

2014 REGISTRATION DOCUMENT



This Registration Document was filed with the *Autorité des Marchés Financiers* (French Financial Markets Authority – “AMF”) on 28 April 2015, in accordance with Article 212-13 of its General Regulation. It may be used in support of a financial transaction if accompanied by a prospectus approved by the AMF. This document has been prepared by the issuer and is binding for its signatories.

The Registration Document may be viewed on the Company’s website (www.korian.com) and on the AMF’s website (www.amf-france.org).

This document is a free translation of the French language Reference Document that was filed with the AMF on 28 April 2014. It has not been approved by the AMF. This translation has been prepared solely for the information and convenience of Korian - Medica’s shareholders. No assurance is given as to the accuracy or completeness of this translation, and Korian – Medica assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this free translation and the French language Reference Document, the French version shall prevail.



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

To ensure that the 2014 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 “**Medica**” refers to Medica, the company absorbed in the Merger, and the former Medica group, which disappeared on 18 March 2014 after the Merger;
- the term “**Korian - Medica**” refers to the new corporate name of the Company and to the new Group created from the Merger.



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1.1. MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

"In a context of consolidation and integration, following the absorption of Medica, the Group's activity in 2014 confirmed the strength and soundness of its strategic Korian First project, which is built on 5 pillars:

- on the People pillar, our teams were central to the success of the Merger, by remaining mobilised on their business, while at the same time adapting to new operational organisations and standardised management procedures. In addition, the Group has enshrined 4 values shared by employees of the Korian, Medica, Curanum and SLG groups, and which are central to our various occupations: Benevolence, Responsibility, Transparency and Initiative;*
- on the Customer pillar, the Group wishes to be recognised for the quality of services delivered daily to residents and patients, thanks to employees engaged in a process of continuous improvement allowing them to carry out their daily duties in the best possible manner;*
- on the Performance pillar, we achieved all of our targets: pro forma revenue of €2,499.5 million, pro forma EBITDAR margin of 27.6% and improving, and a leverage ratio under control at 2.9x;*
- on the Development pillar, the Group completed several major transactions in 2014, primarily the absorption of Medica in France, the finalisation of the buyout of non-controlling interests in Curanum in Germany, the acquisition of the remaining capital of Kinetika Sardegna in Italy, and the acquisition of Ry du Chevreuil in Belgium;*
- on the Innovation pillar, the Korian facilities took part in studies conducted by the Ageing Well Institute, alongside acknowledged partners, including on the impact of playing on people with Alzheimer's disease or related disorders, and the first European Ageing Well barometer, the purpose of which is to understand and monitor the state of mind of elderly people in France, Germany, Italy and Belgium.*

Moreover, the composition of the Group Executive Committee recently changed in order to balance the representation of the various entities and to strengthen the Committee's business expertise. Accordingly, in addition to the Chief Executive Officer, it now comprises 9 people in charge of the Group's functional divisions or geographical areas, and who hail from such diverse sectors as healthcare, support for the elderly, services, distribution, catering and strategy consulting.

With our new organisation now up and running, the Group will derive its future growth from its move into international markets, a dimension that has now been fully integrated into its organisation and is reflected in its resolutely international portfolio. For 2015, the Group is anticipating revenue in the vicinity of €2.6 billion, further earnings growth and a sound operating margin, with, in the longer term, the goal of achieving €3 billion in revenue in 2017."

Yann Coléou, Chief Executive Officer of Korian - Medica.

1.2. PRESENTATION OF THE 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. The Merger was completed on 18 March 2014. The company was renamed "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 propose a genuine growth project to meet the challenges of a burgeoning industry undergoing radical changes. The new entity covers a network comprising over 57,500 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.



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 net synergies of around €7.5 million in 2015, €15 million in 2016 and €20-25 million beyond that date.

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.

1.3. SELECTED FINANCIAL INFORMATION

The data relative to the income statement and statement of financial position for the year ended 31 December 2014 are derived from *pro forma* financial information. The rules governing the preparation of *pro forma* information are described in section 3.2 of this Registration Document.

in € millions - Consolidated	Group		France		Germany		Italy		Belgium	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	2,222.2	1,356.4	1,323.4	765.5	476.2	413.7	265.6	177.3	157.0	0.0
EBITDAR	613.9	371.3	367.3	200.4	143.9	126.7	63.8	44.3	39.0	0.0
margin/revenue	27.6%	27.4%	27.8%	26.2%	30.2%	30.6%	24.0%	25.0%	24.9%	

In € millions - <i>pro forma</i>	Group		France		Germany		Italy		Belgium	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	2,499.5	2,413.4	1,503.3	1,441.4	476.2	461.2	312.4	308.9	207.6	202.0
EBITDAR	690.1	662.3	421.7	401.8	143.9	137.9	73.6	72.7	51.0	49.9
margin/revenue	27.6%	27.4%	28.1%	27.9%	30.2%	29.9%	23.6%	23.5%	24.6%	24.7%

Strong growth

Korian - Medica generated consolidated revenue of €2.2 billion in the year ended 31 December 2014, a sharp increase of 64%. This growth is attributable to the consolidation of Medica on 1 April 2014, that of Curanum in Germany and that of Kinetika Sardegna in Italy. These transactions resulted in the creation of the European leader in Ageing Well, operating nearly 600 facilities in 4 European countries, and generating nearly 40% of its revenue outside France.

On a *pro forma* basis, Korian - Medica recorded 2014 revenue of €2.5 billion, in line with its objective.

Increased profitability

On a consolidated basis, EBITDAR increased by more than 65% to €613.9 million, and the margin improved by 250 basis points to 27.6%.

The Group recorded *pro forma* 2014 EBITDAR of €690.1 million, an increase of 4.2%. In a year of merger and integration, the EBITDAR margin continued to improve, also reaching 27.6%, a gain of 170 basis points. The improvement resulted from strong revenue and good cost control.

A sound financial structure

Net indebtedness was €1,474 million as at end-December 2014, an increase of €98 million compared with *pro forma* borrowings as at 31 December 2013. The increase resulted from investments made in the context of integration and to prepare the Group's future expansion.

The financial structure remains sound, with a leverage ratio restated for immovable property debt of 2.9x, i.e. well below the covenant limit set at 4.5x.



1.4. STOCK-MARKET PERFORMANCE

The chart below shows movements in the share price and daily volumes over a period of 3 years, from 2 April 2012 to 1 April 2015.

Over the past 3 years, the share has benefited from investors' more favourable perception, firstly of Korian, then Korian – Medica, created from the Merger between Korian and Medica (fusion-absorption de Medica par Korian), and the widening of the free float. Clearly, the share price rose in an uninterrupted manner over the period, until the completion of the Merger on 18 March 2014. After a period of stabilisation, the announcement of an increase in estimated merger synergies in conjunction with the release of the half-year results on 9 September 2014 helped extend the upward run, which continued until the release of the annual results, with the share hitting an all-time high during trading on 20 March 2015. With market capitalisation of more than €2.5 billion and a free float representing around 50% of share capital, daily volumes have averaged €3 million since 18 March 2014, up from €0.2 million before the Merger. The increase in volumes has helped foster mounting interest from international fund managers.

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



Source: Boursorama

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

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



The year 2006 was dedicated to the operational alignment of these groups, with the goal of building an integrated group around a shared and unifying plan. Therefore, a single organisation was established for the 2 groups' operational and support functions, based notably on centralising administrative tasks (accounting, information systems, purchasing systems, *etc.*) at the head office level. The Korian group also divided its operations into 2 large operational divisions: the long-term care nursing homes division and the post-acute and psychiatric division (which is in turn split into a post-acute and rehabilitation care sub-division and a psychiatric care sub-division).

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

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

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

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

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

As a result, in April 2007, Korian 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 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 signed an agreement with the Belgian real estate company Cofinimmo to sell 19 real estate properties for a value of almost €144 million over 2 years (14 real estate properties for €104 million in 2008 and 5 real estate properties for €40 million in 2009). Cofinimmo thus became the Group's second property partner.

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

As of 31 December 2011, the Korian group had:

- 169 facilities, representing close to 14,530 beds in France;
- 43 facilities, representing 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 (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.

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.



This change in governance resulted in a comprehensive strategic review 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 (for example, 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 long-term care nursing homes and 2 post-acute and rehabilitation care clinics in France and Italy and acquired a clinic in Italy;
- finished refocusing its business activities in France by selling Korian's psychiatric division (comprised of 7 clinics) and 2 long-term care nursing homes.

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

At the end of 2013, the Korian group had the capacity to accommodate more than 34,000 residents/patients in Europe (France, Germany and Italy) and employed more than 26,000 employees. The Group managed almost 270 long-term care nursing homes, 50 post-acute and rehabilitation care clinics, had the capacity to accommodate more than 2,200 people in assisted living facilities and provided home care services to 9,000 patients.

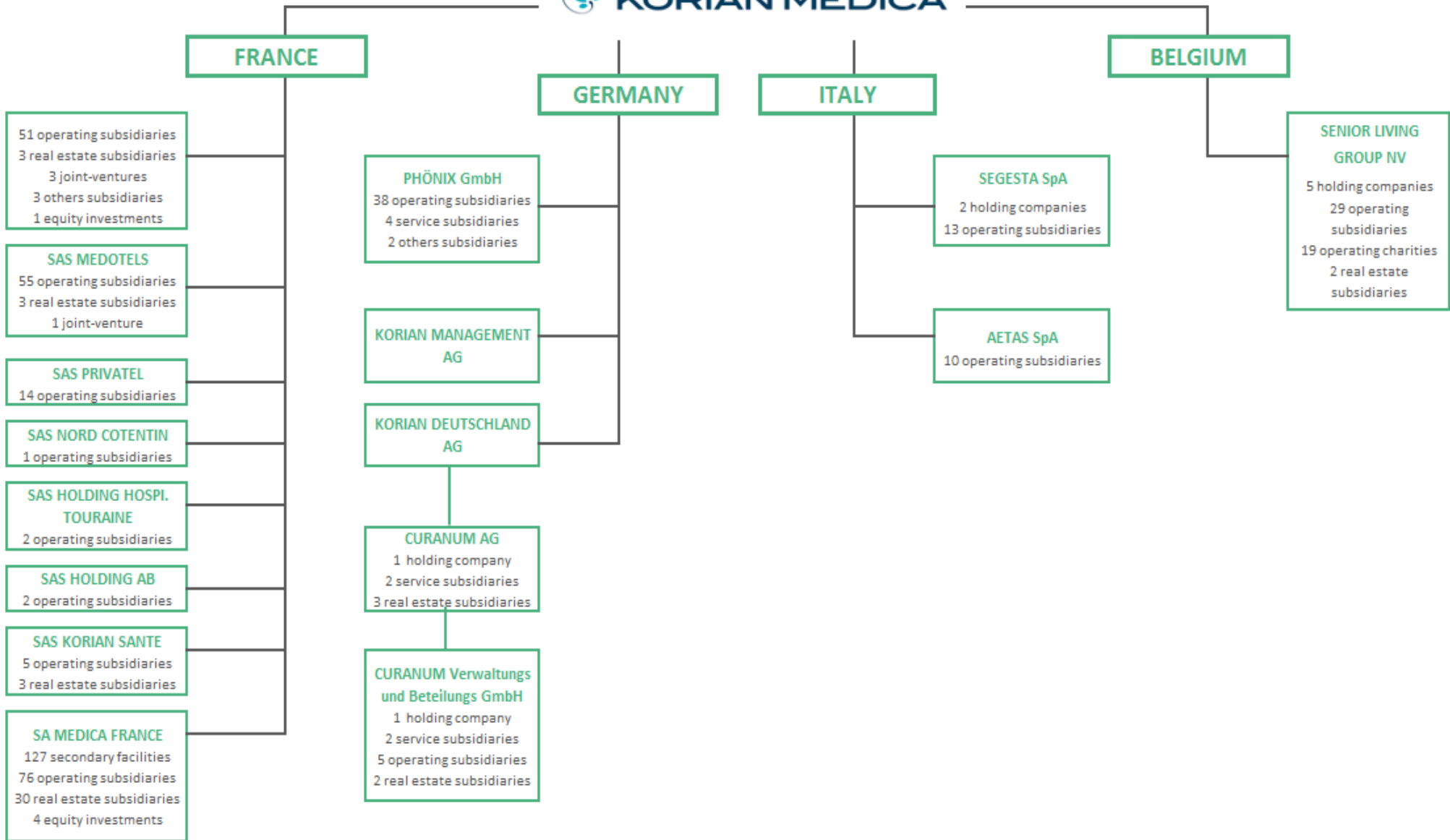
Creating the European leader in Ageing Well (18 March 2014)

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 - Medica group as at 31 December 2014

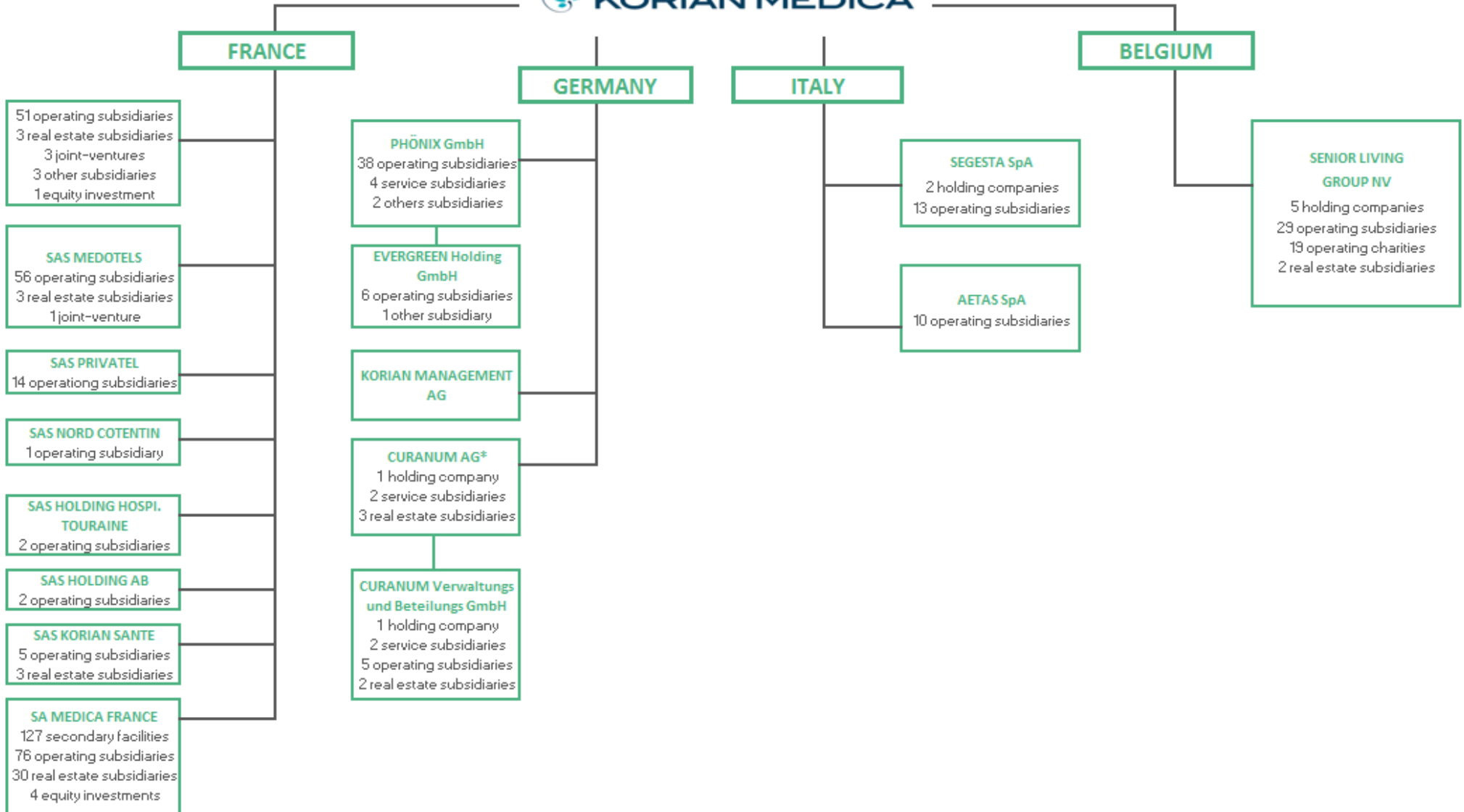
As at 31 December 2014, the Group included 413 consolidated companies. The Group's simplified legal structure as at 31 December 2014 is shown on the following page.





1.6.2. Simplified legal structure of the Korian - Medica group as at 25 March 2015

The simplified legal structure of the Group as at 25 March 2015 is shown on the following page.



* Following the merger of Curanum AG with Korian Deutschland AG, the company Korian Deutschland has been renamed Curanum AG on 3 March 2015



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2.1. THE GROUP'S BUSINESSES IN SUPPORT OF AGEING WELL

As Europe faces the challenge of an ageing population, the Korian - Medica group is now Europe's leading specialist in Ageing Well. It operates in 4 European countries (France, Germany, Italy and Belgium), managing nearly 600 facilities (long-term care nursing homes, post-acute and rehabilitation care clinics, assisted living facilities and home care services) holding more than 57,500 residents/patients, and employing approximately 40,000 people.

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

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

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

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

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

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

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

The Group has 459 long-term care nursing homes, located in France, Germany, Italy and Belgium.

- **Post-acute and rehabilitation clinics**, which provide short-term care (typically for around 30 days) to physically dependent patients to reduce their functional incapacity and restore their independence following hospitalisation or illness. Post-acute and rehabilitation clinics treat:
 - patients who need complex post-operative medical care for a limited time;
 - patients with slow progressive or chronic illnesses who have suffered a downturn in their condition requiring medical care that cannot be given at home.

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

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

The Group has 88 post-acute and rehabilitation care clinics, located in France and Italy.

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

The Group has 51 assisted living facilities, located in France, Germany, Italy and Belgium.

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



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

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

The Group provides home care in France, Germany and Italy.

2.2. THE GROUP IN FRANCE

2.2.1. The Korian offer

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

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

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

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

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

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

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

To ensure that residents settle in to their new environment, the Group aims to enable them to be supported without changing their habits, and aims to recreate real living places. They can for example have their own furniture and personal belongings in their rooms. There are also rooms for leisure activities, hairdressing, beauty treatments, newspaper kiosks and spaces reserved for leisure activities (music, reading, cooking, *etc.*) in most facilities. Varied events (socio-cultural, cognitive, physical or manual) are offered to promote exposure to the outside world and the exercise of residents' mental faculties.

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



Facilities staffed by healthcare professionals to provide appropriate care

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

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

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

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

2.2.1.2. Korian post-acute and rehabilitation care clinics: an effective and specialised offer for medium-term stays

Korian's care delivery in post-acute and rehabilitation care clinics

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

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

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

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

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

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

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

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



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

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

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

Services offered in addition to the basic rent may include:

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

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

2.2.1.4. Home care: an alternative to hospitalisation

Hospital home care facilities provide an alternative to hospitalisation. Their purpose is to shorten or even avoid hospital stays. Hospital home care is a developing area which is gradually taking root in the French post-acute and psychiatric landscape. It now represents a separate form of hospitalisation providing ongoing and coordinated care to patients with serious, acute or chronic illnesses. Inherently multi-disciplinary, hospital home care involves numerous actors, particularly self-employed healthcare professionals.

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

Home care is prescribed by the general practitioner, in consultation with the hospital home care service doctor. Home care services cover the following¹:

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

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

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

2.2.2. The regulatory framework and the funding

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

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

¹ Source: Service-Public.fr.



- for hospital home care, by the funding of 80% of care by the French National Health Service (100% for long-term care);
- for home nursing care services, by reimbursement made exclusively by the French National Health Service for care given to the person at home.

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

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

2.2.2.1. Means of obtaining and renewing authorisation

Medico-social activity

The creation, transformation or extension of any long-term care nursing home is subject to a project application procedure and the subsequent issuing of a license by both the President of the local departmental authority of the department concerned and the Chief Executive Officer of the ARS where the facility is located. This license is valid for 15 years as from the date of the decision (10 years for facilities created before 2002). Moreover, since the introduction of the French HPST Act in 2009 (concerning hospitals, patients, health and territories), the license can only be used if the funding related to the functioning of the facility (treatment allowance) has been granted by the relevant authorities. The Group cannot undertake the construction, creation, transformation or extension of a facility unless it has obtained this funding.

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

The facilities authorised to provide care to dependent elderly persons must also have signed a 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.

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

Post-acute and psychiatric care activities

Post-acute and psychiatric care facilities are also subject to a licensing regime. The application must be submitted during a specific period set by the ARS (depending on the region, predominantly within a 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 Health delivery regional plan (SROS-PRS) whose prime objective is to coordinate the post-acute and psychiatric, out-patient and medico-social sectors according to the needs of the local population in order to improve people's health and reduce inequalities in access to medical care. The SROS is an operational tool to implement the PRS, which includes the assessment of healthcare needs and healthcare offering, as well as the defining of the region's strategic policies in terms of healthcare. An additional objective has been assigned to the SROS-PRS to improve the efficiency of the regional health system. It must thus continue the restructuring of the healthcare offering in order to ensure the quality and safety of



the medical care and structure the offering around alternatives to full hospitalisation, while taking account of the macro-economic context.

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

The licenses, initially granted for a number of beds or places, are now delivered according to target activity volumes. The number of beds actually installed in a facility is now solely a question of organisational choice for the facilities. We have thus gone from a supply-based approach to an approach 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 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 6 months of the start of the medical care activities.

A license granted to a facility may lapse if its operation hasn't started within 3 years, or if its construction, implementation or set-up isn't completed within 4 years. It may also be suspended or withdrawn in the event of a major dysfunction in 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.

The licence is valid for 5 years, and an assessment report must be filed no later than 14 months before its expiry.

Assisted living facility activities

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

Hospital home care activities

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

Licences are granted for a period of 5 years, renewable (Articles L. 6122-8 and R. 6122-38 of the French Public Health Code).

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

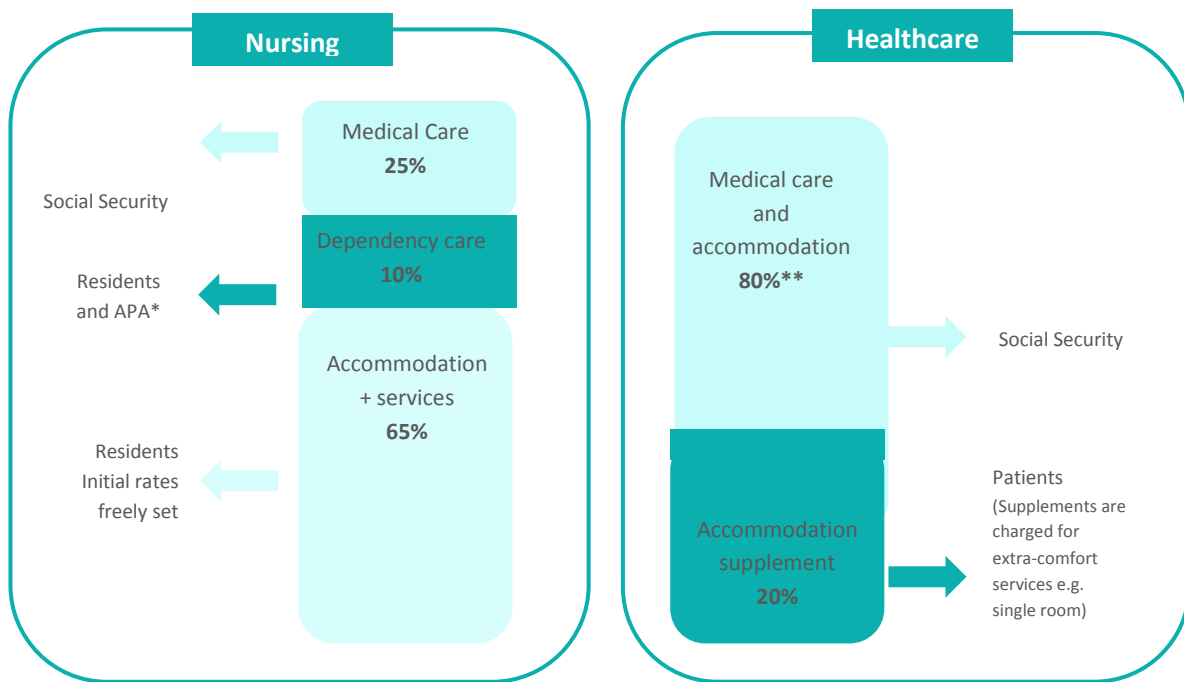
2.2.2.2. The pricing system applied in facilities

The rates paid to long-term care nursing homes break down as follows².

² Source: Korian.



Standard funding for day rate in France



* Personal independence allowance (APA).
 ** Around 70% of this corresponds to the day rate.

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

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

Rates for long-term care facilities

The French Law of 2 January 2002 and its implementation Decree of 22 October 2003 defined the basic system for long-term care nursing home rates. The budget allocated to a long-term care nursing home by the regulatory authorities under the tripartite agreement is directly related to its residents' level of dependency (classified by 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 nursing homes is set under a tripartite agreement and has 3 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 for the Economy and 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 or total social welfare payments. Accommodation rates for these beds and annual adjustments are set by the local departmental council. Residents may also, depending on their



means, receive a housing allowance covering their accommodation in a long-term care nursing home (housing allowance, personal independence allowance, tax rebate, *etc.*).

- Treatment rate (nursing and technical medical care)

The treatment rate is set by the ARS, and represents approximately 25% of the Group's long-term care revenues. It covers the medical services required to treat the residents' medical conditions and the paramedical services associated with loss of autonomy. The system thus covers 70% of the care assistants' salaries as negotiated with the ARS, 100% of the salaries for registered nurses, physiotherapists, occupational therapists and the coordinating physician and 100% of expenses incurred for disposal of medical waste. Since August 2008, facilities have also received a fixed sum per resident to cover medical care.

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

It is generally subject to annual adjustment.

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

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

The dependency rate is set by the local departmental council, and makes up around 10% of the Group's long-term care revenues. It covers all assistance and monitoring services required to perform essential everyday tasks unrelated to medical care. Further to negotiations with each local departmental authority, a fraction of miscellaneous expenses (such as the salaries of qualified care assistants, nursing aides and psychologists and expenses related to incontinence and accommodation supplies, maintenance products, laundry and amortisation of equipment used in dependency care).

These rates are set and reviewed each year following negotiations between the facility and the local departmental authority based on a prospective budget submitted by the facility. The local 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, who may be entitled to the personal independence allowance, depending on his/her level of dependency and income (the remaining amounts are charged to the resident), or directly by the departmental council for residents entitled to welfare payments.

The system clearly defines the financial responsibilities of those involved:

- the elderly people and their families pay for accommodation, the amount up to the dependency "excess" and the balance of the dependency rate if they are not eligible for APA cover;
- the French National Health Service pays for the medical care-related component; and
- the local departmental authorities, via the 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 commercial private sector are carried on directly between the government and professional bodies. Each year, the ARS sets, by order, the rates applicable to facilities.

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

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

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



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

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

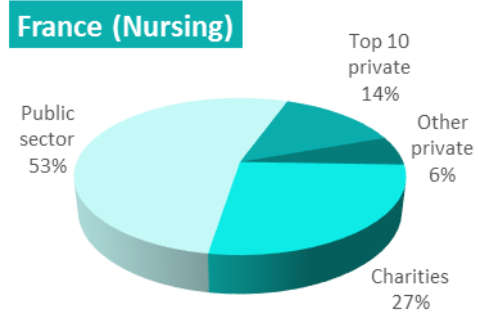
2.2.3. The market players

The French long-term care nursing homes market

Of the 592,900 long-term care nursing home beds in France in 2011, 80% were in the public and charitable sectors. The private market is consolidating, but remains fragmented³.

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

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



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

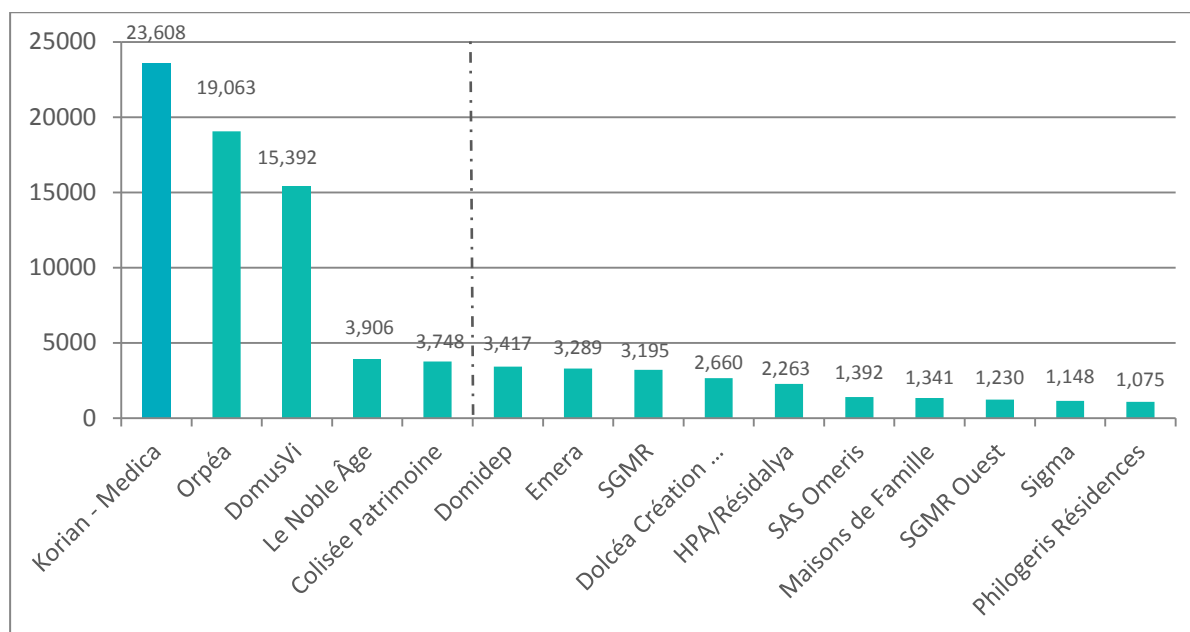
Competition in the commercial private sector is primarily between 2 main categories of participant:

- the major listed groups and other market participants with bed capacity of over 10,000; and
- smaller, independent groups or entities that are principally owned by their directors or founders.

³ Source: DREES, Etudes et Résultats No. 877, February 2014.



The following chart shows accommodation capacity by number of beds of the top 15 commercial private operators in France as of 31 December 2014⁴.



In 2014, only 3 private operators managed more than 4,000 beds, and approximately 10 groups operated between 1,000 and 4,000 beds. In spite of the emergence of major national players in the commercial private sector, the market remains very fragmented and has shown signs of consolidation. The gap is widening every year between the top 3 players in the commercial private sector and the remainder of the sector.

The French post-acute and psychiatric care market

The main post-acute and psychiatric care facilities in the commercial private sector (Korian, Orpéa) represent approximately 11,000 beds, or roughly 40% of this segment's total.

As at 31 December 2011, France had capacity of approximately 110,000 beds in post-acute care and rehabilitation facilities, of which approximately 43,500 in the public sector (40%), 34,000 in the charitable private sector (31%) and 32,500 in the commercial private sector (29%). At the same time, capacity in psychiatric facilities totalled more than 57,600 beds, of which approximately 37,600 in the public sector (65%), approximately 7,700 in the charitable private sector (13%) and more than 12,300 in the commercial private sector (22%)⁵.

These facilities are managed by a very large number of participants of very different types and sizes, from the commercial private sector, the charitable private sector and the public sector. The landscape of the French commercial post-acute and psychiatric sector remains dominated by small facilities owned by 1 or more doctors or their families, and appears to be even more fragmented than the long-term care nursing home sector. The vast majority of facilities are still independent, and a round of consolidation is underway, owing notably to the general move towards greater specialisation of facilities. This is leading to the conversion of multi-disciplinary facilities into centres specialising in care for particular conditions, which generates higher revenue per bed.

2.2.4. The market trends

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

⁴ Source: Mensuel des Maisons de Retraite, January 2015, and Company.

⁵ Source: Panorama des établissements de santé 2013, January 2014.



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

Dependency is 1 aspect of a general demographic ageing of the French population. There will be more than 9.5 million people aged over 75 in 2035 (compared with 6 million today, an increase of more than 58% in 20 years)⁶.

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 2014, life expectancy at birth was 79.2 years for men and 85.4 years for women⁷. 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)⁸.

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. Thus, by 2035, the number of people aged 85 or over will have risen by 72% to 3.2 million⁹.

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

The dependency care sector can look forward to structural growth.

Demographic boom of seniors

The number of people over 80 is set to rise sharply in coming years as a result of the overall ageing of the population in Europe. This is a critical threshold when it comes to dependency: past 80, the likelihood of becoming dependent becomes higher and higher. In France, only 8% of people over 60 are dependent, but the rate rises to 20% of people over 85 and to 63% of people over 95 (qualifying for APA, source: INSEE Groupe "Society and Ageing"). Moreover, 1 APA recipient in 2 was over 85 in 2011¹⁰.

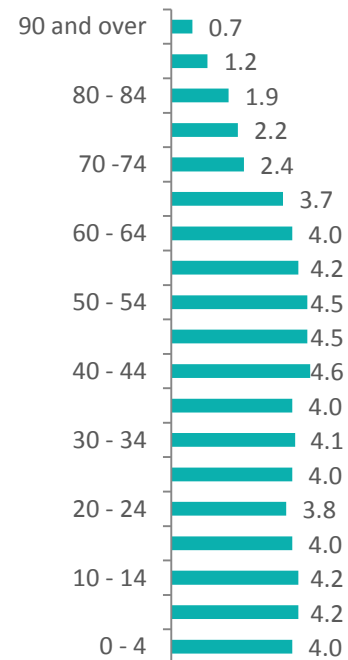
Demographic structure of the French population as at 1 January 2015:

(by age band, millions of people)¹¹

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

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.

In 2011, 693,000 people lived in residential homes for the elderly, mostly in long-term care nursing homes, i.e. 5.5% more than at the end of 2007. However, the average age of residents increased by 10 months during this four-year period to 85.



People are entering facilities at an increasingly late age, but residents were more dependent in 2011 than in 2007. The number of personal independence allowance beneficiaries aged over 60 increased by 10% between 2007 and 2011¹².

⁶ Source: Eurostat, Population aged over 75.

⁷ Source: INSEE, Demographic report 2014, January 2015.

⁸ Source: INSEE, Population projections, No. 1320, 2010.

⁹ Source: Eurostat.

¹⁰ Source: DREES, Etudes et Résultats No. 876, February 2014.

¹¹ Source: INSEE, Demographic report 2014, January 2015.



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

The impact of age-related illness

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

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

- cancer and cardiovascular disease (heart disease, heart failure and atrial fibrillation or strokes). These are the main killers of elderly people and also make them very frail;
- neuro-degenerative diseases, which are becoming increasingly common: Alzheimer's disease (around 225,000 new cases diagnosed each year), Parkinson's disease (10,000 new cases each year) depression among the elderly (responsible for nearly 3,000 cases of suicide each year) and sleep disorders;
- neurosensory disorders including deafness and eye diseases can lead to disability if not adequately treated in time. These disorders include cataracts, glaucoma and age-related macular degeneration;
- illnesses affecting the musculoskeletal system such as osteoporosis and arthritis, which require hospitalisation and surgery followed by rehabilitative care and equipment.

Alzheimer's and related diseases are the main reason that people move into care facilities. There are currently more than 850,000 people with this disease in France¹³. Given the ageing population and better diagnosis, the number of people with such illnesses is set to rise sharply and could reach 1.3 million in France by 2020¹⁴.

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.

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

Post-acute and rehabilitation care in healthcare facilities increased by 6.1% across all types of hospitalisation between 2008 and 2011. This activity is thus continuing the growth it embarked upon several years ago.

This upsurge in activity is more significant in private clinics. The number of days of post-acute care in the commercial private sector increased by 11% between 2008 and 2011. The number of beds and places in

¹² Source: DREES, Etudes et Résultats No. 899, December 2014.

¹³ Source: Association France Alzheimer.

¹⁴ Source: Seniorscopie – The ten Douste-Blazy measures against Alzheimer's – September 2004.



commercial private post-acute care facilities increased by 13.3% during the same period (compared with a 5.8% increase for public sector facilities and 0.5% for charitable private facilities).

The share of partial hospitalisation in terms of places in post-acute care and rehabilitation facilities was still low in 2011 compared with full hospitalisation: it accounted for 8% of all types of hospitalisation (5.3% for the public sector, 11.8% for the charitable private sector and 7.6% for the commercial private sector).

In 2011, 1.3 million stays were made in post-acute and rehabilitation care facilities, representing 35 million days of hospitalisation¹⁵.

2.2.4.4. Dependency care: a manageable demand

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

In France, as we explained above, the revenue of a long-term care nursing home is split into 3 components (accommodation, medical care and dependency). The accommodation component, which continues to be paid by the resident and/or his or her family, based on the average daily accommodation rate per bed in these facilities. On average, it is estimated that around 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 a long-term care nursing home may, depending 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 and rehabilitation care clinics.

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

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

2.2.4.5. Overall structural deficit in dependency care

Between 2007 and 2011, residential homes for the elderly increased their capacity by 5%. As at 31 December 2011, there were 10,481 facilities representing 719,810 beds, 82% of them within long-term care nursing homes (compared with 75% in 2007)¹⁶.

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

Indeed, the overall rate of permanent accommodation facilities in France fell by 26.3% from 166 places for 1,000 people aged 75 and over to 122.4 places for 1,000 people aged 75 and over (of which 95.1 long-term care nursing home beds), despite the implementation of proactive policies since the early 2000s¹⁷.

On top of the overall shortage of accommodation, there are large differences in the spread of facilities across France. At the end of 2011, the rate varied from 22 to 185 places depending on the department; the south of France and the inner suburbs of Paris are the least well equipped areas, while the Loire valley and Auvergne enjoy the highest rates¹⁸.

Moreover, support needs in terms of dependency in the post-acute and rehabilitation care sector are constantly growing due to the strategic placement of this sector between short stays in the upstream segment

¹⁵ Source: Panorama des établissements de santé 2013, January 2014.

¹⁶ Source: DREES, Etudes et Résultats No. 877, February 2014.

¹⁷ Source: Statiss, Ministry of Health, February 2015.

¹⁸ Source: DREES, Etudes et Résultats No. 891, September 2014.



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

2.3. THE GROUP IN GERMANY

2.3.1. The Korian offer

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

The Group also operates in a number of activities:

- assisted living facilities as annexes to long-term care nursing homes. Phönix operates approximately 5 assisted living facilities apartment blocks for 100 *Pflegeheime* beds. Curanum's assisted living facilities business represents a quarter of its *Pflegeheime* beds. Overall, Curanum operates around 2,100 such apartments, each with 1 or 2 beds;
- out-patient or home care services from long-term care nursing homes.

The German healthcare system is based on the major reforms of 1995 and 1996, which codified the system for medico-social care (SGB XI) and health insurance (SGB V). Accordingly, anyone who is affiliated to a public or private health insurance fund is obliged to take out dependency insurance from the same fund. Also, anyone earning above a certain salary can opt to contract health insurance from a private insurance company.

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

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

2.3.2. The regulatory framework and the funding

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

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

Degree of dependency	Assessment criteria
<i>Pflegestufe 1</i>	Needs help with at least 2 tasks or several types of basic medical care at least once a day Assistance for 90 minutes a day plus 45 minutes of medical care
<i>Pflegestufe 2</i>	Needs basic medical care at least 3 times a day and household assistance several times a week Assistance for 180 minutes a day plus 120 minutes of medical care
<i>Pflegestufe 3</i>	Needs medical care and assistance every hour including at night in addition needs household assistance several times a week Assistance for 300 minutes a day plus 240 minutes of medical care
<i>Pflegestufe 3 + Härtefall (exception)</i>	For special and individual cases which require an exceptionally high level of medical care (personal care, feeding, mobility) for at least 6 hours a day and at least 3 times in the night <i>Vollstationäre Pflege</i> : full hospitalisation Ongoing medical care for hospitalised patients with staff continually present

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



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

€/period	<i>Pflege 1</i>	<i>Pflege 2</i>	<i>Pflege 3</i>	<i>Pflege 3+</i>
Family	€235/month	€440/month	€700/month	
Ambulant Pflege	€450/month	€1,100/month	€1,550/month	€1,918/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.

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

- the medical care portion (*Pflege*) includes all expenses that are not related to services (U+V) or property (IK);
- the services portion (U+V) covers expenses associated with accommodation (food, laundry) and is set by the dependency care insurance (*Pflegeversicherung*) ;
- the investment portion (IK) covers rent and associated costs;
- the training portion (*Ausbildungsumlage*) funds training of apprentices (around €1 per day).

