In thousands of euros	31/12/2013	31/12/2013 *pro forma* (Curanum 12 months)	31/12/2012
Interest expense and other	(43,364)	(45,266)	(31,765)
Gross borrowing costs	**(43,364)**	**(45,266)**	**(31,765)**
(Gain)/loss on disposal of investment securities	366	366	40
Net borrowing costs	**(42,998)**	**(44,900)**	**(31,725)**
Discounting of pension liabilities			(433)
Dividends received from non-consolidated companies	48	48	43
Other income from investments			54
Other financial expense	(3,056)	(3,056)	(2,319)
Fair value of hedging instruments, ineffective portion	458	355	(148)
Fair value of hedging instruments, trading impact	126	126	(18)
Other financial income	683	843	337
Other allocations to financial provisions	(113)	(113)	(7)
Other reversals of financial provisions			219
Net financial income	**(44,852)**	**(46,697)**	**(33,998)**

Note 26 – Income taxes

- Analysis of income tax expense

In thousands of euros	31/12/2013	31/12/2013 *pro forma* (Curanum 12 months)	31/12/2012
Current tax	(30,032)	(29,793)	(27,149)
Deferred taxes	5,834	5,834	316
Income tax expense of discontinued operations			
Income tax expense/(income)	**(24,198)**	**(23,959)**	**(26,833)**

(*)The Group has applied IAS 19R since 1 January 2013. The financial statements for the year ended 31 December 2012 have been restated in accordance with the new rules for comparison purposes.

In accordance with IFRS, taxes for the year ended 31 December 2013 include an expense of €8,186 thousand, corresponding to the CVAE.

- Reconciliation between real tax and theoretical income tax expense

In thousands of euros	31/12/2013	31/12/2012(*)
Profit/(loss) attributable to owners of the company	28,576	23,275
Non-controlling interests	2,812	2,577
Profit/(loss) of associates	3	14
Income tax expense	24,198	26,833
Profit/(loss) before tax	**55,589**	**52,699**
Theoretical tax rate	34.43%	34.43%
Theoretical income tax expense	**19,139**	**18,144**
Permanent differences	183	(353)
Impact of non-deductible financial expense	552	1,330
Tax losses for the year not activated		
Use of tax losses not activated	(33)	116
Adjustment of prior-year deferred taxes	1,791	(331)
Tax at the reduced rate	(525)	413
Income tax of foreign companies	518	193
Impact of CVAE net of tax in France	5,368	5,290
Impact of CICE in France	(3,080)	
Impact of IRAP in Italy	1,652	2,029
Reimbursement of IRAP on IRES in Italy	(1,532)	
Impact of exceptional contribution	60	286
Difference between parent company and subsidiary tax rates	105	(285)
Actual tax expense	**24,198**	**26,833**
Effective tax rate	43.53%	50.92%

- Permanent differences

In thousands of euros	31/12/2013	31/12/2012(*)
Other non-deductible and non-taxable income and expense	847	(424)
Share of costs and expenses	21	150
Annual flat-rate tax and other adjustments	(685)	(79)
Total	**183**	**(353)**

- Net change in deferred taxes

In thousands of euros	31/12/2013	31/12/2012(*)
Balance at start of period	**196,851**	**210,647**
Expense/(income)	(5,834)	(316)
Change in the scope of consolidation	(10,784)	2,069
Charged to equity	4,155	(2,598)
Other changes	3,433	(1,341)
Assets and liabilities held for sale		11,610
Balance at end of period	**187,821**	**196,851**

(*)*The Group has applied IAS 19R since 1 January 2013. The financial statements for the year ended 31 December 2012 have been restated in accordance with the new rules for comparison purposes.*

- Breakdown of deferred taxes

In thousands of euros	31/12/2013	31/12/2012(*)
Intangible assets	206,445	217,685
Property, plant and equipment	4,005	13,666
Temporary differences on CVAE	6,579	6,850
Financial instruments	(13,096)	(18,077)
Tax loss carryforwards	(6,601)	(6,415)
Pension provisions	(5,319)	(4,226)
Other provisions		
Other temporary differences	(7,000)	(4,712)
Other assets/liabilities	2,807	3,690
Assets and liabilities held for sale		11,610
Total	**187,821**	**196,851**

(*)The Group has applied IAS 19R since 1 January 2013. The financial statements for the year ended 31 December 2012 have been restated in accordance with the new rules for comparison purposes.

Note 27 – Related-party transactions

Summary table of compensation paid to executive corporate officers		
	Year ended 31 December 2013	Year ended 31 December 2012
	Amount paid	Amount paid
Chief Executive Officer		
Fixed compensation	€477,001	€249,667
Variable compensation	€200,000	-
Benefits in kind	€5,187	€1,596
TOTAL	€682,188	€251,263
Chairman of the Board		
Fixed compensation	€250,000	€250,000
Variable compensation	-	-
Benefits in kind	-	-
TOTAL	€250,000	€250,000

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.

- Individual training entitlements (*droit individuel à la formation* – DIF)

Pursuant to the provisions of French Law No. 2004-391 of 4 May 2004 on professional training, permanent employees of the Group's French companies are individually entitled to 20 hours of training per year, which may be accumulated over a period of six years. At the end of this six-year period, if all or part of the entitlement has not been used, it is capped at 120 hours.

Number of hours accrued by employees at 31 December 2013 (balance of the number of hours at December 31 less hours already used): 843,760 hours.

Note 29 – Commitments under leases

- Finance leases

In thousands of euros	31/12/2013	31/12/2012
Net carrying amount of assets held under finance leases	**223,192**	**115,094**
Leasing commitments by term:		
less than one year	14,734	7,826
more than one year	66,850	33,563
more than five years	122,815	63,065
Total commitments	**204,398**	**104,453**
Discounting effect	58,563	29,930
Total discounted commitments	**145,835**	**74,524**

- Operating leases

In thousands of euros	31/12/2013	31/12/2012
Minimum non-cancellable lease payments due		
in less than one year	161,356	121,905
in between one and five years	686,082	453,218
in more than five years	577,392	628,108
Total undiscounted commitments	**1,424,830**	**1,203,232**

Most of the change in lease commitments stemmed from the consolidation of Curanum.

Aside from the change in lease payments set out above, there have been no significant changes in contingent liabilities since the previous balance sheet date.

Note 30 – Share-based payment

Share subscription options

Acting with the authorisation of the Ordinary General Meeting of 21 June 2007, the former Management Board decided to grant options to subscribe for shares to employees and/or executives of the group, at a price of €30.39. The exercise period of these options expires on 28 August 2014. To date, no options have been exercised.

Acting with the authorisation of the Ordinary General Meeting of 17 June 2010, the former Management Board decided to grant options to subscribe for shares to employees and/or executives of the group, at a price of €16.83. The exercise period of these options expires on 30 June 2015. To date, no options have been exercised.

Any shares subscribed under these plans will be subject to a lock-up period of two years after the vesting date.

	2013		2012	
	Options	Weighted average exercise price (euros)	Options	Weighted average exercise price (euros)
Options remaining at 1 January	**77,000**		**94,000**	
Options granted				
Options exercised				
Options cancelled and expired			17,000	
Options remaining at 31 December	**77,000**		**77,000**	
Options exercisable at 31 December	**77,000**		**77,000**	
Share price at the exercise date of options				
Share price at the grant date of options (granted during the year)				
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 2013.

Fair value of options granted	2013	2012
Expected dividend yield	1.00%	1.00%
Expected volatility of the share	15.00%	15.00%
Risk-free interest rate	4.00%	4.00%
Expected life of option (in years)	1	1

The Group did not grant options to subscribe for or purchase shares in 2013.

Furthermore, no options to subscribe for shares were exercised in 2013.

Note 31 – Operating segments

Operating segments at 31/12/2013	Total of all activities	France	Italy	Germany
Revenue	**1,370,990**	**765,521**	**191,720**	**413,749**
EBITDAR*	**374,100**	**202,495**	**47,011**	**124,594**
	27.3%	*26.5%*	*24.5%*	*30.1%*

Transition from EBITDAR to operating income at 31 December 2013:	
EBITDAR (excluding discontinued operations)	**374,100**
Head office EBITDAR	(3,630)
External rents (excluding discontinued operations)	191,346
Depreciation, amortisation and provisions	62,689
Gain/(loss) on disposal of consolidated entities	(4,972)
Other operating income and expenses	(11,023)
EBIT (operating income)	100,440

Operating segments at 31/12/2012	Total of all activities	France	Italy	Germany
Revenue	**1,108,357**	**761,959**	**189,645**	**156,752**
EBITDAR*	**276,780** *25.0%*	**188,097** *24.7%*	**44,731** *23.6%*	**43,953** *28.0%*

**EBITDAR: earnings before interest, taxes, depreciation, amortisation and rent*

Transition from EBITDAR to operating income at 31 December 2012:

EBITDAR (excluding discontinued operations)	**276,780**
Head office EBITDAR	(2,083)
External rents (excluding discontinued operations)	137,705
Depreciation, amortisation and provisions	44,686
Gain/(loss) on disposal of consolidated entities	(40)
Other operating income and expenses	(5,571)
EBIT (operating income)	**86,696**

The transition from the published 2012 segment information to the reported 2012 segment information presented with the new segments is the elimination of the long-term care and post-acute and psychiatric care segments and their inclusion in the France operating segment.

Operating segments at 31/12/2012	Total of all activities	Segment information at 31/12/2012				Transfer of the long-term care and post-acute and psychiatric care segments to the France operating segment		Comparable 2012 segment information		
		Long-term care facilities	Healthcare	Italy	Germany	Long-term care facilities	Healthcare	France	Italy	Germany
Revenue	1,108,357	493,170	268,789	189,645	156,752	(493,170)	(268,789)	761,959	189,645	156,752
EBITDAR	276,780	135,542	52,555	44,731	43,953	(135,542)	(52,555)	188,097	44,731	43,953

Note 32 – Dividends approved and paid

	Per share (in euros)	Total (in thousands of euros)
Dividends paid in 2012 (fiscal 2012)	0.60	20,336
Dividends proposed to the Ordinary General Meeting (fiscal 2013)*	0.60	47,033

**Following the Merger, the number of shares now stands at 78,388,873.*

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 2013 for all consolidated companies.

	MAZARS				ERNST & YOUNG			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%	
	2013	2012	2013	2012	2013	2012	2013	2012
Statutory audit								
Certification, review of separate and consolidated financial statements:								
Issuer	255	252	19%	19%	255	252	16%	37%
Fully consolidated companies	990	1,105	76%	81%	819	423	50%	63%
Other work and services directly related to the work of the statutory auditors	65		**5%**		*551*		*34%*	
Sub-total	***1,310***	***1,357***	***100%***	***100%***	***1,625***	***674***	***100%***	***100%***
Other services								
Sub-total								
Total	**1,310**	**1,357**	**100%**	**100%**	**1,625**	**674**	**100%**	**100%**

Note 34 – Post-closing events

Since 1 January 2014, Korian has carried out the following transactions:

- Korian-Medica merger

On 18 November 2013, Korian announced the signing of a memorandum of understanding on a merger with Medica, with the purpose of creating the European leader of the ederly care sector (the "**Merger**"). The respective Boards of Directors of Medica and Korian approved the draft Merger agreement setting out the terms and conditions of the Merger on 20 January 2014. Korian and Medica signed the draft Merger agreement on 23 January 2014.

Pursuant to Article 212-34 of the General Regulation of the AMF, the Prospectus on the Merger, prepared in accordance with the plan laid down in Annex II of AMF Instruction 2005-11, was registered by the AMF on 5 February 2014 under number E.14-003, after its approval by the respective Boards of Directors of both companies. It is available on the Company website (www.groupe-korian.com) and on the AMF website (www.amf-france.org).

The General Meetings of the two companies approved the Merger on 18 March 2014; the Merger was finalised on the same date. The company has been renamed "Korian - Medica".

The merger parity proposed to Korian and Medica shareholders was 10 Korian shares for 11 Medica shares. In consideration for the Merger, Korian issued on 18 March 2014 a total of 43,549,260 new shares with a par value of €5 each, representing a total capital increase of €217,746,300. The new shares were admitted to trading in Compartment B of NYSE Euronext Paris on 24 March 2014.

Following the Merger, the Company's share capital was increased from €174,198,065 to €391,944,365. It is now divided into 78,388,873 shares with a par value of €5 each, fully paid up and all of the same class.

- *Pro forma* information

The *pro forma* financial information provided is intended to illustrate, for indicative purposes only, the effects of the merger between Korian and Medica on the key indicators of the Korian Group for the years ended 31 December 2013 and 31 December 2012, as if the merger had taken place on 1 January 2012.

In thousands of euros	TOTAL *pro forma* 31/12/2013	TOTAL *pro forma* 31/12/2012
Revenue	2,375,847	2,251,959
Personnel expenses	(1,137,897)	(1,082,495)
OPERATING PROFIT	230,912	210,525
Cost of net debt	(68,086)	(65,767)
Net profit/(loss) attributable to owners of the company	**96,073**	**77,592**

- Refinancing of syndicated loans

The Merger made Medica's syndicated loan payable. Korian accordingly negotiated bridge financing in December 2013, to cover the refinancing requirement.

However, given the favourable market conditions, the Company has already negotiated a refinancing contract covering the new Group's debt.

The new syndicated loan was signed on 12 March 2014, under the condition precedent of the completion of the Merger. It comprises two tranches maturing in five years:

- a tranche refinancing the syndicated loans of Korian and Medica in the amount of €800 million;
- a revolver tranche of €300 million for general corporate purposes.

The covenant (debt – mortgage debt)/(EBITDA – 6.5% of mortgage debt) is set at 4.5x for the term of the loan. The loan is not secured, and its terms allows the Group to raise loans in addition to the syndicated loan in amounts of €700 million in real estate debt and €150 million in non-real estate debt.

The loan contract also contains a change of control clause:

- Korian - Medica's major shareholders must keep their interest above 40%; and
- no other shareholder may hold more than one-third of share capital.

The pool consists of 12 banking groups, most of which are European.

Following the completion of the Merger, the refinancing tranche was fully drawn on 26 March 2014, allowing the concurrent repayment of the syndicated loans contracted by Korian and Medica.

- Change in prices

By order of the Ministry of Economy, Finance and Employment, the increase in the prices charged by retirement homes has been set at 1.0% for 2014 (applicable to persons already living in facilities as of 31 December 2013).

Note 35 – List of consolidated companies

Company name	31/12/2013 % control	31/12/2013 % interest	31/12/2012 % control	31/12/2012 % interest	Method	Registered office
KORIAN SA	100.00%	100.00%	100.00%	100.00%	Parent	32, rue Guersant – 75017 PARIS
MEDIDEP FONCIER	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN VILLA JANIN	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SOCIETE IMMOBILIERE JANIN	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN SANTE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
ABILONE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SCI KORIAN IMMOBILIER	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
JONGKIND	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SANTE-MARKETING ET STRATEGIE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LA MOULINIERE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
CHATEAU DE OUEZY	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
KORIAN PARTENAIRE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SCI LA SOURCE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
PRIVATEL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
HOLDING HOSPITALIERE DE TOURAINE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KOVEST 37	0.00%	0.00%	100.00%	100.00%	FC (sold)	Allée de Roncevaux – 31240 L'UNION
SOGESCO - SOCIETE DE GESTION ET CONSEILS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LE NORD COTENTIN	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CENTRE WILLIAM HARVEY	100.00%	100.00%	100.00%	100.00%	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
SOCIETE DE PARTICIPATION CLINIQUE JEANNE D'ARC	0.00%	0.00%	100.00%	100.00%	FC (sold)	Allée de Roncevaux – 31240 L'UNION
PB EXPANSION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
REACTI MALT	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
HOLDING MIEUX VIVRE	0.00%	0.00%	50.00%	50.00%	Prop. (liquidated)	109, av. Renoir – 06520 MAGAGNOSC

Company name	31/12/2013 % control	31/12/2013 % interest	31/12/2012 % control	31/12/2012 % interest	Method	Registered office
SOGEMARE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
AUGUSTE GAL GESTION	0.00%	0.00%	100.00%	100.00%	Merged with L'Aubier de Cybèle	Zone Industrielle – 25870 DEVECEY
MOUGINS GESTION	0.00%	0.00%	100.00%	100.00%	Merged with L'Aubier de Cybèle	Zone Industrielle – 25870 DEVECEY
OLLIERES GESTION	0.00%	0.00%	100.00%	100.00%	Merged with L'Aubier de Cybèle	Zone Industrielle – 25870 DEVECEY
KORIAN LE CLOS MYRAMIS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LA BASTIDE DE LA TOURNE	99.92%	99.92%	99.92%	99.92%	FC	Zone Industrielle – 25870 DEVECEY
LE CHÂTEAU	57.75%	57.75%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SARL RESIDENCE FRONTENAC	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN LE BASTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LES LUBERONS	99.90%	99.90%	99.90%	99.90%	FC	Zone Industrielle – 25870 DEVECEY
RESIDENCE PERIER	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
PERIER RETRAITE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
VAUVENARGUES GESTION	0.00%	0.00%	100.00%	100.00%	Merged with L'Aubier de Cybèle	Zone Industrielle – 25870 DEVECEY
VEPEZA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LA REINE MATHILDE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LA NORMANDIE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
RESIDENCE LES AJONCS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN JARDIN DE L'ANDELLE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
L'ERMITAGE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN NYMPHEAS BLEUS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN VILLA EVORA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN LA ROSERAIE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN MAS DE LAUZE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SCI BADERA	62.00%	62.00%	62.00%	62.00%	FC	Zone Industrielle – 25870 DEVECEY
ALSACE SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY

Company name	31/12/2013 % control	31/12/2013 % interest	31/12/2012 % control	31/12/2012 % interest	Method	Registered office
KORIAN VILLA ORTIS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
VILLA BONTEMPS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
DOMAINE DE LA BRANEYRE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
RESIDENCES DU CANAL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SOCIETE D'EXPLOITATION HOME SAINT GABRIEL	99.16%	99.16%	99.16%	99.16%	FC	Zone Industrielle – 25870 DEVECEY
LES ISSAMBRES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LE RAYON D'OR	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
ACCUEIL MEUNIERES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LES AMARANTES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
CHAMTOU	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SOCIETE GERONTOLOGIQUE DU CENTRE OUEST - SGCO	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SOCIETE HOSPITALIERE DE TOURAINE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN VILLA D'ALBON	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
ORION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
POULIGUEN GESTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
POULIGUEN	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
CHATEAU DU MARIAU	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SCI LE TEILLEUL	60.00%	60.00%	60.00%	60.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN LE DIAMANT	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
COMPAGNIE FONCIERE VERMEILLE	59.22%	59.22%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
BELLECOMBE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
KORIAN LES ARCADES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
RESIDENCE MAGENTA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
VILLA SAINT DOMINIQUE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LE CLOS CLEMENT 77 – RESIDENCE DU BOIS CLEMENT	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY

Company name	31/12/2013 % control	31/12/2013 % interest	31/12/2012 % control	31/12/2012 % interest	Method	Registered office
KORIAN BRUNE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN LES LILAS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SAINT CYR GESTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
L'AUBIER DE CYBELE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
L'AUBIER DE CYBELE GESTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
REANOTEL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN LA MAGDELEINE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN FLORIAN CARNOT	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
MEUDON-TYBILLES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
VILLA RENAISSANCE	0.00%	0.00%	100.00%	100.00%	Merged with L'Impérial	Zone Industrielle – 25870 DEVECEY
LES LIERRES GESTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN VILLA ST HILAIRE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
RESIDENCE LES ACACIAS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
L'AIR DU TEMPS RESIDENCES STRASBOURG ROBERTSAU	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LES HAUTS D'ANDILLY	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
ATRIA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LES BEGONIAS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LA REINE BLANCHE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LES BLES D'OR	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LES TEMPS BLEUS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
CARLOUP SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LE CASTELLI	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LES FONTAINES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
ISERE SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
L'IMPERIAL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY

Company name	31/12/2013 % control	31/12/2013 % interest	31/12/2012 % control	31/12/2012 % interest	Method	Registered office
LAFFITTE SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
S.C.I. LE MAIL IMMOBILIER	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LE MAIL SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
MASSENET SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
MEDOTELS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
RESIDENCE FREDERIC MISTRAL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN CLOS DES VIGNES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN VILLA PAPYRI	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN VILLA D'AZON	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN PIERRE LHOMME	0.00%	0.00%	100.00%	100.00%	Merged with L'Impérial	Zone Industrielle – 25870 DEVECEY
KORIAN LES CASSISSINES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN VILLA SPINALE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN L'ASTREE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN LA FONTANIERE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
GEM VIE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SOCIETE D'ETUDES ET DE REALISATIONS POUR LE NOUVEL AGE SERENA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN AU FIL DU TEMPS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN PLAISANCE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN SAVERNE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN VAL DES SOURCES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN VILL'ALIZE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN L'ESCONDA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LE PETIT CASTEL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
PEROU	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LES PINS BLEUS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY

Company name	31/12/2013 % control	31/12/2013 % interest	31/12/2012 % control	31/12/2012 % interest	Method	Registered office
RESIDENCE DE PONTLIEUE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
HOMERE HOTELLERIE MEDICALISEE RETRAITE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LA SAISON DOREE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SAINT FRANCOIS DE SALES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
LES TILLEULS	0.00%	0.00%	100.00%	100.00%	FC (sold)	Zone Industrielle – 25870 DEVECEY
SARL VILLANDIERES NIMES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
CLINIQUE DE SOINS DE SUITE ET READAPTATION CHATEAU DE GLETEINS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
LA PINEDE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CHATEAU DE LA VERNEDE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
LES DEUX TOURS	0.00%	0.00%	100.00%	100.00%	Merged with Les Trois Tours	Allée de Roncevaux – 31240 L'UNION
KORIAN LES OLIVIERS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CENTRE DE READAPTATION FONCTIONNELLE DE CAEN	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CLINIQUE CARDIOLOGIQUE DE GASVILLE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CENTRE DE REPOS ET DE CONVALESCENCE L'AQUITANIA	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CLINIQUE DE MEDECINE PHYSIQUE ET DE READAPTATION FONCTIONNELLE "LES GRANDS CHENES"	100.00%	100.00%	100.00%	100.00%	FC	40-52 rue Stehelin – 33200 BORDEAUX
LES FLOTS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
MAISON DE REPOS SPECIALISEE SOCIETE DU CHATEAU CHAVASSE	0.00%	0.00%	100.00%	100.00%	FC (sold)	Allée de Roncevaux – 31240 L'UNION
LATITUDE	100.00%	100.00%	100.00%	100.00%	FC	40-52 rue Stehelin – 33200 BORDEAUX
PS3	100.00%	100.00%	100.00%	100.00%	FC	40-52 rue Stehelin – 33200 BORDEAUX
IMMO 2	100.00%	100.00%	100.00%	100.00%	FC	40-52 rue Stehelin – 33200 BORDEAUX
LE BELVEDERE	100.00%	100.00%	100.00%	100.00%	FC	Quartier de l'Océan – 40530 LABENNE
CLINIQUE MAYLIS	0.00%	0.00%	100.00%	100.00%	FC (sold)	Allée de Roncevaux – 31240 L'UNION
CENTRE MEDICAL INFANTILE MONTPRIBAT	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION

Company name	31/12/2013 % control	31/12/2013 % interest	31/12/2012 % control	31/12/2012 % interest	Method	Registered office
CENTRE DE REEDUCATION FONCTIONNELLE DE SIOUVILLE	99.83%	99.83%	99.83%	99.83%	FC	Allée de Roncevaux – 31240 L'UNION
CLINIQUE NAPOLEON	100.00%	100.00%	100.00%	100.00%	FC	Allée de Christus – 40990 SAINT PAUL LES DAX
SCI NAPOLEON	100.00%	100.00%	100.00%	100.00%	FC	Allée de Christus – 40990 SAINT PAUL LES DAX
LE BREVENT	98.47%	98.47%	98.47%	98.47%	FC	Allée de Roncevaux – 31240 L'UNION
LE MONT BLANC	99.16%	99.16%	99.16%	99.16%	FC	Allée de Roncevaux – 31240 L'UNION
CLINIQUE DU CANAL DE L'OURCQ	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CLINIQUE MEDICALE D'YMARE	0.00%	0.00%	100.00%	100.00%	FC (sold)	Allée de Roncevaux – 31240 L'UNION
CLINIQUE PSYCHIATRIQUE DU PAYS DE SEINE	0.00%	0.00%	100.00%	100.00%	FC (sold)	Allée de Roncevaux – 31240 L'UNION
KORIAN LA GUYONNE	99.90%	99.90%	99.90%	99.90%	FC	Allée de Roncevaux – 31240 L'UNION
HAD YVELINES SUD	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
SOCIETE NOUVELLE DE LA CLINIQUE DU MESNIL	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CENTRE DE SOINS DE SUITE DE SARTROUVILLE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
LES TROIS TOURS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
OREGON	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
SOCIETE D'EXPLOITATION DE LA CLINIQUE MEDICALE DE SAINT COME A JUVISY	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CLINIQUE DE SACLAS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
SOCIETE CLINIQUE DE SOINS DE SUITE DE NOISY LE SEC	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CLINIQUE DE LIVRY SULLY	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CLINIQUE JEANNE D'ARC	0.00%	0.00%	100.00%	100.00%	FC (sold)	Allée de Roncevaux – 31240 L'UNION
SOCIETE D'EXPLOITATION DE LA CLINIQUE DU PERREUX	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
NEWCO BEZONS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
CLINIQUE DE CONVALESCENCE DU CHATEAU DE CLAVETTE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
SERIENCE SOINS DE SUITE ET DE READAPTATION	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION

Company name	31/12/2013 % control	31/12/2013 % interest	31/12/2012 % control	31/12/2012 % interest	Method	Registered office
SARL DE BIOUX SANTE	100.00%	100.00%	100.00%	100.00%	FC	Rue du 8 mai 1945 – 71850 CHARNAY LES MACON
THALATTA	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux – 31240 L'UNION
LA PETITE MADELEINE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
RESIDENCE LES AINES DU LAURAGAIS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
GRAND'MAISON	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
KORIAN PASTORIA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle – 25870 DEVECEY
SOCIETE DE GESTION DE CLINIQUES DU DOMAINE DE VONTES	0.00%	0.00%	100.00%	100.00%	FC (sold)	Allée de Roncevaux – 31240 L'UNION
PHÖNIX Seniorenzentren Beteiligungsgesellschaft mbH	100.00%	100.00%	100.00%	100.00%	FC	Reichskanzler-Müller-Straße 21 D-68165 Mannheim
KORIAN DEUTSCHLAND	100.00%	100.00%	100.00%	100.00%	FC	Reichskanzler-Müller-Straße 21 D-68165 Mannheim
KORIAN MANAGEMENT	100.00%	100.00%	0.00%	0.00%	FC	Reichskanzler-Müller-Straße 21 D-68165 Mannheim
CURANUM AG	78.45%	78.45%	0.00%	0.00%	FC	Circus Krone-Straße 10 D-80335 München
SEGESTA	100.00%	100.00%	100.00%	100.00%	FC	Viale Cassala 16 I-20143 Milano

5.2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your Ordinary General Meetings of Shareholders, we hereby present our report for the year ended 31 December 2013 on:

- the audit of the the accompanying consolidated financial statements of Korian-Medica (formerly 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 2013 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.

Without qualifying the opinion, we draw your attention to the matter set out in note 1 "Accounting policies". Section "1.25 Operating Segments" describes the change in the presentation of operational sectors. Section "1.16 Employee Benefits" presents the effects of the application of the amendments to IAS 19 on defined benefit plans

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 draw your attention to the following matters:

- Your group carries out impairment tests on the value of intangible assets and property, plant and equipment, as described in note 1.10 to the consolidated financial statements. We have reviewed the implementation methods of these impairment tests and are satisfied that sufficient provisions have been made.
- Note 1.7 to the consolidated financial statements describes the methods used to determine the fair value of operating licences in France and Italy. We verified the correct application of these rules in respect of companies acquired during the year.
- Note 1.14 to the consolidated financial statements indicates that your group uses derivative financial instruments recorded at fair value. To determine fair value, your group uses valuation techniques based on market parameters. We analysed the data and assumptions used to make these estimates and reviewed the calculations carried out by experts and the documentation available for financial derivatives classified as cash flow hedges.

These assessments were performed as part of our audit of the consolidated financial statements taken as a whole, and as such contributed to the formation of our opinion 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.

Paris-La Défense and Courbevoie, 28 April 2014

The Statutory Auditors

(*French original signed by*)

ERNST & YOUNG et Autres

BENOIT GILLET

MAZARS

MANUELA BAUDOIN-REVERT

CHAPTER 6. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

When reading this chapter, please note that it refers to Korian.

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6.1. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Separate financial statements

(Unless otherwise indicated, all amounts are expressed in thousands of euros).

Statement of financial position

ASSETS	31/12/2013	31/12/2012
Intangible assets	282,583	309,917
Property, plant and equipment	3,181	3,485
Non-current financial assets	665,814	578,896
Of which equity investments	*661,465*	*578,270*
Total non-current assets	**951,578**	**892,298**
Progress payments and instalments to suppliers	51	13
Trade receivables	3,404	3,263
Other receivables	370,108	370,310
Cash	1,737	9,412
Marketable securities	22,725	131,569
Prepaid expense	307	865
Total current assets	**398,332**	**515,432**
Debt issuance costs/Bond redemption premiums	**653**	**0**
Total assets	**1,350,563**	**1,407,730**

EQUALITY AND LIABILITIES	31/12/2013	31/12/2012
Share capital	174,198	170,204
Additional paid-in capital	293,419	284,949
Legal reserve	17,020	16,359
Retained earnings	22,765	18,874
Other reserves	128,516	128,516
Profit/(loss)	3,912	24,888
Regulated provisions	4,660	4,621
Net position	**644,490**	**648,411**
Provisions for risks and expenses	692	2,004
Loans and other borrowings (special terms and conditions)	17,491	0
Other bonds	106,466	37,648
Bank loans	362,883	525,111
Sundry loans and other financial liabilities	193,025	175,714
Trade payables	4,721	4,838
Tax and social security liabilities	13,566	12,198
Suppliers of non-current assets	6,542	1,156
Other liabilities	171	158
Total operating liabilities	**687,374**	**756,823**
Deferred income	516	492
Total equity and liabilities	**1,350,563**	**1,407,730**

Income statement

	31/12/2013	31/12/2012
Operating income		
Sales of goods		
Revenue	**40,117**	**36,031**
Capitalised production (Long-term inventory)	981	1,107
Operating subsidies	5	8
Reversals of provisions and reinvoiced expenses	2,602	539
Other income	98	10
Total	**43,803**	**37,695**
Operating expenses		
Purchases of goods for resale		
Other purchases and external costs	20,854	16,360
Income and other taxes	2,141	1,519
Wages	19,742	18,012
Social security charges	8,125	8,166
Additions		
- depreciation & amortization of non-current assets	4,891	3,836
- on current assets		
- provisions for risks and expenses	666	1,170
Other charges	310	387
Total	**56,728**	**49,450**
Operating profit/(loss)	**(12,925)**	**(11,755)**
Financial income	42,949	59,644
Financial expense	32,526	31,328
Financial result	**10,422**	**28,316**
Recurring profit/(loss)	**(2,503)**	**16,561**
Non-recurring income	80,850	813
Non-recurring expenses	84,958	3,529
Non-recurring profit/(loss)	**(4,508)**	**(2,716)**
Income tax	(10,923)	(11,043)
Net accounting profit/(loss)	**3,912**	**24,888**

Notes to the separate financial statements for the year ended 31 December 2013

Significant accounting policies

Korian's separate financial statements have been prepared in accordance with the basic accounting principles (conservatism, consistency of the accounting methods used from one year to the next, independence of financial periods, going concern) and the general rules regarding the presentation of separate financial statements resulting from the 1999 French General Accounting Plan.