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

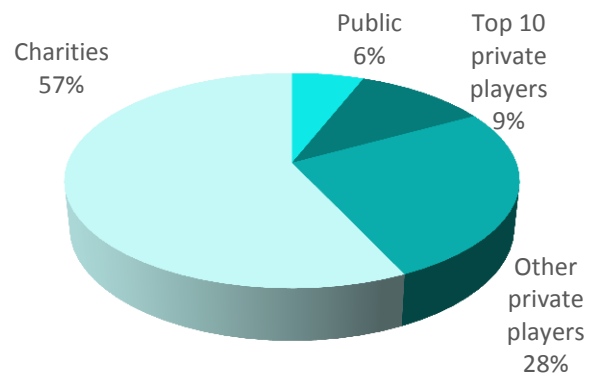
By contrast, rates for assisted living facilities are set freely by the operator.

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

2.3.3. The players in the market

Of the 867,000 long-term nursing home beds in Germany, 57% are managed by charities, including 4 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 long-term care nursing homes, more than half of which in North Rhine-Westphalia, Bayern, 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)¹⁹.



¹⁹ Source: Destatis.



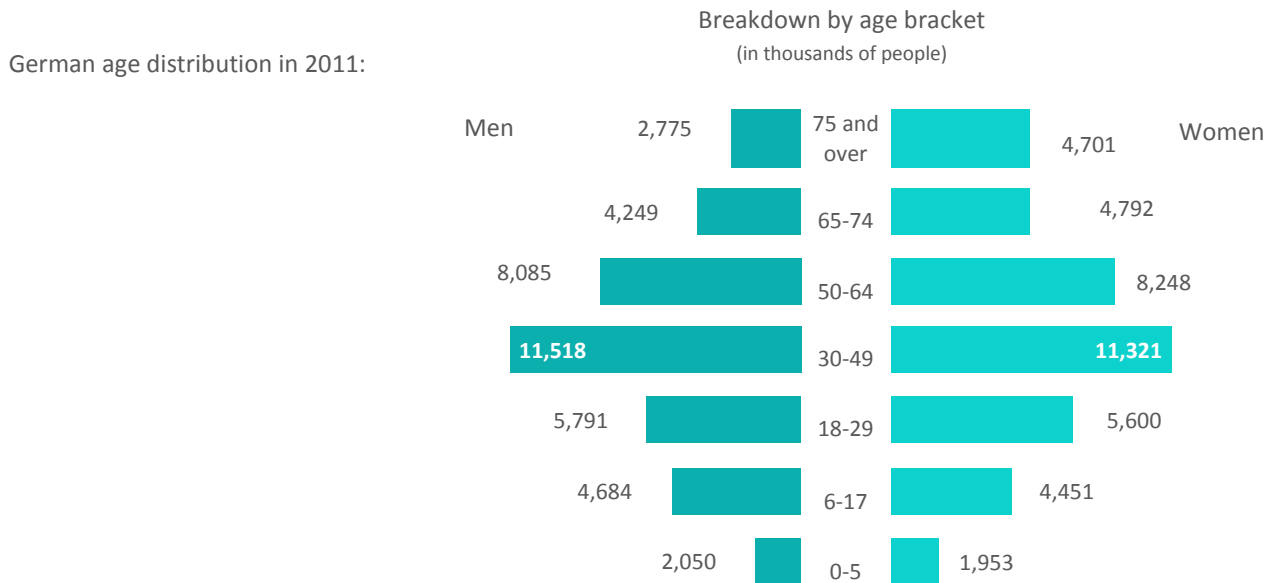
The following table sets out the private players on the German long-term care nursing home market.²⁰

Ranking	Operator	Number of beds
1	Korian group (Curanum, Phönix)	13,670
2	Victor's Bau + Wert AG (Pro Seniore)	12,540
3	Casa Reha Holding AG	9,445
4	Kursana Residenzen GmbH	8,889
5	Alloheim Senioren-Residenzen GmbH	7,534
6	Vitanas GmbH & Co. KGaA	7,398
7	Marseille-Kliniken AG	6,401
8	Silver Care Holding GmbH	5,898
9	Cura Kurkliniken Seniorenwohn-und Pflegeheime GmbH	5,508
10	Azurit Rohr GmbH	4.690

2.3.4. The market trends

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

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

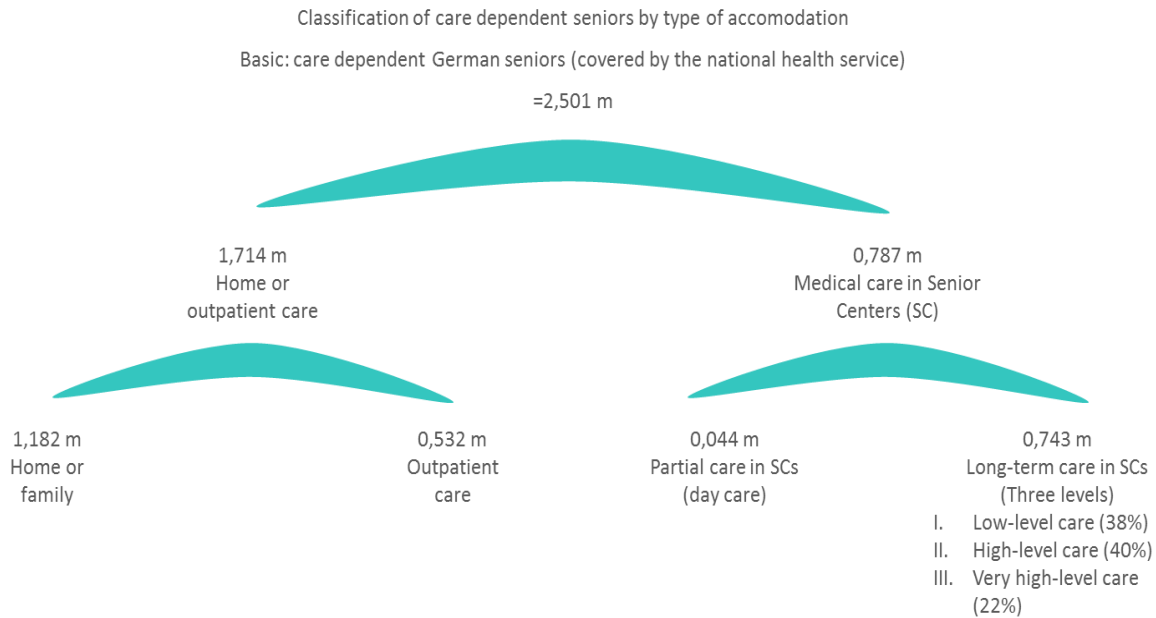


²⁰ Source: *Pfegemarkt* 12/2014.

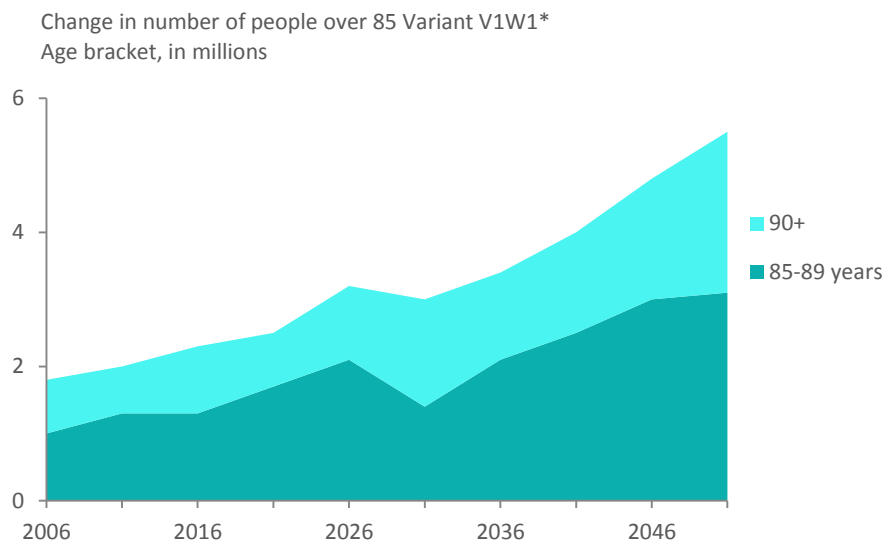


2.3.4.2. A demographic, economic and social environment that favours the expansion of the dependency care market

Thirty-one percent of Germany's 2.5 million dependent elderly live in *Pflegeheime* (most of which permanently), and 69% of them receive home or out-patient care²¹.



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 2020²². 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.



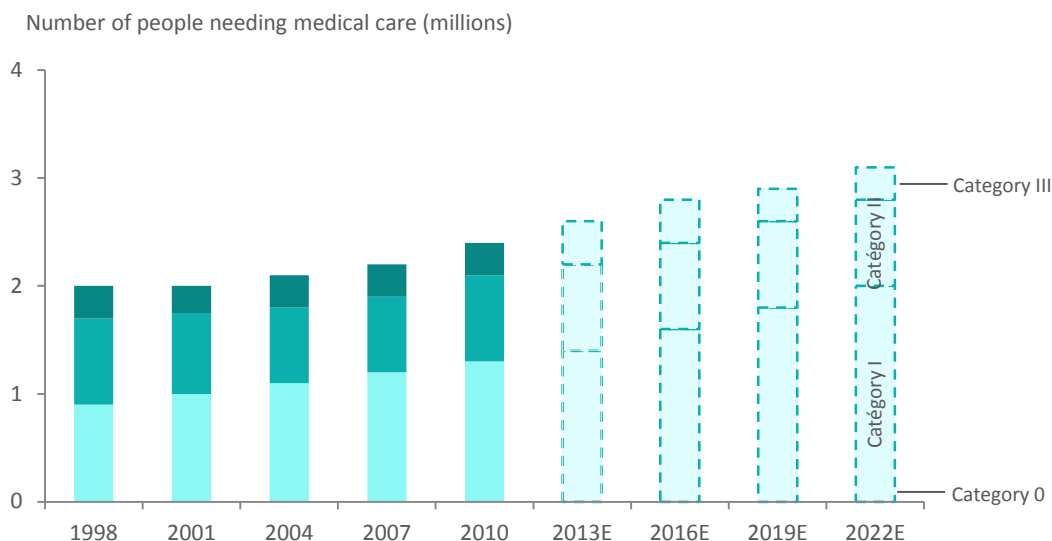
* Variant V1 W1: birth rate of 1.4 children per woman until 2050, life expectancy increasing by 7.6 years for men and 6.5 years for women, net annual immigration of 100,000.

²¹ Source: Destatis.

²² Source: Destatis.



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 years²³.

This model thus projects a 30% increase in the number of dependent elderly people by 2022, which would represent the need for 200,000 new long-term care nursing home beds within 10 years²⁴.

2.4. THE GROUP IN ITALY

2.4.1. The Korian offer

With 58 sites spread across 9 growth regions in Italy, Segesta and Aetas are the only organisations active in all branches of healthcare in Italy (long-term care nursing homes, post-acute and rehabilitation care clinics, assisted living facilities and home care services). By virtue of their expertise and their ability to meet the expectations of Italian authorities, Segesta and Aetas form a universal benchmark operating at the highest quality standards.

This huge range of services reflects the way the Italian healthcare system is organised to cover a *continuum* of medical care needs: the regional health authority manages all healthcare providers out of a single budget, from hospitals to home care, and is free to make whatever trade-offs it deems necessary between them. This system was introduced in 2010 as part of the "*Patto di Salute*" healthcare plan under which regional budgets for medical, surgical and obstetrics provision were redirected to medium- and long-stay facilities, with targets set for bed closures in each region. The other feature of the Italian healthcare care system is its regionalism. Each regional health authority is largely free to manage itself and make its own decisions. One may decide to prioritise post-acute and rehabilitation care clinics, another long-term care nursing homes, and a third home care services. Finally, quality standards, care and rate policy vary from region to region (see section 2.4.2 below).

In response to these arrangements, the Group's Italian offering focuses on the philosophy of a care *continuum*, with the main goal of offering a comprehensive integrated service, personalised care treatments, improved quality of life for 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.

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

The Group operates 46 RSAs in 9 different regions. These facilities accommodate partly or wholly dependent elderly people for long- or short-term stays and provide the following services:

²³ Destatis; ADMED/HCB/RWI; Litsearch; Bain interviews – Assumptions: growth in medical care provided in facilities by families and similar professionals; people whose medical care needs fall in categories 1 (little need for medical care) to 3 (high need for medical care).

²⁴ Source: Destatis, ADMED/HCB/RW, Bain analysis.



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

In coordination with the head office, each RSA is free to offer activities appropriate to those in its care. Residents can engage in social activities such as sewing, music, sculpture and painting or light exercise. To promote and maintain family interactions, close family members are invited to take part in the activities offered. Segesta runs day care centres in 7 long-term care nursing homes, with total capacity of 225 places. These centres provide care for the elderly, Alzheimer's sufferers or people with mental disabilities or mobility problems, enabling them to receive appropriate assistance once or twice a week. This sort of provision makes it easier for families to care for their relatives on a short- or long-term basis. Activities encourage meetings and communication between people; physical and neurosensory stimulation is also on offer.

2.4.1.2. Post-acute and rehabilitation care clinics

There are 12 Italian clinics of 3 different types:

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

2.4.1.3. Assisted living facilities

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

2.4.1.4. Home care

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

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

- formed partnerships with major test laboratories for blood tests;

established in 2014, with the help of a highly qualified dedicated team (oncologists, surgeons, anaesthetists, nurses, *etc.*), a "pain therapy" service for palliative treatments for patients at the ends of their lives. During this year, the Group developed protocols and trained staff. Over the year, 70 patients tested this innovative therapy, with treatment averaging 28 days. In 2015, the Group will develop a partnership with the oncology departments of hospitals in Lombardy.

2.4.2. The regulatory framework and the funding

2.4.2.1. The regulatory framework

The overall framework

The Italian system is similar to the French model since the operation of a long-term care nursing home or a post-acute and rehabilitation care facility is subject to an authorisation and accreditation regime, which then entitles the facility to receive funding from the regulator. The authorisation process for all organisations (public or private) that wish to operate in the post-acute and psychiatric or social sectors was made compulsory by a



legislative decree on 30 December 1992, which set minimum conditions in terms of structure, technology and organisation. This was amended by the Presidential decree of 14 January 1997, which required regions to set their own quality standards. These standards determine the award of accreditations and authorisations and may, if the regions chose, be more stringent than the national standards. In Lombardy, for instance, the regional health authority imposes a minimum time to be devoted to each RSA resident; since 2001, new facilities have not been allowed to have more than 120 beds.

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

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

Regulatory developments in Lombardy

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

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

2.4.2.2. The funding

Since the constitutional decentralisation law was passed in 2001, responsibility for all social policy in Italy, including long-term care policy, has been transferred to the regions, which exercise exclusive control over such matters.

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

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



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

	Service	Rate paid by the ASL (€/DAY)	Accommodation rate (€/DAY)	Total (€/DAY)
EMILIA	RSA Level A	€41.30	€49.05	€90.35
	RSA Level B	€41.30	€49.05	€90.35
	RSA Level C	€32.05	€49.05	€81.10
	RSA Level D	€26.55	€49.05	€75.60
LAZIO	RSA A	€59.20	€59.20	€118.15
	RSA B	€49.20	€49.20	€98.40
LIGURIA	Long-stay	€29.49	€49.69	€79.18
	RSA maintenance	€46.93	€42.00	€88.93
	Alzheimer	€57.88	€42.00	€99.88
LOMBARDY	RSA	€29 - €39 - €49	Free	-
	Alzheimer's unit	€52.00	Free	-
PIEMONTE	RSA base level	€35.78	€35.78	€71.16
	RSA medium-low level	€36.50	€36.50	€73.00
	RSA medium level	€38.68	€38.68	€77.36
	RSA high level	€48.87	€48.87	€95.73
	RSA high-level plus	€52.22	€52.22	€104.4
	Total dependency	€66.31	€66.31	€132.62
	RSA base level	€35.78	€35.78	€71.16
RSA medium-low level	€36.50	€36.50	€73.00	
POUILLES	Retirement homes (RSSA)	€46.45	€46.45	€92.90
SARDINIA	RSA low intensity	€59.00	€59.00	€118.00
	RSA high intensity	€64.00	€64.00	€128.00
TOSCANY	RSA low intensity	€43.23	€43.23	€86.46
	RSA medium intensity	€57.97	€57.97	€115.94
	RSA high intensity	€60.00	€60.00	€120.00
VENICE	RSA low-intensity	€51.00	Free	-
	RSA medium intensity	€58.00	Free	-

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

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

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

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



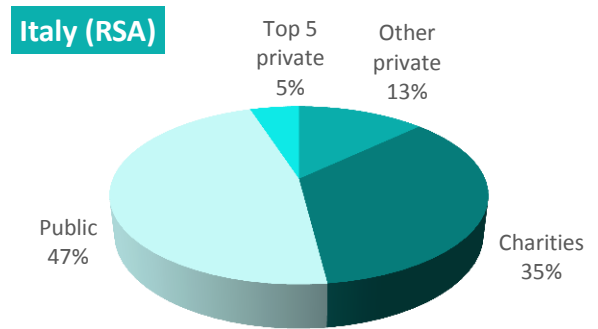
2.4.3. The market players

The dependency beds in Italy break down as follows:

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

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

There are many regional companies.



2.4.4. The market trends

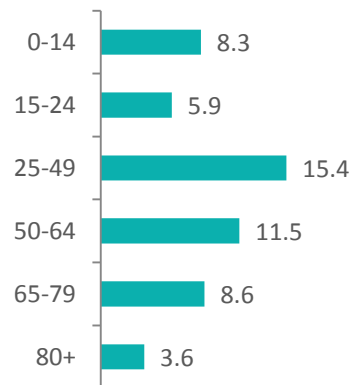
The market is growing rapidly, driven by favourable demographic trends and with structurally short supply.

2.4.4.1. Ageing of the over-65 population

Italy has 147.2 people over 65 for every 100 young people, i.e. a total of 12.4 million elderly people aged over 65²⁵. This compares with 11.2 million in France²⁶ 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.

Age structure of the Italian population in 2012 (by age bracket, in millions of people)

(Source: Eurostat)

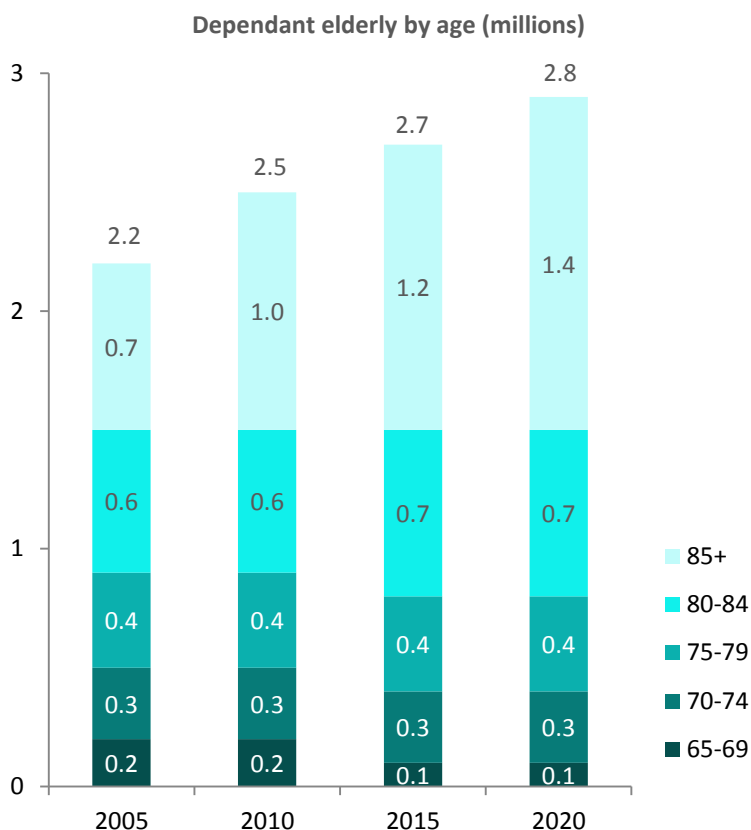


²⁵ Source: ISTAT.

²⁶ Source: INSEE.



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 84.4²⁷.

More than 43% of the population over 65 live 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 distinguished by the small share of dependent people in specialised institutions compared with other European countries: approximately 64 long-term care nursing home beds per 1,000 people aged over 75 in Italy, compared with approximately 127 in France. This is attributable to 2 factors: the limited capacity in the public sector and the major role played by families in the care of their older members, particularly in southern Italy.

2.5. THE GROUP IN BELGIUM

2.5.1. The Korian offer

In Belgium, the Group is mainly present under the Senior Living Group in the market for long-term care nursing homes; it also operates some assisted living facilities.

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

- facilities known as “nursing homes” for people aged over 60²⁸. Nursing homes have 2 types of beds: nursing home beds for the elderly and nursing and care home beds. These 2 types of medical care

²⁷ Source ISTAT "Noi Italia 2013".

²⁸ 65 in Flanders.



have different care staffing ratios and different forms of financing. Nursing and care home beds are for people with higher degrees of dependency and are therefore better funded;

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

Assisted living facilities accept independent residents and offer accommodation plus an à la carte range of other provisions. In Belgium, the elderly can rent apartments in these homes to live independently. These apartments have at least 1 living room, a small kitchen, a bedroom, a toilet and a bathroom. They are adapted and safe. The resident can also use shared services such as home help, hot meals and home care services. As such, assisted living facilities combine independent housing with (permanent) support and customised care.

2.5.2. The regulatory framework and the funding

2.5.2.1. Long-term care nursing homes

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

Operating licences

Licences (or certificates of operation) are in principle issued under regional procurement programmes, and are subject to an agreement with the regional authority. Until 2018, the INAMI,²⁹ a federal agency, will stand in for the region in calculating and distributing funds. The programmes take account of projections for the number of people aged 65 and over in each region. However, programming is determined at municipal level in Flanders, and by borough in Wallonia.

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

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

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

Care funding

Medical care and dependency are subsidised by the regional governments, via INAMI until 2018. INAMI is a federal body that manages repayments for medical care throughout Belgium. Medical care costs can be claimed back in proportion to the resident's degree of dependency and illness ("Katz Index"³⁰). 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.

Dayly rates

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

²⁹ Institut National d'Assurance Maladie Invalidité (INAMI).

³⁰ 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.



The day rates paid by residents for room and board are freely negotiated when the nursing home first opens, then indexed to the consumer price index. Larger increases in day rates require approval from the regional authorities. The facility has to submit a specific file arguing its case³¹.

According to SPF Economie, the average day rate in the first half of 2012 was €41.25 (€1,245 per month). The average in Flanders was €1,423, but this does not include medical costs (doctors, physiotherapists, etc.), and some additional costs that are billed separately (telephone, laundry, etc.).

2.5.2.2. Assisted living facilities

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

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

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

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

2.5.2.3. The sixth state reform: expected developments in the sector

Regulations covering the Belgian dependency sector were recently overhauled throughout the country. The sector is in the throes of change, and is still adapting to the new legislation (in particular, the institutional agreement of 2011 known as the “Papillon Agreement”), which came into force in July 2014 and which devolves federal powers to the federated entities, regions and communities.

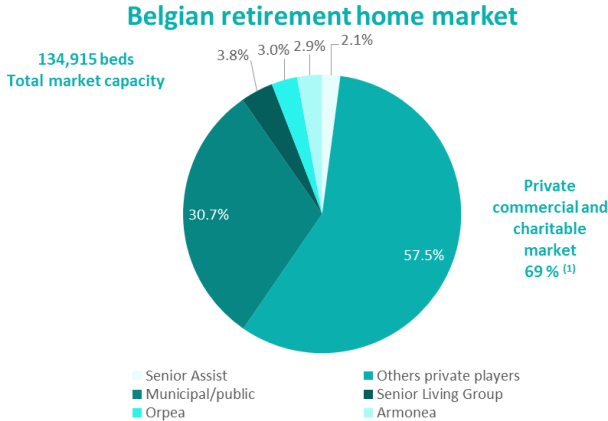
Implementation of this power transfer was suspended, however, pending a deal on financing, which was reached in July 2013. Under this agreement, the Belgian federal government will devolve a major part of its powers to the regions and communities, in particular, the policy of care for the “long care” elderly. Once the devolution is complete, INAMI’s only remaining task will be to repay the cost of medical treatment provided in nursing homes.

³¹ Annual increases are capped in some regions (5% per year in Wallonia).



2.5.3. The market players

The Belgian market for long-term care nursing homes remains fragmented. Capacity is currently split between 1,530 homes, which are owned by private operators (44%), charities (25%) and the public sector (31%). The 5 biggest private operators account for 13% of the total market³².



2.5.4. The market trends

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

Over the last 30 years, the increase in life expectancy has led to a faster-ageing population, and this has not been offset by a parallel rise in birth rates. Projections made in 2011 by the Plan Office show that people aged over 65, who made up 17% of the total Belgian population in 2010, will represent 21% in 2025 and 26% by 2050. Moreover, people aged over 85, who represented 2.2% of the total Belgian population in 2010, will represent 3% in 2025 and 5.8% in 2050. Belgium currently has approximately 2.4 million people over the age of 60, and the available supply of long-term care nursing homes is around 130,000 accommodation units,³³ covering barely 5% of the population concerned. To meet current demand, therefore, would mean creating more than 76,000 additional beds by 2050.

³² Source: Senior Living Group Company presentation, PWC report, L.E.K. analysis.

³³ Source: www.kce.fgov.be.



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3.1. HIGHLIGHTS

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

3.1.1.1 Description of the Merger

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 Ageing Well. Medica and Korian merged on 18 March 2014, with retroactive effect to 1 January 2014 for accounting and tax purposes. The Company has been 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 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 thus increased from €174,198,065 to €391,944,365, divided into 78,388,873 shares with a par value of €5 each, fully paid up and all of the same class.

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 account for more than 54% of the purchasing power in France in 2015), with an ageing and increasingly dependent population. This combination is also an opportunity to establish a prominent French Group in Europe, generating employee pride, but also offering additional security through the Company's financial soundness and stronger Group ties with health authorities and local governments.

In addition, pooling know-how and sharing best practices should be beneficial for the operating performance of the merged entity, in terms of both income and processes.

The Merger boosted the potential for growth of the new Group, which aims to make €3 billion in revenue by 2017.

3.1.1.2 New internal governance

A new functional organisational structure was implemented following the Merger with the reforming of the Group Executive Committee to take into account the Group's significant international reach. It was thus decided that the Group Executive Committee would henceforth be comprised of the Country Heads as well as the heads of the Group's strategic departments, namely the Deputy CEO, the Group Chief Financial Officer and the Director of Group Strategy, Development and Strategic Marketing.

In each country in which the Group operates, the Country Head is supported by a specialised team, which regularly meets in Management Committees to discuss country-specific "business" issues.

3.1.1.3 Addition of the "Customer" pillar to the Korian First strategic project

In parallel with this new organisational structure, the Group decided to add a new pillar, the Customer pillar, to the 4 pillars (Performance, Development, Innovation and People) of its Korian First strategic project launched in 2013. The Group would like to be recognised for the quality of the services it delivers every day to its residents and patients, primarily thanks to employees engaged in a process of ongoing improvement.

3.1.2 Establishment of new governance in the Articles of Association

Following the Merger, all the members of the Board of Directors and the Observer resigned. The Directors and the Observer whose appointments were approved by the Combined General Meeting held on the same date took office. The new Directors mostly come from the Korian and Medica boards.

The Board of Directors decided, at its meeting of 18 March 2014, to retain the 4 specialised Committees in existence prior to the Merger, namely the Audit Committee, Appointments and Compensation Committee, Investment Committee and Ethics and Risks Committee.



3.1.3 Financing developments

3.1.3.1 Favourable refinancing of the syndicated loans

The Merger made Medica's syndicated loan payable. In December 2013, Korian accordingly negotiated bridge financing to cover this refinancing requirement. However, given the favourable market conditions, the Company rapidly negotiated a refinancing contract covering the entire debt of the new Group.

This new syndicated loan agreement was signed on 12 March 2014. It comprises 2 tranches maturing in 5 years:

- 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 limit (debt – immovable property debt)/(EBITDA – 6.5% of immovable property 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 bank pool consists of 12 banks, most of which are European.

Following completion of the Merger, the refinancing tranche was fully drawn down on 26 March 2014. This draw-down enabled the repayment in full of the Korian and Medica syndicated loans.

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

3.1.3.2 Diversification and extension of debt maturity

Following the Merger and on the back of its new financial dimension, Korian - Medica set out to diversify its sources of funding. Thus, on 15 July 2014, the Company arranged a private placement of €45 million in bonds on attractive terms, with a fixed coupon of 3.65% and a maturity of 7.5 years.

Furthermore, on 16 December 2014, Korian - Medica issued a *Schuldschein* (a private placement under German law) for €358.5 million comprising tranches with maturities of 5, 6 and 7 years (the average maturity being 6.1 years) at fixed and variable rates. Initially planned for €125 million, the *Schuldschein* was raised to €358.5 million in response to very heavy demand from European and Asian institutional investors. An additional €16 million with a maturity of 7 years was issued in January 2015. Excluding German issuers, this was the largest transaction in 2014 in the *Schuldschein* market.

Finally, in Q2, the Group completed the restructuring of its interest rate hedges. This restructuring made it possible to cut the average cost of funding, while reducing risk by extending the maturity of the hedges. The total cost of this restructuring, totalling €24 million, has been recognised in the consolidated financial statements under "non-recurring financial expense".

These transactions enabled Korian - Medica to diversify the nature of its funding and strengthen its financial structure by extending the maturity of the Group's debt to 5.2 years, while taking advantage of a low-rate environment. The financing transactions following the refinancing of the syndicated loans made it possible to partly pay down the refinancing tranche by €150 million.

3.1.4 Success of the option of dividend payment in shares

Following shareholder approval at the Combined General Meeting of 26 June 2014, the Company declared a total dividend of €0.60 per share with the option of the payment of €0.30 in shares based on a share price of €26.42.

This option was well received by Korian - Medica shareholders with over 73% opting for this, resulting in the issue of 648,650 new shares, which were delivered and admitted to trading on the Euronext Paris regulated market on 31 July 2014. They retroactively carry dividend rights from 1 January 2014 and enjoy the same rights as issued and outstanding ordinary shares on this date.

In addition, the cash dividend amounted to €29.8 million and was paid out to shareholders on 31 July 2014.

Following this transaction, the share capital of Korian - Medica stood at €395,187,615 and was divided into 79,037,523 shares.



Reflecting the confidence of its shareholders, this transaction allowed Korian - Medica to strengthen its equity by €17.1 million.

3.1.5 Pursuit of the development strategy

3.1.5.1 In France

On 5 May 2014, the Group completed an extension to a facility in Aude (11).

On 1 July 2014, it also opened a new facility, Les Restanques, in Saint Mitre les Remparts, Bouches-du-Rhône (13).

Finally, on 15 July 2014, it continued to push forward with its development plan in Île-de-France (Greater Paris region) with the takeover of Centre Hospitalier des Courses in Maisons-Laffitte (78), a public interest foundation in receivership.

At 31 December 2014, the Group operated 29,480 beds across 361 facilities in France.

3.1.5.2 In Germany

Completion of the acquisition of the share capital of Curanum AG

In March 2013, the Group acquired 78.45% of the shares in Curanum AG by means of a friendly takeover bid. Between 1 January and 14 July 2014, the Group acquired an additional 6,261,488 shares, representing 14.73% (14.93% excluding treasury shares) of the share capital of Curanum AG.

As a result, on 14 July 2014, the Company owned, via its subsidiary Korian Deutschland AG, 39,609,059 Curanum AG shares, representing 93.18% (94.14% excluding treasury shares) of that company's share capital and voting rights.

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

Continued development of the operating assets

A new facility opened in December 2014 in Meschede, North Rhine-Westphalia (80 beds).

The transactions undertaken over the course of 2014 as described above, along with the acquisition of the regional group Evergreen GmbH detailed in section 3.4 below, are part of the Group's strategy to strengthen its leading position in Ageing Well in Europe, and in Germany in particular. With this in mind, the Group reaffirms its goal of growing by over 1,000 beds per annum in Germany from 2016, combining organic growth and targeted acquisitions.

At 31 December 2014, the Group operated 15,793 beds across 124 facilities in Germany.

3.1.5.3 In Italy

As a result of the Merger on 18 March 2014, the Group integrated Aetas SpA in Italy, wholly owned by Korian - Medica since then. On 28 October 2014, the Group also bought out non-controlling interests in 3 Aetas SpA subsidiaries, namely 6.6% of the share capital of Il Faggio Srl, which operates 6 RSA in Piedmont, 1.98% of the share capital of Croce Di Malta Srl, which operates 8 RSA in Lombardy, as well as 5.71% of the share capital of Gli Oleandri Srl, which operates 4 RSA also in Lombardy.

On 23 October 2014, Korian - Medica also bought 5.60% of the share capital and voting rights of Segesta SpA, previously held by its managers, thereby giving the Company outright control of the share capital and voting rights of Segesta SpA.

Lastly, since 2010, the Group has been working on a major project to transform and merge 5 clinics onto 3 sites, run by Kinetika Sardegna. Already holding a 28% interest, on 30 June 2014 the Group acquired the remaining 72% of the share capital of Kinetika Sardegna, thereby giving the Group outright control of the share capital and voting rights of Kinetika Sardegna.



At 31 December 2014, the Group operated 5,956 beds across 58 facilities in Italy.

3.1.5.4 In Belgium

On 3 April 2014, the Group completed the acquisition of shares in Ry du Chevreuil, which operates a long-term care nursing home in Leuze, after having disposed of the La Passerinette nursing home premises the previous day.

At 31 December 2014, the Group operated 5,829 beds across 49 facilities in Belgium.

3.2. CHANGE IN BUSINESS ACTIVITIES

The consolidated financial statements at 31 December 2014 cannot be compared with the consolidated financial statements at 31 December 2013 due to the Merger, with Medica group having been consolidated from 1 April 2014.

Accordingly, *pro forma* income statements at 31 December 2013 and 31 December 2014 are presented, which take into account the adjustments resulting from the business combinations that took place in 2013 and 2014, namely:

- takeover of Curanum by Korian on 1 January 2013;
- takeover of Senior Living group by Medica on 1 January 2013;
- sale of the psychiatric division by Korian before 1 January 2013;
- merger of the Korian and Medica groups on 1 January 2013;
- consolidation of 100% of Kinetika Sardegna on 1 January 2013. Up to 30 June 2014, a 28% interest was held in the share capital of Kinetika Sardegna, which was accounted for under the equity method in full-year 2013 and the first half of 2014;
- the adjustment of expenses in 2013 and 2014 arising from these business combinations (merger costs, restructuring of hedging financial instruments, other restructuring, impact of purchase price allocation, *etc.*), the tax effect of these expenses and expenses associated with the change in estimate of the impairment provision for trade receivables.

The 2013 *pro forma* statement of financial position was prepared on the same basis.

3.2.1. Evolution of Group revenue

In € millions	2014	2013	Change 2014/2013
France	1,323.4	765.5	72.9%
Germany	476.2	413.7	15.1%
Italy	265.6	177.1	50.0%
Belgium	157.0	0.0	
Consolidated revenue	2,222.2	1,356.4	63.8%

The Korian - Medica group generated consolidated revenue of €2,222.2 million in the year ended 31 December 2014, a sharp rise of 64%. This growth was driven by the consolidation of Medica group on 1 April 2014, the Italian company Kinetika Sardegna on 30 June 2014 and the German group Curanum in March 2013.

As a result of all these transactions, at end-2014 the Group operated more than 57,000 beds across 592 facilities, and generated close to 40% of its revenue internationally.

In € millions	2014	2013	Change 2014/2013
France	1,503.3	1,441.4	4.3%
Germany	476.2	461.2	3.3%
Italy	312.4	308.9	1.1%
Belgium	207.6	202.0	2.8%
Pro forma revenue	2,499.5	2,413.4	3.6%

On a *pro forma* basis, the Group generated 2014 revenue of €2,499.5 million, in line with its 2014 target.

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



3.2.2. Growth of 4.3% in the French business

In France, 2014 consolidated revenue grew by close to 73% to €1,323.4 million. On a *pro forma* basis, revenue totalled €1,503.3 million in 2014, an increase of 4.3%. France now accounts for 60.1% of Group revenue.

This growth is due to a higher occupancy rate at facilities and optimisation of service offerings and daily rates.

Accommodation rates for long-term care nursing homes are discretionary upon the resident's entry; they are subsequently indexed annually according to the terms set by the Ministry of the Economy and Finance. For 2014, the increase in the rates of services offered to elderly people residing in long-term care nursing homes at 31 December 2013 was limited to 1%. A rate increase above this indexation is only possible when a new resident enters.

3.2.3. Growth of 3.3% in the German business

Germany, which accounts for 19% of Group revenue, enjoyed considerable growth against a background of organisational amalgamation. Revenue in Germany thus amounted to €476.2 million, up 15.1% on a consolidated basis and 3.3% on a *pro forma* basis, despite the impact of the closure of 2 facilities in August 2013.

This trend is driven by the implementation of commercial and operational action plans, which are helping to continually improve occupancy rates.

The German network will continue to develop, particularly following the acquisition of the German regional group Evergreen, which was completed in January 2015.

3.2.4. Growth of 1.1% in the Italian business

In Italy, consolidated revenue rose 50% following the consolidation of the Aetas group and of Kinetika Sardegna. *Pro forma* revenue amounted to €312.4 million, up 1.1% compared with 2013. Excluding Vado Ligure, which was disposed of on 1 December 2014, a disposal that dragged down growth in the last quarter of 2014, growth would have been 1.6%.

The regional reorganisation had little operational impact and business remained strong. Occupancy rates remained high both in long-term care nursing homes and in post-acute and rehabilitation care clinics. The acquisition of the remaining 72% of the share capital of Kinetika Sardegna enabled the Italian group to establish its reputation in Sardinia in this latter sector.

With over 9,200 patients spread across 4 regions (Lombardy, Lazio, Apulia and Veneto), the home care business in Italy also performed well again this year.

With the ongoing restructuring of its facilities, Italy enjoys considerable scope for improvement.

3.2.5. Growth of 2.8% in the Belgian business

Belgium generated consolidated revenue of €157 million in 2014. *Pro forma* revenue amounted to €207.6 million, up 2.8% compared with 2013.

3.3. REVIEW OF THE FINANCIAL POSITION AND RESULTS AS AT 31 DECEMBER 2014

3.3.1. Consolidated and *pro forma* financial statements

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

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

EBITDA consists of the above defined EBITDAR minus rental expenses.

Net profit (loss) from continuing operations is defined as net profit (loss) attributable to owners of the Group - (other income and expenses from the operating segments + other financial income and expenses + gain/(loss)



on acquisition and disposal of consolidated investments) * (1 – standard income tax rate of 34%), namely net profit (loss) attributable to owners of the Group adjusted for non-recurring items.

3.3.1.1. Consolidated simplified income statement

In € millions	31.12.2014	31.12.2013	Change 2014/2013
Revenue	2,222.2	1,356.4	63.8%
EBITDAR	613.9	371.5	65.2%
<i>as % of revenue</i>	27.6%	27.4%	0.2%
External rent	298.8	190.3	57.0%
EBITDA	315.1	181.2	73.9%
<i>as % of revenue</i>	14.2%	13.4%	0.8%
Operating income	181.2	99.8	81.5%
Financial result	-73.9	-44.7	65.5%
Profit before tax	107.2	55.2	94.4%
Net profit Groupe share	61.8	28.6	116.3%
Current Net profit Group share	95.6	41.5	130.2%

3.3.1.2. Pro forma simplified income statement

In € millions	31.12.2014	31.12.2013	Change 2014/2013
Revenue	2,499.5	2,413.4	3.6%
EBITDAR	690.1	662.3	4.2%
<i>as % of revenue</i>	27.6%	27.4%	0.2%
External rent	332.4	322.8	3.0%
EBITDA	357.6	339.5	5.3%
<i>as % of revenue</i>	14.3%	14.1%	0.2%
Operating income	235.4	232.5	1.2%
Financial result	-59.6	-71.4	-16.5%
Profit before tax	175.8	161.1	9.1%
Net profit Group share	104.6	96.2	8.8%
Current Net profit Group share	112.8	92.5	21.9%

The main operational indicators EBITDAR and EBITDA grew at a faster pace than the business, reflecting the ongoing improvement in the performance of Korian - Medica group against a background of integration and of organisational amalgamation.

In the breakdown of EBITDAR, personnel contributions accounted for 47.4% of revenue (excluding VAT), amounting to €1,186 million at 31 December 2014, up 0.5 points on the previous year. Within the Group, France and Italy performed well, the ratio respectively falling 1 and 0.6 points, whereas the ratio in Belgium deteriorated 0.9 points.

In France, the ratio of personnel contributions to revenue (excluding VAT) went from 51.5% in 2013 to 50.5% in 2014, as a result of strong payroll management combined with the increase in the competitiveness and employment tax credit (*Crédit d'Impôt pour la Compétitivité et l'Emploi* – CICE) in 2014. The proceeds of the 2013 CICE principally allowed the Group to invest in its facilities but also to take action in the sphere of research and innovation and to take measures beneficial to employees.

In Germany, this ratio remained stable at 51.9% in 2014, compared with 51.8% in 2013.