The basic method used to value items booked in the accounts is the historical cost method.

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 five years. Purchased software is capitalised and amortised over a period of three years, while stand-alone applications (developed internally) are capitalised and amortised over a period of five years.

The loss resulting from Korian's merger with Médidep 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 carrying amount of business goodwill with its value in use.

The carrying amount of business goodwill and equity investments is compared with their value in use, determined based on estimates prepared by Korian SA which factor in the outlook of the subsidiary.

If an impairment loss is recognised, an impairment provision is recorded in order to bring the carrying amount of business goodwill to its value in use. This value in use is determined by combining the entities by business line as at the date of the merger.

- Property, plant and equipment

These assets are carried at their acquisition cost, including 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
• transport equipment.	5 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 five years. If the carrying amount is greater than the value in use, an impairment provision is recognized for the difference.

The value in use is determined based on estimates prepared by Korian SA which factor in the outlook of the subsidiary. 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 of 7% for France, 7% for Germany and 8% for Italy is determined using the Group's weighted average cost of capital;
- the terminal value is calculated by summing to infinity the discounted cash flows, determined on the basis of a normative flow and a perpetual growth rate of 2.5%. 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 Group current account receivables, the payment of which is calculated based on daily scales at the rate of 2.79%, i.e. the tax-deductible rate.

- Marketable securities

Marketable securities are stated at the lower of acquisition cost or market value. Treasury shares held for liquidity purposes are recognised at acquisition cost. An impairment provision is recognised when the market value is less than the carrying amount.

- Cash and cash equivalents

Cash is comprised of bank balances.

In the last quarter of 2007, a direct cash pooling agreement was signed by Korian and most of the Group's French companies, making Korian responsible of the Group's cash management. This cash pool covers eight banks.

- Currency risks

All financial flows are concentrated in the eurozone.

- Interest rate risk

Korian's borrowings are primarily variable-rate and hedged by derivative instruments.

- Bond issuance costs

Bond issuance costs are recorded under external costs and amortised over the bond's maturity.

Highlights of the year

- Korian SA capital increase

When dividends were paid out in 2013, shareholders were able to choose between receiving the payment in cash or in new shares, at the issue price of €15.65. At the end of the option period, Korian SA's share capital was increased by the par amount of €3,993,925 through the issue of 798,785 shares on July 23, 2013.

Following this decision, Korian SA's share capital rose to €174,198,065 divided into 34,839,613 fully paid up shares, all of the same class, with a par value of €5 each.

- Acquisitions

Korian SA acquired additional interests in Séniors Santépour group companies totalling €2.5 million. As a result, Korian SA now wholly owns Les Lierres Gestion and Vauvenargues Gestion.

As a reminder, Korian SA also wholly owns Ollières Gestion and Auguste Gal Gestion since 2 January 2012, when Beaulieu Patrimoine pledged 90% of Ollières Gestion shares and 70% of Auguste Gal Gestion shares to Korian SA. These shares were appraised at €4.1 million in 2013.

- Creations and expansion

Korian created a subsidiary in Germany, Korian Management AG, with a share capital of €50 thousand.

As part of the acquisition of Curanum AG, Korian carried out a capital increase of its German subsidiary Korian Deutchland AG, in the amount of €101 million.

- Disposals

Within the framework of its reorganisation by business line, Korian SA sold the shares of the companies (8 in total) in its psychiatry business: Clinique Psychiatrique du Pays de Seine, Clinique Maylis, Maison de Repos Spécialisée Société du Château de Chavasse, Société de Gestion des Cliniques du Domaine de Vontes, Société de participation CJA, Clinique Jeanne d'Arc, Clinique Medicale d'Ymare and Kovest 37.

This transaction generated a gain of €3.8 million.

- Bonds

On 2 August 2013, Korian carried out a bond issue totalling €67,500 thousand and maturing on 2 August 2019.

Main statement of financial position and income statement items

- Non-current assets, and depreciation and amortization

Non-current assets	31/12/2012	Acquisitions	Disposals	31/12/2013
Concessions, patents and similar rights	18,184	2,895	173	20,906
Intangible assets in progress	706	9,577	654	9,629
Business goodwill (technical merger losses)	315,060		50,774	264,286
General fittings	1,483	59		1,542
Transport equipment	-			-
Office and IT equipment	7,684	1,182	186	8,680
Assets in progress	-			-
Advances paid on non-current assets	-			-
Equity investments and related loans and receivables	583,284	110,299	27,124	666,459
Other financial assets	626	3,774	51	4,349
Total	**927,027**	**127,786**	**78,962**	**975,851**

Depreciation	31/12/2012	Additions	Reversals	31/12/2013
Concessions, patents and similar rights	8,497	3,413	51	11,859
General fittings	501	106		607
Transport equipment	-			-
Office and IT equipment	5,182	1,353	100	6,434
Total	**14,180**	**4,872**	**151**	**18,901**

Provisions	31/12/2012	Additions	Reversals	31/12/2013
On equity investments	5,014		21	4,993
On technical merger losses	15,536		15,157	379
On borrowings	-			-
Total	**20,550**		**15,178**	**5,372**

Depreciation and amortization expenses were recognised under operating expenses. Adjustments to provisions on borrowings and equity investments were recognised under financial income.

Adjustments to the provision on merger losses were recorded under non-recurring income and expenses.

Other non-current assets in progress correspond to capitalised production and service provider costs for the development of internal software packages (€915 thousand), as well as costs related to the merger with Medica (*fusion-absorption de Medica par Korian*) (€8,714 thousand).

- Equity investments

Korian SA is the parent company of the Korian Group. It holds shares in the companies listed in the table below (amounts in €):

Company	Nbr. of shares held	Total nbr. of subsidiary shares	% interest	Gross amount of shares	Net amount of shares	Share capital	Profit for the year	Net position excl. share capital	Dividends received	Loans and advances granted by the Group
ALSACE SANTE	500	500	100.00%	377,000	377,000	37,000	153,251	514,457	0	0
AUBIER DE CYBELE	6,332	6,332	100.00%	25,263,707	25,263,707	672,166	4,356,157	11,064,956	0	28,876
CENTRE DE READAPTATION FONCTIONNELLE DE CAEN	3,700	3,700	100.00%	1,237,000	1,237,000	37,000	125,099	51,703	0	7,473
CENTRE DE REEDUCATION FONCTIONNELLE DE SIOUVILLE	70	6,000	1.17%	538,180	455,619	96,000	1,010,785	4,280,001	0	0
CENTRE DE REPOS ET CONVALESCENCE L AQUITANIA	639	1,000	63.90%	765,490	765,490	40,000	56,333	190,611	0	0
CENTRE DE SOINS DE SUITE DE SARTROUVILLE	3,700	3,700	100.00%	37,000	37,000	37,000	774,426	1,389,125	200,000	4,654
CENTRE MEDICAL INFANTIL MONTPRIBAT	2,505	2,505	100.00%	5,640,614	5,640,614	38,188	213,464	(252,266)	0	1,603,422
CENTRE WILLIAM HARVEY	4,000	4,000	100.00%	3,048,980	3,048,980	308,000	852,550	5,268,869	330,000	0
CHÂTEAU DU MARIAU	300	300	100.00%	1,356,725	1,356,725	45,735	(239,602)	(224,252)	0	511,391
CLINIQUE CARDIOLOGIQUE DE GASVILLE	2,500	2,500	100.00%	4,079,378	4,079,378	37,500	2,864	(677,912)	0	999,761
CLINIQUE DE LIVRY SULLY	3,500	3,500	100.00%	3,685	3,685	140,000	660,715	2,826,688	160,000	0
CLINIQUE DE SACLAS	1,000	1,000	100.00%	2,016,779	2,016,779	701,000	1,086,377	5,074,065	0	0
CLINIQUE DE SOINS DE SUITE ET DE READAPTION GLETEINS	6,250	6,250	100.00%	4,817,375	4,817,375	100,000	17,591	430,939	80,000	0
CLINIQUE DU CANAL DE L'OURCQ	3,700	3,700	100.00%	37,000	37,000	37,000	(208,849)	(6,246,063)	0	9,929,141

Company	Nbr. of shares held	Total nbr. of subsidiary shares	% Interest	Gross amount of shares	Net amount of shares	Share capital	Profit for the year	Net position excl. share capital	Dividends received	Loans and advances granted by the Group
GRAND'MAISON	2,500	2,500	100.00%	706,990	706,990	38,112	293,245	660,125	0	0
HAD YVELINES SUD	3,700	3,700	100.00%	37,000	37,000	37,000	584,341	873,838	545,000	0
HHT	2,520	2,520	100.00%	1,551,438	1,551,438	40,320	349,358	(1,939,672)	0	4,575,492
HOLDING AB	20,017	20,177	99.21%	3,967,395	3,967,395	403,540	39,083	5,683,533	466,273	0
KORIAN BRUNE	500	500	100.00%	1,522,641	1,522,641	38,500	948,897	4,874,533	0	0
KORIAN DEUTCHLAND	1	1	100.00%	101,050,000	101,050,000	5,000	270,775	101,256,971	0	10,874
KORIAN FLORIAN CARNOT	8,500	8,500	100.00%	1,447,554	1,447,554	136,000	729,787	3,067,627	0	0
KORIAN IMMOBILIER	200	200	100.00%	3,203	3,203	3,049	2,252,377	2,324,746	0	16,479,146
KORIAN JARDIN DE L'ANDELLE	500	500	100.00%	2,434,204	2,434,204	37,000	19,184	167,675	0	0
KORIAN JARDINS DE L'ATLANTIQUE	1,000	1,000	100.00%	8,834,928	8,834,928	528,000	2,127,206	3,962,795	0	39,663
KORIAN LA GUYONNE	999	1,000	99.90%	1,871,235	1,871,235	40,000	537,521	1,069,484	0	0
KORIAN LA MAGDELEINE	382	382	100.00%	38,200	38,200	38,200	334,522	633,971	200,000	0
KORIAN LA ROSERAIE	504	504	100.00%	1,746,420	1,746,420	40,320	279,518	464,562	0	0
KORIAN LE CLOS MYRAMIS	249	500	49.80%	862,447	862,447	7,622	208,358	521,388	49,800	185,996
KORIAN LES ARCADES	504	504	100.00%	2,326,040	2,326,040	40,320	604,999	3,117,021	0	0
KORIAN LES LILAS	504	504	100.00%	2,036,555	2,036,555	40,320	681,243	3,273,116	0	0

Company	Nbr. of shares held	Total nbr. of subsidiary shares	% interest	Gross amount of shares	Net amount of shares	Share capital	Profit for the year	Net position excl. share capital	Dividends received	Loans and advances granted by the Group
KORIAN MANAGEMENT	100	100	100.00%	50,000	50,000	50,000	(211,394)	(211,394)	0	0
KORIAN NYMPHÉAS BLEUS	350	5,000	7.00%	183,975	183,975	165,500	222,495	713,847	0	0
KORIAN PARTENAIRE	500	500	100.00%	5,000	5,000	5,000	(8,066)	(28,107)	0	20,447
KORIAN SANTE	4,000	4,000	100.00%	8,000,920	8,000,920	60,980	(1,327,347)	(3,344,735)	0	33,423,384
KORIAN VILLA EVORA	504	504	100.00%	1,890,266	1,890,266	40,320	293,332	838,235	0	0
KORIAN VILLA JANIN	100	100	100.00%	855,892	855,892	7,500	(59,000)	(212,700)	0	299,425
KORIAN VILLA ORTIS	5,000	5,000	100.00%	1,710,000	1,710,000	76,225	293,091	559,257	0	0
LA BASTIDE DE LA TOURNE	2,498	2,500	99.92%	5,013,014	5,013,014	38,112	403,368	1,668,620	0	0
LA MOULINIERE	100	100	100.00%	1,996,919	375,752	76,225	3,436	299,529	0	0
LA NORMANDIE	2,500	2,500	100.00%	584,388	584,388	38,112	173,567	(609,411)	0	734,194
LA PETITE MADELEINE	2,500	2,500	100.00%	2,588,097	2,588,097	40,000	(124,054)	(302,286)	0	2,189,366
LA PINEDE	250	250	100.00%	38,115	38,115	38,250	(36,613)	249,919	0	1,373,039
LE BREVENT	2,506	2,545	98.47%	2,672,383	1,066	190,875	4,615	133,776	0	0
LE CLOS CLEMENT 77 - RESIDENCE DU BOIS CLEMENT	2,500	2,500	100.00%	304,898	304,898	38,112	351,689	883,577	0	0
LE MONT BLANC	30	60,000	0.05%	1,906	1,906	960,000	(800,584)	(7,715,123)	0	8,686,508
LE NORD COTENTIN	15,000	15,000	100.00%	10,637,761	10,637,761	915,000	204,919	310,224	495,000	20,094

Company	Nbr. of shares held	Total nbr. of subsidiary shares	% interest	Gross amount of shares	Net amount of shares	Share capital	Profit for the year	Net position excl. share capital	Dividends received	Loans and advances granted by the Group
LE RAYON D'OR	2,500	2,500	100.00%	620,000	620,000	38,076	203,647	650,463	0	0
L'ERMITAGE	1,000	1,000	100.00%	1,143,368	1,143,368	38,112	157,632	184,045	0	0
LES AMARANTES	4,000	4,000	100.00%	3,804,490	3,804,490	446,291	468,631	564,818	400,000	0
LES ISSAMBRES	63,282	63,282	100.00%	2,495,000	2,495,000	964,728	321,361	1,317,114	0	0
LES LIERRES GESTION	40,000	40,000	100.00%	5,114,002	5,114,002	448,000	294,265	(338,168)	0	931,727
LES LUBERONS	589	1,000	58.90%	1,962,821	1,962,821	76,225	199,842	475,811	82,460	0
LES OLIVIERS	1,000	1,000	100.00%	4,608,437	4,608,437	304,898	386,386	3,949,053	500,000	0
LES TROIS TOURS	1,606	5,606	28.65%	2,058,062	2,058,062	85,463	515,965	4,334,683	0	0
L'IMPERIAL	23,055	47,080	48.97%	2,948,889	2,948,889	47,080	(802,428)	(190,788)	0	746,665
MEDI'DEP FONCIER	500	500	100.00%	7,500	7,500	7,500	1,695,472	2,320,452	1,440,000	0
MEDOTELS	73,763	73,763	100.00%	149,254,402	149,254,402	1,124,886	13,101,355	131,329,516	24,000,000	88,051,831
NEWCO BEZONS	6,966	6,966	100.00%	213,582	213,582	111,456	458,542	1,657,156	150,000	0
PHONIX	5	5	100.00%	136,354,144	136,354,144	5,000,000	(2,649,909)	39,211,303	0	612
PRIVATEL	23,400	23,400	100.00%	7,419,922	7,419,922	356,731	(424,019)	(74,874)	690,000	16,046,854
RESIDENCE DU CANAL	2,500	2,500	100.00%	5,596,000	4,977,620	38,200	210,543	885,451	0	688,437
RESIDENCE MAGENTA	500	500	100.00%	1,524,490	1,524,490	40,000	1,111,371	4,721,906	0	0