In Italy, this ratio improved from 21.3% to 20.7%. For reference, this relatively low ratio stems from the fact that in Italy a portion of wages and salaries is invoiced through cooperatives under service agreements.

Finally, the ratio in Belgium deteriorated 0.9 basis points from 54.8% to 55.7%, as a result of the ramp-up of certain facilities.

Other purchases and expenses accounted for 24.9% of revenue (excluding VAT), i.e. €623.4 million. This ratio was almost unchanged on 2013, rising a modest 0.3%, reflecting strong procurement management and control of expenses in what was a merger year.



Accordingly, *pro forma* EBITDAR amounted to €690.1 million at 31 December 2014, an increase of €27.8 million. The Group's 2014 EBITDAR margin was 170 basis points up on the previous year. This improvement breaks down as follows in each country in which the Group operates.

In € millions - <i>pro forma</i>	Group		France		Germany		Italy		Belgium	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenues	2,499.5	2,413.4	1,503.3	1,441.4	476.2	461.2	312.4	308.9	207.6	202.0
EBITDAR	690.1	662.3	421.7	401.8	143.9	137.9	73.6	72.7	51.0	49.9
margin/revenue	27.6%	27.4%	28.1%	27.9%	30.2%	29.9%	23.6%	23.5%	24.6%	24.7%
EBITDA	357.6	339.5	244.8	232.9	54.5	46.7	37.8	38.7	20.5	21.2
margin/revenue	14.3%	14.1%	16.3%	16.2%	11.5%	10.1%	12.1%	12.5%	9.9%	10.5%

Rent rose 3% to €332.4 million from €322.8 million in 2013. They accounted for 48.2% of the Group's *pro forma* EBITDAR, the ratio improving 0.6 basis points from 2013.

The Group's *pro forma* EBITDA thus amounted to €357.6 million, up €18.1 million. The 2014 EBITDA margin was up 20 basis points.

Operating profit amounted to €235.4 million in 2014, up by €2.9 million compared with 2013, i.e. a 1.2% increase. It should be noted that a number of adjustments have been made to *pro forma* operating income to reflect the impact of expenses associated with business combinations.

The net borrowing cost totalled €59.6 million, down 16.5% from €71.4 million in 2013. Net financial income has been adjusted on a *pro forma* basis to reflect the early unwinding of financial instruments following the restructuring of the hedging portfolio in the first half of 2014.

The tax rate was 38.6% at 31 December 2014. This rate includes the CVAE in France and the IRAP in Italy. Furthermore, only 75% of net financial expenses can be deducted in 2014 (85% in 2013). Finally, in contrast, the CICE was not taxable in 2014 or in 2013.

The net profit (loss) attributable to owners of the Group was thus €104.6 million, up 8.8% compared to the previous year. The net profit (loss) from continuing operations attributable to owners of the Group totalled €112.8 million, up 21.9%.

3.3.1.3. Consolidated statement of financial position

In € millions	31.12.2014	31.12.2013
Non-current assets	4,618.9	2,040.3
Current assets	617.6	275.8
Assets held for sale	19.0	0.7
Total assets	5,255.5	2,316.8
Shareholder's equity	1,901.6	768.4
Total non-current liabilities	2,378.1	991.1
Current liabilities	963.0	557.2
Liabilities held for sale	12.9	0.0
Total liabilities	5,255.5	2,316.8

Assets

- Intangible assets amounted to €3,331 million, i.e. 72% of non-current assets and 63% of the statement of financial position total. They mainly consist of the Group's goodwill and licences to operate the facilities. The value of these licences and goodwill are tested for impairment in accordance with IAS 36 based on their "value in use" determined using the discounted cash flow (DCF) method. This item increased by €1,930 million compared with 31 December 2013. The change in intangible assets mainly stemmed from the allocation of the purchase price of Medica group, in particular €919 million to "licences" and €79 million to "lease rights", as well as €865 million to the Group's goodwill. Finally, following the purchase of the remaining 72% of the share capital of Kinetika Sardegna, goodwill of €9.7 million was recognised.
- Tangible assets increased €610 million during the year to €1,165 million. This increase was mainly due to the recognition of €587 million in revalued assets of Medica group, €103 million in construction work and acquisitions and -€81.5 million in depreciation for the period.



- Within current assets, trade receivables amounted to €143 million, up €57 million.
- Current assets also include €235 million in cash and cash equivalents: the high level of funds is the result of the proceeds of the *Schuldschein* issue on 16 December 2014.

Liabilities

- Consolidated equity attributable to owners of the Group increased by €1,157 million to €1,903 million, mainly due to:
 - the impact of the net profit of €61.8 million attributable to owners of the Group;
 - the business combinations amounting to €1,148 million;
 - buyouts of non-controlling interests over the year amounting to -€20 million;
 - the distribution of -€47 million in July 2014 notably in respect of 2013 profit;
 - the €17 million capital increase resulting from the payment of the dividend in shares;
 - the impact of hedge accounting on interest rate hedging instruments, amounting to €5.8 million; and
 - actuarial gains and losses relating to the calculation of the provision for end-of-career salary amounting to -€7.8 million.
- As at 31 December 2014, the share capital of Korian - Medica consisted of 79,037,523 shares.
- Borrowings stood at €1,716 million, up €945 million.

The Group's net indebtedness breaks down as follows:

In € millions	31.12.2014	31.12.2013
Loans from creditors institutions	1,178.8	520.4
Finance lease liabilities	442.7	190.5
Employee profit sharing	0.0	0.0
Other financial liabilities	16.7	1.1
Non-current financial liabilities	1,638.2	712.1
Short-term loans from credit institutions	13.3	28.5
Short-term finance lease liabilities	43.7	13.9
Bank overdrafts and advances	6.7	5.9
Other short-term financial liabilities	14.1	11.1
Short-term financial liabilities	77.9	59.3
Financial liabilities (A)	1,716.1	771.4
Marketable securities	108.3	25.7
Cash	127.2	25.2
Assets held for sale	0.0	0.0
Cash (B)	235.5	50.8
Cash provided as collateral	6.8	7.2
Net indebtedness (A) - (B) - (C)	1,473.8	713.4

At 31 December 2014, net financial liabilities thus amounted to €1,474 million, including immovable property debt of €486 million. Excluding the immovable property debt, Korian - Medica's net debt/EBITDA ratio is thus 2.9x, well below the covenant limit of 4.5x. The Group managed to keep its financial leverage under control despite having incurred significant non-recurring expenses over the period against a background of integration and a need for significant funding to cover the acquisitions over the period.

- Current liabilities notably include trade payables totalling €239 million, €105 million up on 2013.

3.3.1.4 *Pro forma* statement of financial position

In € millions	31.12.2014	31.12.2013
Non-current assets	4,618.9	4,574.7
Current assets	617.6	493.5
Assets held for sale	19.0	27.3
Total assets	5,255.5	5,095.5
Shareholder's equity	1,901.6	1,914.1
Total non-current liabilities	2,378.1	2,092.4
Current liabilities	963.0	1,066.1
Liabilities held for sale	12.9	23.0
Total liabilities	5,255.5	5,095.5

Assets

- On a *pro forma* basis, non-current assets increased €18.6 million. The increase was driven by tangible assets and was mainly due to construction work and acquisitions in 2014, offset by depreciation for the period.
- Within current assets, trade receivables amounted to €143 million, down €17 million, i.e. -10%, compared with business growth of +3.6%, a sign of the ongoing effectiveness of the billing and collection policy implemented by the Group.
- Cash and cash equivalents of €235 million should be compared against €115 million in 2013: the high level of funds is the result of the proceeds of the *Schuldschein* issue on 16 December 2014.

Liabilities

- Within liabilities, borrowings stood at €1,716 million, up €193 million.

3.3.2. Annual financial statements

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

The Merger was completed on 18 March 2014, with retroactive effect to 1 January 2014 for accounting and tax purposes.

3.3.2.1. Income statement

In € millions	31.12.2014	31.12.2013
Revenue	40.9	40.1
Other operating income	15.9	3.7
Total operating income	56.8	43.8
Others purchases and external costs	-36.3	-20.9
Income and other taxes	-2.3	-2.1
Employee expenses	-30.5	-27.9
Depreciation, amortisation and provisions	-7.4	-5.5
Others charges	-0.5	-0.3
Total operating expenses	-77.0	-56.7
Operating income	-20.2	-12.9
Financial result	87.0	10.4
Non-recurring profit (loss)	-7.5	-4.5
Income tax (consolidation gains)	15.0	10.9
Net profit	74.3	3.9



3.3.2.2. Operating profit/(loss)

The income of Korian - Medica mainly consists of Group fees paid by all French facilities under an assistance agreement. These fees, which totalled €27.4 million in 2014 (up €3.1 million), are allocated to each facility according to the number of beds they operate.

Korian - Medica also re-invoices other expenses to its French subsidiaries, including services, rental expenses as well as various other activities: this re-invoicing totalled €3.4 million in 2014 (down €2.9 million). External services are also invoiced outside the Group and amounted to €10.1 million (up €0.6 million).

Totalling €30.5 million for an average workforce of 298 people, personnel contributions accounted for nearly 40% of total operating expenses.

Amortisation and depreciation expenses increased by €1.9 million following the Group-wide roll-out of various IT tools and the amortisation of borrowing costs capitalised in 2014 following the debt restructuring.

3.3.2.3. Financial income

As the Group's holding company, Korian - Medica also receives dividends from its subsidiaries. These dividends increased from €30 million in 2013 to €123.1 million in 2014.

Korian - Medica bears most of the Group's debt and financial instruments. The financial expense arising from the financial liabilities amounted to €23.5 million in 2014 (€10.1 million up on 2013). Korian - Medica also recognised a €27.3 million expense for financial instruments (€13.3 million up on 2013), including a cash expense of €11.3 million relating to a part of the balance paid in connection with the restructuring of the derivative instrument portfolio in the first half.

As head of the cash pooling arrangement, Korian - Medica paid €5.3 million (compared with €5 million in 2013) in interest expenses on current accounts and received €12.7 million (up €2.2 million) in interest earned on the current accounts of its subsidiaries.

3.3.2.4. Non-recurring profit/(loss)

The non-recurring loss of €7.5 million mainly breaks down as follows:

- subsidiary dissolution costs of -€3 million;
- fees relating to the Group's strategic support of -€2.3 million;
- Medica wage restructuring expenses of -€0.8 million;
- fees relating to the Merger borne by Medica of -€0.6 million.



3.3.2.5. Statement of financial position

Assets	31.12.2014	31.12.2013
Intangible assets	272.1	282.6
Property, plant and equipment	2.0	3.2
Non-current financial assets	2,046.3	665.8
Non-current assets	2,320.5	951.6
Trade receivables	4.8	3.5
Other receivables	606.0	370.1
Cash	105.5	24.5
Prepaid expense	13.0	0.3
Total current assets	729.2	398.4
Debt issuance costs and bond discounts	13.3	0.6
Total assets	3,062.9	1 350,6

Liabilities	31.12.2014	31.12.2013
Share capital	395.2	174.2
Reserves and premiums	937.1	439.0
Retained earnings	128.5	22.8
Profit (loss)	74.3	3.9
Regulated provisions	4.8	4.6
Financial position	1,539.9	644.5
Borrowings with special terms	0.0	17.5
Provisions for risks and expenses	3.7	0.7
Financial liabilities	1,497.7	662.4
Trade payables	5.9	4.7
Tax and social security liabilities	14.3	13.6
Others liabilities	1.1	6.7
Deferred income	0.3	0.5
Total operating liabilities	1,519.3	687.9
Total liabilities	3,062.9	1 350,6

The statement of financial position total of Korian - Medica amounted to €3,063 million. It mainly consisted of the following:

Assets

- Non-current assets amounted to €2,321 million, representing close to 76% of the statement of financial position. They mainly consist of:
 - €264 million in net merger losses relating to the Korian/Medidep merger in 2006;
 - €1,883 million in shares of subsidiaries: Medica contributed securities valued at €1,213 million in 2014, explaining most of the change in shares;
 - €163 million in loans to subsidiaries: Medica contributed loans valued at €125 million in 2014, explaining most of the change in this item.
- The other main items on the assets side of the statement of financial position are:
 - current accounts with subsidiaries amounting to €570 million;
 - €105.5 million in cash;
 - €13.3 million in deferred expenses, relating to bond issuance costs to be deferred;
 - €13 million in prepaid expenses, including €12.6 million of the cash payment paid in 2014 in connection with the restructuring of the financial instrument portfolio. This sum will be deferred over the term of the new hedging agreement.

Liabilities

- Net position of €1,540 million, up €895 million, mainly due to:



- the share capital increase following the Merger totalling €217.7 million and the €639.7 million Merger premium. €6.5 million in Merger-related expenses net of tax were deducted from the premium;
- the distribution of -€47 million in July 2014 in respect of 2013 profits and the €17 million capital increase resulting from the payment of the dividend in shares;
- the profit for the period of €74.3 million.
- Financial liabilities, which amounted to €1,498 million at 31 December 2014, broke down into €540 million in bonds, €713 million in bank loans, and €245 million primarily in current accounts with subsidiaries.
- Trade payables amounted to €5.8 million, and broke down as follows:
 - €1.4 million in provisions for invoices not yet received;
 - €4.4 million in trade payables.

As at 31 December 2014, the payment schedule for these liabilities was the following.

In € millions	Due +60d	Due -60d	Not yet due -60d	Not yet due +60d	Total
Operating trade payables	0.3	2	1.4	0	3.7
Trade payables, Group	0.7	0	0	0	0.7
Total	1	2	1.4	0	4.4

Note that the payment schedules for these liabilities as at 31 December 2013 was 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	2.9
Trade payables, Group	0.6	0.1	0.1	0	0.8
Total	0.8	1.8	1.1	0	3.7

3.4. MATERIAL EVENTS SINCE THE YEAR-END

Since 1 January 2015, the Group has carried out the following transactions.

3.4.1. Acquisition of the German regional group Evergreen Holding GmbH

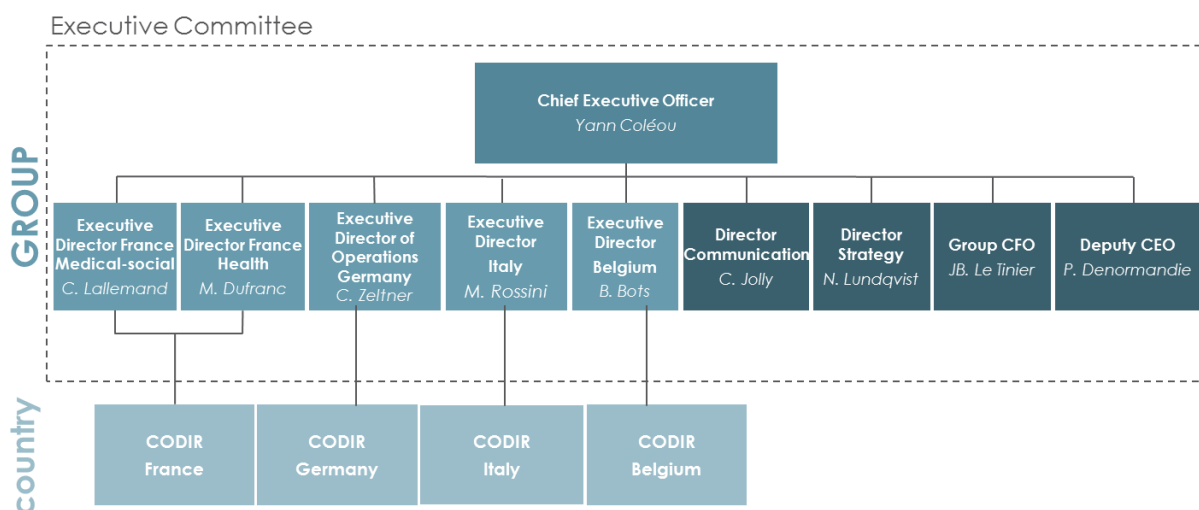
In January 2015, Korian-Medica group acquired the German regional group Evergreen Holding GmbH. Based in western Germany, it operates 6 facilities and has 4 ongoing projects that will, over time, expand the network by over 1,100 beds in long-term care nursing homes and assisted living facilities, generating over €35 million in additional revenue.

This transaction, together with the transactions completed in 2014 (see section 3.1.5.2 above), is firmly in line with the Group's development strategy in Germany.

3.4.2. Establishment of new internal governance

2014 saw a merging of the Group's businesses and organisation. To this end, in order to speed up the Group's reorganisation, the Group Executive Committee was changed in order to rebalance the size of the various entities represented on it and to strengthen the business expertise on said Executive Committee.

The Group Executive Committee, more operational, with each member reporting to the Group Chief Executive Officer, has the following members: Chantal Lallemand (Executive Director France Medical-Social sector), Marie Dufranc (Executive Director France Health sector), Christian Zeltner (Executive Director of Operations Germany), Mariuccia Rossini (Executive Director Italy), Bart Bots (Executive Director Belgium), Philippe Denormandie (Group Deputy Chief Executive Officer), Jean-Brieuc Le Tinier (Group Chief Financial Officer), Nathalie Lundqvist (Director of Group Strategy, Development and Strategic Marketing) and Cécile Jolly (Director of Group Communication, CSR and Operational Marketing).



3.4.3. Company share capital increase

In accordance with the provisions of Article L. 225-178 (3) of the French Commercial Code (*Code de Commerce*), following the exercise of 2,000 share subscription options in 2014, the Board of Directors at its 25 March 2015 meeting recorded the €10,000 increase in the Company's share capital, by means of the issue of 2,000 new shares with a par value of five (5) euros each, thereby increasing from €395,187,615 to €395,197,615.

3.5. FORESEEABLE CHANGES – OUTLOOK

Following a 2014 that was focussed on successful integration, 2015 will see the first visible effects of the synergies of the Merger completed on 18 March 2014. The net amount of synergies was assessed at €7.5 million in 2015, €15 million in 2016 and between €20 and €25 million thereafter.

With over 57,500 beds under operation, Korian - Medica is the leader in 4 major European markets. This geographic diversification enables the Group to continue its expansion, while benefiting from growth drivers internationally, in Germany in particular. In fact, the completion of the acquisition of the Curanum and Evergreen Holding groups in early 2015 lays the foundation for a major expansion in this country, with the goal of adding 1,000 beds per annum from 2016.

Korian - Medica has good visibility regarding its business segment and encouraging prospects. The Group aims to generate circa €2.6 billion in revenue in 2015. In addition, Korian - Medica is reaffirming its target of €3 billion in revenue by 2017.

3.6. RISK FACTORS

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

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

3.6.1. Risk identification

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



3.6.1.1. Risk factors intrinsic to the Group's business sector

Regulatory risk involved in obtaining and maintaining operating permits and subsequent agreements

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

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

Risks associated with changes in rates and social policies

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

In France, the accommodation rate is freely set when a resident enters a long-term care nursing home; annual adjustments thereto are set by decree. Thus, during the period of a residence contract, the Group has no control over pricing changes and the amounts payable by residents. Furthermore, a portion of the revenue of long-term care nursing homes is fixed and covered by public authorities on the basis of the costs borne by these facilities. Accordingly, a reduction in this financing would possibly result in their margins being squeezed. Similarly, for post-acute and psychiatric care facilities, any reduction, freeze or insufficient adjustment in rates set by the social security bodies could have a negative impact on the Group's profitability and financial position.

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

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

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

Employee-related risks

The shortage of medical staff and/or a possible increase in staff turnover, especially concerning qualified medical staff, could have an impact, in particular, on the quality of service within the Group's facilities, affect its image and its development prospects or drive up wages. Any such eventuality could adversely affect margins and, in certain instances, endanger operating licences. Moreover, the Group cannot rule out a possible deterioration in employer-employee relations liable to cause strikes or other union actions, affecting its financial position and operating results.

Commercial risks

As a provider of personal services and, to an even greater extent, within the scope of the care we provide to dependent persons, the Group's facilities may be exposed to claims and complaints by residents or their families, concerning the quality of the medical monitoring, the treatments administered, or the care and accommodation services provided. In addition, although the civil liability of physicians working independently



in Group facilities covers the risks relating to their work, the reputation of the facility and hence its business and results could nevertheless be affected by any such liability.

Climate risks

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

Risks of epidemic

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

Main operational risks

- Risks to the safety of people and property

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

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

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

- Risks of infection - hygiene

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

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

- Risk of medication error

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



- Risk of abuse

Although the Group pays close attention to complying with strict ethical values in the course of providing Ageing Well services, the risk of abuse, real or alleged, cannot be ruled out. Lawsuits may thus be brought against employees or the Group in this respect. The occurrence of any such events could have an adverse effect on the Group's reputation and image, reducing occupancy rates at its facilities, and thereby affecting its business, development prospects, financial position and results. The Group has put in place very strict procedures designed to prevent the risk of abuse, as detailed in section 3.6.2.2 of this Registration Document.

3.6.1.2. Group-specific risk factors

Real estate risks

The Group mainly rents the buildings in which it operates its facilities and its rents are thus subject to indexing. Just like in Germany, where rents rise in line with the country National Index, rents in France are linked either to the rent review index (IRL), to inflation (IPC), or to the construction cost index (ICC), or a combination of the ICC, IPC and IPT (intervention rate of long-term care nursing homes). A strong rise in these indexes in the next few years could have an adverse effect on the Group's results.

Risks relating to information systems

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

Development-related risks

As part of its external growth policy, the Group is and will be, sooner or later, seeking development opportunities through strategic acquisitions, equity investments or partnerships, which will allow it to actively take part in the consolidation trend in the Ageing Well sector. However, the Group cannot guarantee that such opportunities will arise, particularly combined to favourable market and financial conditions; nor can it be sure to integrate any new entities and deliver the anticipated synergies in a successful and profitable manner while maintaining harmonised internal processes and good relations with their personnel.

Risk of dependency on key management

The Group's success depends, to a certain extent, on its ability to motivate and retain an experienced and talented management team. The 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 or its growth could experience a temporary slowdown.

Legal and tax risks

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

Financial risks

- Risks related to the Group's indebtedness

The Group's net indebtedness totalled €1,474 million as at the date of this Management Report. It is primarily comprised of a syndicated loan, bilateral loans, immovable property debt and bonds, primarily at variable rate and with fairly staggered maturities.

The Company carries out specific periodic reviews of its liquidity risk and believes that it is in a position to honour its future repayments. Nevertheless, the Company cannot safeguard against a possible deterioration in market conditions, which may have a significant direct effect on current financing conditions.



- Interest rate risk and hedging policy

As at the date of this Management Report, the Group's indebtedness was primarily variable rate. The Group has financial instruments to hedge against adverse fluctuations in interest rates, which by significantly increasing debt servicing could limit its investment capacity and thereby delay the implementation of its strategy.

The Group uses standard derivative instruments (interest rate swaps, caps, floors, *etc.*). Including financial instruments, 80% of variable-rate borrowings are hedged with an average maturity of 3 years, reflecting a cautious management policy.

In addition, marketable securities mainly comprise term deposits or euro-denominated open-ended investment funds with variable capital (SICAV). Pursuant to IAS 7.6, they are defined as short-term investments, highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value.

- Market risks (currency and equity)

At 31 December 2014, the Group held 0.03% of Korian shares in treasury stock and 94.14% of Curanum's stock, a company listed on the Frankfurt stock exchange. Nevertheless, following a process lasting a number of months, Curanum AG was merged into Korian Deutschland AG, a wholly-owned subsidiary of the Company, resulting in its delisting from the German stock exchange on 13 February 2015.

As at the date of this Management Report, the Group is neither exposed to currency risks nor is it exposed to equity risks.

- Financial co-option risk

The Group is extremely vigilant about the risk of financial co-option and prohibits altogether the giving of gifts, contributions or money to staff members by persons under care in its facilities and their close relatives. The risks of embezzlement, such as through over-billing, are limited by audits, by the management control system and by support in the field from the Sales Department, which sets business policies and trains staff.

Outsourcing and supplier risks

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

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

3.6.2. Risk management and control

Given that the Group's mission is to help facilitate the Ageing Well of its residents and patients, the Group must first and foremost ensure the safety of its residents and patients within its facilities, while also providing them with a level of service in line with their expectations. The approach of all Group teams is based on respect for individuals and the provision of services, the quality of which is always the Group's primary focus. Day-to-day risk management is an integral part of the procedures implemented by the Group as part of its quality assurance process and best business practices disseminated to all facilities.

The definition of new shared values

Following the merger, the Group wanted to define 4 values that are shared by employees of the Korian and Medica groups, and which are central to all of our various occupations, in particular regarding risk prevention, namely: Benevolence, Responsibility, Transparency and Initiative.



Under "Benevolence", the Group defines the rules for managing complaints and claims. The taking on board of the requirements of the resident and/or patient and/or of their family constitutes a major source of ongoing improvement for the Group. In France, for example, a tool for managing such complaints and claims ("K-REC") was introduced in order to centralise the logging and monitoring of facility complaints. Furthermore, following the merger, a "Customer response" unit was established to provide detailed responses to all claims and thereby satisfy our customers' requests and expectations as closely as possible.

Through "Responsibility", the Group aims to ensure the Ageing Well of its residents and/or patients. The Group's General Management requires the Country Head in question to inform it immediately of events representing a genuine public and/or reputational threat. Where appropriate, notably in the event of a crisis, monitoring and/or support may be provided by Group General Management. In addition, in France, for example, new software called "K-RIS" was recently rolled out to report all incidents or anomalies associated with undesirable events that may occur within one of the Group's French facilities. This new software provides easy access for all staff and represents a reliable database of all identified events. Thanks to this, the Group could develop an appropriate risk prevention and management policy for each French facility.

Through "Transparency", the Group aims to ensure that it disseminates information and communicates in a clear manner, across the whole Group but also vis-à-vis supervisory authorities. The Group identifies and documents the risks facing all residents and patients, staff and visitors to the facility. In 2014, it mapped Group risks in order to *a priori* identify the main risks in the countries in which the Group operates and to define how each identified risk can be prevented. From March 2015, a software called "K-PAQ" will be rolled out in France in order to manage the quality assurance process by incorporating the action plans established, task flowcharts and actions to be taken by the project leaders.

Finally, the "Initiative" value is designed to enable each Group employee to develop his/her ability to act and share best practices adopted by its facility. In France, for example, a database called "K-GED" was developed in order to enable all Group members to circulate and share their facility's best practices with other facilities and to enable document searching via a search engine on a range of issues (medical care, catering, fall prevention, etc.).

The Medical, Ethics and Quality Department in each country in which the Group operates works daily on procedures for implementation within Group facilities designed to minimise risks, as detailed in section 3.6.2.2 of this Registration Document.

Creation of the Group Audit and Internal Control Department

In the first half of the year, the Group established a Group Internal Audit Department, which took over responsibility for the Internal Control Department.

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

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

- identify the major risks;
- propose improvements to the risk management process;
- ensure compliance with internal control procedures and check the effectiveness of the internal control and risk management systems, both through audits by its team of internal auditors, and by supervising audits by the appropriate departments in each country (quality departments, management control departments, legal departments, etc.).

In the second half of 2014, it created the risk mapping, focussing on 2 areas:

- risks affecting the whole Group;
- country-specific risks.

The top 10 Group risks and the top 10 risks in each country were presented (for approval) to the Audit Committee with the resulting 2015 audit plan.



In 2015, the Audit Committee will review progress on the audit plan as well as the findings of the work carried out.

3.6.2.1. Risk prevention policy

Management of safety-related risks

- Management of building safety

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

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

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

In Italy, in each facility, a 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 with qualified service providers. Internal safety procedures have been set up in accordance with Act 81/08 relating to the control of safety-related risks. Prevention activities are aimed at eliminating or reducing the risks associated with the workplace and exposure to chemical, physical or biological agents, as well as training and informing employees on risks in their workplace.

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

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

- Management of fire risks

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

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

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

In Italy, the provisions of Act 81/08 are included in the risk management document of each facility. Like in all countries, the Group's policy in Italy 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, patients, personnel and subcontractors). In each region, periodic compliance checks are carried out by fire-fighters.

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

- Management of asbestos-related risks

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

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

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

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

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

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

- Management of risks associated with medical equipment and devices - medical device vigilance

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

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

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

In Italy, the facilities' medical equipment and devices are listed and inventoried in an individual record giving their characteristics, certifications and all the audits and repairs carried out during their useful life. Every year, the medical equipment is audited by a qualified service provider in accordance with Act 81/08 and standards



IEC 62/148 and IEC EN 62353. Internal and external assessments are also carried out on a regular basis. Lastly, in each region, the health authorities check the compliance of the medical equipment once a year.

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

- Management of risks associated with hot water (legionella)

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

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

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

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

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

- Management of risks to water potability

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

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

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

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

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

Management of employee-related risks

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



In France, partnerships have been formed with business schools and universities to create talent pools for future facility directors. In addition, in order to retain staff and ensure the quality of services provided in its facilities, the Group promotes access to qualifying training courses and accreditation of prior learning and experience. Around 400 employees availed of these options in 2014.

In Germany, the organisation of the medical care in retirement homes is centred on nurses. Regulations in force require a minimum of 50% qualified nurses amongst medical staff to maintain the number of authorised beds. The recruitment and retention of staff, in particular qualified nurses, is thus a major challenge when faced with a shortage of qualified staff. The main efforts in this area focus on local programmes conducted by regional HR Managers to retain key staff, the development of occupational training, and a specific multi-year programme aimed at nursing students. In terms of recruitment, Phönix also launched a major recruitment campaign called *pflieg mich*, in particular through the media. For its part, Curanum entered into a partnership with the German employment office and its Chinese counterpart, which led to an experimental project involving the recruitment and support of Chinese nurses in some of our German facilities. This experiment could be extended to a larger number of people, and to other partner countries. Phönix and Curanum are particularly attentive to the continual improvement of working conditions in the facilities. Phönix is thus part of the Great Place to Work program, allowing it to identify employee expectations. As for Curanum, it has launched annual satisfaction surveys which also 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.

Although Belgium experienced a staff shortage in 2013, the situation improved significantly in 2014 following a restructuring of the hospital sector. Management is very mindful of the need to maintain good industrial relations with the social partners and to negotiate collective agreements in order to minimise labour disputes. Furthermore, strikes are extremely rare and staff satisfaction surveys are carried out so as to give employees a say in the running of their facilities.

The Group's General Management has planned to conduct an employee satisfaction survey in summer 2015 in the 4 countries where the Group operates. A single questionnaire will make it possible to compare employee responses in the 4 countries and determine their levels of satisfaction. Questions specific to each country will fine-tune the diagnostic to national concerns.

Management of operational risks

- Management of infection prevention

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

In France, the management of the risk of infection revolves around the following measures: supply of the resources necessary for the implementation of best practice recommendations in terms of hygiene, implementation of preventive measures in hygiene and medical care, compliance with basic hygiene rules (hand hygiene in particular), control of technical care, control of the environment (water, medical waste from activities with risk of infection, linen cycle, etc.), management of epidemics and vaccination policy, raising the awareness of the persons at risk (residents, patients and families), training of employees and external personnel, and the development of partnerships with specialised health bodies such as Committees for the Campaign Against Nosocomial Infections ("**CLIN**"). An annual self-assessment of the management of the risk of infection is carried out in both the medico-social and post-acute and psychiatric sectors.

In healthcare facilities, the existing system is supplemented by the defining of a local plan for each facility, including an epidemic control plan: monitoring of the measures to prevent nosocomial infections (presence of a CLIN and operational hygiene team ("**EOH**") in each French clinic); implementation of preventive actions in the areas of hygiene and medical care, including the proper use of antibiotics (procedures, protocols, training); organised monitoring of nosocomial infections, multi-resistant bacteria 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, each one fills out a standardised report on the measures taken to combat nosocomial infections based on the model requested by the supervisory authorities.

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

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

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

- Management of epidemics

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

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

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

In Italy, in the event of epidemics/pandemics threatening the health of the elderly, the Ministry of Health gives precise instructions on the required response and the protocols to follow. Every week, a newsletter summarising the spread of the epidemic is sent by the regional authorities to the facility directors. The ASLs monitor the vaccination plan (flu and pneumococcal vaccines) and supply the vaccines to the facilities. To keep track of the progress of the vaccinations, facility medical directors input the list of the persons vaccinated on the ASL’s web portal. In accordance with the national procedures, each facility suspected of suffering an epidemic is reported to the ASL by the RSA’s medical 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 medical director undertakes a decontamination of the facility in accordance with the protocols defined by the health authorities.

In Belgium, an epidemic is defined as being 5 recorded cases with 3 new cases per day. Should an epidemic occur, the Belgian health authorities must be immediately informed thereof and a special procedure is activated (wearing of gloves and of masks, systematic use of the hydroalcoholic gel available in each facility),



with the possibility of quarantine should this prove necessary. In order to prevent certain epidemics, such as flu, Belgian facilities organise annual vaccination campaigns.

- Management of waste from activities with risk of infection

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

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

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

- Management of the medication circuit

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

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

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

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

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

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



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

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

- Management of risks of falls and/or wandering

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

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

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

- Management of risks associated with food

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

In France, these assessments and tests are entrusted to independent COFRAC-certified firms. A similar methodology for testing the catering process is also applied in Germany and Italy jointly by the public authorities (in the same way as the Departmental Directorate for the Protection of Populations ("**DDPP**") in France), subcontractors and the Group's professional staff.

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

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

- Management of climate risks

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

In France, measures have been taken to control risks associated with a heat wave. Every year, the Ministry of Social Affairs and Public Health publishes a national heat wave plan (the PNC) organising the activation of an alert system accompanied by a preventive communication and information system, as detailed in section 3.7.2.4 of this Registration Document. All French facilities have heat insulation solutions (mobile air-conditioning units, shutters, etc.). In addition, management in charge of medical and nursing teams has established "Hydration & Prevention – Treatment of Dehydration" protocols and trainings in order to identify and closely monitor those at risk. Finally, Technical Failure Risk Analysis Documents ("**DARDE**") and procedures have been prepared, and provide, in particular, for the installation of generators, making it possible to

supplement the system for ex ante risk control and management of any crisis triggered by a climate event causing an interruption in the electricity supply.

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

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

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

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

In 2014, the Group's priorities were essentially to take stock of its ethical, medical and quality assurance approach in every country in which it operates as well as to increase the consistency of its ethical approach, to identify and prevent all levels of risk inherent in Group activities, as well as to improve the overall quality of its practices and services for persons in care (residents and patients).

Ethical development vital to Group requirements

- The targets set by the Ethics and Risks Committee

Within the Group, the care of residents and patients rests on strong commitments: respect for individuals, their dignity and their wishes are the care watchwords in the Group's facilities.

The Ethics and Risks Committee, a specialised committee of the Company's Board of Directors, submits recommendations on ethical issues related to Ageing Well activities in the Group's facilities, as well as on the management of business risks within the Group (in particular the evaluation of business risk prevention procedures and the submission of proposals to the Board of Directors on the implementation of specific procedures for following-up on complaints). It is thus active ahead of and in parallel with the formalisation of policies, systems and procedures within Group facilities.

- Ethics central to our practices

At end-2014, the Group decided to embark upon the definition of a more structured Group ethical approach, which over the medium-term (end-2015/early 2016) will be subsumed into a global strategy encompassing CSR and the harmonisation of procedures for managing adverse events that could impact the Group.

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

In France, the Group has adopted a proactive best care practices policy, coordinated by the Medical, Quality and Regulatory Department (DMQR). The Group is therefore now organised around the following key focuses: the development of specific tools to help the teams in their ethical approach, including the Best Care Practices, Ethics, Care for all ("**BEST**") and Montessori training programmes, which are discussed in section 3.7.1.5 of this Registration Document, the MobiQual kits, the Group Intranet in France); wrap-up meetings involving the facility's care staff; group discussions within the Social Life Committee ("**CVS**") for long-term care nursing homes or the User Relations and Dependency Care Quality Commission ("**CRUQPC**") and Healthcare Risk Management and Supervision Committee ("**COVIRIS**") for post-acute and rehabilitation care clinics; the use of ethics centres in the event of difficulties beyond the facility's capacities.

This cross-functional approach thus involves all of the Head Office departments concerned, the DMQR, the General Managements, France, for Medico-Social and Post-Acute and Psychiatric Care as well as the Human Resources Department, 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 in 2013 under the aegis of Helen Kohlen, PhD, 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 regular training sessions. This ethics committee has 14 internal and external members (physicians, academics, human resources delegates, resident representatives). It is currently chaired by the Human Resources Manager. The German ethics committee meets twice a year and its findings are forwarded to the quality unit. All the medical and non-medical findings are used to build the training programme of the German *Akademie* for the following years.

In Italy, an ethics and science committee was formed with a view to preparing new strategies, developing new technologies and defining new projects. It is chaired by Professor lanes and comprised of the operations manager and outside individuals (in particular university professors). It meets regularly, depending on the issues on the agenda. In 2014, the committee reaffirmed values that enhance quality of life and protection of health, the pivotal role of the sick person and the elderly person and their social importance. This is primarily reflected in participation in symposiums, through initiatives and partnerships with local non-profit associations on solidarity-related issues, as well as the provision of ongoing training. A services charter was circulated in all facilities and every employee has undertaken to follow the principles expressed, along with the charter of rights for the elderly and internal regulations and protocols. In addition, an ethics code was drawn up, in line with applicable regulations, in order to guide behaviour and decision-making within the company. In 2014, Segesta undertook to incorporate into the ethics code all behaviour expected of employees, suppliers and professional partners. The principles in this code are as follows: impartiality, honesty, legality, respectability, quality of service, transparency in the event of possible conflicts of interest, respect for confidentiality, the value of human resources, personal integrity, health, safety, responsibility to society and environmental protection.

In Belgium, an Operations Director is responsible for ethics and quality within the Operations Department, while risk management is entrusted to another Operations Director within the same Department. As part of the steps taken in the sphere of ethics, the commitment to combat corruption results in the implementation of internal control procedures with the inclusion of a special provision in the contracts of management personnel, on conflicts of interest and benefits. In addition, a staff fund was established for staff in difficulty (Petra VZM).

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

Following the merger, the updating of the risk mapping made it possible to pool the experiences of the Korian and Medica groups. A certain number of priority best practices were already shared in 2014 within the Group in order to prevent the main operational risks as identified in section 3.6.1.1 above.

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

Under the SEA reporting procedure, any adverse event is reported by the facility director to his/her Regional Director who assesses the level of control of the SEA and, on the basis of the assessed level (insufficient or genuine threat, or even an exceptional or dramatic situation), notifies either the Executive Director France Medical-Social sector or the Executive Director France Health sector (depending on the facility in which the event occurred) or the select Management Committee ("**CODIR**"). In serious cases, the latter may, in agreement with the relevant Management, call a meeting of the crisis unit. Externally, reporting such events is also recommended and controlled in order to transmit appropriate information (event and precautionary measures in place and/or planned) and to work in partnership and transparency with the authorities (ARS in particular). If it is well controlled or does not represent a reputational threat for the Company, the Regional Director informs the Executive Director France Medical-Social sector or the Executive Director France Health sector of the situation and forwards the SEA file to the risk prevention and management unit within 48 hours. In any event, the alert procedure underlines the need for direct contact and not to settle for an exchange of



information via voice mail. Every report is retained and recorded. Since March 2015, a new "K-RIS" management tool has been rolled out across the Group in France. This makes it possible to report all adverse events and to build up a database making it possible to facilitate the prevention of risks in the future.

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

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

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

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

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

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

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

Quality assurance process and ongoing improvement of practices

- A widespread quality policy

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

In France, the quality assurance process is initiated by the DMQR and primarily aims to ensure the safety of medical care, the safety of persons and the quality of the services provided. The reporting of undesirable events is promoted both in-house and externally, as detailed above. The DMQR thus provides 3 types of functional support: a control action, personalised assistance and possible support. All facilities are subject to an annual quality review of all their services. Depending on the results of this review, an action plan may be drawn up and support provided. A unit comprising 15 regional quality assurance officers is dedicated to all the Group's business sectors in France. It provides the necessary methodological assistance for facilities, ensures processes are monitored and shapes the quality approach. The regional quality assurance officers assist the facilities with tasks such as the gradual roll out of a quality-focused management process. They carry out cross-functional assignments in order to continually improve the process and the tools available to the facilities such as in particular the roll-out of the Korian "Standard" through the application of Korian best practices, tools and processes, the proper carrying out of self-assessments, quality reviews and regulatory documents (DARI, blue



plan, white plan, facility plan, etc.). They also play a role in oversight and in identifying the level of risk at each facility. Where required and depending on the issue, specific support is also provided by members of the unit: the 2 Medical Directors, the Medical Care Director, a Pharmacist, a Regional Medical Care Expert, the Head of Non-Pharmacological Treatment (“**IDEC**”) and 2 State registered support matrons.

In the second half of 2014, a complaint process was established internally, in parallel with the formalisation of the process for identifying serious adverse events. It will be followed by the drafting of a new version of the quality manual used by all Group facilities in France, by end-2015, for certification in the second half of 2016.