Company	Nbr. of shares held	Total nbr. of subsidiary shares	% interest	Gross amount of shares	Net amount of shares	Share capital	Profit for the year	Net position excl. share capital	Dividends received	Loans and advances granted by the Group
SAINT CYR GESTION	76,004	76,004	100.00%	2,233,644	2,233,644	2,147,040	294,725	(998,395)	0	2,815
SCI LE TEILLEUL	1,650,000	2,750,000	60.00%	1,650,000	1,650,000	2,750,000	20,850	21,845	0	0
SCI PERREUX	0	0	22.00%	60,980	60,980	N.C.	N.C.	N.C.	43,703	0
SEGESTA	2,471,786	2,618,412	94.40%	108,721,746	108,721,746	2,618,412	(4,068,861)	15,987,930	0	72,408,144
SHT (Sté Hospitalière de Touraine)	1,306	3,899	33.50%	2,737,664	2,737,664	58,485	918,718	1,343,153	0	10,958
SOGESCO - STE DE GESTION ET CONSEILS	3,020	3,020	100.00%	9,415,884	9,415,884	298,980	211,997	521,500	117,000	1,926,831
STE CLINIQUE DE SOINS DE SUITE DE NOISY LE SEC	2,500	2,500	100.00%	38,112	38,112	38,112	501,274	1,417,125	0	0
STE D'EXPLOITATION DE LA CLINIQUE DU PERREUX	2,500	2,500	100.00%	38,127	38,127	38,112	946,008	2,784,316	0	0
STE GERONTOLOGIQUE DU CENTRE OUEST - SGCO	129	2,500	5.16%	27,128	27,128	38,112	496,011	824,504	15,480	0
STE NOUVELLE DE LA CLINIQUE DU MESNIL	382	382	100.00%	38,200	38,200	38,200	165,183	641,931	0	679,501

- Receivables maturity schedule

Statement of receivables	Total	Less than one year	Due in >1 yr
Loans and receivables related to equity investments	3,818	1,002	2,816
Other financial assets	531	-	531
Other accounts receivable	3,404	3,404	-
Personnel and related accounts	92	92	-
Social security and other welfare organisations	9	9	-
Government and local authorities			
- Income tax	8,802	8,802	-
- Value-added tax	526	526	-
- Other	106	106	-
Group and associates	360,028	360,028	-
Debtors	1,863	1,863	-
Prepaid expense	307	307	-
Total	**379,486**	**376,138**	**3,348**

- Marketable securities

Available cash on hand or at bank was stated at nominal value.

Korian SA holds marketable securities and term deposits (excluding treasury shares) valued according to the FIFO method, in the amount of €20,693 thousand.

The Company owns treasury shares valued using the weighted average price method and changes are explained as follows.

In €	Number	Amount
Balance at 31 Dec. 2012	**52,046**	**670,822**
2013 Purchases	179,123	3,519,111
2013 Sales	199,117	3,686,683
2013 Net gain/(loss) on disposal		*239,564*
Balance at 31 Dec. 2013	**32,052**	**742,814**

An impairment provision of €83 thousand was recognised in view of the Korian SA share price at 31 December 2013.

Korian has established a share buyback programme. At 31 December 2013, the Company held 115,076 shares purchased for a total amount of €1,372,514.

- Prepaid expense

Prepaid expenses break down as follows.

Expenses	2013	2012
Maintenance	177	136
Equipment rental expenses	15	7
Commissions	22	-
Travel expenses	22	
Development costs	-	102
Seminar	-	163
Advertising	18	389
Documentation	13	23
Training	-	28
Other	40	17
Total	**307**	**865**

- Deferred income

Deferred income breaks down as follows.

Income	2013	2012
Royalties	393	492
Work and project management	123	-
Total	**516**	**492**

- Accrued income and expenses

Type of item	Income	Expenses
Accrued interest on loans		85
Accrued interest on bonds		1,466
Accrued interest on borrowings with special terms and conditions		321
Accrued interest on swaps		2,254
Suppliers, invoices not yet received		1,002
Group suppliers, invoices not yet received		53
Suppliers of non-current assets		5,375
Suppliers, credit notes not yet received		
Trade receivables, non-Group, invoices yet to be drawn up	1,791	
Trade receivables, Group, invoices yet to be drawn up	63	
Social security liabilities		5,143
Social security contributions on social security liabilities		1,844
Accrued income/expenses - State	105	1,275
Accrued interest on current accounts	10,139	4,540
Accrued bank interest		14
Total	**12,098**	**23,372**

- Changes in shareholders' equity

Changes in shareholders' equity	In € thousands
At start of year	**648,411**
Capital increase	3,994
Additional paid-in capital	8,470
Legal reserve	661
Retained earnings	3,891
2012 Dividends paid	(24,888)
2013 Profit/(loss)	3,912
Regulated provisions	39
At year-end	**644,490**

Regulated provisions relate to amortisation for tax purposes applied to share buyback costs. In 2013, they generated a non-recurring expense and non-recurring income of €191 thousand and €152 thousand, respectively.

When dividends were paid out in 2013, shareholders were able to choose between receiving the payment in cash or in new shares, at the issue price of €15.65. At the end of the option period, Korian SA's share capital was increased by the par amount of €3,993,925 through the issue of 798,785 shares on 23 July 2013, while additional paid-in capital was increased by €8,469,916.

Following this decision, Korian SA's share capital rose to €174,198,065 divided into 34,839,613 fully paid up shares, all of the same class, with a par value of €5 each.

Breakdown of Korian' shareholding structure at 31 December 2013

Shareholders	Number of shares	% of share capital	% of voting rights
Prédica	11,059,441	31.74%	31.74%
Batipart Invest, Novaé	8,447,223	24.25%	24.25%
Groupe Malakoff Médéric	5,032,046	14.44%	14.44%
Groupe MACSF	3,320,806	9.53%	9.53%
ACM Vie	3,265,627	9.37%	9.37%
Free float	3,714,470	10.67%	10.67%
Total	**34,839,613**	**100.00%**	**100.00%**

- Provisions for risks and expenses

The provisions for risks and expenses and their changes break down as follows.

In € thousands	31/12/2012	Additions	Reversals		31/12/2013
			Used	Not used	
Provisions for risks and expenses					
Other contingency provisions	621			621	-
Provisions for wage-related claims and disputes	1,314	666	1,117	171	692
Provision for losses	68		68		-
Provision for restructuring expenses	-				-
Provision for taxes	-				-
Total	**2,003**	**666**	**1,185**	**792**	**692**

The addition to the provision for wage-related claims and disputes pertains mainly to remuneration-related restructuring costs and labour disputes.

- Financial liabilities

Amounts due to credit institutions

	2013	2012
Bank overdrafts	275	343
Total	**275**	**343**

Bank loans		
- Due within one year	9,011	43,254
- Due in more than one year	353,498	480,431
Accrued interest	99	1,083
Total bank loans	**362,608**	**524,768**

Total bank debt	**362,883**	**525,111**

Change in the Group's indebtedness as at 31 December 2013

At 31 December 2013, net debt was €716 million, an increase of €154 million compared with 2012. The increase was attributable to investments made by the Group, and notably the acquisition of the Curanum group, consolidated from 1 March 2013. However, the debt ratio (Net Debt - Real Estate Debt)/(Consolidated EBITDA – 7%* Real Estate Debt) dropped over the year to 2.7x, a level that is significantly lower than the covenant of 4.75x required by the syndicated loan.

Korian continued to diversify its sources of funding with the issue in July 2013 of a bond in the amount of €67.5 million (675 securities with a nominal value of €100,000 each maturing on 2 August 2019).

Borrowings break down as follows:

- a syndicated loan of €500 million with a term of five years (23 July 2015), consisting of two tranches: a refinancing loan in the amount of €380 million reduced by €275 million after repayment, and a revolving credit facility in a maximum total amount of €120 million. At 31 December 2013, Korian had €80 million available on the revolving credit facility;
- real estate debt in the amount of €282 million. These debts consist primarily of operating and finance leases with long maturities;
- medium-term borrowings in the amount of €68 million;
- bonds placed with private investors in a total amount of €105 million.

The Group also had net cash of €51 million at 31 December 2013.

Within the framework of Korian's proposed merger with Medica (*fusion-absorption de Medica par Korian*), the Group has negotiated with its main banks:

- amendments to the syndicated loan to allow the Merger;
- a new syndicated loan in the amount of €500 million, the purpose of which is to refinance Medica's syndicated loan made payable by the Merger. This loan was due to mature on 30 June 2015, and was undrawn as of 31 December 2013.

The success of these negotiations underlines the banks' trust in the corporate development plan and confirms the Group's solid financial position.

- Liabilities maturity schedule

Statement of liabilities	Total	Due within one year	Due in one to five years	Due in more than five years
Other bonds	106,466	1,466	37,500	67,500
Loans and other borrowings due within one year	289	289		-
Loans and other borrowings due in more than one year	362,594	9,096	353,497	-
Sundry loans and other financial liabilities	2,312	2,254		58
Trade payables	4,721	4,721		-
Personnel and related accounts	5,167	5,167		-
Social security contributions, other social contributions	3,192	3,192		-
State: income tax				-
State: VAT	3,931	3,931		-
State: other taxes	1,275	1,275		-
Suppliers of non-current assets	6,543	6,543		-
Group and associates	190,713	190,713		-
Other liabilities	172	172		-
Deferred income	516	516		-
Total	**687,891**	**229,335**	**390,997**	**67,558**

- 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	17,491	
Equity investments	666,214	309
Overdrawn current account	360,028	
Credit balance current account	190,713	
Financial expense	4,861	
Financial income	40,196	44

- Revenue

Revenue is generated exclusively in France and breaks down as follows.

	2013	2012
Royalties from long-term care facilities	18,674	17,920
Royalties from post-acute and psychiatric care facilities	5,641	5,583
Project management assistance services to subsidiaries	3,630	2,083
Accounting services	144	144
Reinvoiced employee expenses	1,299	1,068
Other reinvoiced items	209	-
Reinvoiced expenses	722	669
Service agreements	9,501	8,300
Reinvoiced property rental expenses	297	264
Total	**40,117**	**36,031**

- Transferred operating expenses

Transferred operating expenses totalled €693 thousand.

They include reimbursements of training costs (€125 thousand), sick pay and benefits in kind (€298 thousand) and commissions related to the placement of the bond issue (€270 thousand).

- Operating expenses

The most significant items under purchases and external expenses are as follows.

Nature of expense	2013	2012
Purchases to reinvoice	768	709
Subcontracting	665	537
Rental expense	2,195	2,055
Equipment rental expenses	908	711
Maintenance	1,084	903
Temporary employee expenses	448	413
Administrative fees	7,159	5,294
Travel expenses	1,573	1,237
Telecommunications	911	910
Banking services	2,154	1,144
Recruitment costs	64	62
Other charges	2,925	2,385
Total	**20,854**	**16,360**

Taxes

This item breaks down as follows.

Nature of expense	2013	2012
Taxes and duties on compensation	1,258	703
Corporate value-added tax/Corporate real estate contribution	403	381
Real estate tax	127	110
Non-recoverable VAT	115	84
Vehicle tax	55	69
Organic	82	80
Other taxes	101	93
Total	**2,141**	**1,520**

Wages and social security contributions

This item breaks down as follows.

Nature of expense	2013	2012
Wages and salaries	19,742	18,012
Social security charges	8,125	8,166
Total	**27,866**	**26,178**

- Non-recurring income and expenses

This item breaks down as follows.

Nature of expense	Income	Expenses
Disposals of non-current financial assets	64,927	24,664
Disposals of property, plant and equipment	81	88
Disposals of intangible assets	61	122
Disposal costs		803
Impairment provision	15,225	1,317
Losses on shares		50,774
Tax depreciation	152	191
Dissolution of subsidiaries		2,460
Development costs		3,810
Non-recurring income	4	
Sundry non-recurring expenses		729
Total	**80,450**	**84,958**

- Off-balance sheet commitments

Commitments given

- Joint and several guarantees for rental payments

Since the creation of Korian, the leases entered into by Korian SA's subsidiaries with institutional lessors have been secured by a surety or a rental guarantee by Korian SA.

Moreover, under the finance lease transactions carried out since December 2009, Korian SA 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 liable to have a material impact on the business, results or financial position of the company.

- Individual training entitlements (*droit individuel à la formation* – DIF)

Pursuant to the provisions of French Law No. 2004-391 of 4 May 2004 on professional training, permanent employees of the Company's French subsidiaries are individually entitled to 20 hours of training per year, which may be accumulated over a period of six years. At the end of this six-year period, and if some or all of the entitlement has not been used, the DIF is capped at 120 hours.

The cumulative number of hours for all Company staff at 31 December 2013 was 26,073.15 hours.

- 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: INSEE 06/08 F;
  - male mortality table: INSEE 06/08 H;
  - discount rate: 3.20%;
  - collective bargaining agreement: CCU (private healthcare);
  - retirement age: 63 years;
  - retirement conditions: retirement at the request of the employee.

Pension benefits stood at €703 thousand at 31 December 2013. No provision was set up for this amount in the separate financial statements.

- Derivative financial instruments (at fair value)

The Company uses derivative financial instruments (swaps and tunnels) to hedge against the interest rate risk arising from its variable-rate financing policy.

These instruments are not recognised in Korian SA's financial statements, but are presented below at their fair value under liabilities.

In € millions	Amount	Number
SWAP	31.8	8
TUNNEL	4.9	1
Caps	0.6	1

- Asset and liability guarantees received

In accordance with the Group's practices over the past five years, Korian has liability guarantees on all of its acquisitions.

- Asset and liability guarantees given

In the framework of disposals of non-Group companies, Korian SA 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

Some lines of credit are secured by collateral in the form of equity investments.

Lender	Equity investment collateral
BNP Paribas	100% SAS Pouliguen, 100% SAS St Cyr, 40% SAS Aubier de Cybèle
Palatine	51% SAS Aubier de Cybèle, 100% des Lierres gestion
Bred	100% Sogesco

- Repurchase commitments

Korian has made the following repurchase commitments:

  - in Italy, the repurchase of a 5.60% minority interest in Segesta, no later than 30 days after the approval of the 2016 financial statements;
  - in the framework of equity investments in the Séniors Santé group subsidiaries, Korian SA 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

Stock option plan

Under the authorisation granted by the Ordinary General Meeting of 21 June 2007, the former Executive Board decided to grant stock options to Group employees and/or officers at a unit price of €30,39. The exercise period for these options expires on 28 August 2014. To date, no options have been exercised.