In Germany, 3 people in the Quality Department, working in the Operations Department, are responsible for drafting and updating the common quality manual, as well as the procedures applicable to all facilities. The manual contains the legal and regulatory requirements, as well as the internal standards drawn up by said department. These quality standards mainly focus on medical care procedures and relations with residents, as well as pain management, prevention of falls, and nutrition; they also list those people to be contacted should an adverse event occur. The legal and regulatory requirements are approved by the MDK units which carry out at least 1 quality review per annum per facility and also carry out unannounced inspections of the quality of facilities in terms of medical and care services, the care provided to residents with dementia, social welfare and activities during the day, accommodation, meals, housekeeping and hygiene, resident satisfaction. The rating of between 1 and 5 attributed following these quality reviews must be added to the facility's website and displayed within the facility. This rating is also specified in the resident's residence contract. At regional level, bodies responsible for improving quality also carry out unannounced inspections to ensure the dignity and quality of life of residents. In parallel, the team of TQMs ensures the proper application of the quality procedures in each facility. These regionally-based TQMs each supervise approximately 10 facilities and conduct a comprehensive review of each facility at least once a year. The TQMs forward the reports of their internal reviews to each appropriate regional director. In addition, a quality dashboard is drawn up and transmitted to German General Management, to keep track of the continuous improvement of practices. Lastly, in terms of training, the *Curanum Akademie* created in 2010 offers technical training courses backed by specific behavioural and management courses.

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

In Belgium, the MRS are subject to federal and regional regulation, recently reformed by the Royal Decree of 9 March 2014, designed to strengthen the quality policy. Previously, the MRS applied procedures that complied with internal standards. This regulation differs from one region to the next, but broadly speaking the MRS must now (i) develop a quality policy and a medical care quality programme, (ii) keep records of the number of bed sores, nosocomial infections, falls, incontinent people, restraint and/or isolation measures, and (iii) have written procedures on hand hygiene and isolation of residents suffering from infections. For example, the MRS in Flanders must have a quality schedule and manual. In the Brussels region, MRS staff must complete 30 hours per annum of ongoing training courses and the director of the MRS must complete 3 days per annum. Lastly, in Wallonia, MRS can follow the Quality Charter introduced by the Decree of 25 April 2014, which allows a Quality Label to be obtained.

- Greater receptiveness and appraisal

This receptiveness is primarily directed at the clients of our facilities: residents, patients, and their families can express their dissatisfaction or complaints. Specific procedures have been set up to follow up on complaints and claims within Group facilities in the 4 countries in which we operate.

On 26 November 2014, the Board of Directors, on a proposal from the Ethics and Risks Committee, decided to institute an annual "customer" satisfaction survey across the Group so as to provide the Group with comparable results between countries, by September 2015. This survey will be carried out using a single system that incorporates both common questions and specific questions by country and business activity (long-term care nursing homes, post-acute and rehabilitation care clinics, assisted living facilities and home care).

In France, in July 2014³⁴, a Customer Feedback unit ("Ecout'Client") was established within the Quality and Risk Management Department of the DMQR to handle all claims and complaints sent to head office, as well as to assist facilities handling and following up on claims sent to it. All claims (written and oral) must be recorded on a single form according to a standardised procedure and be brought to the attention of the Regional Director. In all facilities, the new management system for handling complaints and claims, "K-REC", was rolled out. In addition, in accordance with regulations, each long-term care nursing home has established a CVS (social life committee) and each post-acute and psychiatric care facility has set up, a CRUQPC. These committees enable the residents/patients and their families to meet and have discussions with the facility's management and personnel.

In Germany, Phönix and Curanum have set up a centralised claims monitoring system, which ensures that all claims get a satisfactory reply. This system allows complaints to be filed according to the department targeted, in 1 of 9 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 (residents, patients, families, personnel), then by category, and dealt with within 3 days of reception. This system was developed and set up in-house. It has recently been computerised, allowing facility directors to track complaints instantaneously and monitor their progress.

In Italy, each claim is analysed by the facility director and by the head office; a reply is given to the person making the claim, within 10 days. Claims are then recorded and filed in the resident or patient's folder. In 2014, a proprietary software solution was rolled out at Segesta for handling claims. As part of a process of continual improvement, satisfaction questionnaires are sent to residents and their families once a year. The responses are then carefully analysed. Similarly, an internal satisfaction survey was carried out in 2014 in connection with the signing of agreements between union organisations and staff representatives nationally, regionally and centrally for each facility. The result was 7.2 on a scale of 1 to 9. A summary of the results is produced by an independent expert and displayed within the facility.

In Belgium, no satisfaction survey was carried out in 2014; however, a quarterly meeting was held in each MRS between the residents, families, supervisors and Management to provide a forum for concrete discussions on issues connected with life within the facility, infrastructure, follow up on claims, activities. The Government also instituted a Quality survey of all MRS in Flanders over the 2014-2016 period (Vlaams Indicatoren Project) with visits carried out by an independent consulting firm. Around 30 residents per MRS (or their families if the resident is unable to respond) are surveyed on the basis of 20 questions covering 16 mandatory indicators (such as quality of medical care, safety, quality of staff and the organisation of the MRS).

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

3.6.3.1. Operational risk coverage

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

In France, following the Merger, the Company decided to sign a new insurance policy in order to harmonise insurance coverage across the Group's new scope in France. This policy covers property damage and business

³⁴ Until June 2014, Doctor Claude Malhuret was tasked with assisting the facilities in dealing with these claims and any event liable to cause problems or dysfunctions or affect the quality and serenity of a facility. This assignment did not replace that of the regulatory bodies such as the commissions in charge of relations with users.



interruption as well as any financial consequences arising from Group companies' liability as a result of their activities in France. All facilities are thus insured within the limits of the ceilings and coverage for all general and particular risks. The Real Estate Department takes out an insurance policy for each project, covering property damage, builder risks (excluding design and planning) and all risks related to the project.

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

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

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

3.6.3.2. Directors and officers liability insurance

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

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

3.6.3.3 Crisis management

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

3.7. LABOUR, SOCIETAL AND ENVIRONMENTAL INFORMATION

The Group's operations in 2014 were marked by the Merger which took place on 18 March 2014. In response to the growth in ageing and increasing dependency of the population, the Korian and Medica groups, leading players in the medico-social and post-acute and psychiatric solutions market, strengthened their respective positions by creating the leader in Ageing Well. 2014 was dedicated to integrating the 2 groups, analysing their respective best practices and thereby determining the projects needing redeployment. The many projects due to materialise in 2015 are the result of this prior reflection.

Against this background, in France, an integration committee was formed. It is made up of 4 employees, half of them from Korian and the other half from Medica, with medico-social and post-acute and psychiatric backgrounds, in order to study the successes of the 2 groups and determine the future organisation. At the same time, a procedural validation committee, made up of facility directors, was set up. In 2014, it met once a month to confirm the suitability of new Group procedures to the functioning of facilities, notably in terms of recruitment, internal mobility or travel policy. Throughout the year, cross-over workshops involving the directors of the various departments (human resources, heritage, quality and care, marketing, regulations, finance) were organised, to involve business experts in building the new systems.

Moreover, the Group continued to roll out its Korian First corporate project, which was launched in 2013, and which was initially based on 4 pillars: Performance, Development, Innovation and People. Following the Merger, the Group decided to add a 5th pillar, the Customer, so as to be recognised for the quality of the services it delivers every day to its residents and patients, thanks in particular to the engagement of employees in a dynamic of constant progress to improve the way they work on a day-to-day basis.

In addition, as the Korian and Medica groups have similar values, the Merger was an opportunity to define shared values, as determined in workshops conducted with employees:



- Benevolence, which involves making consideration for others a pillar of our operations;
- Responsibility, so that together we can ensure that our residents and patients Age Well;
- Transparency, which involves developing trust by being "clear" and "true";
- Initiative, so that everyone develops their ability to act.

As the scope of this report now includes companies in the Medica group, Korian's historical data is not included in this section 3.7. The indicators shown below have been determined on the basis of the new consolidated scope of the Korian - Medica company. Furthermore, it has been possible for data to be collected across all countries in which the Group has a presence using the same methodology, so that, for most indicators, comparable data from one country to the other has been obtained.

3.7.1. Labour 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 assurance process;
- services which take into account the resident/patient as a whole, including both physical and psychological aspects.

The Group 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, attracting and retaining the most talented workers in the sector. It is one of the Group General Management's priorities.

3.7.1.1. Employment

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

The table below summarises the total workforce and the breakdown of employees by age in France, Germany, Italy³⁵ and Belgium in 2014.

Age ranges	France	Germany	Italy	Belgium	Total
under 25	1,948	1,007	49	517	3,521
25 to 35	6,101	2,278	723	1,310	10,412
36 to 45	5,119	1,737	1,162	1,173	9,191
46 to 55	5,171	2,442	1,112	1,173	9,898
56 and over	2,473	1,576	311	400	4,760
Total	20,812	9,040	3,357	4,573	37,782

The table below summarises the total workforce and the breakdown of employees by gender in France, Germany, Italy³⁶ and Belgium in 2014.

Gender	France	Germany	Italy	Belgium	Total
Number of men	2,935	1,727	845	657	6,164
Number of women	17,877	7,313	2,512	3,916	31,618
Total	20,812	9,040	3,357	4,573	37,782

Recruitment and dismissals

- Recruitment

With a focus on quality care, the recruitment policy in France is based on 3 main areas:

- developing internal mobility via a job exchange programme updated every month and available to all Group staff;

³⁵ Including employees present in cooperatives.

³⁶ Including employees present in cooperatives.



- a strategy for communication and targeted external recruitment (e.g. with the signing of agreements with external key players, participation in job fairs) to attract young talent to medico-social and post-acute and psychiatric careers;
- a specific integration process dedicated to new employees in order to build their loyalty and foster a strong sense of belonging.

In addition, since 2013, the Group has been running a young talent recruitment policy by creating incubators and assigning mentors to new employees during their probationary period. Thus at the end of June 2014, almost 60 management trainees were invited to an event organised by the Human Resources Department France, to promote the Korian brand and identify future talent. Students at the end of the 3rd cycle of studies in "Management of Post-acute and Psychiatric and Social Organisations" on a placement at one of the Group's facilities in France were invited by Human Resources Department France to an evening social event and a working day. At the end of this event, 25 students from this incubator were recruited in France (23 in 2014 and 2 in 2015).

The table below summarises new recruitment in France, Italy³⁷ and Belgium in 2014. No data is available for Germany.

	France	Italy	Belgium	Total
Recruitment	2,835	109	167	3,111

- Dismissals

The table below summarises dismissals in France, Italy³⁸ and Belgium in 2014. No data is available for Germany.

	France	Italy	Belgium	Total
Dismissals	777	64	35	876

Compensation

In 2014, the Group paid the following basic wages:

- for France, €551,900,869;
- for Germany, a total of €245,178,000 (gross wages excluding employer contributions);
- for Italy:
 - a total of €121,738,922 for SEGESTA/Kinetika³⁹ including €92,652,000 for salaried employees (including €4.8 million in end of contract payments);
 - a total of €6,816,815 for Aetas⁴⁰, including €5,157,577 for salaried employees (including €217,000 in end of contract payments);
- for Belgium, a total of €95,774,856.

Employee savings schemes, stock options and free shares

At the time of its flotation on the stock exchange, Korian had already implemented a stock ownership policy for its French employees by reserved share capital increases and the creation of a group savings scheme (after negotiating and signing an agreement with the trade unions). As part of this policy, stock option and free shares plans had been implemented in 2007, followed by another stock option plan in 2010.

In 2008, Medica had created a group savings scheme, so that all employees who so wished could build up savings. Over 3,000 employees (i.e. over 50% of the total workforce of the former group) subscribed to units in the collective employee investment fund ("FCPE") when Medica was floated on the stock exchange in February 2010, in a show of confidence in the former group's management and future.

At 31 December 2014, the employees of the French facilities held 129,593 shares⁴¹ of the Company through 2 employee investment funds (FCPEs), i.e. 0.16% of the Company's share capital.

³⁷ Italy scope excluding Aetas, for which this data is unavailable.

³⁸ Italy scope excluding Aetas, for which this data is unavailable.

³⁹ Data on salaried employees, independent workers and staffing companies in this scope, including employees present in cooperatives.

⁴⁰ Data on salaried employees, independent workers of companies with share capital, not including employees present in cooperatives.



The Board of Directors of 10 September 2014 approved the implementation of a free shares plan for certain members of the Group Executive Committee and key executives. This plan provides for the allocation of a maximum of 153,030 shares (i.e. 0.19% of share capital), subject to the achievement of certain performance conditions as detailed in section 3.10.2.3 below.

In Belgium, there is a pension fund for nursing home employees. This pension fund is open to all organisations employing staff, irrespective of whether or not they receive federal funding. The Collective Working Agreement sets up the supplementary sector-based pension scheme from which employees can benefit. This employee savings programme is therefore open to all Belgian employees, irrespective of the nature of their employment contracts. Each quarter worked, €7 are paid into a savings - pension account. Labour agreements additionally provide for an annual contribution from the federal government.

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

3.7.1.2. Organisation of working time

In France, working time and the planning of working hours within Group companies are decided and implemented in accordance with the law in force, various applicable collective bargaining agreements and, in particular, company agreements on the reduction of working hours.

Overtime is also managed in accordance with legal provisions and collective bargaining agreements. Each facility manages its own schedule. Furthermore, the Human Resources Department France coordinates a network of operational human resources managers, the Regional Human Resources Managers (RRHR), who help facility directors in the region for which they are responsible to apply labour legislation and contractual provisions (collective branch or business statutes) and manage recruitment and training. Memorandums on human resources management and the current legal and labour-related framework are drawn up by the French Employee Relations Department and distributed to the entire French operational line.

Support Directors ensure the continuity of operations and the quality of our support

Thirteen Support Director positions have been created in long-term care nursing homes and post-acute and psychiatric care facilities, led by the Country Heads, France, who allocate them under interim management missions. The purpose of these roles is exclusively to fill vacant positions to ensure the smooth continuity and continued good control of operations, for both residents and patients and the teams. A number of Support Directors are senior directors, but, in general, they are junior managers. These are stepping stone missions, leading towards director positions, providing internal mobility for people wanting to move into operations

Regional teams dedicated to service in the facilities

In France, 6 divisions each provide expertise in different areas: human resources, quality and medical care, management control, heritage, regulatory and authorities, and commercial. They offer a local service both as operational support on a daily basis, trainers on the facility Management Committees, and sometimes as auditors. These regional teams work under a division director. Some of these divisions are particular to a region (HR and Quality-Medical care in long-term care nursing homes), while others cover several regions and work at facilities run by different Regional Directors.

This organisation makes it possible to maintain the hierarchical links of the jobs with the division management, remain close to facility directors and the Regional Director, create additional opportunities for promotion and focus support functions on their key role.

In Italy, the Human Resources Department ensures that the facilities comply with employment legislation and contractual provisions, and also manages 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. Part time contracts are entered into depending on the company's needs.

⁴¹ 92,560 shares are held by the Korian collective employee investment fund, and 37,033 shares by the Medica France collective employee investment fund.



Full time/part time distribution

In France, 22.47% of employees work part time (fixed-term and open-ended contracts at 31 December 2014); in Germany, 68.6% of employees on open-ended contracts work part time; in Italy 33.49% of employees on open-ended contracts work part time for Segesta, Kinetika Sardegna and Munari, and 27.49% for Aetas; in Belgium, 35.9% of employees work part time.

Absenteeism

Fully committed to the high level of service provided, fostering workplace well-being and limiting absenteeism are also part of the Group's priorities.

On 25 August 2010, the Korian group's General Management signed a group agreement in France to create a "facility" attendance and stability premium with the trade unions. This bonus aims to build loyalty and retain employees, reward their effective presence and help to reduce absenteeism. This system is to be rolled out over a period of 4 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 2008, Medica introduced an attendance premium for its employees on open-ended contracts. The procedures for implementing this premium were determined during annual obligatory negotiations which took place in 2007.

In Germany, no specific agreement was entered into in order to reduce absenteeism.

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.

The absenteeism ratios in 2014 by geographic region are as follows:

- for France: 8.43%;
- for Germany: 8.62%, being 9.51% for Curanum and 7.54% for Phönix;
- for Italy: 4.64% for SEGESTA/Kinetika Sardegna (including the cooperatives)⁴²;
- for Belgium: 8.06%.

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 by facility directors and the human resources departments of each country. The Group is committed to fostering open, proactive communication between management and staff in each of its structures. In this way, it aims to engage a positive social dialogue in order to achieve the targets set for the Company as a whole and its different operating units in particular.

In France, the Facility Director ensures that this dialogue takes place. He or she is assisted in this work by the region's human resources manager. Furthermore, in accordance with legal provisions, the Group's French subsidiaries have employee representative bodies. In accordance with the job security law of 14 June 2013, a director representing employees was appointed by the most representative trade union (the CFDT). Additionally, 2 members of the Korian - Medica Works Council attend meetings of the Company's Board of Directors, although they have no voting rights.

In Germany, a local human resources manager is responsible for employee recruitment and loyalty in each of the regions. As part of rolling-out the Korian First project in Germany, in December 2014, the managers' convention enabled facility directors to discuss their visions for the Company at national level and implement the results locally. In the last quarter of 2014, moreover, all of the Group's employees in Germany completed a satisfaction survey.

In Italy, labour policy involves attentive listening by Facility Directors and Human Resources Departments. These people foster proactive, open communication between management and employees. They aim to

⁴² Information not available for the rest of the scope.



engage in positive social dialogue to achieve the objectives set for the Company and its various operational entities. The Facility Director, assisted by the Human Resources Department, is responsible for establishing this open dialogue, which promotes Group values. Identical relationships are maintained with the staff in all countries and at all levels (local, regional and national).

In Belgium, a discussion meeting is organised every 2 years, to which all employees are invited. In 2014, the meeting dealt with satisfaction at work, following an employee survey conducted prior to the meeting.

The Group's General Management has planned to conduct an employee satisfaction survey in summer 2015 in the 4 countries where the Group operates. A single questionnaire will make it possible to compare employee responses in the 4 countries and determine their levels of satisfaction. Questions specific to each country will fine-tune the diagnostic to national concerns.

A desire to develop the Group's internal communication

- In France, written and digital media to carry messages internally

Since April 2014, the Group has been publishing an "Integration Newsletter" for all managers. This newsletter keeps directors and employees at the registered offices up to date on the steps being taken to integrate the Korian and Medica groups. In September 2015, the Newsletter became "*La Mensuelle*" to enable the various departments to communicate via a single monthly publication circulated to managers at the facilities and to the employees at the Korian - Medica registered office.

A special magazine "*Réussir Ensemble*" (succeeding together) is also printed to circulate information on projects shared by the 2 groups and to develop the company spirit of the Group's employees in France. It is an occasional magazine, of which 2 issues were published in 2014 and 1 issue in early 2015, about the Merger and integration.

A "*Guide to the Korian Organisation*" was circulated from July 2014 to managers and employees at the registered office, to rapidly give them a clear vision of all the registered office departments and the people that work within them. A complete and updated version was produced in the 1st quarter of 2015.

The Group also has tools for direct communication with all of its employees in France, such as an Intranet called Korum.

In general, the Korum site is used to publish news about the Group and the French facilities, provide a documentary management base and provide an access point to the collaborative forums. Korum also enables employees to access all Intranet platforms dedicated to managing facility activities, at both long-term care nursing home and post-acute and rehabilitation care facilities.

In September 2014, the website of the Korian Training Institute was launched. For Facility Directors, this acts as a guide to help them build their training plans and contains regular news about the Institute. It also outlines the various training paths for healthcare and accommodation professions. The teams can permanently access a reminder of the various financing systems and details of the Institute's offerings. Practical tools and videos are regularly updated and added to.

Finally, since March 2015, new management tools, accessible to all Group employees in France, are being installed.

- **K-GED:** this database contains all best practices across the network, covering all subjects which involve the facilities: medical care, catering, human resources, *etc.* This base also enables facilities to circulate and share their own internal best practices with other Group facilities. A search engine makes it easier to search for documents. Regular updates ensure that only the most recent versions are available.
- **K-RIS:** this programme enables better monitoring of SAE. The declarations made using this tool enable the Group to build an extremely useful database. Falls, non-compliance by suppliers, *etc.*: each employee can log incidents or anomalies.
- **K-PAQ:** this software manages the quality assurance process at facilities automatically and smoothly and gives a visual reading of the priorities for action, task flowcharts, actions to be taken by each project leader, *etc.* It is also a pro forma communication tool for the regulatory authorities (the self-evaluation report can be generated automatically, summarising the various entries).
- **K-REC:** this tool centralises the logging and monitoring of facility complaints.



- In France, regular formal and informal meetings

In March 2014, the managers' convention brought together all facility directors and departmental managers of the registered officers in France following the Merger. Another convention was organised in March 2015, with the same participants, to look notably at drawing maximum value from facilities' best practices and put the Korian First project for 2015 to 2017 into perspective.

For the launch of the strategic Korian First project in 2013, roadshows allowed members of the French Management Committee to meet the management committees of the facilities (made up of nursing management, doctors, accommodation managers and deputy directors). Between April and June 2015, the roadshows will be repeated. The Executive Director France Medico-Social sector or the Executive Director France Health sector will attend the 14 regional meetings.

Facility Directors attend regional meetings every quarter, to discuss network news.

To facilitate the integration of teams from different departments, since September 2014, "CODIR lunches" have been held for teams based at the registered office in Paris. These lunches are an opportunity for discussion, catching up on Group news, progress on the integration process and teamwork. These lunches are also a time for social interaction between the departments. As these lunches were so successful, they will be continued in 2015 and extended to other regions.

- Initiatives in other countries where the Group operates

In Germany, management communicates regularly via email, Intranet or teleconferences.

In Italy, internal communication mostly takes place via email and the Intranet.

In Belgium, in addition to discussion meetings with employees, internal communication mostly takes place via email and noticeboards.

Sharing best practices throughout the Group

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

In March 2015, the Group will roll out a documentary management base in France, called K-GED. Regularly updated and accessible to all employees, this resource provides ongoing help to improve professional practice and reduces risks and uncertainties.

In organisational terms, quality is now covered by the work of the Regional Quality Managers, based in the Regional Departments: they ensure that best practices are circulated and support any team initiating a Quality Assurance Process in existing, purchased or newly-created facilities, as outlined in section 3.6.2.2 of this Registration Document.

On 1 December 2013, Korian organised a best practices challenge in France via a dedicated Internet platform. The aim of this challenge was to draw up an inventory of best practices implemented within its facilities and promote them to other regions/facilities. The challenge was open to all French Group employees and covered all 4 pillars of the Korian First corporate project. The initiative was a great success, as almost 150 entries were received, 15 of which were awarded prizes.

Production of a new Guide to Group best practices was begun in February 2015 in order to draw maximum value from the Group's practices. This guide was presented at the managers' convention on 19 and 20 March 2015, and will be shown to the facility Management Committees during the 14 roadshows planned in the region between April and June 2015.

Employee satisfaction ratio: a good indicator

- Collective listening

The Group has a shared culture of listening to its employees.

In 2013, Korian published its first social barometer in France, 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 93% response rate from facility directors and 54% from other employees.

Notable results from this first employee barometer reveal that overall, employees are very attached to their job and primarily to their special relationship with patients and residents, as well as to their families. Furthermore, the Group's managers have a very clear vision of Korian's strategy.

Pride in jobs, the special relationship with clients and respect for diversity are assets for Korian:

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

The Medica group performed a social barometer every year in France. The 7th version of this barometer, which took place in 2013, showed that employees were in step with the Group's HR and CSR policies.

- 75% of employees took part in the barometer, a record rate, a 6% increase compared with 2012;
- 93% of employees enjoy working in their facility;
- 90% like the working environment and 79% like their working conditions;
- 87% believe that preventing workplace risks is a major priority at the Group level.

In 2013, part of the Medica group's French network also took part in the survey by the Great Place to Work institute, which rewards companies with happy employees. The Medica group came 17th in the category of companies with over 500 employees.

Following the Merger, the Human Resources Department France performed a "*cultural diagnostic*" to measure the differences between the 2 groups. This survey was conducted among facility directors and employees of the registered office. Nearly 600 people took part. The results showed that employees largely agreed with the new Group values and were not worried about the integration of the 2 groups (82% of respondents). In addition, the organisations of each entity were perceived as being efficient, with participatory working methods (inclusive decision-making procedures and cultures considered to be effective).

The Group's General Management has planned to conduct an employee satisfaction survey in summer 2015 in the 4 countries where the Group operates. A shared questionnaire will enable the responses from the 4 countries to be compared. Questions specific to each country will fine-tune the questions to national concerns.

- Individual listening

A dedicated wellbeing at work function

Promoting wellbeing at work also involves initiatives to listen to and support staff personally. The Group in France offers the services of 2 full-time, salaried assistants. This provision reflects a direct will to support employees encountering personal difficulties which could affect their ability to remain in their jobs.

With the slump of the last 2 years, and to respond to the need for local presence identified in certain high-demand labour pools, 1 of the social assistants will now be based in the Paris region and the other in the Rhône-Alpes and south-east region. The personnel wellbeing function is a link between the personal and daily life of employees and the specific features of our company.

In Belgium, the Group has built a partnership with the "*Petra VZW*" association, founded by employees of SLG, which aims to promote friendship and solidarity between Group employees in Belgium. To do this, various activities are organised. Under the slogan "care for carers", it can also provide physical, psychological or financial support.

In France, individual interviews for everyone during the Merger

As part of the Merger, at the registered offices in France, each employee was seen individually by their manager and received a job proposal, according to their geographic and personal situation (family, home, etc.). The jobs suggested were always in line with the skills and/or experiences of the employee in question.



In France, values workshops for each person to discuss their commitment

Values workshops have been organised in France to translate the 4 Group values into actions at the facilities but also at the registered offices. Between June and November 2014, around 60 workshops were organised, with around 900 employees, managers and non-managers, from all professions, who discussed these values.

Summary of collective agreements

In accordance with the commitments made with the social partners, the negotiations with the representative trade unions which took place following the Merger began on the new Group scope in France. Three agreements were signed in 2014:

an agreement on the procedure for post-Merger negotiation by the end of 2015, which includes negotiation topics (mutual funds, employee saving, gender equality, structure of employee representatives, difficulties and working conditions, Forwardlooking Management of Careers and Skills (“**FMCS**”) as well as the provisional schedule and the material and organisational procedures for these negotiations;

- an agreement on gender equality in the workplace for the whole Korian group in France (signed unanimously);
- an agreement on people with disabilities, signed unanimously by the social partners. An important decision to enable Korian in France to develop an optimum policy to benefit its employees who are experiencing health problems at work.

The signature of these agreements in France shows the Korian group's will to build responsible social dialogue. Negotiations are currently underway on the mutual fund and the institutions to represent employees.

Further, some Group agreements concluded prior to the Merger remain in force, such as:

- the employee profit sharing plan, which was concluded in 2012 for a 3 year period;
- the terms and conditions of the attendance bonus paid to employees of French facilities at the end of the year, taking better account of maternity and adoption leave.

On 10 September 2013, Korian signed a new Group agreement in relation to generation contracts, whose main objective was to hire and retain the young and older employees within the workforce. Thus, Korian committed to hiring 500 young people a year over the duration of the agreement (3 years) and to maintaining 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. No new collective agreements were concluded in 2014.

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

In Belgium, all the collective working agreements of the Conseil National du Travail are followed, as well as those specific to the sector. At SLG level, Belgium also benefits from a specific collective working agreement for meal vouchers.

3.7.1.4. Health and Safety at Work

Health and safety conditions at work

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

- Thus, in 2012, Korian launched bio-cleaning, a new concept to select and roll out new ergonomic equipment for cleaning personnel to use in all its French facilities. The benefits of this new concept are multiple, and improve working conditions thanks to ergonomic equipment that reduces and prevents MSDs. The ergonomic accessories of this concept limit the numerous displacements in the cleaned areas, reduce loads carried, uncomfortable and painful postures, cleaning time, recurrent tasks and movements. Korian aims to reduce back and shoulder problems 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, 2 educational films were produced, 1 on preventing MSDs, and the 2nd on chemical-biological risks; they were shown to all employees concerned in France, i.e. medical care and bio-cleaning staff. These 2 educational tools were part of the national agreement on prevention of workplace risks and difficulties at work. These campaigns for preventing occupational risks were rolled out during a special event called "protecting yourself and good habits at work", which was organised from 30 September to 4 October 2013. External healthcare professionals (company doctor, CARSAT, independent doctors, physiotherapists), but also residents and their families took part in this event. This same event was repeated at the facilities in April 2014.
- During the last quarter of 2014, the Group launched its regular national influenza vaccination campaign in France.

The Group is continuing to raise the awareness of its employees and embed best practices and the right postures through these prevention campaigns. Since September 2014, the Korian group offers, throughout France, a "*Preventive action of the month*". It is a reminder of the main safety recommendations to be aware of in terms of workplace risks (risk of fires, falls and slipping, chemical products, handling, accidental exposure to blood, road risks, etc.). It is uploaded every month to the new Korian Training Institute Intranet, and will also be available on the K-GED documentary management base. These topics will be dealt with every month at a team meeting in the presence of the staff representatives, at all the Group's facilities in France and the preventive action must be displayed in the facility to provide better information to all employees. In addition, following the "*wellbeing at work*" survey, which was also run in 2013, a special budget was allocated to 34 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 of eventually renovating all staff rooms in the Group's French facilities.

In Germany, as a result of best practice, the workplace and medical safety database (ECONOMED) used by Phönix was rolled out in all German facilities. This management system includes annual instructions on preventing workplace accidents, as well as a regular medical examination. These instructions include preventing accidental needle pricks by using special disposable medical materials and avoiding back pain, using technical equipment when moving and positioning residents. In addition, unannounced inspections are regularly conducted by the authorities.

In Italy⁴³, training has been delivered on workplace safety. The Group is committed to circulating and consolidating a safety culture by improving awareness of risks and encouraging responsible behaviour by all employees. Further, it acts to protect the health and safety of workers, using prevention measures.

To do this, an internal structure is responsible for monitoring developments of reference situations and the development of dangers, and carries out technical and organisational intervention, by:

- introducing an integrated Health and Safety at Work organisation and management system;
- permanent analysis of the risk and anomalies in the processes and the resources which are to be protected;
- adopting the best technologies;
- checking and updating working methods.

Furthermore⁴⁴, the provisions of Act 81/08 are included in the risk management document of each facility. There is a specific prevention plan for risks associated with third parties (residents, patients, personnel and subcontractors). In each region, periodic inspections are carried out by firefighters. On each site, emergency and evacuation plans are drawn up and include the procedures to be followed in the case of critical events (fire, power cuts, lift breakdowns, etc.). Moreover, the facilities are equipped with fire extinguishing equipment (extinguishers, fire hydrants) and signage, detection and alarm systems and equipment, as well as regulatory safety signage. Emergency and first aid teams undergo regular training, refresher training and practical preparation. Each year, evacuation drills take place on each site.

In Belgium, each year, the workplace health public authority checks the working conditions within each facility. Additionally, in Belgium the Group implements various health and safety at work improvement measures. Thus in 2014, analysis of psychosocial risks on stress at work took place and support groups were held. As regards hygiene, SLG organises "safety and hygiene" committees every month, in the presence of the trade unions.

⁴³ Information issued for SEGESTA, Kinetika, Munari.

⁴⁴ Information issued for SEGESTA, Kinetika, Munari.



Finally, each facility has an internal emergency plan containing all the procedures to be applied if a facility has to be evacuated. SLG attaches great importance to the health and safety of its residents and employees.

Health and safety at work agreements signed with the union organisations and staff representatives

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 ergonomic relaxation chairs. This agreement also enabled the French staff to benefit from a social assistant who was hired in to direct employees experiencing social difficulties towards social welfare institutions or non-profit organisations that can help them. For Medica facilities, communication was one of the key expectations of the agreement signed with the social partners on workplace risk prevention. To make it easier for them to read the many documents provided to them, Medica's Research and Development unit published a collection of Health and Safety booklets, each dealing with a particular topic in summary form. In 2013, booklets were published on catering, medical care and maintenance roles.

These 2 agreements on difficulty at work have been held off until September 2015 for Korian and Medica.

On 16 May 2013, an agreement on employment was signed (recruitment, anti-discrimination commitment, career path, career interviews, training path). An equal monitoring committee was established, "the FMCS committee", with 2 members from each trade union signatory to the agreement, which was to meet twice a year. Negotiations are underway to roll this out at Group level in France.

In Italy, a collective agreement regarding health and safety at work was signed in September 2012. Although there have been no notable events since its signature, this agreement made it possible for a discussion to be started, which is still ongoing today.

In Germany and Belgium, no specific health and safety at work agreements with union organisations or staff representatives have been signed.

Workplace accidents or work-related illness

In 2014, in France, occupational and commuting accidents totalled 95,904 calendar days, i.e. a frequency rate of 53.25 work stoppages per million hours worked, and a severity rate of 2.87 days work stoppage per thousand hours worked. Over this same period, workplace illnesses amounted to 5,000 days.

The Group is also very vigilant on workplace safety. In December 2014, all employees at the registered offices received training in small groups, on fire risks and first aid, as well as on organising building evacuation plans. The Korian and Medica groups created AES or MobiQual kits, to help avoid accidental blood exposure (ABE). This involves a cupboard containing a kit as well as a document summarising first aid and the administrative steps to follow. Furthermore, as of 2010, after signing a collective agreement with the social partners, the Medica group established a Research & Development "Health and Safety at Work" unit, part of the Human Resources Department. Protocols have been formalised setting out the best practices and adapted equipment (clinic beds for the care workers, brooms with variable height handles for cleaning staff, safety shoes for maintenance staff).

Finally, a healthcare control plan outlines the measures taken by the facility to ensure the hygiene, health and safety of its catering activities vis à vis biological, physical and chemical dangers. For educational and information purposes, a healthcare control plan file was circulated to catering staff in 158 long-term care nursing homes in 2013, to improve its application. This file translates the standards into pedagogical information: employee hygiene, traceability, control of foodstuffs, etc.

In Belgium, the frequency rate is 101 work stoppage days per million hours worked and the severity rate is 1.23 stoppage days per thousand hours worked.



The frequency rate of work accidents in 2014 in Italy and Germany⁴⁵ is unavailable.

Information on workplace illnesses in Germany, Italy and Belgium, in 2014, is unavailable.

3.7.1.5. Training

Training policy

Employee training is a constant priority for the Group. The actions aim to maintain the best possible level of employee professionalism and enable them to progress to ensure the excellence of the medical care provided to residents and patients.

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

- In France

Training is managed by 2 bodies:

- The Korian Training Institute (previously Formadep), an association governed by the 1901 law, has a training offering in line with the Group's strategic plan, developing training plans and implementing them over the year;
- the training department is responsible for administrative and financial management of external training files. It ensures optimisation of training for the benefit of the Group's facilities and employees. It manages relations with the branch Authorised Equal Collection Body - Organisme Paritaire Collecteur Agréé ("OPCA").

The 2015 training plan will focus on 4 major topics: wellbeing and safety for all, "core business" expertise, training leading to qualifications and management.

Since June 2014, the Korian Training Institute has had a new training Intranet, accessible to all. Facility Directors can also use it as a guide to design their 2015 training plan. There is regular information on the Korian Training Institute's news. The teams can permanently access a reminder of the various financing systems and details of the Institute's offerings. Practical tools and videos are added to this site, which is constantly updated. The Group delivers 2 training sessions in France to promote its benevolence policy, BEST and Montessori.

BEST training (Ethics, Best Care Practices for All), created in 2011, symbolises Korian's commitment to supporting its employees. BEST training fits the practical reality of each facility. It is designed to encourage everyone to commit to the care support strategy, promoting benevolence and preventing abuse, via the personalised or treatment project. With module 1 lasting 4 days and module 2 lasting 3 days, professional commitment is assessed through teamwork.

In 2014, 539 placement students received BEST training, amounting to 14,077 hours. This figure has remained stable, with 520 people trained in 2013, and 526 people in 2012.

Montessori training brings out the best in the skills of elderly disoriented people. Traditionally used with young children, the Montessori method has been adapted for use with people suffering from Alzheimer's and similar disorders. Based on knowledge from neuroscience, it focuses on non-verbal, sensorial and motor communication. The Montessori method draws on the faculties of elderly disoriented people and their emotional memory to overcome cognitive difficulties. Its specific applications (adapted activities and environment, how to behave *etc.*) have positive effects on quality of life, participation in society, self-esteem and behavioural problems in disoriented elderly people. Although it is very widespread in the United States and in 17 countries worldwide, the method is not currently widely known in France.

The Montessori method is being used in part of the Group. This training is delivered over 3 days to a dozen employees per facility. The Montessori contact at the facility receives an additional day's training which supplements the method, allowing them to respond to teams on the questions raised, by ensuring monitoring and sharing of experience.

⁴⁵ Reports on workplace accidents are kept locally.



In 2014, 386 French employees received Montessori training.

- In Germany

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. Germany has its own training institute: the *Akademie*. In 2013, a training campaign began to increase the number of apprenticeship contracts and raise the number of junior employees. With this in mind, the *Akademie* has a training programme designed for junior staff and leading to operational apprentice status. In cooperation with an external education institution, a course called Curanum has also been implemented. Further, the *Akademie* offers several internal training courses, such as risk management, communication, care for people suffering from dementia, palliative care, marketing and employment law. In 2013, new series of courses on dementia, support and palliative care were launched. These technical training courses are backed by behavioural and management courses dedicated to the functioning of Curanum homes.

- In Italy

In Italy, Segesta has an internal 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.*). Facility Directors have a special programme comprising 7 sessions per year on topics such as crisis management, communication, human resources management, *etc.*

- In Belgium

SLG has its own training centre where employees have to take a certain number of training hours. Each year, a training programme is designed according to Group priorities. However, in Belgium, training obligations are different for each region. For example, in the Brussels region, all rest and care home employees must follow continuous training for 30 hours per year, and each director must follow this training for at least 3 days per year.

Total number of training hours

In 2014, 406,482 hours were used for professional training of the Group's French employees.

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

In Italy, 23,187 training hours were recorded in 2014 at Segesta/Kinetika Sardegna (including the cooperatives)⁴⁶.

In Belgium, 30,855 hours of training were delivered in 2014.

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 in France, whether by funding educational establishment admission fees or by promoting validation of professional experience. These multi-annual courses spread out over several years.

In 2014, in France, 340 employees began a qualifying training course, and 70,645 hours were spent on these professional strategies (compared with 67,869 hours in 2013).

In Belgium, 14 employees began a qualifying training course in 2014.

This information is not available for Germany and Italy.

⁴⁶ This information is not available for Munari and Aetas.

- Support for French accommodation and care teams via qualifying training cycles

In the future, the quality of accommodation will be a differentiating factor vis-à-vis the competition. A support system for accommodation teams was tested in 2014 in 4 pilot regions: Centre, Rhône Alpes, Paris and Ile-de-France. The 43 people concerned were from different professional backgrounds, and different training courses. All are individually monitored by an external company to support them in their personal and professional development. This course has several aims: developing customer service excellence, breaking down the barriers between care and accommodation, controlling the quality of catering and accommodation services, supporting bio-cleaning teams and the new Korian processes implemented in 2013. This successful approach will now be rolled out in other regions in 2015.

As of 2015, the Group will offer a training course leading to qualification for long-term care nursing home staff. The course has been approved by their line manager and the Human Resources Department France. This course will have 2 stages. Stage 1 consolidates skills towards the role of charge nurse. Stage 2 involves development towards the responsibilities of head nurse. This course will build on nurses' skills with a view to the skills needed in local manager positions, cover the operation of long-term care nursing homes, together with the controlling authorities and pricing, explain the workload involved in the proper organisation of the delegation of work to teams, in line with personalised care plans and provide operational methodologies and tools to optimise the work of the teams. 29 nurses will be able to participate in this first intake.

- The process of validation of prior experience (VAE) in France

As part of its plan to improve the skills of its employees, the Group defined a support strategy in 2014 for the VAE for around 400 employees per year; the programme will be operational as of 2015. Each one will have a positioning interview to determine whether they are able to immediately enter a VAE or whether they need to enrich their career beforehand, or if another training option is preferable.

This is essentially aimed at care givers and medico-psychological carers, in long-term care nursing homes and clinics. However, other staff may be included in the course: accommodation managers, assistants and other Group personnel.

- A partnership with the French State education system

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

Training of hands-on managers in France

The Group'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 personalised care for residents and their families.

The Korian Academy focused 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 facility directors.

This training lasts 7 days and is spread over around 18 months:

- 1st Module: Management/Human Resources - 3 days;
- 2nd Module: Work processes and organisation - 2 days;
- 3rd Module: Promoting change management - 2 days;
- 4th Module: (for long-term care nursing homes): Marketing – 2 days.

In 2014, 113 employees followed the 1st module, 95 employees attended the 2nd module and 110 attended the 4th one.



Other high-potential employees were able to follow the "Elderly Care Facility Director" degree course, designed in partnership with Paris Est-Créteil University (Paris XII). The Group has also financed a Master's degree in "long-term care nursing home management" for employees with this qualification.

- A system to identify talent in France

In France, the Group organised the first "Master Klass" on 1 and 2 July 2014, to identify the best talent and boost loyalty among employees. 15 employees, deputy directors and young Facility Directors took part in 2 days of training on Human Resources Management. This "Master Klass" is designed to develop their skills and promote professional mobility in the future. It includes interactive training, case studies and role play. A second "Master Klass" session took place in December 2014 and this same type of event is already scheduled for 2015.

- A structured, structuring system and professional integration for the Group's managers in France

In the same way that Medica has been implementing a manager integration system since 2011 (15 days of on-site immersion to adopt best practices in the different roles), the Group in France introduced the "Facility Schools" concept, which is a professional integration course for new or future managers. On-site immersion helps to promote a shared culture between directors and employees. The aims are multiple: promote the culture and the way facilities work *in situ*, offer practical integration, meet professionals doing their day-to-day work. 23 reference sites were chosen for the integration of Facility Directors and managers of support functions.

3.7.1.6. Equal treatment

Measures taken towards gender equality

In 2014, the Korian group came 4th in the ranking of companies with the most female managers. This is the Ethics & Boards ranking which publishes data on the 120 French companies with the best record for gender equality in the workplace.

These results reflect the implementation of the Group gender equality agreement concluded by Korian on 26 January 2012, applicable to all of its French subsidiaries. Pursuant to this agreement, Korian committed, among all facility directors, to promoting the principles of non-discrimination between men and women, and particularly to ensure that:

- job opportunities address men and women, regardless of their 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, the Group is exemplary in matters of gender equality in France.

There is no group agreement regarding gender equality applicable in Germany, Italy or Belgium⁴⁷.

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.

⁴⁷ In Belgium, gender equality is governed by the Collective Working Agreement CCT 25. This text is included in full in the Labour Code.

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

The Medica group has found reference partners and in 2012 joined the "committed companies" of the ADAPT, the national reference disability association. Medica was partner to several adapted sector establishments and services, which it called upon for the maintenance of its green spaces, printing work and building upkeep and maintenance. In 2012, the Medica group renewed its agreement on the employment of people with disabilities, by signing an additional clause outlining the recruitment objectives and budget for the disability mission.

After the Merger, in France, an information campaign on the employment of people with disabilities took place in the 1st quarter of 2015, via a poster campaign. A letter was sent to the homes of each employee of the Group, along with a booklet. The aim is both to inform teams about the work of the Group's Disability Mission and, for those who wish, to give them the chance to talk about their situation in a response letter. A noticeboard campaign will then be launched on "*Disability and working at Korian: it's possible* »

To encourage recruitment of workers with disabilities by the Group's French facilities, a partnership has also been formed with a dedicated employment site to promote our jobs and circulate our job offers. In addition, in 2014, the Company concluded a service agreement for the maintenance of green spaces at its facilities and, as part of this, used services provided by employment assistance establishments and services ("**ESAT**").

The Group in France employed the equivalent of 601.95 people with disabilities in 2014 (FTE data).

In Germany, due to the change in payment systems, the number of employees with disabilities was unavailable for 2014.

In Italy, excluding Aetas, there were 62 employees with disabilities in 2014.

In Belgium, there is no obligation to commit to disabled employment measures in the private sector. However, SLG had 23 full-time employees with disabilities in Belgium in 2014. The Belgian facilities were also adapted to people with limited mobility.

Anti-discrimination policy

In France, Korian entered into an agreement with the representative union organisations in relation to generation contracts on 26 January 2012. This agreement aims to define the specific actions intended to promote the 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. This Group agreement supersedes the agreement on employment of older people signed on 29 December 2009 and seals the commitment of the Group to respect the principle of non-discrimination by providing equal access to employment as well as opportunities for advancement and training to each employee, regardless of age.

In Italy, Segesta and Aetas prohibit any discrimination on the ground of age, gender, sexual orientation, health, ethnic origin, nationality, political opinions and religious beliefs of individuals. Professional development and the management of employees are based on equal opportunities. Recognition of results, professional potential and personal skills are essential criteria for career progression and wage rises, which always reflects market conditions. This ensures the transparency of the evaluation method and the communication methods.

No agreement was entered into in Germany or Belgium 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 our success. All employees in charge of recruitment are aware of business ethics and non-discrimination rules. Diversity is a



valuable asset that the Group endeavours to spread across all of the professional bodies of the sector through its recruitment communication.

The Group's long-term performance hinges on the quality, the skills and the achievements of our employees, vectors to retain them in a sector experiencing shortage and therefore a tense employment market.

The Group 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 has implemented a clear and fair career management policy in France, in order to easily reward talent without discrimination. This policy is applied particularly through the implementation of performance management, which involves an annual assessment of each employee so that they can further develop according to his/her wishes, abilities and results. The Human Resources Department thus 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).

Italy follows Group policy.

In Belgium, no form of discrimination is accepted. If necessary, specialised outside organisations may be approached.

Elimination of forced labour, abolition of child labour

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

3.7.2. Environmental information

The environmental information on Italy relates to Segesta, Kinetika Sardegna and Munari but does not cover Aetas.

3.7.2.1. General environmental policy of the Group

Organising the Company to take environmental issues into account

The Group is aware of the need to reduce the impact of its activities on the environment, while maintaining the wellbeing and comfort of residents, patients and employees.

To do this, at the end of 2014 it created the post of Communication, CSR and Operational Marketing Director, who sits on the Group Executive Committee. This representation at the highest level of the Group's governance shows its commitment to CSR. The Group's CSR strategy is being defined and as of 2015 it will include the implementation of a new management and reporting tool at a certain number of facilities to be rolled out subsequently throughout the Group.

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.

In Belgium, nursing homes are encouraged to sort waste and collect plastic, metals and cardboard separately. This has been obligatory for rest homes in the Flanders region since July 2013. Since 2014 this has also been the case for rest homes in Brussels. In Wallonia, there is currently no obligation.



Employee training and awareness-raising regarding environmental protection

The Medica group launched an awareness-raising campaign in half of its French facilities during the 2013 Sustainable Development week. 4 posters, distributed every quarter on employee premises, dealt with machines on sleep mode, water management, turning off lights and paper use. The aim was to call upon and mobilise all employees by making them aware of simple, individual environmentally-friendly steps they could take for a definite collective environmental impact.

On a participative and voluntary basis, a Sustainable Development Committee was set up in early 2013. This committee comprised 12 long-term care nursing homes or post-acute and psychiatric facilities, all working to protect the environment and wanting to be part of a more citizen-aware company. The Committee's main work in 2013 was to organise the first Sustainable Development trophy. Of the 12 submissions studied and assessed, the committee jury members rewarded the teams of 7 facilities. Trophies were awarded to 3 winners for initiatives on waste, energy management and team mobilisation. 2 runner-up facilities were awarded a trophy for their efforts. 2 "favourites" trophies were awarded for original initiatives such as the installation of a self-service electric recharging terminal for electric cars and the involvement of residents in a local radio show about waste.

The Group is considering setting up a sustainable development committee in 2015, as Medica has done. Its main aim would be to pursue this kind of initiative so that facilities can implement this environmental strategy at the local level.

Resources dedicated to the prevention of environmental and pollution risks

Group actions to prevent environmental risks and pollution are based around 3 priority areas: construction, sustainable management of buildings and waste processing and responsible purchasing.

The strategies used by the Group in France to prevent environmental risks and pollution are the reduction of energy used to heat buildings (analyses and carbon balance produced by an approved body, building insulation work, renewable energy use and supply of renewable energies for the Group's new buildings), and waste sorting and reduction (widespread sorting, promotion of composting).

Furthermore, in Belgium, the steps taken to prevent environmental risks and pollution include the contribution to waste water treatment, obligatory inspection of fuel tanks and inclusion of emissions in new energy installations.

Provisions and coverage for environmental risks

In 2014, only Belgium had set aside cover for environmental risks, of €250,000.

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

The management of the risks associated with the water network is described in section 3.6.2.1 of this Registration Document.

- Bio-cleaning: an effective way to reduce pollution

In all its French facilities, the Korian group has rolled out a new bio-cleaning concept as described in section 3.7.1.4 of this Registration Document. This approach reduces water consumption, chemicals used, single-use consumables, which pollute significantly, and waste generation. The equipment used secures and limits the access of 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 2 features reduces slipping and falling risks and



enhances the security of the people attending our facilities. The Group aims to reduce its facilities' water consumption and use of chemicals by 50%.

- Controlling substances likely to contain asbestos in our facilities

The management of the risks associated with asbestos is described in section 3.6.2.1 of this Registration Document.

Measures to prevent, recycle and eliminate waste

- Collection of waste from activities with risk of infection

As outlined in section 3.6.2 of this Registration Document, the operations of Korian's facilities require medical waste from activities with risk of infection to be managed. Such waste is regulated by the French Environmental Code and the French Public Health Code (in particular Article L. 541-2 of the French Environmental Code). Each facility is responsible for the end-to-end elimination of medical waste from activities with risk of infection (sorting, packaging, collection, transportation, storage and processing). Collection of medical waste from activities with risk of infection in France is managed locally for some facilities. However, 190 facilities benefit from a centralised service from an external supplier. In 2014, the total weight of the collection collected from these facilities was 237 tonnes.

In Italy, 68 tonnes of medical waste from activities with risk of infection were collected in 2014.

In Belgium, 0.5 tonnes of medical waste from activities with risk of infection were collected in 2014 (excluding on-site collection by laboratories).

This indicator is not available for Germany.

- Waste management and recycling

Waste management and recycling 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 Electronic and Electrical Equipment Waste ("WEEE") or batteries.

In 2013, one of our providers organised the collection of 567 electronic waste items from over 38 of the Group's facilities so that they could be recycled. Launched as part of a plan to modernise the Group's IT infrastructure, this initiative has enabled some of the reusable raw materials to be recycled into other materials.

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

In 2011 the Group signed a contract in France with a supplier for the retrieval of used cooking oil. This supplier recycles oil into biofuel at a plant in Limay. In 2014, 1.8 tonnes of used food oil was collected from 16 facilities.

In Germany, recycling is regulated by the Recycling and Waste Management Act. This sets a regulatory framework and practices which are now commonplace in western Europe, such as selective waste sorting, instructions for glass bottles, *etc.* The aims and responsibilities in terms of waste reduction are determined by Article 13 of the recycling law (*Kreislaufwirtschaftsgesetz*). The producer or holder of the waste is responsible for recycling it. Recycling must be favoured over destruction. With this in mind, instructions and systems designed to encourage are in place. It is now the best way to ensure compliance with paragraph 6 of the *Kreislaufwirtschaftsgesetz*.

In Italy, sanitary waste management is delegated to specialised suppliers. To ensure the correct sorting and management of the waste generated, each facility provides operators with various specific containers for the corresponding waste type. The packaging includes identification data, including the description (e.g. EWC 180109 "expired medicaments") and any additional specifications from the department which generated the waste. The operators responsible for internal waste logistics are trained and informed in advance of the risks of handling waste and are provided with individual protective equipment, in accordance with workplace health and safety regulations.



Making teams more waste-aware

To bring its teams together as regards this commitment, the whole Group in France joined the European Waste Reduction Week from 22 to 30 November 2014. Organised by several public partners including the ADEME (Environment and Energy Management Agency), this event raised employee awareness of waste reduction, more responsible consumption (reusable products, etc.), extending the lifetime of products (repair, composting, etc.), and giving new life to items (donations, etc.).

A poster campaign at all the facilities mobilised employees and a waste separation ruler was distributed (as a practical reminder of where waste should be disposed of). A competition was also held to encourage families to discuss the environment. Almost 400 drawings were received, demonstrating the involvement of children on this subject. An exhibition of the winning drawings was held at the Group's head office in Paris.

In Belgium, SLG promoted waste sorting and the collection of plastics, metals and cardboard from all its homes.

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

As the Group operates 361 facilities in France, it has a sizeable property portfolio and strives to integrate innovative solutions to help the environment. Sharing these ambitions, the property partners also want to promote the Group's values during new projects. The construction of the new Korian long-term care nursing home, Les Remparts, in Saint Mitre, delivered in spring 2014, is an example: this long-term care nursing home is heated by dual flow heat pumps and the tap water is heated by solar panels.

Although the Group is not always the decision maker in terms of applying High Quality Energy ("HQE") or Very High Energy Performance ("THPE") standards at the facilities it operates, it is still efficient and ambitious in its energy management policy.

In Italy, Aetas is working in close partnership with a cooperative which operates in line with UNI EN ISO 14001. The Company can act on its environmental footprint in this way, by improving environmental performance in terms of waste management, energy consumption and soil pollution. This cooperative raises awareness among its employees via environmental best practice campaigns both in their work and private lives. 2013 saw a key stage in this cooperative with the appointment of an energy manager, responsible for assessing and planning energy efficiency measures to coordinate better resource management. At SEGESTA, an energy manager, responsible for assessing and planning energy efficiency measures, was also appointed to coordinate better resources management.

Water consumption and water supply according to local constraints

The Group's facilities in each country are supplied by the municipal water supply.

	Annual water consumption in m3	Cost in € of the annual water bill
France ⁴⁸	1,754,715	4,597,355
Germany	896,653	2,065,623
Italy	770,000	700,000
Belgium	265,474	983,204
Total	3,580,301	8,067,041

As part of its drive to use resources in a sustainable way, the Group uses the bio-cleaning technique, which cleans the floors with simple humidification, considerably reducing the use of water to clean facility floors, as described above.

⁴⁸ In France, water consumption data covered 319 facilities in 2014.



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.

In 2014 in France, the Group consumed the equivalent of 97,456 reams of 500 sheets of A4 paper (70/75/80 grammes), of which 68% was 70 or 75 grammes. Most support services of the Group have software so that shared data can be used, many procedures can be done without printing, saving a considerable amount of paper. Paperless invoices in the accounts department on part of the scope and CVs received by the Human Resources Department France using specific software greatly help to minimise paper consumption in France.

In 2014 in Italy, the Group used 4,455,500 sheets of A4 paper and 182,500 sheets of A3.

In Belgium, to optimise printing, all the printers have double-sided printing as the default setting. In 2014, 800,700 sheets of paper were used.

In Germany, paper use is not monitored.



Energy consumption

The tables below show energy consumption, i.e. gas⁴⁹, electricity and fuel oil, in 2014 for France, Germany, Italy and Belgium.

Only natural gas expenditure is provided, not expenditure on propane, as it is not possible to determine this data (price variable depending on the supplier, period, amount, etc.). Furthermore, there is no specific accounting management of expenditure on propane gas.

France	In €	In Mwh	Number of facilities	Equivalent Mwh/facility
Gas*	6,410,000	118,572	266	446
Electricity**	12,460,935	104,207	301	346
Fuel oil	39,000	5,544	21	264
Total	18,909,935	228,323	N/A	N/A
<i>* Natural gas: 6 sites were excluded due to insufficient information. ** Electricity: for 63 facilities, it was not possible to obtain reliable and complete data.</i>				
Germany				
Natural gas	4,802,259	71,604	108	663
Electricity	8,622,746	38,589	125	309
Fuel oil	855,029	7.84	10	0.7
Other fuels	2,100,144	14,856	20	743
Total	16,380,178	125,056.84	N/A	N/A
Italy				
Natural gas	1,200,000	23,863	20	1,193
Electricity	3,600,000	44,319	30	1,477
Fuel oil*	100,000	58,000	2	29,000
Other fuels**	600,000	4,379	5	876
Total	5,500,000	130,561	N/A	N/A
<i>* Città di Quartu post-acute care centre and San Nicola nursing home. ** The calculation includes the provision of district heating to the Famagosta and Crocetta medicalised residences, the thermal energy produced by the cogenerator of the Falciani medical care centre, as well as the supply of LPG to Kinetika Sardegna and Villa delle Terme.</i>				
Belgium				
Natural gas	1,397,248	26,029	38	685
Electricity	1,925,576	11,775	47	250
Fuel oil	775,756	7,616	21	363
Other fuels	76,107	1,014	1	1,014
Total	4,174,687	46,434	N/A	N/A

Improving energy efficiency and promoting renewable energy sources

Where possible, the Group's facilities in France use low-energy light bulbs.

In the same way, some facilities use solar panels for hot water and to heat new buildings with sufficient sunlight. For example, the new post-acute and rehabilitation care facility located in Narbonne was built

⁴⁹ Only expenditure on natural gas is provided, not expenditure on propane (price variable depending on the supplier, period, amount, etc.). Furthermore, there is no accounting management of expenditure on gas.



according to environment-friendly standards. It offers high performance energy solutions: the green, planted roof of the ground floor and the solar panels for hot tap water ensure optimum insulation and save substantial amounts of 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

Greenhouse gas emissions

The tables below show estimated CO₂ emissions in France, Germany and Italy (excluding Aetas), and Belgium with regard to their total energy consumption in 2014.

France	Number of facilities	Consumption in MWh	Tonnes equivalent CO ₂
Propane	39	6,611	495
Natural gas	227	111,960	6,157
Fuel oil	21	5,544	454
Electricity	301	104,207	2,396
Total	N/A	228,323	9,502
Germany			
Natural gas	108	71,604	3,938
Fuel oil	10	7.84	0.64
Electricity	125	38,589	4,245
Total	N/A	110,201	8,183.6
Italy			
Natural gas	20	23,863	1,312.5
Fuel oil	2	58,000	4,756
Electricity	30	44,319	4,875
Total	N/A	126,182	10,943
Belgium			
Natural gas	38	26,029	21,431.5
Fuel oil	21	7,616	624.5
Electricity	47	11,775	836
Total	N/A	45,420	2,892

- Control of energy consumption

In terms of energy management, the Group is developing a responsible and rigorous strategy, without limiting the consumptions needed by the residents and patients. Energy efficiency is a priority for the Group, both in terms of environmental protection and in terms of cost reduction.

In 2011 and in 2012, Korian appointed an independent firm to perform carbon footprint assessments on 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 was done on 33 French facilities in 2012 and 130 facilities in 2013.

Already in 2012, 140 of the Group's facilities in France had sensors to measure water, electricity and gas consumption, as well as CO₂ emissions. This system means that its energy performance can be controlled centrally and in an extremely reactive manner. This innovation was awarded a Healthcare Sustainable Development trophy in 2013 in the "Environmental Initiative" category. The long-term goal is a drop of 10 to 15% in energy consumption.

In Belgium, SLG implemented a campaign to raise awareness on energy saving via poster campaigns in all facilities.

Adaptation to the impacts of climate change

In accordance with the national heatwave plan ("PNC") published by the Ministry of Social Affairs and as described in section 3.6.2.1 of this Registration Document, each of the Group's French facilities prepares and updates its blue plan every year to prevent and reduce the health consequences of a heatwave.

The implementation of a plan by the director and the health workers 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 Blue and White Plans are sent to the facilities every year in April so that they are ready by 1 June (alert levels, list of most vulnerable people, procedures for hydrating and cooling people, access to cooled rooms, use of air conditioners, adjustment of menus, reviews of prescriptions when necessary, inventory of staff and doctors present or to call, compulsory training courses for employees).

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 information

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

With strong links to the local community, the Group's facilities play a key role in the regions where they operate: making the local economy more dynamic, inclusion in the local medical care provision, close cooperation with the regulatory authorities and town councils, participation in intergenerational solidarity, sponsorship 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. In France:

- A long-term care nursing home of a hundred or so residents represents 88 jobs that cannot be moved away.
- 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.

- With 75 structures totalling 6,634 beds in long-term care nursing homes, the Group is well-established in Île-de-France - the Greater Paris region (Hauts de Seine, Paris, Seine-et-Marne, Val-de-Marne, Essonne, Seine-Saint-Denis, Val d'Oise and Yvelines departments).
- With 57 structures, totalling 4,614 long-term care nursing home beds, the Group is well anchored in the Provence-Alpes-Côte d'Azur region.

To support French manufacturing, the Group favours products made in France. Therefore, all beds, purchased from a French supplier, are made in France. The same goes for 60% of the medical products it uses in part of the France network.

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

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

Local populations and neighbours

With a consistent local demand in dependency care in France, the Group has shaped its strategy around the implementation and development of local gerontology businesses. The aim is to provide the dependent elderly with a *continuum* of medico-social (long-term care nursing homes), post-acute and psychiatric (post-acute and rehabilitation clinics, hospital home care) and social (at home) care 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 include the impact on local populations in Germany, Italy and Belgium in this report.

3.7.3.2. Relations with people and organisations affected by the Group's business activities

In France, 107 Korian long-term care nursing homes were AFNOR certified. Furthermore, all the Group's post-acute and psychiatric care facilities are HAS-certified based on the V2007-V2010 standards.

In practice, it is about committing to a quality monitoring process based on self-evaluation and yearly external checks by AFNOR. This quality assurance process also brings the teams together at each facility and acknowledges their daily commitment to people made fragile with age.

To roll out this approach to all the Group's long-term care nursing homes in France, the Group is implementing an internal campaign to review quality between February and May 2015 at 285 facilities. The aims of this quality review are to make an overall assessment on the operation of each facility audited, examine implementation of the Korian "Standard", by applying best practices, examining certain themes (medication circuit, HACCP, etc.), specific records and the ownership of risk management in all facilities.

A partner of the public sector and charities

- Local partnerships

In France, the Group is developing close partnerships with hospitals and clinics through agreements and by ensuring the transfer of patients' medical records to guarantee continuity in terms of medical care. The regional directors play a key role in relations with the administrative bodies thanks to an active and consistent presence. For example, when Korian's La Pinède clinic at Sigean in the Aude department had to be relocated, it entered into a partnership with the Hospital in Narbonne. These 2 entities decided to build a new facility in 2013, the Les Quatre Fontaines clinic, which now welcomes their respective patients. Thanks to this project,



the Hospital of Narbonne was authorised to create 30 additional post-acute and rehabilitation beds. In addition, at the end of 2013, the 6 long-term care nursing homes 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 nursing homes 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.

- Regional partnerships

A partnership with Assistance Publique - Hôpitaux de Marseille (Public Assistance-Marseille hospitals)

At the end of April 2014, the 16 Group facilities in Bouches-du-Rhône (long-term care nursing homes and post-acute and rehabilitation care) signed an agreement with *Public Assistance - Marseille hospitals (AP-HM)* to optimise the path of medical care provided to the elderly between Group facilities in the region and the different hospitals in the city. This collaboration is beneficial to the patient because, under this agreement, procedures to improve the efficiency and fluidity of the path of medical care for the elderly will be implemented. This agreement will facilitate and structure the transfer of residents and patients (sharing of medical records, administrative information, etc.) to ensure optimum monitoring of each resident/patient and pool best medical and paramedical practices.

A partnership with the Maison Médicale Jeanne Garnier in the Paris region

This partnership, which aims to improve the care of end-of-life residents and patients involves sharing best practices between the teams of both structures and shared reflection on innovative treatment strategies for end-of-life residents. Specifically, La Maison Médicale Jeanne Garnier will welcome end-of-life residents from the 19 Group facilities in Paris who need to be hospitalised. At the same time, the Group will welcome hospitalised patients at La Maison Jeanne Garnier who are no longer able to return home. Treatment in long-term care nursing homes is for stable residents and patients, provided they or their family has given consent

- National partnerships

Lastly, the Group partners and sponsors quite a few non-profit organisations that focus on the wellbeing of residents, such as the following in France:

- S.I.E.L Bleu, which organises fall prevention workshops and light gymnastics routines for the residents;
- the "Aidant Attitude" charity, which works to provide as much information as possible to families with a dependent member. Korian's partnership hinges on the organisation of practical workshops within its facilities, the distribution of the new "Petites recettes entre aidants" guide and on implementing practical measures to assist families who are placing a member in a specialised facility.

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

In Italy, the Group 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, 2 years ago, a new master's degree on ageing psychology was developed with Pavia University and enabled future psychologists to participate in an internship in one of our facilities.

In Belgium, there are cooperation agreements between SLG and general hospitals (particularly with geriatric services and palliative care).

Opening up to the outside

The Group encourages its facilities to develop best practices to offer enhanced comfort to residents and to open-up facilities to the outside.



In France for example:

- La Petite Maison Korian is run by the Korian Artémis long-term care nursing home, that can be made private free of charge for the families. In 2014, 28 families benefited from La Petite Maison Korian;
- The new long-term care nursing home 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, the Group 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, the Group and its catering service providers organised an inter-regional cooking contest between the different facilities, sponsored by a famous chef. At the end of 2013, 2 sessions of the contest began. This cookery contest aims to encourage various agents of a facility to mobilise around a joint project: residents/patients, employees and teams of providers;
- On World Alzheimer's Day, open days are held so that families can attend conferences given by the facilities and have discussions with the in-house psychologist about the difficulties related to this disease. In September 2013, 15 or so facilities organised open days with special workshops for their residents. In September 2014, all long-term care nursing homes organised an open day on this same occasion;
- The facilities are also members of professional unions in the medico-social 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 post-acute and psychiatric sector. The professionals are involved in these unions and are therefore well informed and can exchange and actively take part in the transformation of the sector.

In Belgium, students can do a placement in any rest home (in care but also in other areas, such as cooking). Those in their dissertation year can do on-site research.

Promoting dialogue

Ongoing dialogue between the residents, patients and their families is fostered by compulsory meetings such as the CVS within the long-term care nursing homes and the CRUQPC in the post-acute and rehabilitation care facilities. These bodies ensure that clients' rights are respected and make their procedures easier. These meetings also enable them to give their opinions, thus contributing to the facility's care policy and the care of the resident, as discussed in section 3.6.2.2 of this Registration Document.

Italy is planning to sign agreements between trade union organisations and employer representatives, at the national, regional and decentralised level, for each site.

In Belgium, an official quarterly meeting takes place at each nursing home between the residents, their families and the management.

Satisfaction of residents and their families

Every year, the Group asks residents and their families about key parts of the overall care: medical care, daily care, comfort, rooms, organisation of catering, meals, social life, management and staff.

On 26 November 2014, the Board of Directors, on the proposal of the Ethics and Risks Committee, decided to implement an annual "customer" satisfaction survey at Group level, in order to have comparable results between countries by September 2015, as outlined in section 3.6.2.2 of this Registration Document.

Also, as part of this drive to better respond to the expectations of residents, patients and families, the Group will roll out a new catering offering in France as of April 2015. The Group will make certain recipes fundamental and obligatory in its catering.



In Italy, satisfaction surveys are conducted every year. In 2013, at Segesta, they were disseminated to all of the RSA in September and throughout the year in all the clinics. The overall recommendation rate stood at 86% in 2013. For 2014, the result of the satisfaction survey conducted by SEGESTA was 7.2 on a scale of 1 to 9.

In Belgium, between 2010 and 2012, SLG carried out a survey at all nursing homes, in cooperation with an outside body, on the general satisfaction of residents, care on arrival, infrastructure, meals, medical care, Mass, management and the complaints process. In addition, the Belgian government has implemented a survey on the quality in all nursing and care homes in the Flanders region, called "*Vlaams Indicatoren Project*", based on visits by an independent consulting firm. In each nursing and care home, 30 residents (or their family) are asked 20 questions based on 16 indicators, mostly on the quality of the medical care, safety, quality of staff and the organisation.

3.7.3.3. Subcontracting and suppliers

A responsible purchasing policy taking into account social and environmental issues

In France, the Group would like to adopt a sustainable development process that involves its partners, suppliers and subcontractors. To do this, the Group maintains collaborative, fair and long-term relationships with its suppliers, based on a partnership approach and shared CSR objectives.

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.

The Group has surrounded itself with proactive suppliers and strives to favour products made in France, which generate economic activity in the country. Three of its main suppliers are signatories of the United Nations Global Compact. One of its distributors of hygiene and maintenance products is ISO 9001 certified, while its supplier of medical dressings and wound care products is ISO 9001, 13485 and 14001 certified. This supplier also has standard AC2009 applicable to the manufacture of medical devices. Another of its suppliers works with electronic waste collection companies, which jointly have environmental protection classified facilities (*Installation Classée pour la Protection de l'Environnement*).

In Germany, suppliers must complete a self-evaluation questionnaire and send proof of their sustainable development certification. This supplier self-evaluation form includes the type of insurance, the amount insured, environmental protection guarantee certificates and the prohibition on forced labour and child labour.

In Belgium, the Group works with 2 outside companies which conduct investigations, analyses then make recommendations for investments in rest homes in new energy-efficient technologies (replacing old heating systems in rest homes, replacing old lighting systems with LED lighting systems, etc.).

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

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

Buying well and buying better are the main priorities of the Accommodation and Catering 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 catering in France include sustainable development provisions. In addition to resident and patient satisfaction, the main compulsory requirement is compliance with applicable European regulations and national legislation;
- bio-cleaning tenders, for which the operational approach is outlined in section 3.7.1.4 of this Registration Document, were governed by 3 major objectives: quality (obtained by method standardisation), product training provided by the supplier for the whole bio-cleaning team in the Group's French facilities as well as cost optimisation and environmental protection by using product-saving dosage systems (such as dilution systems, washing/rinsing dosage systems, *etc.*).

In Germany, the supplier self-evaluation form includes a part on CSR commitment.

3.7.3.4. Fair practice

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. Furthermore, the Group is committed to fair trade practices.

In France, the Group always selects its suppliers or makes orders using a fair, competitive process. The selection is based on an analysis table that includes several objective criteria, such as the amount of the offer compared with either the hours planned or references. The criteria are weighted according to their importance and the context.

In Germany, the Group applies the anti-corruption practices defined by the applicable laws.

In Italy, during the second half of 2013, Segesta also implemented an e-procurement platform in order to improve the reliability of the purchasing process. Thus, every purchase is submitted to a formal approval process on this purchasing platform. In addition, in accordance with internal processes, Segesta's main suppliers are always chosen following a tender process led by a purchasing committee, which includes not only Group buyers but also employees from operations. Suppliers are selected according to a quantitative (price, timescale, *etc.*) and qualitative (test phases, adherence to specifications) evaluation. The quality of the products 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 and as outlined in section 3.6.2.2 of this Registration Document, Segesta adopted a code of ethics, which includes all of the Group's values and commitments in Italy, in particular, impartiality, honesty, integrity, preventing corruption and absence of conflicts of interest.

In 2014, SEGESTA made a commitment to distributing the documentation on the procedures for applying the Italian legislative decree n°231 of 8 June 2001 to prevent all criminal situations. In particular, the code of ethics states all the required behaviour by SEGESTA employees, suppliers and other professionals upon which it calls.

In Belgium, the inspection procedures are known about and approved by all stakeholders (management, inspectors, *etc.*). All manager contracts have a specific clause on conflicts of interest.

Measures taken to promote the health and safety of consumers

The Group takes numerous measures to limit its exposure to risks inherent to its dependency care, medico-social care and post-acute and psychiatric care activities, as outlined in section 3.6 of this Registration Document.

In Germany, a legal obligation called BGVA3 requires technical equipment to be checked once a year. During 2014, Germany delivered training to technical directors and facility directors enabling them to check electrical equipment which could injure residents (beds, medical equipment). Quality procedure instructions have been implemented to detect and measure risks that could negatively affect residents.

The German ethics committee, created in 2013, meets on average twice a year. The conclusions of the meetings are sent to the quality department, which draws up quality instructions on specific subjects, for example, preventing violence against residents, and palliative care.



All of these medical and non-medical conclusions form the basis of the *Akademie* training programme for future years.

In Belgium, several measures are in place to ensure the health of residents: flu vaccinations, procedures for all infectious diseases which may break out in the facilities, specific measures relating to hand hygiene.

- Ethics and best care practices training

For many years now, there have been a series of measures in place to ensure care and respect: training sessions, quality review procedures, summing-up meetings, *etc.*

To strengthen its ethical process, the Group also relies on its Ethics and Risk Committee, a specialised committee of the Board of Directors, 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 in 2011, the Group 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 actions was the launch of the new BEST training and Montessori training, which are discussed in section 3.7.1.5 above.

In order to help the French medical staff roll out the best practices, the facilities can also make use of the MobiQual 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.

Circulated in April 2013 in half of its facilities in France (long-term care nursing homes and post-acute and rehabilitation care clinics), the "Caring for Alzheimer's sufferers" booklet contains, in 38 pages, 14 advice sheets to help professionals deal with behavioural problems. For each situation, these sheets give the recommended behaviour and behaviours that should be avoided.

Every day, the long-term care nursing home staff use the EVIBE assessment ruler made in September 2014 by Korian's Ageing Well institute. This ruler is the first simple, instant, well-being evaluation tool.

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

In 2014, Segesta gave all of its employees training on nursing care, best practice and safety. This training, focused on 4 themes (proper care, respect and dignity of the patient, integration and communication with nursing staff, safety for staff and patients) is part of the continuity of the training previously given. Gerontology is a sector undergoing continuous change and requires constant development in understanding and practices in order to better meet the needs of the dependent elderly cared for in clinics or in retirement homes. 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.

- Establishing the Korian Ageing Well Institute

At the end of 2013, the Group created the Korian Ageing Well Institute, as presented in section 3.8 of this Registration Document, which aims to develop knowledge, support professionals in their work and improve the daily care and treatment of elderly people. Therefore, the Institute's work involves:

- societal research, to pre-empt societal developments and continue research into ageing;
- applied research, to explore new solutions and continuously improve the everyday life of the elderly, their families and care assistants.

The Institute published a major study, "Age and Pleasure", in 2014, conducted on the elderly aged 65 and over. It allows us to better understand the relationship of older people with pleasure and the keys to that pleasure.

In early 2015, the Institute published the results of a study conducted with the FM2J - National Training Centre in Game and Play (*Centre national de Formation aux Métiers du Jeu et du Jouet*), the Games Centre (Ludopole) in Lyon and the Clinical Research Centre at Charpennes Hospital (Ageing-Brain-Fragility). It was the first French study to assess the effectiveness of play in treating Alzheimer's in long-term care nursing homes. The initial research project proposed play as a non-medical therapy to treat behavioural problems in the elderly in long-term care nursing homes, with the aim of measuring the effect of play on the psychological and behavioural symptoms of dementia in residents in Alzheimer's units.



- Safety of the medication use system

Section 3.6.2.1 of this Registration Document outlines this measure.

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

Sections 3.6.2.1 and 3.7.2.4 of this Registration Document outline this measure.

- Priority is given to the safety of buildings and equipment

Section 3.6.2.1 of this Registration Document outlines this measure.

Fifteen Maintenance and Safety Managers in France 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 giving high priority to activities in the resident's social and cultural lives, aiming to improve the everyday quality of life of residents by taking account of their desires, their needs, their level of dependency and their illnesses, to promote social life and mutual projects between long-term care nursing homes and the outside world 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, Korian implemented its 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 other persons involved, with a focus on the well-being of the resident. The residents are offered 4 packages, which cover different kinds of activities:

- the socio-cultural package, which offers activities that contribute to developing the person in their social and sociocultural environment: jazz concerts, intergenerational meetings, board games, inter-facility meetings;
- 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 well-being package, which aims to work on the independence of the residents; walks, light exercise, beauty treatments or hairdressing are some of the things that may be 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.

Medica also sought to constantly develop the social and intergenerational link between the residents, their families, facility staff and the social environment, with many initiatives across its perimeter in France, such as:

- creation of a "children's area" at each facility so that the youngest children can find a place (drawing table, blackboard, wendy house, games, etc.);
- creation of "petits princes" menus adapted to children who come to share a meal with the elderly;
- roll-out of the "on the way to school" initiative, a partnership tool between facilities and schools which aims to facilitate a range of managed intergenerational activities (outings, workshops, fetes, etc.). Many long-term care nursing homes are signatories of an agreement with a school or extracurricular establishment in the local area;
- participation by the facilities, since 2009, in the Neighbourhood Day, an event which creates a social link, promoting values of proximity, solidarity and citizenship;
- at 64 long-term care nursing homes, Internet-connected tablet computers provide easy access for residents to emails, photos of family and friends or other messages that an organiser can bring directly to the resident, or allows them to schedule a "video chat" using the Internet tool Skype.

In June 2014, for the first time, all of the Group's long-term care nursing homes in France were invited to take part in the Neighbourhood Day in the network, an opportunity for many facilities to organise visits to Korian – Medica facilities and have the first "peer to peer" employee meetings.

In Italy, many initiatives have been implemented to improve the well-being of residents and patients. In 2014, a number of initiatives and conferences were supported to promote research activities looking at alternative treatments for pathologies such as Alzheimer's. In addition, the promotion of the risk management



organisational culture was imposed. Continuing training of employees and personnel has made assistance increasingly professional and able to gradually adapt to new assistance requirements. For each facility, a services charter was approved, to which all Group employees commit, along with the charter on the rights of the elderly, the internal action regulations and protocols. All relations with interested parties reflect, at all levels, requirements to act correctly, in collaboration and with mutual respect. It is very important for the Company that its business objectives are achieved while respecting all regulations in force in the public interest.

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

For this second CSR report, the process for determining the content of the report is based on adherence to the guidelines required by the Grenelle law II (in accordance with Article L. 225-102-1 of the French Commercial Code) and by Decree no. 2012-557 of 24 April 2012 on the transparency obligations of companies in terms of social and environmental matters.

A standard shared by the whole Group was circulated in the 4 countries. Depending on the maturity level of the country in terms of CSR reporting, differing levels of information may be available. Moreover, this methodological note specifies the methods for reporting social, 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. Reporting scope - Consolidation Method

The entities included in the reporting scope are the entities in which Korian – Medica holds more than 50% control (directly or indirectly).

3.7.4.2. Scope

In France, the Centre Hospitalier des Courses, acquired in July 2014, was not included in the scope.

In Italy, the companies included in the reporting scope are SEGESTA, Kinetika Sardegna, Munari and Aetas (unless specified otherwise). Aetas is not included in the environmental reporting.

In Germany, the data collection scope includes Phönix and Curanum.

In Belgium, the data collection scope covers Senior Living Group.

3.7.4.3. Reporting period

Indicators are calculated over the period from 1 January 2014 to 31 December 2014 (12 months), with data recorded at 31 December 2014.

3.7.4.4. Data collection

Data was gathered from the defined scope, namely for France, directly from each relevant department (Human Resources France, Purchasing, Property, and DEMQR).

For the data collected from other countries in which the Group is located, the same table has been circulated to ensure consistent calculation methods. This report presents the quantitative and qualitative information provided by each country.

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

Firstly, certain indicators are not applied in Germany, Italy or Belgium. These exclusions are mentioned individually in the above report.

3.7.4.7. Headcount

The employee headcounts of Group entities (FTE) in France were calculated using the headcount list as at 31 December 2014 for fixed-term and open-ended contracts.

In Italy, the headcount includes that of the Group's companies in Italy, but also of cooperatives with which Segesta, Kinetika Sardegna and Munari work for the management of some of their employees and the provision of certain services. In contrast, the employees of the cooperatives were not included when calculating the Aetas headcount.

In Belgium there is no distinction between fixed-term (CDD) and open-ended contracts (CDI) contracts.

3.7.4.8. Absenteeism rate

The absenteeism rate in France is calculated as the sum of the hours of ordinary illness/work accidents/commuting accidents/work illnesses for each employee on fixed-term or open-ended contracts over 12 months, divided by the number of contractual hours over the same period.

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 1 million worked hours.

3.7.4.10. Number of training hours and trained employees

Subsidiary training data includes all training (continued, qualifying, study days, professional contracts, e-learning) delivered to employees of the Group. For France, training data was collected from the OPCA. The scope of the training provision, however, is not the same: Korian only counts the training financed by the OPCA, while Medica monitors all training, irrespective of the source of financing (OPCA, Fongecif, Tutelles) with the exception of apprenticeships.

In addition, the scope of employees having begun a qualifying training course in 2014, as described in section 3.7.5.1 above, only covers Korian staff.

3.7.4.11. Waste

The data collected on waste from Group sites relates to two different categories, waste from activities with risk of infection and other waste from the daily operation of the facilities (HAW, OIW, WEEE). Quantitative data concerning waste from activities with risk of infection is only collected in France for part of the scope in this report. A service provider centralises the collection of waste from activities with risk of infection from 190 Group facilities in France, as described in section 3.6.2.1 of this Registration Document.

3.7.4.12. Energy consumption

Each country reported its consumption based on 2014 bills. For France, the consumption levels given are partly from service providers.

3.7.4.13. Atmospheric emissions of CO₂

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*).

3.7.4.14. Exclusions

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



These 2 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

Financial year ended 31 December 2014

To the Shareholders,

As independent third-party, members of Mazars' network, statutory auditor of Korian-Medica, whose accreditation was accepted by COFRAC under the number 3-1058, we hereby present our report on the consolidated social, environmental and societal information provided in the management report prepared for the year ended December 31, 2014, (hereinafter referred to as "**CSR Information**"), pursuant to Article L.225-102-1 of the French Commercial Code (Code de Commerce).

3.7.5.1. The Company's responsibility

The Board of Directors of Korian - Medica is responsible for preparing a management report including the CSR Information required under Article R. 225-105-1 of the French Commercial Code, in accordance with the reporting criteria of the company (hereafter the "**Reporting Criteria**") and available on request of the society headquarter.

3.7.5.2. Independence and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics and by the provisions of Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes documented policies and procedures designed to ensure compliance with deontological rules, professional standards and applicable legal texts and regulations.

3.7.5.3. Responsibility of the independent third-party assessor

Based on our work, our role is to:

- attest that the required CSR Information is disclosed in the management report or, that an explanation has been provided if any information has been omitted, in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of completeness of the CSR Information);
- provide limited assurance that, on the whole, the CSR Information is fairly presented, in all material respects, in accordance with the adopted Reporting Criteria (Fairness report regarding CSR Information).