Under the authorisation granted by the Ordinary General Meeting of 17 June 2010, the former Executive Board decided to grant stock options to Group employees and/or officers at a unit price of €16.83. The exercise period for these options expires on 30 June 2015. To date, no options have been exercised.

The shares that might be subscribed under these plans are subject to a lock-up period of two years after the vesting period.

	2013		2012	
	Options	Weighted average exercise price (euros)	Options	Weighted average exercise price (euros)
Options remaining at 1 January	**77,000**		**94,000**	
Options granted				
Options exercised				
Options cancelled and expired	0		17,000	
Options remaining at 31 December	77,000		77,000	**-**
Options exercisable at 31 December	**77,000**		**77,000**	**-**
Share price at the exercise date of options				-
Share price at the grant date of options (granted during the year)				-

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 2013.

Fair value of options granted

Year ended 31 December	2013	2012
Expected dividend yield	1.00%	1.00%
Expected volatility of the share	15.00%	15.00%
Risk-free interest rate	4.00%	4.00%
Estimated life of the option (years)	1	1

- Other information

Average workforce

The average workforce over the year was 305 employees. It breaks down as follows.

Type of employee	2013	2012
Managers	204	213
Other staff	101	113
Total	**305**	**326**

- Compensation paid to the executive bodies

The compensation of the executive bodies for 2013 was as follows:

- 2013 fixed compensation	€838 thousand
- Variable compensation	€284 thousand (2012 bonus paid in 2013)
- Company car allowance	€19 thousand

- Compensation paid to the management bodies

The compensation of the management bodies for 2013 was as follows:

- 2013 fixed compensation €472 thousand

The Board of Directors' internal regulations, adopted on 21 March 2012, define the allocation of attendance fees in the following manner:

- a fixed annual sum:
  - for the Chairman of the Board of Directors: €5,200,
  - for the members, other than the independent members: €2,600,
  - for the independent members: €17,000;
- a variable amount based on the attendance of members at Board meetings:
  - €600 (double for the Chairman) for each attendance at a Board meeting.

In addition, attendance fees are allocated to members of the Board who are also members of a specialised committee. These fees break down as follows:

- a fixed annual sum for the Chairman: €1,200;
- a variable amount for the members: €600.

Attendance fees paid to members of the Board of Directors and other committees in respect of the 2013 financial year amounted to €151 thousand.

Furthermore, the members of the Board and of the Committee are entitled to reimbursement, on production of receipts, of travel expenses incurred in attending Board and committee meetings.

- Tax consolidation

In the absence of a tax consolidation agreement, the tax expense is borne by the subsidiaries, as is the case in the absence of consolidation. The tax savings made by the Group, arising from deficits and adjustments, tax assets and tax credits, are retained by the parent company Korian SA 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 SA will thus incur a tax expense.

The consolidated group of which is Korian is the parent comprised 89 companies in 2013 (including Korian SA).

If no tax consolidation agreement had applied, the Group's net tax expense for 2013 would have been €9,333 thousand.

The application of the tax consolidation regime generated a tax benefit of €12,079 thousand, which was recorded at the parent company level. The Group's current taxable income thus amounted to €8,139 thousand and the capital gain at the special rate of 0% was €39,415 thousand, giving a total tax expense of €3,081 thousand, including €307 thousand in respect of the temporary non-recurring contribution of 10.7%.

The Group recorded total research tax credits of €5,607 thousand for the 2013 financial year.

In addition, as the Group benefits from tax credits on patronage, apprenticeship and incentive bonuses, the total amount receivable from the State for the financial year 2013 stood at €2,746 thousand.

At 31 December 2013, Korian SA's balance of tax loss carryforwards came to €71,599, which breaks down as follows:

- Broader base following the purchase of the Réactimalt group €71,559

Analysis of tax expense

	Before tax	Tax	After tax
Recurring profit/(loss)	(2,503)	0	(2,503)
Non-recurring profit/(loss)	(4,508)	0	(4,508)
Impact of tax consolidation and tax credits		10,923	10,923
Accounting profit/(loss)	(7,011)	10,923	3,911

Increases and reductions in future tax liabilities

Increases

- Reallocation to the subsidiaries of their deficits €52,432,654
- **i.e. a future tax expense of** **€19,925,549**

Reductions

- Organic €82,144
- Loss carryforwards (broader tax bases) €71,559
- **i.e. a future tax benefit of** **€51,234**

- Events since the year-end

Since 1 January 2014, Korian carried out the following transactions:

On 18 November 2013, Korian announced the signing of a memorandum of understanding regarding a merger with Medica, with a view to creating the European leader of the ederly care sector (the "**Merger**"). The respective Boards of Directors of Medica and Korian approved the draft merger agreement setting out the terms and conditions of the Merger on 20 January 2014. Korian and Medica signed the draft merger agreement on 23 January 2014.

Pursuant to Article 212-34 of the General Regulation of the AMF, the Prospectus on the Merger, prepared in accordance with the plan laid down in Annex II of AMF Instruction 2005-11, was registered by the AMF on 5 February 2014 under number E.14-003, after its approval by the respective Boards of Directors of both companies. It is available on the Company website (www.groupe-korian.com) and on the AMF website (www.amf-france.org).

The General Meetings of both companies approved the Merger on 18 March 2014. The Merger was completed on the same date with retroactive effect from 1 January 2014 for accounting and tax purposes. The company was renamed "Korian - Medica".

The merger parity proposed to Korian and Medica shareholders was 10 Korian shares for 11 Medica shares. In consideration for the Merger, on 18 March 2014 Korian issued 43,549,260 new shares with a par value of €5 each in the context of a capital increase totalling €217,746,300. The new shares were admitted to trading in Compartment B of NYSE Euronext Paris on 24 March 2014.

Following the Merger, the Company's share capital was increased from €174,198,065 to €391,944,365. It is now divided into 78,388,873 shares with a par value of €5 each, fully paid up and all of the same class.

6.2. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders,

Pursuant to the assignment entrusted to us by your Ordinary General Meetings of Shareholders, we hereby present our report for the year ended 31 December 2013 on:

- the audit of the accompanying financial statements of Korian-Medica;
- 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 annual financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or and other methods of selection, , to obtain evidence supporting the amounts and disclosures in the financial statements. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, and 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 at 31 December 2013, 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 draw your attention the following matters:

- The note to the financial statements on the "Main methods used: equity investments and other long-term investments" presents the accounting policies and methods for the evaluation of equity investments. We have verified the appropriateness of these accounting methods and we have obtained assurance that they have been applied correctly;
- The note to the financial statements concerning the "Main methods used: intangible assets" presents the accounting policies and methods for the evaluation of business goodwill. We have audited the appropriateness of these accounting methods and we have obtained assurance that they have been applied correctly.

These assessments were made as part of our audit of the financial statements taken as a whole, and thus contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also carried out the specific verifications required by French law in accordance with the professional standards applicable in France.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Management Report by the Board of Directors and in the documents sent to shareholders on the financial position and the financial statements..

Concerning the information provided in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code on remuneration and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the information given in 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 that control it or are 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, 28 April 2014.

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
(*French original signed by*)	(*French original signed by*)
Manuela Baudoin-Revert	Benoît Gillet

6.3. STATUTORY AUDITORS' REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby present our report on related-party agreements and commitments.

Our role is to report to you, on the basis of the information provided to us, on the terms and conditions of the 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 or commitments. According to the provisions of Article R. 225-31 of the French Commercial Code, it is your responsibility to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We are also required to report to you, where applicable, on the information referred to in Article R. 225-31 of the French Commercial Code, concerning the implementation, during the year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures we considered necessary to comply with the professional guidance issued by the national auditing body (*Compagnie Nationale des Commissaires aux Comptes*)relating to this type of engagement. Those 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 Ordinary General Meeting of Shareholders

- Agreements and commitments authorised during the year

Pursuant to 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 authorisation from your Board of Directors.

- With Mr Christian Chautard, Board Memberr

At its meeting of 27 March 2013, your Board of Directors authorised exceptional compensation for Mr Christian Chautard, in connection with his assignment to assist in the integration of your company's business in Germany following the acquisition of the Curanum group. The annual gross amount of such compensation was set at €140k. It was decided that his moving costs and his expenses would be reimbursed.

The amount paid by your company in respect of this agreement amounted to €140k in respect of FY 2013. This payment was made via Korian Management.

- **With Predica and Batipart, shareholders of more than 10% your company**

At its meeting of 15 November 2013, your Board of Directors authorised the signing of a memorandum of understanding with Medica under the proposed merger-acquisition of Medica by your company. This memorandum sets out the main terms of the merger, including governance, as well as the bases for negotiating any final agreement, notably the merger agreement.

- **Agreements and commitments authorised after the reporting period**

We were advised of the following agreements and commitments authorised after the reporting period, which had been previously authorised by your Board of Directors.

- **With Mr Christian Chautard, Board Member**

At its meeting of 3 February 2014, your Board of Directors authorised exceptional compensation related to his involvement in the completion of the merger of Korian with Medica for a gross amount of €85k. This special compensation would be paid in the month in which the General Meetings of Shareholders approving the merger will take place.

At its meeting of 18 March 2014, your Board of Directors authorised 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. €70k gross will be paid for this assistance.

Agreements and commitments already approved by the Ordinary General Meeting of Shareholders

- Agreements and commitments approved in prior years whose implementation continued during the year

In accordance with Article R. 225-30 of the French Commercial Code, we have been advised that the following agreements and commitments, which were already approved by the Ordinary General Meeting of Shareholders in prior years, continued during the year.

- Commitments with Foncière des Murs

Commercial leases granted by the companies of the Foncière des Murs group to certain subsidiaries of your company and the rental guarantee granted by your company in favour to companies of Foncière des Murs in relation to the leases referred to hereabove on 29 June 2007. These transactions were authorised by the Supervisory Board on 21 June 2007, and partially renewed by an agreement on 22 December 2010 and previously authorised by the Supervisory Board on 8 December 2010.

- **Regulated agreements and commitments made by your company as a result of the merger-acquisition of Medica SA by Korian SA dated 18 March 2014.**

You will find below the regulated agreements and commitments authorised and submitted to the Ordinary General Meeting of Shareholders of Medica SA of 18 March 2014.

- *Commitments given to Ms Christine Jeandel, Deputy Chief Executive Officer of Medica SA*

  Ms Christine Jeandel was Medica SA's Deputy Chief Executive Officer and also an employee of this company. Her term ended on 18 March 2014. Ms Christine Jeandel received fixed compensation of €190,000 in respect of 2013 and variable compensation of €110,000 in respect of 2012.

  At its meeting of 4 February 2014, Medica SA's Board of Directors authorised the signing of a contract termination agreement with Ms Christine Jeandel. This agreement aims to establish the financial impact of this termination and in particular provides for the payment of a contractual termination indemnity (€457,500), the date of termination of the employment contract (18 March 2014) and the waiver by Medica SA of the non-compete clause in the employment contract.

- *Loan agreements with Medica France SA*

  Conclusion of a loan agreement with Medica France SA for a principal amount of €102,376,988. At 31 December 2013, the outstanding amount due was €5,308,736 and interest on the loan amounted to €119,365.

  Conclusion of a loan agreement with Medica France SA on 9 August 2006 for a principal amount of €91,585,380. At 31 December 2013, the outstanding amount due came to €22,298,776 and interest for the year amounted to €737,812.

  Conclusion of a loan agreement with Aetas Spa on 18 October 2010 for a principal amount of €14,500,000 to enable it to finance its external growth transactions. The outstanding amount due at 31 December 2013 was €15,475,111. 2013 interest totalled €223,460.

- Other

  On 20 May 2011, Medica SA signed the Modified Credit Contract as Borrower and Guarantor, modifying the Credit Contract entered into on 16 June 2010, under the following conditions:

  ✓ make a five-year loan available to Medica SA with a maximum principal amount of €450,000,000 (Facility A). The annual interest rate will be equal to Euribor plus an additional 1.30% to 2.50% margin per year (the "**Tranche A Loan**"),

  ✓ make a five-year revolving credit line available to Medica SA and Medica France S.A. with a maximum principal amount of €150,000,000 (Facility B). The annual interest rate will be equal to Euribor plus an additional 1.35% to 2.55% margin per year (the margin applicable to the revolving credit line may increase in accordance with this tranche's rate of use) (the "**Tranche B loan**"). »).

  This agreement ended on 18 March 2014.

Courbevoie and Paris-La-Défense, 28 April 2014

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
(*French original signed by*)	(*French original signed by*)
Manuela Baudoin-Revert	Benoît Gillet

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7.1. *PRO FORMA* FINANCIAL INFORMATION

Foreword

The *pro forma* financial information is intended to illustrate, for indicative purposes only, the effects of the merger between Korian and Medica on the key indicators for the year ended 31 December 2013 and the income statement for the year ended 31 December 2012 as if the merger had taken place on 1 January 2012.

The *pro forma* financial information consists of:

- the *pro forma* consolidated statement of financial position for the year ended 31 December 2013;
- a *pro forma* consolidated income statement covering the period from 1 January 2013 to 31 December 2013;
- a *pro forma* consolidated income statement covering the period from 1 January 2012 to 31 December 2012.

The *pro forma* financial information has been prepared in accordance with European Commission Regulation No. 809/2004. This regulation states that *pro forma* financial information must be provided in the event of a significant change in the situation of an issuer as a result of a specific transaction, such as a variation of more than 25% in the size of the issuer's business.

The *pro forma* financial information is provided for illustrative purposes, and may not be indicative of the results and the financial position of the combination of the businesses of Korian and Medica that may have resulted from the completion of the transaction on the dates respectively used for their preparation. Further, it may not be indicative of the results of the operating activities or the future financial situation of the Korian Group, and as such does not include any impact from anticipated synergies.

The *pro forma* income statements have been prepared on the following basis:

- takeover of Curanum by Korian on 1 January 2012;
- takeover of Senior Living Group (SLG) by Medica on 1 January 2012;
- disposal of the psychiatric care division by Korian before 1 January 2012;
- merger of the Korian and Medica groups on 1 January 2012.

The *pro forma* balance sheet at 31 December 2013 was prepared on the same basis.

This information should be read in conjunction with the explanatory notes and the audited consolidated financial statements of Korian and Medica for the years ended 31 December 2013 and 31 December 2012.

***Pro forma* income statement for the year ended 31 December 2013 (12 months)**

In thousands of euros	Korian 31/12/2013 Reported	Medica 31/12/2013 in Korian format	Curanum (two months)	SLG 31/12/2013 in Korian format	Psychiatric care 31/12/2013	Reclassifications and adjustments		TOTAL pro forma pro forma 31/12/2013
Revenue	1,370,990	834,115	47,450	150,218	(26,927)			2,375,847
Other income								0
Operating revenue	**1,370,990**	**834,115**	**47,450**	**150,218**	**(26,927)**			**2,375,847**
Purchases used in the business	(93,423)	(47,849)	(14,877)	(18,018)	1,382			(172,785)
Personnel expenses	(656,402)	(388,557)	(24,667)	(82,497)	14,225			(1,137,897)
External expenses	(396,817)	(225,372)	(1,322)	(33,707)	5,346	(1,606)		(653,477)
Income and other taxes	(45,223)	(39,868)	(2,655)	(524)	2,149	1,606		(84,515)
Depreciation and amortisation	(62,689)	(33,891)	(2,086)	(4,366)	894			(102,138)
Gain/(loss) on acquisition and disposal of consolidated entities	(4,972)	6,138		(1,370)	(358)	7,453	*(a)*	6,891
Other operating income and expenses	(11,023)	(7,694)	(329)	(3,548)	(308)	21,889	*(a)*	(1,013)
OPERATING PROFIT	**100,441**	**97,022**	**1,514**	**6,188**	**(3,595)**	**29,342**		**230,912**
Financial expense	(43,414)	(21,340)	(1,902)	(3,656)		1,740	*(d)*	(68,572)
Financial income	50							50
Cost of gross debt	**(43,364)**	**(21,340)**	**(1,902)**	**(3,656)**		**1,740**		**(68,522)**
Income from cash and cash equivalents	366	49	0	21				436
Cost of net debt	**(42,998)**	**(21,291)**	**(1,902)**	**(3,635)**		**1,740**		**(68,086)**
Other financial expense	(3,169)	(2,238)	0	(316)				(5,723)
Other financial income	1,315	1,383	57	78				2,833
Profit/(loss) before tax	**55,588**	**74,876**	**(331)**	**2,315**	**(3,595)**	**31,082**		**159,936**
Income tax	(24,198)	(30,694)	**239**	(1,483)	**1,526**	(8,309)		(62,919)
Profit/(loss) of consolidated companies	**31,391**	**44,182**	**(92)**	**832**	**(2,069)**	**22,772**		**97,016**
Group share of profit/(loss) of associates	(3)	2,233						2,230
Net profit/(loss) from continuing operations	**31,387**	**46,415**	**(92)**	**832**	**(2,069)**	**22,772**		**99,245**
Net profit/(loss) from operations discontinued, sold or held for sale								
Net profit/(loss)	**31,387**	**46,415**	**(92)**	**832**	**(2,069)**	**22,772**		**99,245**
Non-controlling interests	2,812	380	**(20)**					3,172
Net profit/(loss) attributable to owners of the company	**28,576**	**46,035**	**(72)**	**832**	**(2,069)**	**22,772**		**96,075**

Pro forma income statement for the year ended 31 December 2012 (12 months)

In thousands of euros	Korian 31/12/2012 Reported	Medica 31/12/2012 reported in Korian format	Curanum 31/12/2012 in Korian format	SLG 31/12/2012 in Korian format	Psychiatric care 31/12/2012	Reclassifications and adjustments		TOTAL *pro forma* 31/12/2012
Revenue	1,108,357	718,588	288,772	182,583	(46,341)			2,251,959
Other income								
Operating revenue	**1,108,357**	**718,588**	**288,772**	**182,583**	**(46,341)**			**2,251,959**
Purchases used in the business	(70,604)	(37,545)	(29,579)	(17,066)	2,404			(152,390)
Personnel expenses	(531,153)	(329,360)	(146,815)	(99,162)	23,995			(1,082,495)
External expenses	(325,367)	(201,248)	(76,250)	(46,022)	8,960	(2,700)		(642,627)
Income and other taxes	(44,240)	(36,194)	(4,989)	(648)	3,779	2,700		(79,591)
Depreciation and amortisation	(44,686)	(27,511)	(13,495)	(5,030)	1,964			(88,758)
Gain/(loss) on acquisition and disposal of consolidated entities	(40)							(40)
Other operating income and expenses	(5,571)	11,138	103	(1,394)	191			4,468
OPERATING PROFIT	**86,696**	**97,868**	**17,747**	**13,262**	**(5,047)**	**0**		**210,525**
Financial expense	(31,862)	(18,703)	(11,666)	(5,015)	483	420	*(d)*	(66,343)
Financial income	97							97
Cost of gross debt	**(31,766)**	**(18,703)**	**(11,666)**	**(5,015)**	**483**	**420**		**(66,247)**
Income from cash and cash equivalents	40	27	353	60				480
Cost of net debt	**(31,726)**	**(18,676)**	**(11,313)**	**(4,955)**	**483**	**420**		**(65,767)**
Other financial expense	(2,926)	(1,461)	(1,295)	(584)				(6,266)
Other financial income	652	817	73	62				1,604
Profit/(loss) before tax	**52,697**	**78,548**	**5,212**	**7,784**	**(4,564)**	**420**		**140,096**
Income tax	(26,833)	(32,154)	(1,035)	(1,933)	2,261	(122)		(59,816)
Profit/(loss) of consolidated companies	**25,864**	**46,394**	**4,177**	**5,851**	**(2,304)**	**297**		**80,280**
Group share of profit/(loss) of associates	(14)	132				0		118
Net profit/(loss) from continuing operations	**25,850**	**46,526**	**4,177**	**5,851**	**(2,304)**	**297**		**80,398**
Net profit/(loss) from operations discontinued, sold or held for sale	0	0						
Net profit/(loss)	**25,850**	**46,526**	**4,177**	**5,851**	**(2,304)**	**297**		**80,398**
Non-controlling interests	2,577	215	14					2,806
Net profit/(loss) attributable to owners of the company	**23,274**	**46,311**	**4,163**	**5,851**	**(2,304)**	**297**		**77,592**

***Pro forma* consolidated statement of financial position for the year ended 31 December 2013**

In thousands of euros	Korian 31/12/2013 Reported	Medica 31/12/2013 in Korian format	Takeover		Total *pro forma* 31/12/2013
Goodwill	748,713	604,800	451,271	*(c)*	1,804,784
Intangible assets	669,886	698,996			1,368,882
Property, plant and equipment	556,842	467,362			1,024,204
Non-current financial assets	13,588	20,726			34,314
Shares in associates					
Deferred tax assets	58,120	2,664			60,784
Non-current assets	**2,047,149**	**1,794,548**	**451,271**		**4,292,968**
Inventories	4,280	3,200			7,480
Trade receivables	88,361	78,119			166,480
Other receivables and current assets	135,543	73,721			209,264
Financial instruments - assets	35	770			805
Cash and cash equivalents	51,933	91,349			143,282
Current assets	**280,152**	**247,158**			**527,310**
Assets held for sale	721	27,701			28,422
Total assets	**2,328,022**	**2,069,408**	**451,271**		**4,848,701**

In thousands of euros	Korian 31/12/2013 Reported	Medica 31/12/2013 in Korian format	Takeover		Total *pro forma* 31/12/2013
Share capital	174,198	18,653	199,093	*(b)*	391,944
Premiums	293,419	482,493	447,284		1,223,195
Consolidated earnings and retained earnings	278,286	195,106	(195,106)		278,286
Equity attributable to owners of the company	**745,903**	**696,252**	**451,271**		**1,893,426**
Non-controlling interests	22,716	6,573			29,289
Total equity	**768,619**	**702,825**	**451,271**		**1,922,715**
Provisions for retirement benefits	23,324	7,719			31,043
Deferred taxes	245,942	264,758			510,700
Other provisions	14,411	23,443			37,854
Borrowings	713,576	643,280			1,356,856
Other non-current liabilities		30,190			30,190
Non-current liabilities	**997,251**	**969,390**			**1,966,641**
Provisions for liabilities due in less than 1 year	7,260	15			7,275
Trade payables	135,851	104,280			240,131
Other payables and accruals	321,721	162,083			483,804
Borrowings due in less than 1 year and bank overdrafts	59,306	103,448			162,754
Financial instruments - liabilities	38,014	4,413			42,427
Current liabilities	**562,152**	**374,239**			**936,391**
Liabilities held for sale		22,955			22,955
Total liabilities	**2,328,022**	**2,069,408**	**451,271**		**4,848,701**

The reclassifications performed to present Medica's published financial statement in the Korian format are set out in the paragraph below, "Reclassifications".

Selected *pro forma* financial information

In millions of euros	TOTAL *pro forma* 31/12/2013	TOTAL *pro forma* 31/12/2012
Revenue	**2,375.8**	**2,252.0**
Purchases and external expenses	(502.5)	(492.2)
Personnel expenses	(1,137.9)	(1,082.5)
Income and other taxes	(84.5)	(79.6)
Other income and expenses	3.8	3.4
EBITDAR	**654.8**	**601.1**
EBITDAR margin	*27.6%*	*26.7%*
External rents	(320.2)	(300.7)
EBITDA	**334.6**	**300.4**
EBITDA margin	*14.1%*	*13.3%*
Net depreciation, amortisation and provisions	(102.1)	(88.8)
EBIT (operating income)	**232.5**	**211.6**
Other non-current income and expenses	(1.6)	(1.1)
Operating profit	**230.9**	**210.5**
Financial income	(71.0)	(70.4)
Profit/(loss) before tax	**159.9**	**140.1**
Taxes	(62.9)	(59.8)
Group share of profit/(loss) of associates	2.2	0.1
Net profit/(loss)	**99.2**	**80.4**

Explanatory note to the *pro forma* financial information

- Description of the transaction

The *pro forma* financial information has been prepared in accordance with the terms and conditions of the merger described in the prospectus bearing on the merger between Korian and Medica (*fusion-absorption de Medica par Korian*) filed on 5 February 2014.

- Scope of consolidation and historical data used

The *pro forma* financial information has been prepared on the basis of:

- the consolidated financial statements of Korian for the year ended 31 December 2013, audited by the Statutory Auditors;
- the consolidated financial statements of Medica for the year ended 31 December 2013, audited by the Statutory Auditors;
- the consolidated financial statements of Korian for the year ended 31 December 2012, audited and certified by the Statutory Auditors;
- the consolidated financial statements of Medica for the year ended 31 December 2012, audited and certified by the Statutory Auditors;
- contributory data of the companies housed in Korian's psychiatric care division for the years ended 31 December 2013 and 31 December 2012;
- contributory data of the Curanum group for January and February 2013;
- the consolidated financial statements of Curanum for the year ended 31 December 2012, audited and certified by the Statutory Auditors;
- the consolidated audited data of SLG for the year ended 31 December 2013;
- the consolidated audited data of SLG for the year ended 31 December 2012.

- Accounting policies and methods

The accounting policies applied in preparing the *pro forma* financial information are described in the notes to the consolidated financial statements of Korian for the year ended 31 December 2013.

However, due to the lack of information available, it is possible that certain accounting policies applied by the Medica, Curanum and SLG groups when preparing their consolidated financial statements differ from those used by Korian, and have not been the object of harmonisation in the *pro forma* financial information.

- Changes in scope

In addition to the merger between Medica and Korian, the *pro forma* financial information reflects the impact of changes in the scope of consolidation within each of the two groups between 1 January 2012 and the date of the *pro forma* financial statements.

These changes in scope are:

- the takeover of Curanum by Korian on 1 March 2013;
- the takeover of SLG by Medica on 30 September 2013;
- the disposal of the facilities of the psychiatric care division of Korian in 2013.

The consolidation and deconsolidation of individual long-term care and post-acute and psychiatric care facilities by Korian, Medica, Curanum and SLG in 2012 and 2013 were not treated as changes in the scope of consolidation, and as such were not subject to specific adjustments in the preparation of the *pro forma* financial information.

Takeover of Curanum by Korian

On 1 March 2013, Korian completed the acquisition of Curanum, a leading private operator in dependency care in Germany.

The Curanum goodwill determined on consolidation of this group is disclosed in Korian's annual financial information for 2013.

Takeover of SLG by Medica

On 30 September 2013, Medica finalised the acquisition of Senior Living Group (SLG), a leading private operator in dependency care in Belgium.

The SLG goodwill determined on consolidation of this group is disclosed in Medica's annual financial information for 2013.

Merger between the Medica and Korian groups

The merger between the Medica and Korian groups is a business combination, and as such falls within the scope of IFRS 3R. Korian was deemed to be the acquirer in this transaction.

The acquisition cost of the takeover of Medica by Korian was determined on the following basis.

Number of Medica shares tendered	47,904,186
Exchange ratio (10 K shares for 11 M shares)*	0.9
Number of Korian shares to be issued in consideration for Medica shares tendered	43,549,260
Purchase price (in thousands of euros)	**1,147,523**

**as per the merger agreement*

The acquisition price was measured at fair value based on the quoted price of the Korian securities issued in consideration for the business combination at the acquisition date, i.e. the closing price on 18 March 2014, which was €26.35.

The provisional goodwill disclosed in the *pro forma*

financial information has been determined based on the consolidated net assets of the Medica group at 31 December 2013.

In thousands of euros	
Consolidated net assets of Medica at 31 December 2013	696,252
Cancellation of existing goodwill	(604,800)
Value of net assets acquired	**91,452**
Purchase price	1,147,523
Provisional goodwill (before allocation)	**1,056,071**

The goodwill shown above is based on the assumptions used in the preparation of the *pro forma* financial information and before allocation of the purchase price to the identifiable assets and liabilities. It does not reflect the goodwill that will be disclosed in the consolidated financial statements of Korian prepared subsequent to the transaction, insofar as it will be determined on the basis of data at the closing date of the transaction.

Disposal of facilities housed in Korian's psychiatric care division

The contribution to Korian's income statement made by psychiatric facilities sold in 2013 was cancelled in the *pro forma* financial information, as was the gain or loss resulting from said disposals.

These psychiatric facilities represented revenue of €27 million in 2013 and €46 million in 2012.

Goodwill

The goodwill disclosed in the *pro forma* financial information comprises the following items.

In thousands of euros	
Goodwill presented in the consolidated financial statements of Korian for the year ended 31 December 2013	748,713
Recognition of provisional goodwill related to the takeover of Medica	1,056,071
Goodwill disclosed in the *pro forma* financial information	**1,804,784**

- Reclassifications and adjustments
- Adjustments

The main adjustments made to the *pro forma* balance sheet and income statement are as follows.

Cancellation of costs related to significant business combinations

Acquisition costs expensed in relation to changes in the scope of consolidation deemed to have been made on 1 January 2012 were cancelled in the *pro forma* income statement under "Gain/(loss) on acquisition and disposal of consolidated entities". These costs cover:

- the acquisition of Curanum by Korian in the first half of 2013 in the amount of €3.8 million;
- the acquisition of SLG by Medica in September 2013 in the amount of €3.6 million.

Costs relating to the merger between Curanum and Phönix and their restructuring, as well as costs incurred in the second half of 2013 by Medica and Korian as part of their merger, were also cancelled in the *pro forma* income statement under "Other operating income and expenses" in a total amount of €21.9 million.

Capital increase of Korian

The capital increase on the takeover of Medica by Korian having been completed through the issuance of Korian shares to Medica shareholders, the capital increase of Korian subsequent to this transaction was deemed to have been performed on 1 January 2012 in a total amount of €1,147 million, breaking down as a merger premium of €930 million and a capital increase of €217 million.

The "Share capital" line of the statement of financial position at 31 December 2013 breaks down as follows.

In thousands of euros	
Cancellation of existing share capital in the consolidated accounts of Medica	(18,653)
Capital increase of Korian related to the takeover of Medica	217,746
Capital increase of Korian net of the cancellation of Medica share capital	**199,093**

Recognition of goodwill

Goodwill related to the takeover of Medica was recognised in a total amount of €1,056 million. Goodwill already existing in the consolidated financial statements of Medica was cancelled.
The impact of the takeover on the "Goodwill" line of the statement of financial position at 31 December 2013 breaks down as follows.

In thousands of euros	
Cancellation of existing goodwill in the consolidated financial statements of Medica	(604,800)
Recognition of provisional goodwill related to the takeover of Medica	1,056,071
Adjustment of goodwill related to the takeover	**451,271**

Restatement of financial results

Cash received in consideration for the sale of psychiatric facilities enabled the Korian Group to repay a portion of its credit facility. The effect of the saving in interest expense related to the reimbursement is reflected in the *pro forma* financial information. The saving was €1.4 million in 2012 and €0.7 million in 2013.