Our work was carried out by a team of 5 people between November 2014 and March 2015 for a period of about 8 weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the legal order dated May 13, 2013 determining the methodology according to which the independent third party body conducts its mission and, on the reasoned opinion, in accordance with ISAE 3000⁵⁰.

Certification of inclusion of CSR Information

We got acquainted with the direction that the Group is taking, in terms of sustainability, with regard to the social and environmental, consequences of the company's business and its societal commitments and, where appropriate, the actions or programs that stemmed from it.

We compared the CSR Information presented in the management report to the list set forth in Article R. 225-105-1 of the French Commercial Code.

In the event of omission of some consolidated information, we checked that explanations were provided in accordance with the third paragraph of the article R. 225-105 of the French Commercial Code.

⁵⁰ ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information



We checked that the CSR Information covers the consolidated scope, which includes the company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code (Code de commerce) and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code (Code de commerce), subject to the limits set forth in the methodological note presented in Appendix D of the management report, in the paragraphs entitled “Methodological note” and “Environmental indicators: scope, methodology and limitations”.

Based on our work, and taking into account the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

Fairness report with respect to CSR Information

- Nature and scope of procedures

We conducted about twenty interviews with the persons responsible for the preparation of CSR Information from the departments in charge of the process of gathering information to:

- assess the appropriateness of the Reporting Criteria in terms of relevance, completeness, neutrality, clarity and reliability, by taking into consideration, when relevant, the sector’s best practices;
- verify the set-up within the Group of a process to collect, compile, process and check the CSR Information with regard to its completeness and consistency. We familiarized ourselves with the internal control and risk management procedures relating to the compilation of the CSR Information.

We determined the nature and extent of tests and controls depending on the nature and importance of CSR Information in relation to the characteristics of the Company, the social and environmental issues of its operations, its strategic priorities in relation to sustainable development, and the Industry best practices.

Concerning the CSR information that we considered to be the most significant⁵¹.

- at the level of the consolidating entity and of the Communication, CSR and Operational marketing Department, we consulted source documents and conducted interviews to corroborate the qualitative information (organization, policies, actions); we implemented analytical procedures on the quantitative and verified, on the basis of sampling techniques, the calculations and consolidation of the information; and we verified its consistency with the other information contained in the management report;
- at the level of a representative sample of entities⁵² selected based on their activity, their contribution to consolidated indicators, their location and a risk analysis; we conducted interviews to verify the proper application of procedures and conducted substantive tests, using sampling basis, to verify the calculations performed, and reconciled data with supporting evidence.

The selected sites contribution to group data equals to 55 % of headcount and from 43 % to 49 % of the quantitative environmental information tested.

Regarding the other CSR consolidated Information, we assessed its fairness and consistency based on our knowledge of the Group.

Finally, we assessed the relevance of the explanations relating to, where necessary, the omission of certain information.

We deem that the sampling methods and sample sizes we have learned by exercising our professional judgment allow us to formulate a conclusion providing limited assurance; a higher level of assurance would have required more extensive work. Because of the use of sampling techniques, and because of other limits inherent to any information and internal control systems, the risk of not detecting a material misstatement in the CSR Information cannot be completely eliminated.

- Conclusion

⁵¹ Quantitative social information: Headcount on the last day of the period by age and by sex, Number of redundancy, Number of training hours, Number of disabled workers, Number of recruited office interns.

Quantitative environmental information: energy consumption, water consumption.

Qualitative environmental information: infectious clinical waste management (DASRI), Prevention measure, recycling, waste disposal.

Quantitative societal information: number of employee receiving the BEST and Montessori trainings.

Qualitative societal information: cultural diagnostic within the merger context.

⁵² French entities



Based on our work, we did not identify any material misstatements that would lead us to believe that the CSR Information, taken as a whole, has not been fairly presented, in all material respects, in accordance with the Reporting Criteria.

Paris La Défense, 23th April 2015

The Independent Third Party
Mazars SAS

Manuela Baudoin-Revert
Partner

Emmanuelle Rigaudias
CSR & Sustainable Development Partner

3.8. RESEARCH AND DEVELOPMENT

The Group does not undertake any systematic research and development work as part of its Ageing Well activities and does not hold any significant patents relating to its business. However, the Group regularly leads and/or participates in research and development projects such as a 2014 geolocation project to safeguard against the risk of disoriented residents and/or Alzheimer's sufferers wandering from the facility without the staff's knowledge.

The Group believes that the challenges presented by an ageing population require carefully thought out approaches to improving the quality of life for the elderly. To this end, in April 2013, the Group decided to take part in the creation of the Korian Institute for Ageing Well, a non-profit organisation under the law of 1901, to contribute to the collective awareness and the improvement of resources in this field.

The Company is thus closely involved in achieving the Institute's purpose, which consists in:

- promoting scientific research on the ageing of populations as well as the implementation of multidisciplinary reflection programmes on this topic;
- contributing to the assessment of pilot studies in order to improve the quality of life and health of the elderly and their family circle with the aim of developing recommendations on ageing;
- developing applied research, pilot programmes and studies on ageing, notably using a scientific (through dedicated research programmes across all health sectors) and societal approach (through the collection and analysis of psycho-behavioural, socioeconomic and sociodemographic data and through an analysis of the individual and societal ethical dimensions and of inter-generational solidarity);
- encouraging or participating in any activity or intervention intended to bring together the relevant stakeholders on ageing issues;
- disseminating information on experiences and research in the field of ageing and promoting best practices on ageing.

The Institute performs its work through the intermediary of a multidisciplinary team consisting primarily of individuals from outside the Group, bringing together their skills and sharing their knowledge for the purpose of exploring all aspects of happiness in ageing, changing attitudes and facilitating innovative initiatives.

The Institute also aims to examine specific solutions for the elderly and their family circle, while exploring the concept of Ageing Well.

In addition to continuing the projects launched in 2013⁵³, in 2014, the Institute focused on studies and work intended to develop knowledge, support professionals in their work and improve the care provided to the elderly.

- 1st European Barometer on Ageing Well

Following an initial 2013 study on the topic of "Age and Pleasure" in France, the Institute launched a European barometer in 2014 with the aim of ascertaining and monitoring the state of mind of the elderly in France, Germany, Italy and Belgium. Over 8,000 people (4,000 elderly people aged over 65 and a control sample aged

⁵³ A study of hand hygiene in facilities and the impact of music therapy on the treatment of pain.



between 15 and 64) were thus interviewed on subjects as diverse as their well-being, their sense of usefulness, their relationships with others, their use of new technologies, or even their expectations of dependency. The results of this first edition of the European Barometer on Ageing Well reveal the advent of a new generation of seniors. This study will be continued, within the context of symposiums and seminars, through the establishment of priorities for consideration on the topics discussed.

- LUDIM Research: Game playing and Alzheimer's

In partnership with the stakeholders from Lyon (the FM2J, the Games Centre (Ludopole) in Lyon and the Centre for Clinical Research on Ageing-Brain-Fragility of the Geriatric Hospital in Charpennes, the Institute has tested an approach using play as a non-pharmacological therapeutic approach in the care of Alzheimer's patients. The play sessions were conducted as a form of entertainment and demonstrated a positive change in the well-being of the residents and/or patients as well as a reduction in behavioural problems and an increase in social interaction in comparison with traditional game sessions.

- Various publications

Over the course of 2014, the Korian Institute for Ageing Well participated in the publication of Essentials Guides, such as "Recognising problems with awareness" and "Hand hygiene in institutions", as well as several scientific articles such as "A simple tool for measuring the immediate well-being of the elderly in long-term care nursing homes" published in the July/August 2014 issue of the periodical "Soins et Gérontologie".



3.9. OTHER FINANCIAL INFORMATION

3.9.1. Results and other data concerning Korian - Medica

Type of indications/Periods	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Duration of the period	12 months	12 months	12 months	12 months	12 months
Financial position for the FY					
a) Share capital	395,187,615	174,198,065	170,204,140	163,593,805	161,000,590
b) Number of shares issued	79,037,523	34,839,613	34,040,828	32,718,761	32,200,118
Comprehensive income of actual operations					
a) Revenue excluding taxes	40,942,258	40,117,384	36,031,309	32,417,902	29,613,908
b) Profit before taxes, profit-sharing and share plans, amortisation/depreciation and provisions	59,806,275	(19,082,963)	20,438,967	(2,997,705)	8,693,596
c) Income tax	(14,959,303)	(10,923,921)	(11,042,880)	(15,892,382)	(11,737,382)
a) Profits after taxes, but before amortisation/depreciation and provisions	74,765,578	(8,159,042)	31,481,847	12,894,803	20,430,978
e) Profits after taxes, profit-sharing and share plans, amortisation/depreciation and provisions	74,260,803	3,911,864	24,887,516	9,086,329	16,541,478
f) Amount of profit distributed	47,422,514	20,903,798	20,424,497	19,631,257	19,320,071
g) Employee profit-sharing	0	0	0	0	0
Earnings per share					
a) Earnings after taxes, but before amortisation/depreciation	0.95	(0.23)	0.92	0.39	0.63
b) Earnings after taxes, amortisation/depreciation and provisions	0.94	0.11	0.73	0.28	0.51
c) Dividend per share	0.60	0.30	0.60	0.60	0.60
d) Other distributions	-	0.30	-	-	-
Employees					
a) Headcount	298	305	326	327	305
b) Total payroll	21,174,823	19,742,098	18,011,569	16,616,427	15,206,984
c) Employee benefits	9,290,697	8,124,830	8,166,082	7,629,479	7,256,610

* The dividend planned for 2014 will be submitted to the vote of the Annual General Meeting scheduled for 25 June 2015.

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

The subsidiaries are:

- companies operating long-term care nursing homes providing accommodation and care for elderly people who are unable to live at home due to their state of dependency. Their mission is to provide dignified support and care, irrespective of their level of dependency, up until the end of their life;
- companies operating post-acute and rehabilitation care clinics, which care for convalescent or disabled patients after an intensive care stay. Their purpose is to reduce physical and/or psychological disability or restore autonomy to help the patient return home and fit back into his or her social and work environment;
- companies operating assisted living facilities offering the independent elderly an environment that suits their lifestyle, while facilitating social interaction;
- companies operating home care facilities, which are healthcare facilities offering an alternative to hospitalisation;
- holding companies whose sole purpose is to hold equity interests in the aforementioned facilities;
- companies whose purpose is to hold the facilities' premises.



3.9.3. Dividends paid over the past 3 years

Financial year	Number of shares making up the share capital	Dividend paid per share	Revenue distributed per share	
			Eligible for the 40% tax credit mentioned under paragraph 3-2 in Article 158 of the French General Tax Code	Not eligible for the 40% tax credit mentioned under 3-2 in Article 158 of the French General Tax Code
2013	78,388,873	€0.30 ⁵⁴	€0.60	-
2012	34,040,828	€0.60	€0.60	-
2011	32,718,761	€0.60	€0.60	-

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

3.9.4. Allocation of surplus for 2014

The General Meeting scheduled for 25 June 2015, will be asked to allocate the distributable profit of €74,279,302.40 for the 2014 financial year in the following manner:

- €3,713,040.16 to the legal reserve;
- €47,423,713.80 to the distribution of a dividend of €0.60 per share for the 79,039,523 Company shares, entirely deducted from the year's profits;
- €23,142,548.44 to the retained earnings account.

3.9.5. Sumptuary expenses and overheads to be added back

The sumptuary expenses referred to under Article 39-4 of the French General Tax Code amount to €927,326 for the Group, including €477,588 for Korian - Medica.

3.9.6. Share buyback programme and liquidity agreement

Share buyback programme

Pursuant to the 10th resolution approved by the Combined General Meeting of 26 June 2014, the Company renewed its share buyback programme.

Established in accordance with Articles 241-1 et seq. of the AMF General Regulation and European Regulation (EC) No 2273/2003 of 22 December 2003, as well as market practices approved by the AMF, this description of the share buyback programme is intended to indicate the terms and conditions of the new programme to buyback the Company's own shares.

- Securities concerned: ordinary shares.
- Transaction authorisation: Combined General Meeting of 26 June 2014.
- Maximum amount of share capital whose purchase is authorised by the General Meeting: 10% of the number of shares comprising the Company's capital (at any given time, this percentage applying to an adjusted share capital based on the transactions that affect it after the date of the aforementioned meeting), i.e., for informational purposes, 7,838,887 shares as at 18 March 2014. It is specified that the number of shares purchased by the Company with a view to retaining them and subsequently using them as payment or exchanging them in the context of a merger, demerger or contribution cannot exceed 5% of its capital and that when the shares are bought back to promote liquidity under the conditions set out by the AMF General Regulation, the number of shares taken into account to calculate the aforementioned 10% limit corresponds to the number of shares purchased less the number of shares resold during the validity of the authorisation.
- Maximum purchase price: €40 (excluding expenses).
- Maximum amount of funds available for the purposes of this programme: €313,555,480.

⁵⁴ In addition to the €0.30 dividend per share taken from the 2013 distributable profit, the Company allocated the sum of €0.30 per share from the share premium ("prime d'émission") account, i.e. a total distribution of €0.60 per share in respect of 2013.



- 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 company agents 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.
- Validity of the programme: from 15 July 2014 until 25 December 2015, i.e. 18 months from the Combined General Meeting of 26 June 2014.
- Breakdown of shares held at 31 December 2014 by objective:
 - 23,756 shares to boost the secondary market or the liquidity of the Company's shares through the aforementioned liquidity agreement;
 - 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 15 July 2014, in accordance with the AMF General Regulation and prior to its implementation.

Liquidity agreement

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**").

Following the Merger, to take into account the increase in the Company's size and inasmuch as there was no short-term acquisition project requiring the contribution of Company shares, the Board of Directors' meeting of 18 March 2014 decided to increase the funds in the liquidity account (from €1,000,000 to €5,000,000) and to reallocate the 115,076 treasury shares (allocated for use in acquisitions) to the Liquidity Agreement.

As at 31 December 2014, the following resources were featured in the Liquidity Agreement:

- 23,756 Korian - Medica shares;
- €3,755,883.40



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 Chief Executive Officer presents below the significant acquisitions of equity interests and control in other companies completed during the financial year ended on 31 December 2014.

In France

- No significant acquisition of equity interests or control took place in the year.

In Germany

- Acquisition of 14.73% of the share capital and the voting rights of Curanum AG (bringing our stake to 93.18%) between June and August 2014.

In Italy

- Acquisition of 72% of the share capital of Kinetika Sardegna in June 2014 by Segesta SpA (Segesta SpA already held 28%). This company operates 4 clinics in Sardinia.
- Acquisition of the remaining 5.4% of the share capital of Segesta SpA in October 2014 (bringing our stake to 100%).
- Acquisition of 6.6% of the share capital of Il Faggio Srl in October 2014 by Aetas SpA (Aetas SpA already held 93.4%). This company operates 6 RSAs in the Piedmont region.
- Acquisition of 1.98% of the share capital of Croce Di Malta Srl in October 2014 by Aetas SpA (Aetas SpA already held 98.02%). This company already operates 8 RSAs in Lombardy.
- Acquisition of 5.71% of the share capital of Gli Oleandri Srl in October 2014 by Aetas SpA (Aetas SpA already held 94.29%). This company already operates 4 RSAs in Lombardy.

In Belgium

- Acquisition of 100% of the share capital of Ry du Chevreuil in April 2014.

3.9.7.2. Disposals of equity interests

In accordance with the provisions of Article L. 233-6 of the French Commercial Code, the Chief Executive Officer presents below the significant disposals of equity interests and control in other companies completed during the financial year ended on 31 December 2014.

In France

- No significant disposals of equity interests and control took place during the year.

In Germany

- Disposal of the remaining 20% of the securities of Mediserv in September 2014.

In Italy

- Disposal of 100% of the securities of Vado Ligure in November 2014.

In Belgium

- Disposals of 100% of the share capital of La Passerinette in April 2014.

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 (*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 and Observer.

The new Directors mostly come from the Korian and Medica boards. The Board of Directors now comprises the following 11⁵⁵ members: Christian Chautard (Chairman), Jérôme Grivet, Predica (represented by Françoise Debrus), Batipart Invest (represented by Charles Ruggieri), MAAF Assurances (represented by Sophie

⁵⁵The Board of Directors had 12 members until 25 March 2015, the date on which Jacques Bailet's duties as Chairman and Director ended.

Beuvaden), Malakoff Médéric Assurances (represented by Hugues du Jeu), Jacques Ambonville, Martin Hoyos, Anne Lalou, Guy de Panafieu and Catherine Soubie.

In accordance with the law of 14 June 2013 on securing employment and the Articles of Association, whose amendment was authorised by the Annual General Meeting of 26 June 2014, a salaried Director representing employees was appointed by the most representative labour union (the CFDT): Amélie Nun.

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 held at Korian - Medica: Chairman of the Supervisory Board of Curanum (Germany), Chairman of the Supervisory Board of Korian Management (Germany), Director of Segesta (Italy), Director of Aetas (Italy) and Director of Senior Living Group (Belgium)

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. From 1985 to 1994, he held very diverse positions: 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

Treasurer: PopEnglish

Offices having expired in the last 5 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, BAQUIMEP, Institut Esprit Services

Member of the Supervisory Board: Curanum, Korian Deutschland and Korian Management

Chairman and Chief Executive Officer: Medica France

Chief Executive Officer: Korian Deutschland

Chairman: Sodexo India

CEO: Sodexo UK

Vice-Chairman: European Federation of Contract Catering Organisations



Christian Chautard

Born on 9 July 1948 in Valence (26)
Nationality: French
Address: Hiebelerstrasse 29, 87629 Füssen, Germany

Main role: 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 2016

Other offices held at Korian - Medica: Member of the Supervisory Board of Curanum (Germany), Director of Segesta (Italy)

Biography

Christian Chautard, born in 1948, 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.

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

As at the date of this Management Report, Christian Chautard holds 1,190 shares in Korian - Medica.

Offices outside the Group

Director: Spigraph

Chairman: Renovia

Offices having expired in the last 5 years

Director: Batipart, Medica, Marsh France

Chairman of the Supervisory Board: Korian

Member of the Supervisory Board: Curanum (Germany), Korian Deutschland (Germany)

Member of the Management Board: Korian Management (Germany)

Manager: Phönix (Germany)



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 2016

Main role: Chief Executive Officer of Crédit Agricole Assurances and Predica

Biography

Jérôme Grivet, born in 1962, 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 Deputy Chief Executive Officer in 2007.

Born in 1962, Jérôme Grivet, an Inspector of Finance, studied at ENA and graduated from the ESSEC and the Institut d'Études Politiques de Paris.

As at the date of this Management Report, Jérôme Grivet holds 1 share in Korian - Medica.

Offices outside the Group

Director: Icade (listed company), CAAGIS, Crédit Agricole Vita (Italy), Pacifica

Chairman: Spirica, CA Life Greece (Greece)

CEO: Crédit Agricole Assurances, Predica

Observer: La Médicale de France

Permanent representative of Crédit Agricole Assurances, Director: CACI

Permanent representative of Predica, Chairman: Fonds Stratégique Participation

Permanent representative of Predica, Director: Foncière des Régions (listed company)

Permanent representative of Predica, Member of the Supervisory Board: CA Grands Crus

Offices having expired in the last five years

Chairman of the Board of Directors: Dolcéa Vie

Member of the Supervisory Board: Korian SA

Director: CA Indosuez Private Banking, Crédit Agricole Immobilier, LCL Obligation Euro, Cedicam, CA Chevreux, Newedge group, Union des Banques Arabes et Françaises

Chairman and Chief Executive Officer: Mescas

Chairman: CA Assurances Italie Holding (Italy)

Vice-Chairman: BES VIDIA

Deputy Chief Executive Officer: Calyon

Managing Director: CLSA BV, Stichting CLSA Foundation

Permanent representative of Calyon, Director: Fletirec

Permanent representative of Predica, Director: La Médicale de France, Icade

Permanent representative of Predica, Member of the Supervisory Board: CAPE

Permanent representative of Predica, Observer: Siparex Associés

Observer: Aéroports de Paris



Predica - Permanent representative: Françoise Debrus

Prévoyance Dialogue du Crédit Agricole (Predica)

Société Anonyme

Share capital: €986,033,325

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: 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, born in 1960, began her career in 1987 with the Crédit Agricole group, and was appointed Chief Financial Officer of Caisse Régionale de l'Île de France in January 2005. She joined Crédit Agricole Assurances on 2 March 2009 as Director of Investments.

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

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, Messidor, Predica Bureaux, Predica Commerces, Predica Habitation, Previsio Obsèques, River Ouest, SANEF (HIT), CA Life Greece, Aéroports de Paris, Foncière de Développement Logement La Soie, Patrimoine et Commerce, Louvresses Développement, Générale de Santé

Member of the Supervisory Board: Foncière des Murs, CA Grands Crus, Effi-Invest I, Effi-Invest II, Ofelia, Sopresa, Unipierre Assurance

Chairperson: Citadel, Citadel Holding

Co-manager: Predicare

Observer: Siparex Associés

Offices having expired in the last 5 years

Director: CAAM Convertibles Euroland, Crédit Agricole Immobilier Promotion, Dolce Vie, France Région Dynamique, Foncière Paris France, SCI Holding Dalhia, Cyrius Conseil, Medica

Member of the Supervisory Board: CA Private Equity, Interfimmio

As at the date of this Management Report, Predica⁵⁶ holds 19,007,813 shares in Korian - Medica.

Offices held by Françoise Debrus

Offices outside the Group

Member of the Supervisory Board: Foncière Développement Logement (listed company), Foncière des Murs (listed company)

Director: Altarea (listed company), Ramsay Santé, Beni Stabili (Italy)

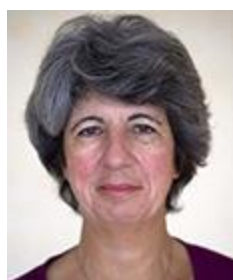
Permanent representative of Predica, Director: Eurosic (listed company)

Offices having expired in the last 5 years

Permanent representative of Predica SA, Director: Crédit Agricole Immo. Promotion, Foncière Paris France, Medica

As at the date of this Management Report, Françoise Debrus holds 1,193 shares in Korian - Medica.

⁵⁶ Controlled by Crédit Agricole, a public limited company (*Société Anonyme*).



MAAF Assurances – Permanent representative: Sophie Beuvaden

MAAF Assurances

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: 86 rue Saint-Lazare, 75009 Paris

Offices held at Korian - Medica: 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 2016

Main role: Deputy Chief Financial Officer at COVEA, GMF, MAAF and MMA

Biography

Sophie Beuvaden, born in 1957, 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 Deputy Chief Financial Officer of Covea, GMF, MAAF, followed by MMA in 2009. In 2013, she was appointed CEO of Covea.

Offices held by MAAF Assurances SA

Offices outside the Group

Member of the Supervisory Board: ABP IARD, Effi Invest 1, MAAF Vie, OFI Reim

Director: APJ, CCL, Covea, Covea Coopérations, Covea Fleet Solutions, Fidelia Assistance, Gestepargne Investissements Services, NEXX Assurance

Chairman: Chauray Valeurs, Foncière Opéra Gaillon, MAAF Télésurveillance, Precerti

Member of the Supervisory Board: Covea Finance, Covea Immobilier

Offices having expired in the last five years

Member of the Supervisory Board: Covea Mab

Director: Medica, Novea Assurances, Fondation MAAF, Savour Club, Savour Club Sélection, Ucar

Member of the Supervisory Board: Gimar Finance, Covea Fleet

Chairperson: Chaurinvest

Manager: SCI Maison des 4

As at the date of this Management Report, MAAF Assurances holds 1,609,871 shares in Korian - Medica and, as a whole, the Covea group owns 9,505,065 shares in Korian - Medica.

Offices held by Sophie Beuvaden

Offices outside the Group

Deputy Chief Executive Officer: Assistance Protection Juridique, Assurances Mutuelles de France, Covea 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 Supervisory Board: Covea Immobilier

Chairperson of the Supervisory Board: Foncière de Paris SIIC (listed company)

Director: Foncière des 6^e et 7^e arrt. de Paris (listed company), 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 Covea, Member of the Supervisory Board: Covea Finance

Offices having expired in the last 5 years

Deputy Chief Executive Officer: Azur-GMF Mutuelles d'Assurances Associées, MMA Coopérations

Director: Assurances Mutuelles d'Europe, Ame Life Lux, Ame Lux SA, Foncière Paris France

Chairperson of the Board of Directors: Cofitem-Cofimur

Chairperson and Chief Executive Officer: Grands Millésimes de France

Vice-Chairman: Foncière des 6^e et 7^e arrt. de Paris

Member of the Management Committee: SC du Château Beychevelle, SCE du Château Beaumont

Member of the Supervisory Board: Le Mans International Holding

Permanent representative of Boissy Finances, Director: GMF Vie

Permanent representative of Assurances Mutuelles de France, Director: Covea Immobilier Services

Permanent representative of Azur-GMF Mutuelles d'Assurances Associées, Member of the Supervisory Board: Covea Finance

Permanent representative of Covea Finance, Director: Assistance Protection Juridique

Permanent representative of GMF Assurances, Director: Paris Hotels Roissy Vaugirard

Permanent representative of GMF Vie, Director: Covea Finance Actions Japonaises, Covea Finance Actions Françaises, Covea Finance Moyen Terme, Cofitem-Cofimur, Foncière des 6^e et 7^e arrt. de Paris

Permanent representative of MAAF Assurances, Chairperson: Chauray Valeurs

Permanent representative of MAAF Assurances SA, Member of the Supervisory Board: OFI REIM

Permanent Representative of MAAF Assurances, Director: UCAR, Medica SA

Permanent representative of MAAF Assurances SA, Member of the Supervisory Board: Ofivalmo Partenaires

Permanent representative of La Sauvegarde, Director: Boissy Finances

As at the date of this Management Report, Sophie Beuvaden does not hold any 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: 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 2014

Main role: Deputy CEO, Social Action, Strategy and Partnership at Malakoff Médéric

Biography

Hugues du Jeu, born in 1957, 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: Sycomore Holding

Offices having expired in the last 5 years

Member of the Supervisory Board: Lybnet Assurances, Quatrem, Quatrem Assurances Collectives, Korian

Director: SCOR SE, Korian, Médéric Conseil, MMA IARD Assurances Mutuelles, MMA IARD, MMA VIE Assurances Mutuelles, MMA Vie, MMA Coopérations, LVL Médical Groupe

As at the date of this Management Report, Malakoff Médéric Assurances holds 5,089,185 shares in Korian - Medica.

Offices held by Hugues du Jeu

Offices outside the Group

Director: Fédéris Gestion d'Actifs, Quatrem, EAP France, Bien Etre Assistance

Chairman: Malakoff Médéric Epargne Entreprise, Bien Etre Assistance, Malakoff Médéric Participations

Offices having expired in the last 5 years

Director: Médéric Epargne, Malakoff Médéric Assurances, Médéric Assurances

Member of the Supervisory Board: Fédéris Gestion d'Actifs

Member of the Management Board: Saprem

Chairman: Sévriéna 3

Permanent representative of Malakoff Médéric Assurances, Director: LVL Médical Groupe, Quatrem Assurances Collectives, Korian

Permanent representative of Médéric Assurances, Member of the Supervisory Board: Quatrem

As at the date of this Management Report, Hughes Du Jeu does not hold any shares in Korian - Medica.



Batipart Invest - Permanent representative: Charles Ruggieri

Batipart Invest

Société Anonyme incorporated in Luxembourg

Share capital: €51,031,000

Registered office: 4-6 rue du Fort Rheinsheim, 2419 Luxembourg – Luxembourg

Registered at the Luxembourg Trade and Companies Registry under No. B 116420

Charles Ruggieri

Born on 6 January 1948 in Cappelle sul Tavo (Italy)

Nationality: French

Address: 4-6 rue du Fort Rheinsheim, 2419 Luxembourg – Luxembourg

Offices held at Korian - Medica : Director, Member of the Appointments and Compensation Committee and Member of the Investment Committee

Date of appointment: GM of 18 March 2014

End of term: GM to approve the financial statements for 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. At the same time, he went into the healthcare business, beginning in 2000 and helped to found the Korian group, a private operator of nursing homes in France, Germany, Italy and Belgium.

Charles Ruggier is a Doctor in Law.

Offices held by Batipart Invest

Offices outside the Group

Director: Batipart International (Luxembourg), Immobilière Monroe (Luxembourg)

Offices having expired in the last 5 years

Member of the Supervisory Board: Foncière des Régions

Chairman: Batipart, Beni Stabili (Italy), Monroe (Luxembourg)

Director: Groupe Proméo, Medica, Onomo International, MonUsine

As at the date of this Management Report, Batipart Invest holds 4,429,773 shares in Korian - Medica and, as a whole, the Batipart group holds 4,544,903.

Offices held by Charles Ruggieri

Offices outside the Group

Chairman: Batipart Invest (Luxembourg), JPF (Luxembourg)

Director: Banque CIC Est, Le Républicain Lorrain, Batipart Invest (Luxembourg), JPF (Luxembourg), Immobilière Monroe (Luxembourg), Monroe Invest (Luxembourg), Batipart International (Luxembourg)

Permanent representative of Immobilière Monroe, Director: Eurosic (listed company)

Offices having expired in the last 5 years

Honorary Chairman: Batigere

Chairman: Batipart, Beni Stabili (Italy), Monroe (Luxembourg)

Director: Batipart, Groupe Proméo, Manutan International, Groupe ICN (association), Foncière Développement Logements (association), Monroe (Luxembourg), Immobilière Monroe (Luxembourg), Monroe Invest (Luxembourg)

Member of the Supervisory Board: Foncière des Régions, Anthémis

Vice-Chairman of the Board of Directors: Korian

Permanent representative of Batipart Invest, Director: Medica, Eurosic

As at the date of this Management Report, Charles Ruggieri holds 1,181 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 2015

Biography

Jacques Ambonville, born in 1949, 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

Offices having expired in the last 5 years

Member of the Supervisory Board: Korian

Director: Galien Développement, Welcoop



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 Audit Committee and Member of the Ethics and Risks Committee

Date of appointment: GM of 18 March 2014

End of term: GM to approve the financial statements for 2016

Biography

After studying law, Martin Hoyos, born in 1947, worked for auditing firm KPMG from 1971 to 2007 in Austria and Germany.

At present, Martin Hoyos is a Member of the Supervisory Board of Advanced Metallurgical Group, headquartered in Amsterdam, and Koenig & Bauer AG, headquartered in Würzburg, two listed companies. 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 (Netherlands), CAG Holding (Austria), Prinzhorn Holding (Austria), Koenig&Bauer (Germany)

Offices having expired in the last 5 years

Member of the Supervisory Board: Curanum (Germany), KPMG Deutschland Wirtschaftsprüfungs (Germany)



Anne Lalou

Born on 6 December 1963 in Paris (14th)
Nationality: French
Address: 59 rue Nationale, 75013 Paris

Offices held at Korian - Medica: Director and 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 2015

Main role: Director of the Web School Factory and CEO of Innovation Factory

Biography

Anne Lalou, born in 1963, 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 Chairman and CEO of Havas Édition Électronique before joining Rothschild & Cie as a Manager.

In 2002 she joined Nexity, as Corporate Secretary and Director of Development before becoming CEO of Nexity Franchises in 2006 and then Deputy Chief Executive Officer of the Distribution division until 2011.

She took on the management of the Web School Factory in 2012 and Innovation Factory in 2013.

She is a graduate of the École Supérieure des Sciences Économiques et Commerciales (ESSEC).

As at the date of this Management Report, Anne Lalou holds 1,180 shares in Korian - Medica.

Offices outside the Group

Chief Executive Officer: WebSchoolFactory, Innovation Factory

Member of the Supervisory Board: Eurazeo (listed company), Foncia Holding, Foncia Groupe (listed company)

Offices having expired in the last 5 years

Director: Neximmo 39, Guy Hoquet L'Immobilier, Financière Guy Hoquet L'Immobilier, Naxos, Medica

Member of the Supervisory Board: Financière de la Baste, Parcoval, Century 21 France

Chief Executive Officer: Nexity Solutions

Member of the Management Board: Neximmo 39

Co-manager: FDC Holdings

Ad hoc executive officer: FDC Holdings

Chairperson: Nexity Solutions

Permanent Representative of Nexity Franchises, Director: Guy Hoquet L'Immobilier



Guy de Panafieu

Born on 5 April 1943 in Paris (17th)
Nationality: French
Address: 56 rue Boileau, 75016 Paris

Offices held at Korian - Medica: Director, Chairperson 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 2015

Main role: Advisor to the Chambre des Indépendants du Patrimoine (independent body for financial advisors)

Biography

Guy de Panafieu, born in 1943, 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 and an Advisor to the Chambre des Indépendants du Patrimoine.

As at the date of this Management Report, Guy de Panafieu holds 1,180 shares in Korian - Medica.

Offices outside the Group

Director: SANEF

Member of the Supervisory Board: Métropole Télévision (M6) (listed company)

Manager: Boileau Conseil

Offices having expired in the last 5 years

Director: Medica



Catherine Soubie

Born on 20 October 1965 in Lyon (6th)
Nationality: French
Address: 34-36, avenue de Friedland, 75008 Paris

Office 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 2014

Main role: Managing Director, Head of Investment Banking for France, Belgium and Luxembourg at Barclays Capital

Biography

Catherine Soubie, born in 1965, is a graduate of the École Supérieure de Commerce de Paris. She began her career in 1989 with Lazard in London, before relocating to its Paris office, where she was Director of Financial Affairs. She then held a variety of positions at Morgan Stanley in Paris, notably Managing Director. From 2005 to 2010 she served as CEO of Rallye. In 2010, she joined Barclays as Managing Director, Head of Investment Banking for France, Belgium and Luxembourg.

As at the date of this Management Report, Catherine Soubie holds 6,900 shares in Korian - Medica.

Offices outside the Group

Managing Director - Head of Investment Banking (France, Belgium and Luxembourg): Barclays

Offices having expired in the last 5 years

Deputy CEO: Rallye SA

Director: Mercialys SA, Fondation Euris, Medica

Manager: EURL Bozart

Permanent representative of Euris, Director: Rallye

Permanent representative of Casino, Guichard-Perrachon, Director: Banque du Groupe Casino

Permanent representative of Finatis, Director: Casino, Guichard-Perrachon

Permanent representative of Finatis, Director: Casino, Guichard-Perrachon



Amélie Nun

Born on 10 July 1984 in Brest (29)
Nationality: French
Address: 7 rue des Ursulines, 75005 Paris

Offices held at Korian - Medica: Salaried Director representing employees

Date of appointment: 16 January 2015

End of term: GM to approve the financial statements for 2018

Main role: Director of Communication

Biography

Amélie Nun, born in 1984, is a graduate of the Ecole Supérieure de Management de Marseille. She began her career at IBM in 2006 as Assistant Head of Marketing & Communication Projects for Southern Europe.

From 2008 to 2009, she was Head of Institutional Communication Projects with the *Haute Autorité de la Santé* (French national authority for health).

She joined Korian in 2009 as Digital and Institutional Communication and Press Relations Officer.

In 2010, prior to being appointed as director representing employees on the Board, she was elected as an employee delegate, then representative, on the Works Council, appointments from which she resigned in order to take up her position as a salaried director.

As at the date of this Management Report, Amélie Nun does not hold any shares in Korian - Medica.



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 2016

Biography

Jean-Claude Georges-François, born 1937, is a graduate of the Institut d'Études Politiques de Paris. He started out in administration and then progressed to management at Pont à Mousson from 1967 to 1986.

In 1986, he joined Usinor (now Arcelor) occupying executive positions in the fields of human resources, development and communication; he also served on the executive committee from 1987 to 2002.

From 2002 to 2004 he was an advisor to Francis Mer at the Ministry of Economy and Finance.

In 2004, he was appointed Chairman of Korian.

He is an Officer of the French Légion d'Honneur.

As at the date of this Management Report, Jean-Claude Georges-François holds 17,734 shares in Korian - Medica.

Offices outside the Group

Manager: JCGF Conseil, Clodapier SCI
Director: CMAV, Fédéris, Batipart
Legal representative of JCGF Conseil
Chairman: Batipart
Observer: Fédéris Epargne Salariale

Offices having expired in the last 5 years

Chairman of the Supervisory Board: Korian
Member of the Supervisory Board: SAPREM, Prévoyance Ré
Chairman of the Management Board: Korian
Director: Batipart, Prévoyance et Réassurance
Chairman: Ingénieurs 2000
Observer: Korian

3.10.2. Compensation of administrative and management bodies

Korian - Medica's policy for the compensation of its executive directors 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 directors is set by the Board of Directors based on a proposal by the Appointments and Compensation Committee.

The compensation of individual executive directors for 2014, as at the date of this Management Report, will be submitted to the shareholders for an advisory opinion at the Company's Annual General Meeting on 25 June 2015.

3.10.2.1. Compensation of executive directors

Compensation of Yann Coléou, Chief Executive Officer

Firstly, it is specified that the Company's Board of Directors has not set intervals for reviewing Yann Coléou's compensation.

- Fixed 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, to bring Yann Coléou's fixed yearly compensation to €550,000 effective from the date of said Board meeting (an increase of 26% over his previous fixed compensation).

Prior to this date, Yann Coléou's fixed yearly compensation had been €436,000 gross since his starting date in the position on 30 April 2012, pursuant to decisions by the Board of Directors on 21 March and 5 December 2012 based on proposals by the Appointments and Compensation Committee made on 12 January, 7 February and 29 November 2012.

- Variable compensation

Following the Merger and to take into account the significant increase in the Company's size, on 24 April 2014, the Board of Directors decided, in accordance with the proposal put forward by the Appointments and



Compensation Committee on 11 April 2014, that Yann Coléou's variable yearly compensation shall not exceed €500,000 (which represents an increase of 129% over his previous variable 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 quantitative (50%) and qualitative (50%) criteria set at the beginning of the year.

The Compensation and Appointments Committee adopted the following quantitative and qualitative criteria for 2013:

- quantitative criterion (representing 50% of the variable compensation): achievement of budget targets;
- qualitative criterion (representing 50% of the variable compensation): 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 full amount of the variable component of his compensation for 2013, i.e. €218,000.

The Board of Directors of 24 April 2014, in accordance with a proposal from the Appointments and Compensation Committee of 11 April 2014, used the following quantitative and qualitative criteria for 2014:

- quantitative criterion (representing 50% of the variable compensation): EBITDA;
- qualitative criterion (representing 50% of the variable compensation): quality of financial communication and social climate.

Having taken note of the opinion of the Appointments and Compensation Committee held on 19 March 2015, the Board of Directors of 25 March 2015 deemed the aforementioned quantitative and qualitative objectives to have been attained and consequently allocated to Yann Coléou the full amount of his variable compensation for 2014, i.e. €500,000.

Prior to the Merger, the variable component of the Chief Executive Officer's compensation represented a maximum of 50% of his fixed yearly compensation, i.e. a maximum of €218,000. As is currently the case, and in accordance with the recommendations of the AFEP-MEDEF Code, the compensation amount was determined each year by the Board of Directors, based on a proposal from the Appointments and Compensation Committee, using quantitative and qualitative criteria set by the Board upon the proposal of said Committee.

- *Deferred variable compensation*

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 (up to a maximum of €25), multiplied by the number of acquired performance units, subject to presence condition 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 2014, took note of the acquisition by Yann Coléou of 42,000 performance units for 2013.

Having ascertained that the presence condition applicable to Yann Coléou has been fulfilled, the Board of Directors' meeting on 25 March 2015 decided, at the recommendation of the Appointments and Compensation Committee of 19 March 2015, that the sum corresponding to 42,000 performance units for 2013 would be paid to Yann Coléou at the same time as his fixed compensation for April 2015, based on the average share opening price over the 20 trading days prior to this date (up to a maximum of €25).

In respect of 2014, 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, for 2014. The completion of the vesting period was subject to the following performance criteria being met:

- quantitative criterion: achievement of target EBITDA;
- qualitative criterion: determined based on the target occupancy rate.

On this basis, vesting of Yann Coléou's performance units is governed by the same conditions, as described above, that apply to the vesting of the first lot of performance units.

Having verified that the EBITDA target was reached at 100.34% and that the occupancy rate exceeded 100% of the target, on 25 March 2015, the Board of Directors, upon a proposal by the Appointments and Compensation Committee of 19 March 2015, took note of the acquisition by Yann Coléou of 35,238 performance units for 2014.

The amount corresponding to these 35,238 performance units will be paid in 2016, subject to the condition precedent of being in the Group and to the conditions described above.

- Exceptional compensation

At its meeting on 20 January 2014, the 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 compensation constituted an award for the completion of the Merger on 18 March 2014, and the sum of €145,333 was therefore paid to Yann Coléou in March 2014;
- the remaining two thirds, €290,667, were paid to Yann Coléou in December 2014 as a result of the achievement of the two criteria set by the Board of Directors on 24 April 2014, at the recommendation of the Appointments and Compensation Committee of 11 April 2014, for the implementation of a reliable and auditable system of indicators for the future as well as the identification and launch of structuring operations to complete the Merger.
- Stock options, performance shares and any other element of long-term compensation

On 10 September 2014, the Board of Directors, upon a proposal by the Appointments and Compensation Committee of 5 September 2014, approved the establishment of an equity incentive plan for the specific benefit of Yann Coléou in his role as Chief Executive Officer. This equity incentive plan, which is a free shares plan, provides for the allocation to Yann Coléou, as Chief Executive Officer, of a maximum of 31,818 Company shares, subject to the achievement of performance conditions associated with the share price, EBITDA and revenue, in accordance with the following terms:

- the free shares lot associated with the share price criterion will represent 50% of the total allocation, whereas the free share lots associated with the EBITDA and revenue criteria will each represent 25% of the total allocation;
- between the threshold and the limit set for each allocation lot, the number of allocated free shares shall be calculated through linear interpolation between these 2 points.



The allocation of free shares to Yann Coléou shall become definitive and the ownership of said shares will be transferred to him 30 months and 21 days after the plan settlement date, i.e. 31 March 2017, subject to his remaining in office. Moreover, Yann Coléou will not be permitted to transfer the shares received under the terms of this plan for an additional period of 17 months and 10 days following the vesting period, i.e. until 10 September 2018.

The portion of the plan intended for Yann Coléou will incur an IFRS cost of €574,853 (excluding social security charges) and will lead to a maximum dilution of 0.04%.

- Attendance fees

Yann Coléou waived his attendance fees for his mandates as a member of the Supervisory Boards of the Group's German companies, which he held until 8 September 2014. He does not receive attendance fees for his mandates as a director of Segesta (Italy), Aetas (Italy) and SLG (Belgium).

- 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).

- Termination benefits

On 21 March 2012, the Board of Directors, on the recommendations 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 in accordance with the so-called "TEPA" Act (Article L. 225-42-1 of the French Commercial Code).

This termination benefit was approved by the Shareholders' General Meeting 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, in accordance with the recommendations of Article 23.2.5 of the AFEP-MEDEF Code. 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

Firstly, it shall be recalled that Christian Chautard was Chairman of the Board of Directors until 18 March 2014, the date of the Merger, upon which he was appointed Vice-Chairman of the Board. Since 25 March 2015, Christian Chautard has once again become Chairman of the Board to replace Jacques Bailet.

- Fixed compensation

On 25 March 2015, the Board of Directors decided, upon a proposal by the Appointments and Compensation Committee of 19 March 2015, to set Christian Chautard's gross yearly compensation for his mandate as Chairman of the Board at €345,000, excluding attendance fees.

Until the day of the Merger, Christian Chautard received €250,000 in gross yearly compensation, excluding attendance fees, for his mandate as Chairman of the Board. This compensation had been set by the former Supervisory Board during its meeting on 21 December 2011, at the recommendation of the Appointments and Compensation Committee of 15 December 2011.



- Exceptional compensation

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, the Board of Directors awarded Christian Chautard exceptional compensation of €85,000 for the execution of the Merger. He was consequently paid this sum in March 2014 for the completion of the Merger.

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 - Medica companies in France, Italy and Belgium from 1 April 2014 to 31 March 2015. €70,000 thousand gross was paid for this assistance.

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 and Curanum followed, in the event of a successful public offer, by the close supervision of the integration and establishment of synergy plans and a growth plan for the German companies. On 27 March 2013, upon a proposal by the Appointments and Compensation Committee of 20 February 2013, the Board of Directors set the compensation for these services at a gross annual amount of €140,000, in addition to paying for Christian Chautard's relocation and accommodation costs in Germany. This exceptional compensation was set on the basis of a comparative study submitted by Towers Watson, and ordered by the Appointments and Compensation Committee to formulate a proposal to compensate Christian Chautard for his work in Germany. His assignment lasted 2 years, from 1 April 2013 to 31 March 2015, and was covered by Korian Management, a German company wholly-owned by Korian - Medica.

- Attendance fees

Christian Chautard receives attendance fees for his mandate as Chairman of the Board of Directors and as a member of certain specialised Board committees. He also received attendance fees from the Company for his mandate as Chairman of the Board until the date of the Merger, and for his mandate as Vice-Chairman of the Board since the Merger and as a member of certain specialised Board Committees.

Christian Chautard waived his attendance fees as a member of the Supervisory Board of the Group's German companies.

Compensation of Jacques Bailet, former Chairman of the Board of Directors

Firstly, it shall be recalled that Jacques Bailet was Chairman of the Board of Directors from 18 March 2014, the date of the Merger, until 25 March 2015, the date upon which he resigned his offices as Chairman and Director.

- Fixed compensation

On 18 March 2014, the Board of Directors decided, upon a same-day proposal by the Appointments and Compensation Committee, to set Jacques Bailet's gross yearly compensation for his mandate as Chairman of the Board at €345,000.

- Attendance fees

Jacques Bailet waived his attendance fees as Chairman of the Board and as a member of certain specialised Board Committees.

- Benefits

In addition to this compensation, Jacques Bailet benefited from a Company vehicle. He was also entitled to social security schemes equivalent to those applicable to salaried managers (illness and personal protection insurance).

- Non-compete compensation

On 26 November 2014, the Board of Directors approved, upon the same-day recommendation of the Appointments and Compensation Committee, the granting to Jacques Bailet of a lump-sum payment of



€525,000 in return for his compliance with a 3-year non-competition commitment effective from the date of his departure from his positions as Chairman and Director.

Pursuant to the provisions of the so-called "TEPA" Act (Article L. 225-42-1 of the French Commercial Code), this non-compete compensation will be the subject of a special report by the Statutory Auditors and will be presented to the next Annual General Meeting for approval.

In accordance with the recommendations of the AFEP-MEDEF Code, this non-compete compensation corresponds to approximately 18 months of gross annual compensation.

3.10.2.2. Compensation of former Medica executives for the period prior to the Merger

Firstly, it is noted that Jacques Bailet was Chairman and Chief Executive Officer of Medica and that Christine Jeandel was Deputy Chief Executive Officer of Medica until the Merger.

As such, in his role as Chairman and Chief Executive Officer:

- in respect of 2013, Jacques Bailet received fixed compensation of €220,000 and variable compensation of €130,000; he also benefited from a company vehicle representing a benefit in kind of €3,223;
- for the period from 1 January to 18 March 2014, he received fixed compensation of €47,666 and benefited from a company vehicle representing a benefit in kind of €430.

In her role as Deputy Chief Executive Officer of Medica, Christine Jeandel:

- received fixed compensation of €187,750 and variable compensation of €115,000 in respect of 2013;
- for the period from 1 January to 18 March 2014, she received fixed compensation of €40,923.

In addition, on 4 February 2014, Medica's Board of Directors authorised the signing of a termination of employment contract agreement binding Medica to Ms Jeandel upon her departure at the time of the Merger. In accordance with the terms of her employment contract, Christine Jeandel received a payment of €457,500.

Finally, on 4 February 2014, the Board of Directors authorised the payment of an exceptional bonus to Jacques Bailet and Christine Jeandel of €150,000 and €125,000 respectively, as recognition for their work on the Merger.



3.10.2.3. Summary table

The following table shows a summary of the compensation paid to executive directors for the last 2 financial years.

Summary table of compensation paid to executive directors				
	Year ended 31 December 2013		Year ended 31 December 2014	
	Amount due	Amount paid ⁽¹⁾	Amount due	Amount paid ⁽¹⁾
Yann Coléou, Chief Executive Officer				
Fixed compensation	€436,000	€477,001	€514,217	€514,217
Variable annual compensation	€218,000	€200,000	€500,000	€218,000
Variable multi-annual compensation	-	-	-	-
Exceptional compensation	-	-	€436,000	€436,000
Attendance fees	-	-	-	-
Benefits in kind	€4,788	€5,187	€4,788	€4,788
Total	€658,788	€682,188	€1,455,005	€1,173,005
Christian Chautard, Chairman of the Board from 1 January to 18 March 2014⁵⁷				
Fixed compensation	€250,000	€250,000	€53,571	€53,571
Variable annual compensation	-	-	-	-
Variable multi-annual compensation	-	-	-	-
Exceptional compensation	-	-	€114,534	€114,534
Attendance fees	€16,600	€16,600	€9,150	€9,150
Benefits in kind	-	-	-	-
Total	€266,600	€266,600	€177,255	€177,255
Jacques Bailet, Chairman of the Board from 18 March to 31 December 2014⁵⁸				
Fixed compensation	n/a	n/a	€270,250	€270,250
Variable annual compensation	n/a	n/a	-	-
Variable multi-annual compensation	n/a	n/a	-	-
Exceptional compensation	n/a	n/a	-	-
Attendance fees	n/a	n/a	-	-
Benefits in kind	n/a	n/a	€2,417	€2,417
Total	n/a	n/a	€272,667	€272,667
(1) Variable annual compensation paid in respect of the previous financial year.				

The Group did not grant options to subscribe or purchase shares in 2014. In addition, no share subscription or purchase options were exercised in 2014 by an executive director.

⁵⁷ Christian Chautard was Chairman of the Board of Directors until 18 March 2014, the date of the Merger, upon which he was appointed Vice-Chairman of the Board. Since 25 March 2015, Christian Chautard is once again the Chairman of the Board. As such, the compensation for Christian Chautard shown in the table for the financial year ended 31 December 2014 only involves the period from 1 January to 18 March 2014.

⁵⁸ Jacques Bailet was Chairman of the Board of Directors from 18 March 2014, date of the Merger, until 25 March 2015, the date upon which he resigned his position as Chairman and Director. As such, the compensation for Jacques Bailet shown in the table for the financial year ended 31 December 2014 only involves the period from 18 March to 31 December 2014.



On 10 September 2014, the Board of Directors approved, based on a proposal by the Appointments and Compensation Committee of 5 September 2014, the establishment of an equity incentive plan for the benefit of certain members of General Management, including the Chief Executive Officer. This equity incentive plan, which is a free shares plan, provides for the allocation of a maximum of 153,030 Company shares, subject to the achievement of performance conditions associated with the share price, EBITDA and revenue, in accordance with the following:

- the free shares lot associated with the share price criterion will represent 50% of the total allocation, whereas the free share lots associated with the EBITDA and revenue criteria will each represent 25% of the total allocation;
- between the threshold and the limit set for each allocation lot, the number of allocated free shares shall be calculated through linear interpolation between these 2 points.

For French tax residents, the free shares allocation shall become definitive and the ownership of said shares will be transferred to them 30 months and 21 days after the plan settlement date, i.e. 31 March 2017, subject to the beneficiary remaining in office. Moreover, beneficiaries will not be permitted to transfer the shares received under the terms of this plan for an additional period of 17 months and 10 days following the vesting period, i.e. until 10 September 2018.

The free shares plan has an IFRS cost of around €2,765 thousand (including €574,853 for the portion due to the Chief Executive Officer, Yann Coléou) (excluding social security charges) and will lead to a maximum dilution of 0.19% (including 0.04% for the portion due to the Chief Executive Officer, Yann Coléou).

The Chief Executive Officer, as a beneficiary of the plan, has agreed to not hedge the shares that he will eventually own through the corporate office he holds. Furthermore, the plan rules establish that beneficiaries who become company agents will be required to formally agree, upon their appointment as company agents, to not hedge Company shares allocated freely.

Since the Company shares that will be allocated under this plan are traded on a regulated market, and to prevent the risk of any insider trading, the plan rules establish that said shares may not be sold during the closed periods referenced in Article L. 225-197-1-I. paragraph 8 of the French Commercial Code, such as they may subsequently be amended. In addition, beneficiaries who are company agents, as well as any beneficiary who may have regular or occasional access to insider information, may not sell shares during the following periods:

- within thirty (30) calendar days prior to the publication of annual and half-year financial statements and, if applicable, of the complete quarterly financial statements of the Company, if the latter are published;
- within fifteen (15) calendar days prior to the publication of quarterly information;
- in the case of financial transactions likely to have a significant impact on the share price of the Company's shares or the existence of insider information regarding the Company's business.

The following table presents a summary of free shares allocated to the only company agent concerned, Yann Coléou, Chief Executive Officer of the Company.

Summary table of the free shares allocated to the Chief Executive Officer					
Date of plan	Number of shares allocated during the financial year	Valuation of the shares in accordance with the method used in the consolidated financial statements	Acquisition date	Availability date	Performance conditions
10 September 2014	31,818	€474,853	31 March 2017	10 September 2018	share price, EBITDA and revenue

No freely allocated shares became available during the 2014 financial year for the benefit of a company agent.



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 General 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 may be subscribed or purchased	116,000	18,000
including the number that may be subscribed or purchased by company agents	-	-
Start date to exercise options	28 August 2007	30 June 2010
Expiration date	From 28 August 2009 and at the latest on 28 August 2014	From 30 June 2012 and at the latest on 29 June 2015
Subscription or purchase price	€30.39	€16.83
Exercise methods (when the plan consists of several lots)	n/a	n/a
Number of shares subscribed as at 31 December 2014	0	2,000
Cumulative number of share subscription or purchase options cancelled or lapsed	116,000	11,000
Remaining share subscription or purchase options as at 31 December 2014	0	5,000

The table below shows the share subscription or purchase options awarded to the top 10 employees who are not beneficiary company agents, as well as the options they have exercised.

Share subscription or purchase options awarded to the top 10 employees who are not beneficiary company agents, as well as the options they have exercised	Total number of options awarded/shares subscribed or purchased	Weighted average	Plan 1	Plan 2
Options awarded during the financial year by the issuer, and any company included within the options allocation scope, to the 10 employees of the issuer, and of any company included within this scope, who hold the highest number of options awarded in this manner	n/a	€30.39	0	0
Options held on the issuer or the companies previously defined, exercised, during the financial year, by the 10 employees of the issuer, or of these companies, who hold the highest number of options awarded in this manner	2,000	€16.83	0	2,000



The following table shows the history of the allocation of free shares by the Group.

Information on the allocation of free shares	Plan 1
Date of General Meeting	26 June 2014
Date of Board of Directors' meeting	10 September 2014
Total maximum number of shares that may be freely allocated	153,030
including the number allocated to Yann Coléou, Chief Executive Officer	31,818
Date of acquisition of shares	31 March 2017
Retention period end date	10 September 2018
Number of shares subscribed as at 31 December 2014	n/a
Cumulative number of shares cancelled or lapsed	n/a
Freely allocated shares remaining as at 31 December 2014	n/a

The table below shows the information required by the recommendations of the AFEP-MEDEF Code in relation to the existence, for executive directors, if applicable, (i) of an employment contract in addition to the corporate office held, (ii) supplementary pension schemes, (iii) commitments by the Company corresponding to benefits or compensation due or likely to be due for the termination or change in role of executive officers or subsequent to them and (iv) non-compete benefits.

Executive directors	Employment contracts	Supplementary pension scheme	Termination or change-in-role benefits	Non-compete benefits
Yann Coléou, Chief Executive Officer	NO	NO	YES	NO
Christian Chautard, Chairman of the Board	NO	NO	NO	NO
Jacques Baillet, former Chairman of the Board	NO	NO	NO	YES

3.10.2.4. Compensation components of executive directors in 2014 subject to the advisory vote of shareholders (say on pay)

Compensation components due to Yann Coléou, CEO, for 2014 subject to the advisory vote of the shareholders

Compensation components	Amount	Comments
Fixed compensation	€514,217	<p>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.</p> <p>Prior to this date, Yann Coléou's fixed yearly compensation had been €436,000 gross since his starting date in the position on 30 April 2012, pursuant to decisions by the Board of Directors on 21 March and 5 December 2012 based on proposals by the Appointments and Compensation Committee made on 12 January, 7 February and 29 November 2012.</p>



Variable annual compensation	€500,000	<p>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. In accordance with the recommendations of the AFEP-MEDEF Code, its amount is set each year by the Board of Directors on the recommendation of the Appointments and Compensation Committee, based on quantitative (50%) and qualitative (50%) criteria determined by the Board at the beginning of the year.</p> <p>The Compensation and Appointments Committee adopted the following quantitative and qualitative criteria for 2014:</p> <ul style="list-style-type: none"> • quantitative criterion: EBITDA; • qualitative criterion: quality of financial communication and social climate. <p>Having ascertained the opinion of the Appointments and Compensation Committee of 19 March 2015, the Board of Directors of 25 March 2015 deemed that the quantitative and qualitative objectives had been attained and consequently allocated the full amount of his 2014 variable compensation to Yann Coléou, i.e. €500,000.</p>
Deferred variable compensation	<p>None</p> <p>35,238 performance units acquired for 2014 (to be paid in 2016 based on the share market price, capped at €25).</p>	<p>Under the equity incentive plan adopted for Yann Coléou for 2013 and 2014 a certain number of performance units are awarded at the start of the year. The completion of the vesting period depends on the achievement of quantitative and qualitative targets. Upon the closure of the 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 2014 will be paid in 2016 (subject to Yann Coléou being in office at the date of payment).</p> <p>On this basis, vesting of Yann Coléou's performance units is governed by the following conditions:</p> <ul style="list-style-type: none"> • performance under 95% of EBITDA target: no units awarded; • achievement of 95-100% of EBITDA target: 0-100% awarded; • achievement of 100 to 110% of EBITDA target: 100-120% awarded. <p>In addition, if the actual occupancy rate falls short of 98% of the target, Yann Coléou will not be entitled to the payment of his performance units; if it falls between 98 and 100% of the target, the number of performance units in the lot, after the adjustment applied under the performance condition, will be adjusted downwards by linear interpolation, within a range of 98-100% of the performance condition, by a number of performance units falling within a lower limit of 0% of performance units in the lot in question after the adjustment described above, and an upper limit of 100% of the performance units in the lot in question after the adjustment described above.</p> <p>Having verified that the EBITDA target was reached at 100.34% and that the occupancy rate exceeded 100% of the target, on 25 March 2015, the Board of Directors, upon a proposal by the Appointments and Compensation Committee of 19 March 2015, took note of the acquisition by Yann Coléou of 35,238 performance units for 2014.</p>



Variable multi-annual compensation	n/a	Yann Coléou does not receive any variable multi-annual compensation.
Exceptional compensation	€436,000	<p>At its meeting on 20 January 2014, the 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:</p> <ul style="list-style-type: none"> • a third of this compensation was an award for the completion of the Merger; • the remaining two thirds were an award for the implementation of a reliable and auditable system of indicators for the future as well as the identification and launch of structuring operations to complete the Merger.
Stock options, bonus shares or any other long-term compensation component	<p>No acquisition</p> <p>31,818 shares allocated in 2014 (whose final acquisition will take place in 2017 subject to the achievement of performance conditions associated with the share price, EBITDA and revenue)</p> <p>Accounting valuation: €574,853 thousand</p>	<p>On 10 September 2014, the Board of Directors, upon a proposal by the Appointments and Compensation Committee of 5 September 2014, approved the establishment of a free shares plan for the specific benefit of Yann Coléou in his role as Chief Executive Officer. This equity incentive plan provides for the allocation to him of a maximum of 31,818 Company shares, subject to the achievement of performance conditions in relation to the share price, EBITDA and revenue, in accordance with the following terms and conditions:</p> <ul style="list-style-type: none"> • the free shares lot associated with the share price criterion will represent 50% of the total allocation, whereas the free share lots associated with the EBITDA and revenue criteria will each represent 25% of the total allocation; • between the threshold and the limit set for each allocation lot, the number of allocated free shares shall be calculated through linear interpolation between these two points. <p>The allocation of free shares to Yann Coléou shall become definitive and the ownership of said shares will be transferred to him 30 months and 21 days after the plan settlement date, i.e. 31 March 2017, subject to his remaining in office and depending on the achievement of the above performance criteria. Moreover, Yann Coléou will not be permitted to transfer the shares received under the terms of this plan for an additional period of 17 months and 10 days following the vesting period, i.e. until 10 September 2018.</p>
Attendance fees	n/a	Yann Coléou does not receive any attendance fees. Furthermore, he waived his attendance fees for his appointments as a member of the Supervisory Boards of the Group's German companies, which he held until 8 September 2014. Finally, he does not receive attendance fees for his mandates as a director of Segesta (Italy), Aetas (Italy) and SLG (Belgium).
Value of benefits of all types	€4,788	In addition to his compensation, the CEO received a company vehicle.



Termination benefit	None	<p>On 21 March 2012, the Board of Directors, on the recommendations 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 in accordance with the so-called "TEPA" Act (Article L. 225-42-1 of the French Commercial Code).</p> <p>This termination benefit was approved by the Shareholders' General Meeting of 20 June 2013.</p> <p>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, in accordance with the recommendations of the AFEP-MEDEF Code. It will be calculated based on the gross fixed and variable compensation over the last 12 months preceding his departure.</p> <p>Payment of the termination benefit is subject to the following performance conditions:</p> <ul style="list-style-type: none"> 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.



Compensation components due or allocated to Christian Chautard, Chairman of the Board of Directors from 1 January to 18 March 2014, subject to the advisory vote of shareholders

Compensation components	Amount	Comments
Fixed compensation	€53,571	Christian Chautard received €250,000 in gross annual compensation in respect of his mandate as Chairman of the Board of Directors. This compensation had been set by the former Supervisory Board during their meeting of 21 December 2011, at the recommendation of the Appointments and Compensation Committee of 15 December 2011. He therefore received gross compensation of €53,571 for the period from 1 January to 18 March 2014.
Exceptional compensation	€114,534	<p>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, the Board of Directors awarded Christian Chautard exceptional compensation of €85,000 for the execution of the Merger.</p> <p>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 and to prepare the integration of German companies Phönix and Curanum followed, in the event of a successful public offer, by the close supervision of the integration and establishment of synergy plans and a growth plan for the German companies. On 27 March 2013, upon a proposal by the Appointments and Compensation Committee of 20 February 2013, the Board of Directors set compensation for these services at a gross annual amount of €140,000, in addition to paying Christian Chautard's relocation and accommodation costs in Germany. This exceptional compensation was set on the basis of a comparative study submitted by Towers Watson, and ordered by the Appointments and Compensation Committee to formulate a proposal to compensate Christian Chautard for his work in Germany. For this period covering 1 January to 18 March 2014, he thus received the sum of €29,534.</p>
Attendance fees	€9,150	<p>Christian Chautard received attendance fees for his mandate as Chairman of the Board of Directors and his participation in certain specialised Board committees. For this period covering 1 January to 18 March 2014, he received the gross sum of €9,150.</p> <p>Furthermore, he waived his attendance fees for his mandates as a member of the Supervisory Boards of the Group's German companies. In addition, he does not receive any attendance fees for his role as a director of the Italian company Segesta.</p>



Compensation components due or allocated to Jacques Bailet, Chairman of the Board of Directors from 18 March to 31 December 2014, subject to the advisory vote of shareholders

Compensation components	Amount	Comments
Fixed compensation	€270,250	Jacques Bailet received gross annual compensation of €345,000 for his role as Chairman of the Board Directors, which was set on 18 March 2014 by the Board of Directors, based on the same-day recommendation by the Appointments and Compensation Committee. He therefore received gross compensation of €270,250 for the period from 18 March to 31 December 2014.
Attendance fees	n/a	Jacques Bailet waived his attendance fees as Chairman of the Board and as a member of certain specialised Board Committees.
Value of benefits of all types	€2,417	In addition to his compensation, Jacques Bailet benefited from a company vehicle representing a benefit in kind of €2,417 in respect of the period from 18 March to 31 December 2014. He was also entitled to social security schemes equivalent to those applicable to salaried managers (illness and personal protection insurance).
Non-compete compensation	€525,000	On 26 November 2014, the Board of Directors approved, upon the same-day recommendation of the Appointments and Compensation Committee, the granting to Jacques Bailet of a lump-sum payment of €525,000 in return for his compliance with a 3-year non-competition commitment effective from the date of his departure from his position. In accordance with the recommendations of the AFEP-MEDEF Code, this non-compete compensation corresponds to approximately 18 months of gross annual compensation.

3.10.2.5. Compensation of Directors

At 31 December 2014, an amount of €249,749 was paid as attendance fees to the members of the Board of Directors and the Committees.

The members of the Board and the Committees are also entitled to reimbursement, on production of receipts, of travel expenses incurred in attending Board and Committee meetings.

The Board of Directors' meeting held following the 18 March 2014 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 6 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 is awarded to the members of the various committees and distributed amongst them proportionally to the number of committee meetings they attend, with the Chairman of each committee receiving double the fee.

The calculation methods for attendance fees in effect until 18 March 2014 are described on page 119 of the 2013 Registration Document filed with the AMF on 30 April 2014 under number D.14-0454.



The table below shows the attendance fees paid to the Company's Directors for the last 2 financial years.

Non-managing executive officers	Attendance fees paid in respect of 2013	Attendance fees paid in respect of 2014
Directors whose mandate covered the period from 1 January to 31 December 2014		
Christian Chautard	€16,600	€27,743
Jérôme Grivet	€5,600	€8,113
Batipart Invest ⁵⁹	€5,600	€12,107
Malakoff Médéric Assurances	€6,200	€10,818
Jacques Ambonville	€21,800	€31,188
Directors whose mandate covered the period from 18 March to 31 December 2014		
Jacques Bailet	-	
Predica	-	€10,136
MAAF Assurances	-	€7,840
Martin Hoyos	-	€24,758
Anne Lalou	-	€29,334
Guy de Panafieu	-	€28,508
Catherine Soubie	-	€24,393
Directors whose mandate covered the period from 1 January to 18 March 2014		
Charles Ruggieri ⁶⁰	€7,400	€3,548
Jean-Jacques Duchamp	€8,600	€2,948
MACSF	€3,200	€548
ACM Vie	€6,200	€2,948
Jean Castex	€23,600	€8,986
Catherine Chouard	€22,400	€8,386
Jean-Paul Thonier	€21,800	€7,439
Total	€149,000	€249,741

The attendance fees paid to directors for the period from 26 June to 31 December 2014 comply with the 11th resolution adopted by the Shareholders' General Meeting of 26 June 2014, which set the overall annual amount for attendance fees at €300,000 as of the date of said meeting and for the subsequent financial years, until further notice. This new package takes into account changes in the Company's market capitalisation due to the Merger, with the Company now ranking among the SBF120 companies, as a result of a study of the best practices of these companies in terms of the payment of attendance fees and in accordance with the favourable opinion of the Appointments and Compensation Committee.

The attendance fees paid to directors until 25 June 2014 were in line with the 15th resolution adopted by the Shareholders' General Meeting of 21 March 2012, which had set the overall annual amount of attendance fees at a maximum of €200,000. This amount was renewed by the General Meeting of 18 March 2014.

⁵⁹ Since 18 March 2014, the permanent representative of Batipart Invest, Director, is Charles Ruggieri; prior to this date, it was Julien Ruggieri.

⁶⁰ Until 18 March 2014, Charles Ruggieri was a Director of the Company in his own name; since this date, he is the permanent representative of Batipart Invest, Director of the Company.



For informational purposes, the table below shows the attendance fees paid to directors of Medica, which was absorbed by the Company during the Merger, for the 2 most recent financial years.

Non-managing executive officers	Attendance fees paid respect of 2013	Directors' fees paid from 1 January to 18 March 2014
Predica	€27,750	€10,110
MAAF Assurances	€23,750	€10,110
GMF Vie	€26,750	€11,110
Batipart Invest ⁶¹	€29,750	€11,110
Gilles Cojan	€35,750	€8,219
Anne Lalou	€39,750	€13,219
Guy de Panafieu	€39,750	€12,219
Catherine Soubie	€26,750	€9,110
Total	€250,000	€85,207

The attendance fees paid to directors in 2013 and 2014 complied with the 6th resolution adopted by the Shareholders' General Meeting of 29 June 2010, which set the overall annual amount of attendance fees at a maximum of €250,000 until further notice. The distribution methods for the overall amount of attendance fees are described on page 141 of the 2012 Registration Document of Medica.

In addition, Jean-Claude Georges-François, Observer, received €66,667 excluding taxes in 2014 and €200,000 excluding taxes in 2013 pursuant to a services agreement entered into by the Company and SARL JCGF Conseil - of which he is the manager - on 21 March 2012. This agreement expired on 20 March 2014.

3.10.3. Transactions carried out by the administrative and management bodies

The following tables show the changes in the equity interests of directors who owned Medica shares prior to the Merger, from 31 December 2013 to 18 March 2014.

Directors	Number of Company shares held as at 31 December 2013	Number of Company shares held prior to the Merger	Number of shares received as a result of the Merger	Number of Company shares held post-Merger
Predica	11,059,441	11,059,441	4,916,960	15,976,401
Groupe Covéa <i>including MAAF Assurances</i>	625,181 -	625,181 -	9,309,700 1,682,780	9,934,881 1,682,780
Groupe Batipart <i>including Batipart Invest</i>	8,447,227 8,333,190	8,447,227 8,333,190	4,119,310 4,119,310	12,566,537 12,452,500
Christian Chautard	10	10	1,180	1,190
Jacques Bailet	-	-	807,420	807,420
Françoise Debrus	-	-	1,182	1,182
Sophie Beuvaden	-	-	1,180	1,180
Charles Ruggieri	1	1	1,180	1,181
Anne Lalou	-	-	1,180	1,180
Guy de Panafieu	-	-	1,180	1,180
Catherine Soubie	-	-	6,900	6,900

⁶¹ Since 18 March 2014, the permanent representative of Batipart Invest, Director, is Charles Ruggieri; prior to this date, it was Julien Ruggieri.



Only the following directors carried out transactions on Korian - Medica shares in 2014.

Executive officers	Acquisitions	Price	Disposals	Price
Directors whose mandate covered the period from 1 January to 31 December 2014 (transactions performed during this period)				
Batipart Invest	97,513	€26.42	8,120,240	€28.02
Malakoff Médéric Assurances	1,074,969 ⁶²	€27.19	-	-
Directors whose mandate covered the period from 18 March to 31 December 2014 (transactions performed during this period)				
Predica	3,031,411 ⁶³	€27.91	-	-
Françoise Debrus	11 ⁶⁴	€26.42	-	-
MAAF Assurances	-	-	72,909	€30.05
Directors whose mandate covered the period from 1 January to 18 March 2014 (transactions performed during this period)				
Groupe MACSF	-	-	620,000	24.25
<i>including MACSF Epargne Retraite</i>	-	-	620,000	24.25
ACM Vie	620,000	24.25	-	-

Between 1 January 2015 and the date of this Management Report, the directors have not performed any transactions involving Korian - Medica shares.

3.10.4. Conflicts of interest - Family ties

Article 1.8 of the Internal Regulations of the Board of Directors sets out the procedure to manage potential conflicts of interest. In order to avoid the emergence of such conflicts during meetings of the Board of Directors and/or of the Investment Committee, it establishes an upstream prevention process as part of the presentation of the documentation concerning items on the agenda submitted to the Board or the Committee

Charles Ruggieri is the permanent representative of Batipart Invest, Director of the Company. Batipart Invest and Batipart, shareholders of the Company, are controlled at the highest level by the Ruggieri family.

Jean-Claude Georges-François, a service provider remunerated by the Company until 20 March 2014, currently serving as an Observer, is the Manager of JCGF Conseil, itself the Chair of Batipart, which is controlled at the highest levels by the Ruggieri family, which owns 0.1% of the Company's share capital and voting rights. He is also the Chairman of the joint personal protection insurance group, Fédéris, 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.

Foncière des Murs, in which Foncière des Régions and Predica own significant equity interests, acquired, during the sub-contracting operations of 2004 and 2005, 51 properties owned or leased by the Group and entered into a partnership agreement with the Group for the management of its real estate assets.

Anne Lalou is Chief Executive Officer of the association Innovation Factory and Director of Web School Factory. On 24 March 2015, the Company entered into a Strategic Partnership Agreement with Innovation Factory, in order for the Company and Innovation Factory to cooperate closely on the development of joint projects in the field of digital innovation, in particular in collaboration with Web School Factory.

To the Company's knowledge and at the date of this document, there are no other potential conflicts of interests between the duties of the members of the management bodies as regards the Company and their private interests and/or any other duties, and notably:

⁶² Among the 1,074,969 Korian - Medica shares acquired during 2014, 1,017,831 were acquired from Malakoff Médéric Prévoyance and 57,138 are the result of the option for the dividend payment in newly issued shares.

⁶³ Among the 3,031,411 Korian - Medica shares acquired during 2014, 181,411 are the result of the option for the dividend payment in newly issued shares.

⁶⁴ The shares acquired by Françoise Debrus during 2014 result from the option for the dividend payment in newly issued shares.



- company agents have not accepted any restrictions on the disposal of their stake in the Company's share capital;
- no company agent has entered into an agreement with major shareholders, clients or suppliers with a view to being selected as member of a supervisory, management or administrative body.

To the Company's knowledge and at the date of this document:

- there are no family links between Board members;
- none of the members of the Board of Directors has been convicted for fraud over the last 5 years;
- none of the members of the Board of Directors has been associated with a company which has declared bankruptcy, entered into receivership or been liquidated over the last 5 years;
- none of the members of the Board of Directors has been incriminated or publicly sanctioned by a statutory or regulatory authority over the last 5 years; and
- none of the members of the Board of Directors has been prevented by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from involvement in the management or affairs of an issuer during the last 5 years.

3.10.5. Summary of currently valid authorisations and of authorisations used

On 26 June 2014, the Combined General Meeting granted the Board of Directors the following financial powers.

Type	Purpose
1) Share buyback programme Term: 18 months Application: None	Authorisation of a share buyback plan, up to 10% of the share capital, through trading orders, buybacks of share blocks and disposal by any means of the shares thus acquired. Possible capital reduction through the cancellation of the shares thus acquired. Maximum purchase price ≤ €40 per share. Buyback cap: 10% of the share capital.
2) 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 24 month period.
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 €150 million ⁶⁶ for equity securities and €1 billion ⁶⁵ 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 €150 million ⁶⁶ for equity securities and €1 billion ⁶⁶ for the issuance of debt securities giving access to the capital.
5) Power to increase the share capital with cancellation of preferential subscription rights, through a private offering Term: 26 months	Power granted to the Board of Directors to increase the share capital through the issuance of transferable securities giving access to the Company's capital, without preferential subscription rights for the shareholders, executed via a private offering (qualified investors or investors' club), capped at a total nominal amount of €150 million ⁶⁶ for equity securities and €1 billion ⁶⁶ for the issuance of debt securities giving access to the capital.

⁶⁵ Cap shared with the powers outlined in rows 10 and 11 of this table.



Application: None	
<p>6) Power to increase the number of securities issued as part of a capital increase in the event of "over-subscription"</p> <p>Term: 26 months</p> <p>Application: None</p>	<p>Power to be granted to the Board of Directors to increase the number of securities offered as part of the capital increases covered by the powers summarised in rows 3, 4 and 5 of this table, within the limit of 15% of the initial issue.</p>
<p>7) Power to set the issue price for the different issuances</p> <p>Term: 26 months</p> <p>Application: None</p>	<p>Power granted to the Board of Directors to set the price of the issuances made by virtue of the powers summarised in rows 4 and 5:</p> <ul style="list-style-type: none"> i. for ordinary shares, issue price \geq the weighted average share price on NYSE Euronext Paris during the 3 trading days before the price is set, with a discount of 10% at most where applicable; ii. for transferable securities giving access to the capital other than ordinary shares, the issue price is the amount immediately received by the Company, plus, if applicable, the amount likely to be received at a later stage by the Company i.e., for each ordinary share issued as a consequence of the issuance of these securities, at least equal to the amount stated in point (i) above, after adjustment, if applicable, to take into account the different vesting date. <p>The maximum nominal amount of the capital increase is limited to 10% of the share capital per annum.</p>
<p>8) Power to issue transferable securities to compensate contributions in kind</p> <p>Term: 26 months</p> <p>Application: None</p>	<p>Power granted to the Board of Directors to compensate contributions in kind given to the Company.</p> <p>Compensation through the issuance of Company shares and/or transferable securities giving access to equity, within a limit of 10% of the share capital.</p>
<p>9) Power granted to increase the capital through the incorporation of reserves, profits or other</p> <p>Term: 26 months</p> <p>Application: None</p>	<p>Authorisation granted to the Board of Directors to increase the share capital by incorporating all or part of the reserves, profits, premiums or other amounts the incorporation of which is allowed.</p> <p>Nominal amount of the related capital increases: €20 million.</p>
<p>10) Authorisation in view of stock-option allocation</p> <p>Term: 26 months</p> <p>Application: None</p>	<p>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 limit of 1% of the Company's share capital (0.1% of the share capital for executive directors).</p> <p>Pursuant to Article L. 255-177 of the French Commercial Code, the Board of Directors would set the exercise date or period for the share subscription or purchase options as well as the date or the period during which the shares resulting from the exercise of options may not be sold or converted to bearer form.</p> <p>The purchase or subscription price is fixed by the Board of Directors when the option is granted, without any discount in relation to the average share price of the 20 trading days preceding the day the Board decides to allocate the options.</p>



<p>11) Authorisation to allocate free shares subject to performance conditions</p> <p>Term: 26 months</p> <p>Utilisation: 153,030 shares (0.19% of share capital) allocated to 14 beneficiaries subject to performance conditions – Board of Directors of 10 September 2014</p>	<p>Authorisation granted to the Board to allocate free shares subject to performance conditions, existing or to be issued, up to a maximum of 1% of the Company's share capital on the day the Board of Directors makes the decision (0.1% of the share capital for executive directors).</p> <p>Shares are vested at the end of a minimum vesting period of 2 years, with a mandatory retention period of 2 years from the final date of vesting of the shares, i.e. for all or part of the shares allocated, a minimum vesting period of 4 years, in which case there is no mandatory retention period, the Board of Directors having the right to decide between these 2 possibilities and to use them alone or together.</p>
<p>12) Power to execute capital increases for members of an employee savings plan</p> <p>Term: 26 months</p> <p>Application: None</p>	<p>Power granted to the Board of Directors to carry out capital increases up to a nominal amount of €2 million, by issuing shares or financial securities giving access to the capital, for members of an employee savings plan (legal obligation).</p>

It is paramount that the Board of Directors is granted financial powers to rapidly and easily avail of the financial means required for the Group's development by executing different types of issuances in accordance with the applicable regulations. It will therefore be proposed to the Shareholders' General Meeting on 25 June 2015 to renew financial delegations numbers 1 and 2 as set out in the above table, and grant to the Board of Directors a new delegation in order to proceed with the free allocation of preference shares, with the other financial delegations of a 26-month duration remaining in force.



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"To the shareholders,

In application of 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 company agents, 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.

In terms of risk management and internal control systems, this report describes the internal control measures applied by the Company, based in particular on the AMF's Reference framework published on 22 July 2010 and its recommendation no. 2013-17, updated on 13 January 2015.

Finally, the Company has also noted the AMF's recommendation no. 2012-02 relating to corporate governance and the compensation of the executives of companies using the AFEP-MEDEF Code as a reference, as last updated on 11 December 2014."

This report was presented to the Audit Committee and approved by the Board of Directors at its meeting of 25 March 2015.

4.1. REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

4.1.1. Corporate governance

4.1.1.1. Implementation of the principles of the AFEP-MEDEF Code

By application of the Law of 3 July 2008 transposing European Directive 2006/46/CE dated 14 June 2006, it was decided that the principles set out in the 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. 225-37 of the French Commercial Code. The conditions governing the preparation and organisation of the work of the Board of Directors and the specialised committees are defined by law, by the Company's Articles of Association and by the provisions of the Internal Regulations of the Board of Directors.

Within the context of the "Comply or Explain" rule set out in Article L. 225-37 of the French Commercial Code and in Article 25.1 of the AFEP- MEDEF Code, the Company deems that its practices comply with the recommendations of the AFEP-MEDEF Code, except where expressly indicated otherwise in this Registration Document. In this regard, in accordance with the aforementioned provisions, the table below specifies the recommendations of the AFEP-MEDEF Code that were not applied by the Company and the reasons for this.