Moreover, for the preparation of the *pro forma* financial information, interest expense on financial liabilities incurred for the acquisition of the constituent companies of the new group at 31 December 2013 was recalculated to represent the full-year financial expense in 2012 and 2013. The same principle was applied to the financial liabilities of acquired companies, restructured after the takeover, the historical interest expense related to this debt being cancelled and replaced by the new interest expense.

Adjustments made in this regard are as follows.

- The takeover of Curanum by Korian was financed by two loans taken out in December 2012. Interest on this debt for 2012 was included in the interest expense disclosed in the *pro forma* 2012 income statement. It amounted to €2.6 million.
- The takeover of SLG Medica was financed by drawing on a €150 million credit facility on 30 September 2013. Interest on this debt for 2012 and the first nine months of 2013 was included in the interest expense disclosed in the *pro forma* 2012 income statement. It amounted to €3.4 million and €2.6 million respectively.

Following the takeover of SLG by Medica, an intragroup loan in a nominal amount of €79.3 million was implemented by Medica in favour of SLG. This loan allowed the prepayment by SLG of its outstanding

borrowings in a total amount of €78.5 million. Interest on these loans has therefore been cancelled in the *pro forma* results for 2012 and 2013. The ensuing gains amounted to €5 million and €3.6 million respectively.

The taking into account of these effects and of the saving on interest expense described in the previous paragraph in relation to the sale of the psychiatric facilities led to overall net positive adjustments of €0.4 million on the *pro forma* 2012 income statement and €1.7 million on the *pro forma* 2013 income statement.

Adjustments relating to SLG

Goodwill impairment expense was cancelled in the 2012 income statement in the amount of €6.2 million and for the first nine months of 2013 in the amount of €4.3 million.

Tax effect

The tax effect related to adjustments made in the preparation of the *pro forma* financial information was calculated based on a tax rate of 38% for French entities, and an overall tax rate including the exceptional contribution of 10.7%.

Elimination of intercompany transactions

None

- Reclassifications

Reclassifications on the Curanum income statement

Reclassifications were made on the Curanum income statement to make it consistent with the presentation by type used in the Korian income statement.

Reclassifications on the Medica balance sheet and consolidated income statement

Reclassifications were made on the Medica income statement and balance sheet to make them consistent with the presentation by type used in the Korian income statement. These reclassifications relate primarily to the combination on a single line of “Other operating expenses” and “Other operating income” under “Other operating income and expenses”. The same presentation has been adopted for financial items.

Income statement for the years ended 31 December 2013 and 31 December 2012

In thousands of euros	Medica 31/12/2013	Reclassifications	Medica 31/12/2013 in Korian format	*In thousands of euros*
Revenue	834,115		834,115	Revenue
			0	Other income
Revenue	**834,115**		**834,115**	**Operating revenue**
Purchases used in the business	(47,849)		(47,849)	Purchases used in the business
Personnel expenses	(388,557)		(388,557)	Personnel expenses
External expenses	(225,372)		(225,372)	External expenses
Income and other taxes	(39,868)		(39,868)	Income and other taxes
Other operating expenses	(2,819)	2,819		
Other operating income	7,844	(7,844)		
EBITDA	**137,496**	**(5,025)**		
Depreciation and amortisation	(30,111)	(3,780)	(33,891)	Depreciation and amortisation
Impairment losses and provisions	(3,780)	3,780		
EBIT	**103,605**	**(5,025)**		
Gain/(loss) on acquisition and disposal of consolidated entities		6,138	6,138	Gain/(loss) on acquisition and disposal of consolidated entities
Other operating expenses	(37,692)	29,996	(7,694)	Other operating income and expenses
Other operating income	31,109	(31,109)		
OPERATING PROFIT	**97,022**		**97,022**	**OPERATING PROFIT**
Financial expense	(23,578)	2,238	(21,340)	Financial expense
Financial income	1,432	(1,432)		Financial income
Financial income/(expense)	**(22,146)**	**806**	**(21,340)**	**Cost of gross debt**
		49	49	Income from cash and cash equivalents
		855	**(21,291)**	**Cost of net debt**
		(2,238)	(2,238)	Other financial expense
		1,383	1,383	Other financial income
Profit/(loss) before tax	**74,876**		**74,876**	**Profit/(loss) before tax**
Income tax (expense)/income	(30,694)		(30,694)	Income tax
Profit/(loss) after tax	**44,182**		**44,182**	**Profit/(loss) of consolidated companies**
Profit/(loss) of associates	2,233		2,233	Group share of profit/(loss) of associates
Net profit/(loss)	**46,415**		**46,415**	**Net profit/(loss) from continuing operations**
				Net profit/(loss) from operations discontinued, sold or held for sale
			46,415	**Net profit/(loss)**

In thousands of euros	Medica 31/12/2012 reported	Reclassifications	Medica 31/12/2012 in Korian format	*In thousands of euros*
Revenue	718,588		718,588	Revenue
				Other income
Revenue	**718,588**		**718,588**	**Operating revenue**
Purchases used in the business	(37,545)		(37,545)	Purchases used in the business
Personnel expenses	(329,360)		(329,360)	Personnel expenses
External expenses	(201,248)		(201,248)	External expenses
Income and other taxes	(36,194)		(36,194)	Income and other taxes
Other operating expenses	(2,344)	2,344		
Other operating income	6,669	(6,669)		
EBITDA	**118,566**	**(4,325)**		
Depreciation and amortisation	(25,329)	(2,182)	(27,511)	Depreciation and amortisation
Impairment losses and provisions	(2,182)	2,182		
EBIT	**91,055**	**(4,325)**		
Gain/(loss) on acquisition and disposal of consolidated entities				Gain/(loss) on acquisition and disposal of consolidated entities
Other operating expenses	(74,778)	85,916	11,138	Other operating income and expenses
Other operating income	81,591	(81,591)		
OPERATING PROFIT	**97,868**		**97,868**	**OPERATING PROFIT**
Financial expense	(20,163)	1,460	(18,703)	Financial expense
Financial income	844	(844)	0	Financial income
Financial income/(expense)	**(19,320)**	**616**	**(18,703)**	**Cost of gross debt**
		27	27	Income from cash and cash equivalents
		643	**(18,676)**	**Cost of net debt**
		(1,460)	(1,460)	Other financial expense
		817	817	Other financial income
Profit/(loss) before tax	**78,548**		**78,548**	**Profit/(loss) before tax**
Income tax (expense)/income	(32,154)		(32,154)	Income tax
Profit/(loss) after tax	**46,394**		**46,394**	**Profit/(loss) of consolidated companies**
Profit/(loss) of associates	132		132	Group share of profit/(loss) of associates
Net profit/(loss)	**46,526**		**46,526**	**Net profit/(loss) from continuing operations**
				Net profit/(loss) from operations discontinued, sold or held for sale
			46,526	**Net profit/(loss)**

Consolidated statement of financial position for the year ended 31 December 2013

In thousands of euros	Medica 31/12/2013	Reclassifications	Medica 31/12/2013 in Korian format	*In thousands of euros*
Goodwill	604,800		604,800	Goodwill
Intangible assets	698,996		698,996	Intangible assets
Property, plant and equipment	467,362		467,362	Property, plant and equipment
		20,726	20,726	Non-current financial assets
Shares in associates				Shares in associates
Deferred tax assets	2,664		2,664	Deferred tax assets
Other financial assets	19,718	(19,718)		
Available-for-sale assets	342	(342)		
Other non-current assets	666	(666)		
Derivative financial instruments	770	(770)		
Non-current assets	**1,795,318**	**(770)**	**1,794,548**	**Non-current assets**
Inventory and work-in-progress	3,200		3,200	Inventories
Trade receivables	78,119		78,119	Trade receivables
		73,720	73,720	Other receivables and current assets
Tax assets	6,320	(6,320)		
Other receivables	57,591	(57,591)		
Other current assets	9,809	(9,809)		
		770	770	Financial instruments - assets
Cash and cash equivalents	91,349		91,349	Cash and cash equivalents
Current assets	**246,388**	**770**	**247,158**	**Current assets**
Assets held for sale	27,701		27,701	Assets held for sale
Total assets	**2,069,408**		**2,069,408**	**Total assets**

In thousands of euros	Medica 31/12/2013	Reclassifications	Medica 31/12/2013 in Korian format	*In thousands of euros*
Share capital	18,653		18,653	Share capital
Premiums	482,493		482,493	Premiums
Consolidated earnings and retained earnings	195,106		195,106	Consolidated earnings and retained earnings
Equity attributable to owners of the company	**696,252**		**696,252**	**Equity attributable to owners of the company**
Non-controlling interests	6,573		6,573	Non-controlling interests
Total equity	**702,825**		**702,825**	**Total equity**
Employee benefit obligations	7,719		7,719	Provisions for retirement benefits
Deferred taxes	264,758		264,758	Deferred taxes
Other provisions	23,443		23,443	Other provisions
Financial liabilities	643,280		643,280	Borrowings
Other non-current liabilities	30,191		30,191	Other non-current liabilities
Non-current liabilities	**969,390**		**969,390**	**Non-current liabilities**
Employee benefit obligations				
Other provisions	15		15	Provisions for liabilities due in less than one year
Trade payables	104,280		104,280	Trade payables
		162,084	162,084	Other payables and accruals
Financial liabilities	103,447		103,447	Borrowings due in less than one year and bank overdrafts
Other payables	154,006	(154,006)		
Tax liabilities	8,078	(8,078)		
Derivative financial instruments	4,413		4,413	Financial instruments - liabilities
Current liabilities	**374,239**		**374,239**	**Current liabilities**
Liabilities held for sale	22,955		22,955	Liabilities held for sale
Total liabilities	**2,069,408**		**2,069,408**	**Total liabilities**

7.2. Report of the Statutory Auditors on the *pro forma* financial information

To the Chief Executive Officer,

In our capacity as Statutory Auditors, and pursuant to Regulation (EC) No. 809/2004, we hereby report on the pro-forma financial information of Korian-Medica for the period from 1 January to 31 December 2013 and the period from 1 January to 31 December 2012, as included in part 7 of the registration document.

This pro-forma financial information has been prepared solely for the purpose of illustrating the effect that the merger between Korian and Medica (*fusion-absorption de Medica par Korian*) would have had on the balance sheet and income statement of Korian for the years ended 31 December 2013 and 2012 if the transaction had taken effect on 1 January 2012. By their very nature, they describe a hypothetical situation, and are not necessarily indicative of the financial position or performance that would have been recorded if the transaction or event had taken place before the actual or planned date.

This pro-forma financial information has been prepared under your responsibility pursuant to the provisions of Regulation (EC) No. 809/2004 and the ESMA recommendations on pro-forma financial information.

It is our responsibility, based on our work, to express a conclusion in the terms required by Annex II item 7 of Regulation (EC) No. 809/2004 on the proper compilation of the pro-forma financial information.

We performed the procedures we deemed necessary in accordance with the professional standards of the national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures, which do not involve a review of the financial information underlying the preparation of the pro-forma financial information, consisted primarily in verifying that the bases from which this pro-forma financial information was prepared were consistent with the source documents described in the notes to the pro-forma financial information, considering the evidence supporting the pro-forma adjustments and meeting with the management of Korian-Medica to gather the information and explanations we deemed necessary.

We conclude that:

- the pro-forma financial information has been properly compiled on the stated basis;
- such basis is consistent with Korian-Medica's accountingpolicies.

This report is issued solely for the purpose of the filing of the registration document with the AMF, and may not be used for any other purpose.

Courbevoie and Paris-La Défense, 28 April 2014

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
(*French original signed by*)	(*French original signed by*)
Manuela Baudoin-Revert	Benoit Gillet

CHAPTER 8. INFORMATION ON THE COMPANY AND THE SHARE CAPITAL

When reading this chapter, please note that it refers to the Korian - Medica Group.

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8.1. BYLAWS AND ARTICLES OF ASSOCIATION

As a result of the Merger, the information below describes the Company's operating procedures since that date. The Company's operating procedures prior to 18 March 2014 are described on pages 162 to 170 of the Company's 2012 Registration Document, which can be viewed on Korian's website (**www.groupe-korian.com**) and on the website of the French Financial Markets Authority, the AMF (**www.amf-france.org**).

8.1.1. Corporate purpose

Article 3 of the bylaws states that the corporate purpose of Korian, now Korian - Medica, 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, follow-up 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".*

8.1.2. Administrative and management bodies

The bylaws contain the following clauses pertaining to the Board of Directors and Executive 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 two-thirds 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 thirds. 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 three (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 one third (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 in attendance 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 monitors its implementation. 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 which 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".

- **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 sixty-five (65). The Chief Executive Officer is considered to have automatically resigned after the first 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 Chief Operating 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.

Chief Operating Officers must be no older than sixty-five (65). A Chief Operating Officer is considered to have automatically resigned after the first meeting of the Board of Directors following his or her 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 one-third 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".

8.1.3. Rights attached to each share

Article 7 of the Company's bylaws stipulates that:

"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 one twentieth (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 of the Company's bylaws stipulates that:

"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).

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".

8.1.4. Convening of and conditions for admission to annual and extraordinary shareholder's meetings

Article 15.1 of the Company's bylaws stipulates that:

"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 two 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".

8.1.5. Declarations made when thresholds are crossed

Article 8 of the Company's bylaws stipulates that:

"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".

8.2. ALLOCATION OF THE SHARE CAPITAL

At 31 December 2013, Korian's share capital was divided into 34,839,613 shares, with a par value of €5 each.

Each share carries one vote at annual shareholders' meetings. No double voting rights exist.

The change in the distribution of the share capital between 31 December 2011 and 31 December 2013 is shown in the table below.

	31 December 2013			31 December 2012			31 December 2011		
Shareholders	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Predica	11,059,441	31.74%	31.74%	10,651,094	31.29%	31.29%	10,098,749	30.87%	30.87%
Batipart Invest, Novaé	8,447,223	24.25%	24.25%	8,317,548	24.43%	24.43%	7,886,221	24.10%	24.10%
Groupe Malakoff Médéric	5,032,046	14.44%	14.44%	4,846,249	14.24%	14.24%	4,594,932	14.04%	14.04%
MACSF	3,320,806	9.76%	9.76%	3,320,806	9.76%	9.76%	3,320,806	10.15%	10.15%
ACM VIE	3,265,627	9.59%	9.59%	3,265,627	9.59%	9.59%	3,265,627	9.98%	9.98%
Floating	3,714,470	10.67%	10.67%	3,639,503	10.69%	10.69%	3,352,426	10.86%	10.86%
Total	**34,839,613**	**100%**	**100%**	**34,040,828**	**100%**	**100%**	**32,718,761**	**100%**	**100%**

To the best of the Company's knowledge, no other shareholder held more than 5% of the share capital or voting rights.

It should further be noted that, 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 two 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 plan (*fonds commun de placement d'entreprise* or FCPE) held 94,095 Korian shares at 31 December 2013.

The disclosures made in 2013 by Korian's shareholders in relation to thresholds being crossed are available on the AMF's website (www.amf-france.org).

A shareholders' agreement signed by Batipart and Médéric Assurances on 15 September 2008 was disclosed to the AMF (AMF notice No. 208C1778 dated 30 September 2008). Two amendments were made to this

agreement on 17 November 2008 and published by the AMF (AMF notice No. 208C2139 of 2 December 2008). To the best of the Company's knowledge, this agreement does not constitute a joint action.

Since the Merger, and on the date this Registration Document was compiled, the share capital of Korian - Medica amounted to €391,944,365, divided into 78,388,873 shares, each with a par value of €5.

The distribution of the share capital of Korian - Medica on the date this Registration Document was compiled is shown in the table below.

Shareholders	Number of shares	% of share capital	% of voting rights
Groupe Crédit Agricole Assurances, Predica	15,976,403	20.4%	20.4%
Groupe Batipart Invest, Novae	12,566,541	16.0%	16.0%
Groupe Covéa	9,934,881	12.7%	12.7%
Groupe Malakoff Médéric	5,032,047	6.4%	6.4%
ACM VIE	3,927,897	5.0%	5.0%
Floating	30,951,104	39.5%	39.5%
Total	**78,388,873**	**100%**	**100%**

As part of the Merger process, the following shareholders made threshold crossing disclosures to the AMF[42].

Disclosures made by	Date	Type	Number of shares/voting rights[(2)]	Percentage of share capital and voting rights[(1)(2)]	AMF notice
Entities affiliated with the insurance company Mutuelles Covea (Covea Coopérations)	25/03/2014	Increase	9,934,881	12.68%	**214C0449**
Groupe Batipart[(3)]	25/03/2014	Decrease	12,566,541	16.03%	**214C0452**
ACM Vie[(4)]	27/03/2014	Decrease	3,927,897	5.01%	**214C0465**
Malakoff Médéric Assurances and Malakoff Médéric Prévoyance[(5)]	27/03/2014	Decrease	5,032,047	6.42%	**214C0461**
Prédica[(6)]	28/03/2014	Decrease	15,976,403	20.38%	**214C0477**

(1) Based on the information communicated by the Company, pursuant to the provisions of Article L. 233-8 of the French Commercial Code and Article L. 223-16 of the AMF's 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's 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 bylaws do not provide for double voting rights.

(3) Comprising Batipart Invest, a company governed by Luxembourg law (formerly known as Monroe) controlled by the Ruggieri family and Novaé SAS, a company controlled by Batipart SAS, which is itself controlled by the Ruggieri family.

(4) Controlled by Groupe des Assurances du Crédit Mutuel.

(5) Subsidiaries of the Malakoff Médéric Group.

(6) Subsidiary of the Crédit Agricole Group.

[42] The full text of these disclosures can be consulted on the AMF's website (www.amf-france.org).

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9.1. PERSON RESPONSIBLE FOR THE INFORMATION PROVIDED

Person responsible for the Registration Document: Yann Coléou, Chief Executive Officer.

9.2. 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 2013 is included in Section 5.2. It contains an observation drawing the reader's attention to note 1.25 "Operating segments", which sets forth a change to the way in which operating segments are presented, and note 1.16 "Employee benefits", concerning the impact of the application of the amendment to IAS 19 on the defined benefit scheme".

Paris, 30 April 2014

Yann Coléou

Chief Executive Officer

9.3. ENTITIES RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

Statutory Auditors

Name	Date first appointed/renewed	Date appointment ended
Mazars Tour Exaltis 61, rue Henri Regnault 92400 La Courbevoie	30 June 2009	31 December 2014
Ernst & Young et Autres Tour First 1, place des Saisons 92037 Paris La Défense	23 June 2011	31 December 2016

Alternate Statutory Auditors

Name	Date first appointed/renewed	Date appointment ended
Alternative to Mazars Cyrille Brouard Exaltis 61, rue Henri Regnault 92400 Courbevoie	30 June 2009	31 December 2014
Alternative to Ernst & Young Cabinet Auditex Tour Ernst & Young Faubourg de l'Arche 92037 Paris La Défense Cedex	23 June 2011	31 December 2016

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10.1. 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 2, and the consolidated financial statements and corresponding statutory auditors' reports as presented on pages 84 to 136 of the Registration Document for the 2012 financial year, filed with the AMF on 24 April 2013 under No. D. 13-0422;
- the key figures given on page 3, and the consolidated financial statements and corresponding statutory auditors' reports as presented on pages 88 to 140 of the Registration Document for the 2011 financial year, filed with the AMF on 24 April 2012 under No. D. 12-0395.

10.2. 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 the Registration Document remains valid, the Company's Articles of Association and bylaws, together with its consolidated and corporate financial statements, can be consulted in electronic format (http://www.groupe-korian.com/finance2). Press releases can also be accessed on the Company's website.

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.

Date	Purpose	Place of consultation
6 February 2013	2012 annual revenue	www.groupe-korian.com
8 March 2013	Successful takeover of Curanum	www.groupe-korian.com
27 March 2013	2012 annual results	www.groupe-korian.com
3 April 2013	Proposed sale of the psychiatry division	www.groupe-korian.com
15 May 2013	Turnover for the first quarter of 2013	www.groupe-korian.com
17 July 2013	Business activity in the first half of 2013	www.groupe-korian.com
31 July 2013	Strengthening the Group's financial structure	www.groupe-korian.com
11 September 2013	2013 half-year earnings	www.groupe-korian.com
6 November 2013	Revenue for the third quarter of 2013	www.groupe-korian.com
18 November 2013	Proposed merger of Korian & Medica	www.groupe-korian.com
23 January 2014	Signature of the Korian - Medica merger agreement	www.groupe-korian.com
30 January 2014	Change to the 2013 annual revenue publication schedule	www.groupe-korian.com
31 January 2014	Half-yearly liquidity contract report	www.groupe-korian.com
3 February 2014	2013 full-year revenue	www.groupe-korian.com
24 February 2014	Availability of preparatory documents for the AGM of 18 March 2014	www.groupe-korian.com
18 March 2014	Completion of the merger of Korian and Medica	www.groupe-korian.com
19 March 2014	Amendment to the liquidity contract	www.groupe-korian.com
27 March 2014	2013 annual results	www.groupe-korian.com

The table below contains a definition of the terms and acronyms specific to the post-acute and psychiatric and medical-social sectors that are used in this Registration Document.

The French agency for the assessment of the quality of social and medical-social facilities and services (ANESM)	An 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 ANSEM provides referrals, procedures and recommendations of professional good practice. L'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 to elderly over 60-year persons who require help to accomplish essentials activities ofdaily life .
Feedback order (RETEX order)	An 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 same budget all of the healthcare operators, from hospitals to home care.
Multi-resistant bacteria (MRB)	Bacteria that has 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 this bacteria..
Best 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 Korian employees as part of their specific training, and has been developed since January 2011.
Socio-professional category (CSP)	Statistical nomenclature that classifies occupations.
***Centre de coordination de la lutte contre les Infections nosocomiales* (Coordination Centre for the Campaign Against Nosocomial Infections - CCLIN)**	An expertise and consulting authority in charge of participating in the implementation of the national program to fight against nosocomial infections in each inter-region, by raising awareness in healthcare facilities.
Post-acute and rehabilitation care clinics (SSR clinics)	Clinics in which patients are hospitalised for a mediumor a 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.
Committee for the Campaign Against Nosocomial Infections (CLIN)	Each hospital facility has a CLIN that is responsible for defining the prevention policy for nosocomial infections and coordinating the implementation of this policy. It is composed of various categories of staff, including medical professional representatives (physicians and pharmacists), para-medical professionals (care or medical-technical), administrative representatives, including the director, and a representative of the users.
Steering committee/Healthcare risk management and supervision committee (COPIL/COVIRIS)	A committee that coordinates all of the management system of existing risks, identifies risks in theory and in retrospect and analyses them, defines action priorities and monitors their implementation, assesses their efficiency and raises awareness among the facility's professionals.
French accreditation committee (COFRAC)	An organisation whose purpose is to provide accreditation to private organisations or laboratories dependent upon the public authority.
Gerontological Coordination Commission (CCG)	A pillar of efficient inter-disciplinary and inter-professional coordination, this authority is a place for exchange, dialogue, training and project monitoring for a long-term care facility.

User Relations and Dependency Care Quality Commission (CRUQ-PC)	An authority whose main purpose is to monitor respect for users' rights and facilitate their processes so that they can express their difficulties.
Medication and Sterile Medical Devices Commission (COMEDIMS)	An authority whose purpose is to help define the facility's medication and sterile medical devices policy and to combat iatrogenic illnesses due to medications or medical devices. It draws up the list of medications and medical devices recommended for use in the facility and makes recommendations on the medications and on the use of medical devices through assessments carried out by the medical care teams.
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 resources contracts (MYTRC)	A contract through which a healthcare facility commits, to the public authorities for a multi-year period, to an action plan 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 pertaining to working conditions and social guarantees, signed between the employee representatives and employers' organisations.
Infectious medical waste associated with healthcare activities (IMW)	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.
Department of Ethics, Medical Policy and Quality (DEMQ)	A department within the Group that **develops a facility's medical** policy, after consulting the facility's medical board, and submits it to the relevant authorities. It manages several processes (cross-entity programs, clinic itineraries, etc.) aiming to improve the clinic's organisation and facilitate the patients' trajectories.
Departmental Directorate for the Protection of Populations (DDPP)	An organisation which 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 of the department's prefect, the DDASSs are responsible for implementing healthcare, medical-social and social policies in the department, as defined by the public authorities. Therefore, 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); – inspect the documents of the local and regional authorities.
Information Systems Division (ISD)	A Group department which 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.

Electrical Failure Risk Analysis Document (DARDE)	A document which 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)	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.
Computerised patient file (DPI)	In the 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.
Computerised resident file (DRI)	In the 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)	A file compiled by the property owners putting communal residential buildings up for sale which were built before the date that asbestos was banned from use in the construction sector (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.
French Individual training entitlements Droit individuel à la formation - DIF)	A system intended to enable senior employees of the company to receive professional taken either during or outside working hours.
Domestic hot water (DHW)	Necessary water for the hygiene needs of the individual in his/her home and workplace.
Operational hygiene teams (EOH)	A team composed in particular 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, etc.), monitoring indicators and consumption of mild soap (hand washing) and antibiotics.
The French national network for the examination of ethical issues surrounding Alzheimer's disease (EREMA)	An organisation which falls under the 2008-2012 Alzheimer plan adopted by the President of the French Republic. It aims to implement a grassroots policy, making available to those concerned the documents demonstrating shared thoughts on the prevention and treatment of Alzheimer's disease as well as care for people suffering from it.
Evaluation of professional practices (EPP)	An analysis of professional practices with respect to recommendations and according to a method developed or approved by the HAS, which includes the implementation and monitoring of improvement actions.
Nursing home for the dependent elderly (EHPAD)	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.

Facilities open to the public (ERP)	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 (SAE)	Events likely to cause malfunctions 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.
French Private Hospitals Federation (FHP)	An 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 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 Group (GIR)	A national indicator developed to ascertain a person's level of dependency. It classifies individuals into six "iso-resource" groups, according to their level of dependence.
French National Authority for Health (HAS)	A public, scientific and independent organisation, tasked with improving medical quality in France.
Hazard analysis critical control point (HACCP)	A method for identifying and analysing critical points in the catering process.
INAMI	Belgium - Institut National d'Assurance Maladie Invalidité (Belgian statutory national medical insurance association).
Activities management indicators (IPA)	Indicators defined within the context of regional healthcare projects which correspond to (maximum) targeted activity volumes determined for each healthcare region. These indicators allow the public authorities to supervise medical care services in each healthcare region, per healthcare activity. They replace the former OQOS (*see* below).
Composite index of activities to combat nosocomial infections (ICALIN)	An indicator developed to assess the actions taken by facilities to combat nosocomial infections. It is calculated on the basis of standardised assessments of measures taken to combat these infections, per year, per facility. It classifies the facilities into five categories from A (for the most worthy) to E (for those which still need to make efforts to improve).
Rent review index (IRL)	An index published each quarter by the INSEE which forms the basis for rent reviews submitted to the 6 July 1989 law.
Construction Cost Index (ICC)	An 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, etc.), as well as fees, promotional costs and financial expenses. It also does not cover maintenance or improvement operations.
Registered nurse (IDE)	A nurse who plans, organises and dispenses medical care either on his or her own initiative (supportive care, continuity of care) or on medical prescriptions (IV drip, antibiotic treatment, injection, etc.).
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"	The 21 July 2009 Act 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.
Medicine-surgery-obstetrics (MCO)	Used to define facilities providing acute care.

Medizinischer Dienst der Kranlenversicherung **(MDK)**	In the German healthcare system, a regional health insurance service which regulates care services and controls the quality of care at the facility level.
Prior authorisation agreement (MSAP)	A procedure consisting of making the admission of a patient to the hospital contingent upon prior authorisation from the medical service arm of *Assurance Maladie* (social security health insurance) for rehabilitation care currently given on an outpatient basis by private masseur-physiotherapists.
Call for the improvement of the quality of professional practices (MOBIQUAL)	A 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.
National quantified objective (OQN)	Nationally defined each year, this objective relates to activities which are carried out by private healthcare facilities. It consists of the annual amount of charges pertaining to hospital fees for medical care dispensed in the context of his activities during the year and supported by the mandatory health insurance plans. It takes into account, in particular, facility openings and closures. The content of this objective is defined by decree.
Quantified care supply objectives (OQOS)	Objectives which frame the range of medical care services in each healthcare region, by healthcare activity, including alternatives to hospitalisation, and by heavy equipment. They are developed in the MYTRC. This notion disappeared, to be replaced by the IPA.
National Health Insurance Spending Target (ONDAM)	A provisional amount established annually for *Assurance Maladie* health insurance spending in France.
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 nursing homes.
Pflegekasse	A branch of German Social Security that ensures the financing of dependency care.
Business Continuity Plan (PCA)	The PCA is both the name of a concept, a procedure and the document which allows a group (government, local authority, institution, corporation, hospital, etc.) to operate even in the event of a change, whether in degraded mode or in a major crisis.
The National Heatwave Plan (PNC) and the Departmental Heatwave Management Plan (PGCD)	In order to prevent health risks, each year, the Ministry of Social Affairs and Health prepares a heatwave plan. As part of this, monitoring is stepped-up each year between June the 1st and the 31st August. Each heatwave plan includes three 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.
Regional strategic healthcare plans (PSRS)	A project which determines multi-year objectives to be achieved as part of actions led by the ARS in its areas of authority, as well as measures to attain them.
Residenze Sanitarie per Anziani **(RSA)**	An Italian term for retirement homes providing medical care.
Regional quality managers (RQR)	These employees assist the facilities in defining and drafting the management policy as well as planning their quality objectives. They are responsible for the quality policy.
Regional healthcare organisation plans (SROS-PRS)	Outline plans 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.
French Society of Geriatrics and Gerontology (SFGG)	A scientific association created in 1961, which studies all of the issues relating to gerontology and geriatric medicine, i.e. human ageing and senescence, old age and longevity. It promotes research and work, regularly focuses on knowledge acquired in all of the disciplines concerned and helps to disseminate it.

Collective food poisoning (CFP)	**CFP is characterised by the appearance of at least two similar cases of a gastro-intestinal symptomatology, the cause of which the cause can be attributed to the same food source.**
Validation of prior experience (VAE)	A 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, associative) and/or volunteer experience. This experience, in line with the certification sought, is approved by a board of examiners.

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.

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Legal information
KORIAN – MEDICA SA
A French public limited company (société anonyme)
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