AFEP-MEDEF RECOMMENDATIONS	KORIAN - MEDICA EXPLANATION
Proportion of independent directors	
<p>9.2 The Board must consist of a significant portion of independent directors.</p> <p>The number of independent directors should represent half of the members of the Board in companies with a widely spread share capital and no controlling shareholders. In controlled companies, the portion of independent directors should be at least one third.</p>	<p>Even though the Company is not a controlled company within the meaning of Article L. 233-3 of the French Commercial Code, its shareholding structure consists of several reference shareholders who, together, represent 45.45% of the Company's share capital and voting rights. Consequently, the composition of the Board of Directors reflects the Company's shareholders and achieves a proper balance between expertise and independence; this is why there are only 5 independent directors out of 11 Board members (i.e. 45.45% are independent directors). It is further specified that the Chairman of the Board, Christian Chautard, is not an independent director.</p>
Training of the members of the Audit Committee	
<p>13 - Upon appointment, members of the Audit Committee must be informed of the Company's principal accounting, financial or operational characteristics.</p>	<p>No particular training was provided to Audit Committee members upon taking up their positions since the majority were already members of Medica's Audit Committee.</p> <p>However, new members will receive information on the Company's principal accounting, financial or operational characteristics when the next appointments are made.</p>
Obligation to retain shares	
<p>23.2.1</p> <p>1 - Executive directors should retain a significant number of shares in their names, as periodically determined by the Board, until the end of their terms of office.</p>	<p>To date, the Company's executive directors do not own any Korian - Medica shares. Given the overall retention rules imposed on executive directors under the terms of the equity incentive plan established by the Company, particularly the plan for the allocation of free shares approved by the Board of Directors of 10 September 2010 and described in sections 3.10.2.1 and 3.10.2.3 of this Registration Document, the Board has not deemed it necessary to impose a minimum share retention obligation.</p>
Information on company agents' compensation	
<p>24.1 Permanent information</p> <p>All components of the potential or awarded compensation of executive directors should be made public immediately after the Board meeting during which they were decided.</p>	<p>Each year, a detailed description of all components of executive director compensation be provided in the Registration Document, which is made available online on the Company's website. In addition, pursuant to Article 24.3 of the AFEP-MEDEF Code, the compensation components due or allocated to executive directors are systematically submitted to an advisory vote by the Annual General Meeting. Finally, the Company complies with the requirement to publish on its website all compensation components allocated to executive directors due to the termination of their office, in accordance with the provisions of Articles L. 225-42-1 and R. 225-34-1 of the French Commercial Code. Given the implementation of all these disclosure measures, the Company does not consider it necessary to make public all the compensation components of its executive directors immediately following the Board meeting during which they were decided.</p>

4.1.1.2. The establishment of new governance in the Articles of Association following the Merger

The Shareholders' General Meeting on 18 March 2014 having approved the Merger also approved a thorough review of the Company's Articles of Association and decided, following the resignation of the members of the Board of Directors and the Observer, to appoint the new Board members and a new Observer.

The provisions related to corporate governance prior to the Merger appear on pages 72 to 76 of the Company's 2012 Registration Document, which can be found on the Company's website (www.korian.com) and on the AMF's website (www.amf-france.org), it being specified that no modification impacting on corporate governance was introduced between 1 January and 18 March 2014.



4.1.1.3. The Board of Directors

Article 11 of the Company's Articles of Association define and specify the conditions and procedures governing the composition and operation of the Board of Directors.

The composition of the Board of Directors

- Composition balance

In accordance with the provisions of Article 6.3 of the AFEP-MEDEF Code, each Board of Directors must consider the appropriate balance of its composition, particularly with regards to gender, nationality and skills diversity, by taking appropriate measures to guarantee to shareholders and to the Market that its work will be accomplished with the necessary independence and objectivity.

The Company's Board of Directors consists of eleven members⁶⁶: Christian Chautard (Chairman of the Board of Directors), Jérôme Grivet, Predica (represented by Françoise Debrus), MAAF Assurances (represented by Sophie Beuvaden), Malakoff Médéric Assurances (represented by Hugues du Jeu), Batipart Invest (represented by Charles Ruggieri), Jacques Ambonville, Martin Hoyos, Anne Lalou, Guy de Panafieu and Catherine Soubie. Moreover, in accordance with the law of 14 June 2013 on securing employment and to the Articles of Association whose amendment was authorised by the Annual General Meeting of 26 June 2014, a director representing employees was appointed by the most representative labour union: Amélie Nun.

The Board of Directors is assisted in its work by an Observer, Jean-Claude Georges-François.

A summary of the professional background of each member of the Korian - Medica Board of Directors, the director representing employees and the Observer (including their mandates and the number of Korian - Medica shares held by each individual) is presented in section 3.10.1 of this Registration Document and highlights the diverse skills set of its members.

Martin Hoyos, appointed Company director following the Merger, is an Austrian national and has spent his career working in the audit field, particularly in Germany. Catherine Soubie has worked at an international level since 2010 in her position as the Managing Director of Barclays Investment Bank - as Head of Investment Banking for France, Belgium and Luxembourg. These appointments reflect the Group's truly multinational dimension, a factor to which the Board of Directors pays close attention when choosing candidates for director positions to be proposed to shareholders for approval. The composition of the Board of Directors complies with Article 11.1.1 of the Company's Articles of Association, which states that at least two-thirds of the members of the Board of Directors must be aged under seventy (70). To date, only one Director, Guy de Panafieu, is older than 70.

In accordance with the provisions of French Law No. 2011-103 concerning balanced representation of women and men on boards of directors and supervisory boards and on workplace equality, which will become effective for listed companies in 2017, the composition of the Board of Directors respects the principle of balanced representation referred to above, since at least 20% of its members are female, namely, Françoise Debrus (permanent representative of Predica), Sophie Beuvaden (permanent representative of MAAF Assurances), Anne Lalou and Catherine Soubie, i.e. 4 women and 7 men (being an average of 36.36% female representation). The Board of Directors will ensure that this principle of balanced representation is maintained during future proposals for director appointments.

- The independence of Directors

Article 9.2 of the AFEP-MEDEF Code states that "*the number of independent directors must represent half of the members of the Board in companies with a widely spread share capital and no controlling shareholders. In controlled companies, the portion of independent directors must be at least one third. The directors who represent salaried shareholders and directors representing employees are not counted within these percentages*".

In accordance with the AFEP-MEDEF Code, the independence of directors is reviewed on a yearly basis by the Board of Directors, pursuant to the opinion of the Appointments and Compensation Committee. Accordingly, the independence criteria retained by the Board of Directors, set out below, are in line with the relevant provisions of the AFEP-MEDEF Code:

- is not an employee or an executive director of the Company, or an employee or director of its parent company or of a consolidated subsidiary and has not been in such a position for the 5 previous years;

⁶⁶ The Board of Directors had 12 members until 25 March 2015, the date on which Jacques Bailet's duties as Chairman and Director ended.



- is not an executive director of a company in which the Company holds, either directly or indirectly, a directorship or in which an employee appointed as a director or an executive officer of the company (currently or in the past 5 years) holds a directorship;
- is not (or is not directly or indirectly related to) an important customer, supplier, investment banker or commercial banker of the Company or of the Group, and is not dependent on the Company or the Group for a material proportion of its business⁶⁷;
- a company agent does not have any close family ties with a company agent;
- has not been a statutory auditor of the Company over the past 5 years;
- has not been a member of the Company's Board of Directors for more than 12 years at the date he or she was appointed to his or her current term of office.

In addition, in the event that a director holds 10% or more of the Company's share capital or voting rights, or represents a legal entity holding such an interest, the Board of Directors will take a view on whether the independence criteria are met, taking into account the Company's shareholding structure and the existence of any potential conflict of interest.

Even though the Company is not a controlled company within the meaning of Article L. 233-3 of the French Commercial Code, its shareholding structure nevertheless consists of several reference shareholders who, together, represent 45.45% of the Company's share capital and voting rights. Consequently, the composition of the Board of Directors reflects its shareholders and as a result only comprises 5 independent directors out of 11 members (i.e. 45.45% are independent directors⁶⁸), namely: Jacques Ambonville, Martin Hoyos, Anne Lalou, Guy de Panafieu and Catherine Soubie. None of these 5 directors holds more than 10% of the Company's share capital or voting rights. It is further specified that the Chairman of the Board, Christian Chautard, is not an independent director.

In accordance with the recommendations of Article 9.3 of the AFEP-MEDEF Code, the Board of Directors, during its meeting on 25 March 2015, reviewed the independence of Anne Lalou with respect to the aforementioned criteria to determine whether the signature of the Strategic Partnership Agreement with Innovation Factory as outlined in section 3.10.4 of this Registration Document, placed her independence in question. The Board, on the recommendation of the Appointments and Compensation Committee of 19 March 2015, unanimously decided that the signature of said Agreement, in which Anne Lalou has no proprietary interest, was not of a nature to compromise her freedom of judgment and, having ascertained that she remained in compliance with all the independence criteria set out by the AFEP-MEDEF Code, decided to maintain her status as an independent director.

- Employee representation

In accordance with the provisions of the law of 14 June 2013 on securing employment, the General Meeting of 26 June 2014 decided to modify the Company's Articles of Association in order to add Article 11.4, which establishes procedures for the appointment of directors representing employees to the Board of Directors.

Accordingly, pursuant to Article L. 225-27-1 of the French Commercial Code, it was added that the Board of Directors shall include 1 or 2 directors representing employees, to be appointed by the trade union that received the most votes in the first round of the elections provided for in Articles L. 2122-1 and L. 2122-4 of the French Labour Code, in the Company or in its direct or indirect subsidiaries whose registered office is located in France.

Thus, on 16 January 2015, the most representative trade union within the Group, the CFDT, appointed Amélie Nun, a Group employee, as Director representing employees.

In addition, 2 Works Council representatives attend meetings of the Board of Directors but are not entitled to vote.

- Length of director mandates

In accordance with the recommendations of the AFEP-MEDEF Code, during the post-Merger review of the Company's Articles of Association, the statutory term of office for Company Board Members was reduced from 5 years to 3 years and the staggered renewal of mandates one third at a time was introduced. To that end, and as an exceptional measure, following a draw of lots before a judicial officer, certain directors have been appointed

⁶⁷ In this respect, the Company does not conduct any business with *Barclays Investment Bank*, of which Catherine Soubie has been Managing Director since 2010.

⁶⁸ Pursuant to the provisions of Article 9.1 of the AFEP-MEDEF Code, the director representing employees is not taken into account when determining the ratio of independent directors on the Board of Directors.



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.

Furthermore, the length of the term for directors representing employees is 3 years and their appointments end following the Shareholders' General Meeting having approved the financial statements for the year just-ended that is held during the year in which their term expires.

The table below sets out the duration of each director's term of office.

Director	Appointment date	End of term
Christian Chautard (<i>Chairman</i>) ⁶⁹	18 March 2014	Annual General Meeting to approve the financial statements for the year ending 31 December 2016
Jérôme Grivet	18 March 2014	Annual General Meeting to approve the financial statements for the year ending 31 December 2016
Prédica, represented by Françoise Debrus	18 March 2014	Annual General Meeting to approve the financial statements for the year ended 31 December 2014
MAAF Assurances SA, represented by Sophie Beuvaden	18 March 2014	Annual General Meeting to approve the financial statements for the year ending 31 December 2016
Malakoff Médéric Assurances, represented by Hugues du Jeu	18 March 2014	Annual General Meeting to approve the financial statements for the year ended 31 December 2014
Batipart Invest, represented by Charles Ruggieri	18 March 2014	Annual General Meeting to approve the financial statements for the year ending 31 December 2015
Jacques Ambonville (<i>independent director</i>)	18 March 2014	Annual General Meeting to approve the financial statements for the year ending 31 December 2015
Martin Hoyos (<i>independent director</i>)	18 March 2014	Annual General Meeting to approve the financial statements for the year ending 31 December 2016
Anne Lalou (<i>independent director</i>)	18 March 2014	Annual General Meeting to approve the financial statements for the year ending 31 December 2015
Guy de Panafieu (<i>independent director</i>)	18 March 2014	Annual General Meeting to approve the financial statements for the year ending 31 December 2015
Catherine Soubie (<i>independent director</i>)	18 March 2014	Annual General Meeting to approve the financial statements for the year ended 31 December 2014
Amélie Nun (<i>director representing employees</i>)	18 March 2014	Annual General Meeting to approve the financial statements for the year ending 31 December 2018

The Observer is appointed for 3 years and his term of office will expire on conclusion of the General Meeting to approve the financial statements for the year ending 31 December 2016 (to be held in 2017).

Given the expiration of the terms of Predica (represented by Françoise Debrus), Malakoff Médéric Assurances (represented by Hugues du Jeu) and Catherine Soubie, the shareholders will be asked to renew their respective mandates at the end of the next General Meeting⁷⁰.

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

⁶⁹ The Board of Directors had 12 members until 25 March 2015, the date on which Jacques Baillet's duties as Chairman and Director ended.

⁷⁰ However, the renewal of Jacques Baillet's mandate, whose duties as Chairman and Director ended on 25 March 2015, will not be proposed during the next Annual General Meeting.



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 the use of telecommunications and video-conferencing;
- the powers of the Board of Directors;
- the rules of operation applicable to Committees.

In accordance with the recommendations of the AFEP-MEDEF Code, said Internal Regulations are freely available for download from the Company's website (www.korian.com).

The Board of Directors meets as often as necessary and at least once each quarter. Meetings may be convened by any means, including ordinary postal correspondence addressed to the directors. Meetings of the Board of Directors may take place at the registered office or at any other place specified in the convening notice. They are chaired by the Chairman of the Board of Directors.

To facilitate Board meetings and thereby increase their efficiency, the internal regulations also stipulate that Board meetings may, under certain conditions, be held using telephone- or video-conferencing facilities to allow the presence of 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.

The Board of Directors met 12 times in 2014 and performed the work for which it is responsible, specifically decisions relating to the proposed merger, the review and the approval of the 2013 annual and consolidated financial statements, the convening of the Annual General Meeting, the review of the 2014 half-year financial statements, deliberations on the budget, strategy and growth as well as on changes in governance and the compensation of executive directors. The 2014 attendance rate of Board members at Board meetings was 78.47%.

Meetings are held and decisions are taken pursuant to the majority and quorum requirements set by law. In the event of a tied vote, the Chairman does not have a casting vote.

Minutes of Board meetings are taken and retained under the conditions stipulated by the regulatory provisions in force; copies or extracts are certified in accordance with the law.

Board of Directors' self-assessment

In accordance with the AFEP-MEDEF Code, the internal regulations of the Board of Directors state, in Article 1.6.6, that the Board will perform a yearly assessment of its own operation, which will then be discussed in a meeting.

The agenda of the Board of Directors of 26 November 2014 incorporated an item on the assessment of its operation. Each director was therefore given a self-assessment questionnaire that focused in particular on the organisation and operation of the Board, the composition and involvement of the Board, the number of independent directors and the management of potential conflicts of interest, the skills and knowledge of the Board, as well as the organisation and operation of its specialised committees.

During its meeting on 19 March 2015, the Appointments and Compensation Committee reviewed and analysed the directors' responses, which showed a very positive overall assessment from the members of the Board regarding its composition, organisation and operation. On 25 March 2015, the Board of Directors reviewed a summary of the self-assessment results. The directors deemed that they have clear and precise information regarding the Company's strategy and financial position.

- board meetings were considered to facilitate good communication and effective participation of members. Directors are also satisfied with the information they receive regarding the Group and the involvement of the Board of Directors in decision-making for significant operations.
- the ratio of independent directors, as well as the "independent" classification granted to these individuals, was judged to be satisfactory by the majority of directors.
- the composition of the Board's specialised Committees was judged adequate, their number satisfactory and the tasks featured on their agendas very relevant. The independent directors have sufficient



representation within each Committee, the frequency of their meetings is appropriate and sufficient information is available for directors to perform their work.

4.1.1.4. Specialised Board Committees

The Board of Directors decided, at its meeting of 18 March 2014, to retain the 4 specialist Committees (Audit Committee, Appointments and Compensation Committee, Investment 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, upon a proposal by the Appointments and Compensation Committee.

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 4 times in 2014 and performed the work for which it is responsible, specifically an evaluation of the Group's financing and hedging policy, a review of the consolidated and individual financial statements as at 31 December 2013 and the consolidated financial statements as at 30 June 2014. The Statutory Auditors, who attend all Audit Committee meetings, present a semi-annual report (in March and September) highlighting the major points of the legal audit findings and the accounting options used. The deadlines for reviewing the financial statements are adequate and in line with the recommendation featured in Article 16.2.1 of the AFEP-MEDEF Code. The 2014 attendance rate of members at Audit Committee meetings was 93.75%.

Following the changes made to the composition of the Board Directors on 18 March 2014, the Appointments and Compensation Committee, pursuant to the Internal Regulations that require Audit Committee members to have financial and accounting expertise, proposed to the Board the appointments of Guy de Panafieu (Chairman), Martin Hoyos, Catherine Soubie and Predica (represented by Françoise Debrus). The Audit Committee is chaired by an independent director and is composed of $\frac{3}{4}$ independent directors who possess, given their past and/or current positions, financial or accounting expertise that enable them to perform their duties. The composition of this committee complies with the provisions of Article L. 823-19 of the French Commercial Code and the recommendations of Article 16.1 of the AFEP-MEDEF Code. In addition, the Head of Group Audit and Internal Control, which reports hierarchically to the Audit Committee, attends all its meetings.

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, the Investment Committee and the Ethics and Risk Committee; in addition, it renders an opinion on proposals for the appointment of a Chief Executive Officer and, if required, of Deputy CEOs, puts forward proposals to the Board of Directors on the remuneration of company agents, of the CEO and, if required, of Deputy CEOs, puts forward proposals to the Board with regard to stock option plans, the award of bonus shares or any other schemes designed to benefit employees and/or executive directors of the Group, in addition to proposing the rules for such schemes and the activities for their implementation. It periodically evaluates how effectively the Board of Directors is functioning and makes recommendations to the Board in that respect. It draws up an executive director succession plan so that it may propose replacement solutions to the Board of Directors in the event of an unexpected vacancy.

It met 4 times in 2014 and performed the work for which it is responsible, specifically an evaluation of the changes in governance and the compensation of executive directors, an evaluation of the Group's wage policy and the implementation of an equity incentive plan. The 2014 attendance rate of members at Appointments and Compensation Committee meetings was 91.67%.



Following the changes made to the composition of the Board Directors on 18 March 2014, the Appointments and Compensation Committee now comprises: Anne Lalou (Chairwoman), Guy de Panafieu, Catherine Soubie and Batipart Invest (represented by Charles Ruggieri). In addition, pursuant to Article 4.1 of the Internal Regulations, Amélie Nun, director representing employees, has also been a member of this Committee since her appointment. It does not include any executive directors and is composed primarily of independent members with the participation of the salaried director and therefore is in compliance with the recommendations of the AFEP-MEDEF Code.

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 any investment, acquisition, divestment or disposal carried out directly or indirectly by the Company when (a) the transaction in question concerns an amount greater than €15 million or (b) the transaction in question concerns (i) a transaction outside the 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 controlled company.

It met twice in 2014 and performed the work for which it is responsible, specifically deliberating on various growth-related projects (particularly the acquisition of the Evergreen Holding GmbH group in Germany and the purchase of the entirety of Kinetica Sardegna's share capital in Italy). The 2014 attendance rate of members at Investment Committee meetings was 78.57%.

Following the changes made to the composition of the Board Directors on 18 March 2014 and the resignation of Jacques Bailet on 25 March 2015, the Investment Committee now comprises the following 6 members: Jérôme Grivet (Chairman), Christian Chautard and Jacques Ambonville, MAAF Assurances, Malakoff Médéric Assurances and Batipart Invest.

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 prevention measures for these risks and on following-up on complaints.

It met 3 times in 2014 and performed the work for which it is responsible, specifically an assessment of complaints and serious adverse events in 2013, as well as an assessment of the Ethics, Medical, and Quality functions in each country where the Group operates. The 2014 attendance rate of members at Ethics and Risk Committee meetings was 83.33%.

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), Martin Hoyos and Christian Chautard. Chaired by an independent director and with 2/3 of its members independent, its composition complies with AFEP-MEDEF recommendations.

4.1.1.5 General Management

Article 12 of the Company's Articles of Association defines and specifies the procedures for the appointment and operation of General Management, under the conditions required by law. Thus, the Board of Directors determines how General Management operates, as well as deciding on the appointment (and, as the case may be, the removal) of the Chief Executive Officer.

Following the decision taken by the Shareholders' General Meeting 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 bylaws is not in itself sufficient proof thereof.

Article 11.3 of the Company's Articles of Association and Article 1.4.2 of the Internal Regulations specify the topics that must be submitted for prior approval to the Board of Directors, namely:

- the approval of the Company's strategic business plan and subsequent amendments;
- the approval of the annual budget;
- the disposal of properties with a value exceeding €15 million euros by the Company or a company it controls within the meaning of Article L. 233-3 of the French Commercial Code;
- the full or partial sale of equity interests with a value exceeding €15 million euros by the Company or a company it controls within the meaning of Article L. 233-3 of the French Commercial Code;
- the raising of loans with a value exceeding €50 million euros by the Company or a company it controls within the meaning of Article L. 233-3 of the French Commercial Code;
- the acquisition of assets (such as companies or equity investments), with an enterprise value exceeding €15 million euros by the Company or a company it controls within the meaning of Article L. 233-3 of the French Commercial Code.

4.1.1.6 Principles and rules for determining the compensation and benefits awarded to company agents

Principles for determining the remuneration of company agents

Since the Company has formally adopted the AFEP-MEDEF recommendations concerning the remuneration of executive directors of listed companies, their remuneration is fixed taking into account the principles set out in those recommendations.

The principles and rules established by the Board of Directors for determining the remuneration of the Chief Executive Officer are described in section 3.10.2 of this Registration Document.

Policy on the payment of attendance fees

In view of the change in the Company's market capitalisation as a result of the Merger, with the Company now ranking among the SBF120 companies, and subsequent to a study of best practices in terms of the payment of attendance fees, the General Meeting of 26 June 2014, with the favourable opinion of the Appointments and Compensation Committee, decided that the annual budget for attendance fees will now be set at €300,000 and until further notice. The annual sum for attendance fees was previously set at €200,000.

The procedure for calculating attendance fees is described in section 3.10.2.5 of this Registration Document.

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.

4.1.1.7 Specific procedures related to the participation of shareholders at General Meetings

Article 15 of the Company's Articles of Association sets out the procedures for shareholder participation at General Meetings.

The participation of shareholders at General Meetings is also governed by the statutory and regulatory provisions in force applicable to companies whose shares are admitted to trading on a regulated market.

On conclusion of each General Meeting of Shareholders, the Company publishes a report of the meeting on its website, which includes, in particular, the results of the vote for each resolution presented to the shareholders.

4.1.1.8 The publication of information in accordance with 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 this Registration Document.



4.1.2. Internal control

4.1.2.1. The Group's internal control procedures

The main risks which, if they were to materialise, could have a significant negative impact on the Group, its business, its financial position and its earnings are described in section 3.6.1 of this Registration Document. The main measures taken by the Group to limit its exposure to each identified risk are indicated in section 3.6.2.

Thus the information set out below does not simply restate all the control procedures existing in the Group but rather highlights the key internal control procedures related to business activities or risks deemed to be material.

In order to prepare and write this report and to define internal control, the Company used the AMF's reference framework and its recommendation no. 2013-17 on internal control and risk management procedures (entitled "Chairman's report on internal control and risk management procedures - Consolidated presentation of the recommendations contained in the AMF annual reports").

Definition and objectives of internal control

Internal control refers to all processes in place within the Group that contribute to the rigorous and effective management of its business activities and to the control of our risks.

More specifically, internal control has the following objectives:

- ensure compliance with laws, regulations and the Group's values;
- ensure the reliability and accuracy of the accounting and financial information;
- preserve the Group's assets and reputation;
- monitor the achievement of goals;
- prevent and detect fraud and irregularities.

The internal control system aims to provide reasonable assurance, though not an absolute guarantee, with regard to the achievement of goals.

The internal control environment

It is based on a centralised organisation with a policy of delegating responsibility to operational and functional departments. In particular, the Group ensures:

- the clear communication of the Group's strategy and its operational goals;
- optimal guidance to assist individuals in their work, particularly through the dissemination of best practices;
- the competence of its employees and that they have the necessary resources to perform their work. To this end, the Human Resources Department provides evaluations, periodic monitoring and training in each country where the Group operates;
- that our procedures are monitored.

Scope of internal control

The internal control system is applied to the holding company, Korian - Medica, and to all its consolidated subsidiaries.

However, it should be noted that a number of the consolidated companies are not directly managed by Korian - Medica. The German, Italian and Belgian companies are managed by their local management teams.

Monitoring systems are in place to ensure satisfactory operations control. These systems are described in detail in the section here below concerning internal control systems.

Internal control players

Internal control is implemented by the Board of Directors, the Chairman, the Group's General Management, the Management within the countries in which the Group operates, the operational and functional divisions and departments and by the Group's employees.

The main players concerned with steering the internal control system are listed below.



- The Board of Directors

By ensuring ongoing control over the Company through General Management, the Board of Directors heads the internal control function at Korian - Medica.

The Chairman of the Board of Directors works in close collaboration with the Group's 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.

The Audit Committee, a specialised Board of Directors committee, is specifically tasked with monitoring the actions undertaken in terms of internal control and reports on these to the Board of Directors. Its responsibilities are defined in the Internal Regulations of the Board of Directors and are specified in section 4.1.1.4 of this Registration Document.

- Group General Management

The Group's General Management establishes the guiding framework for the internal control system and ensures that it is implemented. It is the main internal control player.

- Group Finance Department

The Group Finance Department is responsible for the quality and accuracy of the accounting and financial information of the Company and its subsidiaries. To ensure a more efficient output, the services within this department have been divided into specialist teams according to their function:

- in each country, separate teams are in responsible for accounting for the facilities and management control;
- at the Korian - Medica level:
 - The registered office's accounting department is tasked with the accounting, the determination of the Group's consolidated tax income/expense and the monitoring of changes in French tax regulations,
 - The financial control department analyses the results from countries where the Group is located and holding,
 - The Group's consolidation operations are performed by a Paris-based team.

- The Group Audit and Internal Control Department

At the end of the first half of 2014, the Group established a Group Internal Audit Department with authority over the Internal Control Department. This department reports functionally to the Group Finance Department and hierarchically to the Audit Committee.

The main function of the Group Audit and Internal Control Department (in France and abroad) is to identify major risks and to propose improvements in risk management procedures. In addition, it ensures compliance with internal control procedures and check the effectiveness of the internal control and risk management systems, both through audits by its team of internal auditors, and by supervising audits by the appropriate departments in each country (quality departments, management control departments, legal departments, etc.).

Risk mapping having been updated in the first half of 2014, the top 10 Group risks and the top 10 risks in each country were presented (for approval) to the Audit Committee with the resulting 2015 audit plan.

- General Management in the countries where the Group operates

This is responsible for the application of the Group's procedures and compliance with budgets and growth objectives within the respective subsidiaries.

- The Quality Departments in the countries where the Group operates

These departments are important players in internal operational control. They are very closely involved in our risk management policy and our quality assurance process in the facilities. A precise description of the Quality Department in each country where the Group operates can be found in section 3.6.2.2 of this Registration Document.

Their work mainly consists of:

- ensuring the implementation of the quality management policy;



- providing assistance to the facilities' management teams to support them with the implementation and monitoring of their quality assurance process and risk management systems;
- ensuring regulatory compliance and keeping abreast of relevant documentation in the areas of quality and risk management as well as any changes to certification and assessment procedures;
- assisting with the development of tools for teaching, procedural monitoring, information gathering, assessments and performance indicators, in addition to procedures and protocols;
- performing reviews, risk analyses and monitoring the implementation of the Group's policies.

- The Regulatory Departments in the countries where the Group operates

These departments ensure the conditions governing the existence and operation of facilities, particularly from their creation upon signature of the contract with the regulatory authorities.

Their work involves providing assistance and technical support to the facilities in their relations with the regulatory authorities as well as the monitoring of the contractual objectives defined with these authorities.

- The Information Systems Departments in the countries where the Group operates

The Group uses a number of IT tools and information systems to manage files and data related to residents and patients in its facilities, for accounting, management control and consolidation, as well as for human resources management, commercial management and the transfer of data to the paying and regulatory authorities.

These systems are widely used in the day-to-day management of the Group's business activities. In addition, the Information Systems Department France coordinates the work of all the Information Systems Departments in each of the countries where the Group operates.

Each of these Departments is an important player in internal control

Internal control systems for accounting and financial information

The Group organises its work in such a way that the procedures involved in producing financial information are swifter and more reliable.

- Organisation of the accounting and financial functions

The accounting work for business activities based in France is organised around 4 platforms, 3 of which are responsible for facilities and the 4th is responsible for the Company.

These platforms each fall under the responsibility of an accounting director or manager who reports to the Group's Chief Financial Officer, who in turn reports to the Group's General Management.

For foreign subsidiaries, the accounting function is centralised at the level of the local parent company in each country. These subsidiaries receive regular visits from the Group's General Management and from the Group Finance Department.

A monthly reporting process, with key performance indicators identical to those applied to the French subsidiaries, is in place for subsidiaries in Germany, Italy and Belgium.

The Group's financial control is mainly responsible for ensuring the consistency of financial information produced and for providing assistance to General Management in managing the Group.

- Monitoring and control of operational management in the countries where the Group operates

Operational reporting and the budgeting process contribute to providing more robust internal control in relation to the processing of accounting and financial information. With the participation of the facility directors, this work is carried out by the individual countries' financial controllers, who provide technical support and methodological assistance with the financial management of business operations.

This work is reviewed by the Group Finance Department to prepare the financial information to be published.

- **Budgets**

The Finance Departments of each country assist the local operational departments in drawing up operating budgets for each facility. They are in charge of applying the guidelines provided by the Group General Management and the Group Finance Department.



A single matrix is used for all operating budgets so that the results can be compared.

These budgets are then consolidated at the level of each country by including the budgets of the functional departments. These budgets are ultimately consolidated at Group level.

- **Reporting**

The individual country Finance Departments produce a *monthly report* prepared by the local management control entities and sent (via our Group information system) to the facility directors, the regional directors, the Operations Departments of each country, as well as the General Management of each country.

This reporting highlights key financial data such as revenue, occupancy rates, average accommodation price, changes to major expenditure items (particularly wages and salaries), changes to trade receivables, the monitoring of investments, *etc.*

It also includes a budget control procedure; any significant variances are thus analysed and explained. Performance indicators are then produced summarising key information, which encourages a proactive response from decision-makers.

The Group Finance Department produces a consolidated monthly reporting based on the information provided by the country-specific management control to the Group's information system. This reporting regarding the level of business activities is reviewed monthly by the Group General Management. Corrective measures are implemented when necessary.

- Financial statements and auditing

The Group publishes half-year financial statements at 30 June (consolidated) and 31 December (individual and consolidated). The Group has also decided to continue quarterly publication of revenue despite the lifting of this requirement for listed companies. Each country's Finance Department prepares individual financial statements, using the various accounting platforms, for the companies in their respective countries.

The Group Finance Department also prepares the consolidated financial statements using consolidation software that uses the same headings structure for all consolidated entities, including foreign subsidiaries.

The Audit Committee reviews the financial statements and the accounting methods used to produce them. It also takes part in the internal control process in relation to the preparation of financial information.

As part of their statutory mission, the Statutory Auditors conduct a full audit of the financial statements at the time of the annual closing and when the interim financial statements are produced. Pursuant to the applicable regulations, each legal entity must provide a letter from its legal representative confirming the quality, reliability and completeness of the information and documentation provided to the Statutory Auditors.

- Debt and cash management

Korian - Medica monitors the management of risks associated with its financing on an ongoing basis.

The Group General Management proposes a funding strategy to the Board of Directors and the introduction of any new credit facility is subject to review and, if necessary, prior authorisation by the Board of Directors.

The funds available to the Company as part of this funding are occasionally loaned to its subsidiaries, through the centralisation of cash resources, in France, or through current account agreements with foreign subsidiaries, in particular in order to finance these subsidiaries' growth operations.

Nevertheless, our foreign subsidiaries may occasionally take out loans in their respective countries. In this respect, any new loan requires the prior approval of the Group Chief Executive Officer and the Group Chief Financial Officer, as part of the governance framework.

As at 31 December 2014, the Company had several available credit facilities:

- a syndicated credit facility to serve the Group's general needs subscribed with a pool of banks;
- *Schuldschein* corporate bonds;
- bilateral credit lines, specifically intended to fund the Group's real estate assets,

The various issues performed in 2014 were intended to diversify the financing sources and to extend the maturity dates, as detailed notably in section 3.1.3.2 of this Registration Document.



The Company also uses derivative financial instruments (swaps and caps) to hedge against the interest rate risk arising from its variable-rate financing policy.

Finally, the Group has a cash pool in France arranged with its main banks for each of the Korian and Medica France operational entities. The creation of a single cash pool in France, in order to achieve centralised cash management, is scheduled for year-end 2015.

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.

Any investment or divestment decision is subject to the approval of an internal committee, comprising notably certain members of the Group Executive Committee, the Korian Investment Committee.

Furthermore, the Investment Committee, a specialised Board of Directors Committee, is responsible for reviewing and issuing an opinion, prior to the Board of Directors' decision, on:

- any investment and divestment involving an amount higher than €15 million;
- any investment involving a transaction outside the scope of the medico-social or post-acute and psychiatric sectors;
- any acquisition of equity interests that does not give a controlling interest over the target, whether directly or through the intermediary of a subsidiary.

This review involves any development projects in France and in all existing or new countries of operation.

Consequently, any off-balance sheet commitment must be communicated to the management and supervisory bodies to seek their prior approval and are subject to regular monitoring.

- Internal control related to information systems

Efficient information systems, to which we dedicate considerable resources, are indispensable to guaranteeing the relevance and reliability of published accounting and financial information. To that end, we continue to implement mechanisms that ensure the security of our information systems.

In order to evolve in a way that is consistent with our needs, we either change our applications or regularly modify existing ones. These changes ensure that our information flows are better managed and more secure.

Operational and risk management internal control systems

- Prevention of insurable risk

We have subscribed insurance policies with leading insurance companies to cover the following risks: property damage and operating losses, as well as financial consequences arising from the potential liability of our companies as a result of their activities in the 4 countries in which we operate.

Our policy is to arrange hedges according to the cost of rebuilding or replacing insured assets as new or, in the case of civil liability, according to an estimate of our own risks and a reasonable estimate of risk levels in our business sector.

The Company's civil liability policy for directors also covers Germany, Italy and Belgium.

- Quality policy, prevention of risks related to business activities, safety and care ethics.

To take account of the risks inherent to our business activity, we have continued our quality management drive, encouraging the delivery of patient and resident care under optimal quality and safety conditions. This drive, delivered under the leadership of the facility directors, is key to improving our processes and resolving potential issues.

Residents and patients are placed at the heart of our work, in terms of their care experience, the coordination of medical care, their satisfaction and their access to information. Respect for individuals, their dignity, their wishes and their rights are the care watchwords in our facilities.

Our ethics and best care policies are founded on our wish to constantly strive to provide care and respect for our patients and residents, in order to ensure better risk control *a priori* by promoting preventive action. Finally,



other steps taken to ensure the day-to-day implementation of the Group's ethical principles include the creation of the Ethics and Risks Committee, a specialised Board of Directors Committee, and the availability of a wealth of training programmes created by a dedicated department.

In France, the COVIRIS quickly deal with any observed dysfunctions and prevent any further deterioration by organising overall management of risks. In addition, each post-acute and psychiatric care facility has identified representatives for each of the potential areas of vigilance (pharmaco-vigilance, materials vigilance, infection vigilance, identity vigilance and, as required, haemovigilance).

A series of measures are in place to prevent patient/resident abuse, including training, implementation of procedures, inspections (internal and external) and follow-up of complaints or claims.

Employees in our facilities benefit from regular training in ethics and in abuse prevention, developed and delivered in consultation with the leading French anti-abuse organisation, ALMA (alliance against the abuse of elderly and/or disabled persons).

A specific management unit has been created: the Ecout'client unit. This unit manages the processing of claims and complaints and helps the facilities to handle them onsite. The unit uses an IT tool to consolidate and ensure the traceability of events and their management.

In the same manner, a risk management manager coordinates the overall reporting of serious adverse events using an IT tool to facilitate the consolidation of the data and to ensure the appropriate handling of these events.

All our post-acute and psychiatric care facilities undergo the HAS certification procedures to evaluate operational standards and practices in each facility as well as their results. This certification aims to ensure the safety and quality of care and to promote a policy of continuous quality improvement.

A voluntary certification programme (AFNOR NF X-058 standard) was initiated in the medico-social sector for all long-term care nursing homes. 107 long-term care nursing homes were certified as at 31 December 2014. In addition to this effort, all our long-term care nursing homes operating under contracts approved prior to 2002 performed an internal assessment between 2011 and 2013 to comply with the ANESM recommendations. These internal assessments were followed up by external assessments carried out by ANESM-authorized bodies. They were all performed between 2013 (approximately 20) and 2014 (over 230).

Following the Merger, we launched a large-scale project in 2014 to standardise practices throughout our facilities. This project facilitated the standardisation, starting in July 2014, of the highest priority best practices, such as the management of SAEs or the handling of customer claims. The standardisation of all procedures is planned over the course of 2015.

The "blue plan" for long-term care nursing homes and the "white plan" for post-acute and psychiatric care include components on combating flu pandemics and Business Continuity Plans to support the Group's crisis management procedures.

Special attention is paid to ensuring compliance with regulations concerning ERP (facilities accommodating members of the general public). A team responsible for maintenance and security ensures that the regulatory standards governing building quality and safety are met.

In addition, occupational health and safety risks are carefully managed. The operational human resources managers have issued a joint document, the Single Professional Risk Evaluation Document (*Document Unique d'Évaluation des Risques Professionnels* - DUERP) to ensure regular monitoring of these risks.

In Germany, an ethics committee was created in 2013. It consists of 14 members from within and outside the Group (doctors, professors of medicine, human resources departments, resident representatives).

The Quality Department is responsible for the preparation of the quality manual, quality procedures applicable to all facilities in compliance with the applicable regulations, as well as internal reviews and the monitoring of compliance with procedures.

Booklets on best practices are regularly published (for example, caring for individuals suffering from cognitive issues, reducing medication, etc.)

Pursuant to Federal regulations, the German National Health Service's medical services perform random annual inspections to assess the quality of the facilities as detailed in section 3.6.6.2 of this Registration Document.



Additional inspections are also performed by regional entities such as the FQA in Bavaria (regarding the residents' dignity and quality of life).

Finally, Curanum obtained the certification of 25 facilities by the *Grüner Haken* organisation, which specialises in the health sector and long-stay care.

In Italy, an ethics and science committee was formed with a view to preparing new strategies, developing new technologies and defining new projects.

The Quality Department is responsible for the preparation of the "quality protocol" applicable to nursing homes and clinics in compliance with the applicable regulations as well the inspection of facilities to ensure compliance with procedures.

Each facility has a "quality officer" (member of staff) who sets up the procedures drawn up by the Quality Department.

Facilities with an ISO 9001: 2008 certification (31 out of 59 facilities) have a Quality Management System (QMS) that defines a set of guidelines regarding the implementation of policies and quality objectives.

Best practices are either disseminated by the QMS or the quality protocol for facilities lacking certification.

Finally, SEGESTA ensures the follow-up of "particularly severe" events as well as the monitoring of resident and patient satisfaction (annual survey and summary by an independent expert).

In Belgium, the Quality Department is responsible for ethical questions, quality and risk management.

MRS are subject to federal and regional regulation, which were recently reformed by the Royal Decree of 9 March 2014, designed to strengthen their quality policy. Currently, MRS are required in particular to:

- develop a quality policy and a quality care programme;
- retain a record of the number of cases of bed sores, nosocomial infections, falls, incontinent people, restraint and/or isolation measures;
- have written procedures regarding hand hygiene, the isolation of residents suffering from an infection and restraint measures.

Moreover, the regulations that are applicable to MRS differ depending on the regions, which establish their own standards. For example, Flanders is required to have a quality manual and a quality schedule. The MRS in Wallonia must follow a quality charter in order to obtain the Quality Label.

Among the best practices, each MRS has an emergency plan that includes an inventory of the risks, a floor-by-floor map of the facility with notes as to potential risks (with photos), the procedures to be followed to mitigate the risks, the individuals to contact and the method to be used to manage the crisis.

Recently, the Flemish authorities initiated an survey on quality in all facilities throughout the region. Four out of 9 MRS were interviewed during summer 2014.

Finally, Senior Living Group regularly conducts satisfaction surveys among its residents.

It should be noted that the Flemish authorities are currently considering making MRS financing conditional upon obtaining a certification.

The Board of Directors decided to set up an annual customer satisfaction survey at Group level to enable Korian to compare results among countries by September 2015. This survey will be carried out using a single tool that incorporates common questions, with specific questions by country and for each business sector (long-term care nursing homes, post-acute and rehabilitation care clinics, assisted living facilities and home care).

All of these measures play a part in the Group's risk prevention policy.

Paris, 25 March 2015

Christian Chautard
Chairman of the Board of Directors



4.2. STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Statutory auditors' report, prepared in accordance with 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.

To the Shareholders,

In our capacity as statutory auditors of KORIAN – MEDICA and in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended 31 December 2014.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*).



Courbevoie and Paris-La Défense, 21 April 2015

The Statutory Auditors
(French original signed by)

**ERNST & YOUNG ET
AUTRES**

(French original signed by)

SOPHIE DUVAL

MAZARS

(French original signed by)

MANUEL BAUDOIN-REVERT



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5.1. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated statement of financial position

ASSETS			
In thousands of euros	Notes	31.12.2014	31.12.2013 (*)
Goodwill	4	1,617,589	743,204
Intangible assets	5	1,713,309	657,760
Property, plant and equipment	6	1,165,480	555,485
Non-current financial assets	7	32,558	13,588
Shares in associates	8	0	12,235
Deferred tax assets	26	89,993	58,007
Non-current assets		4,618,930	2,040,279
Inventories	9	7,430	4,096
Trade receivables	10	142,603	85,563
Other receivables and current assets	11	232,047	135,215
Financial instruments - assets	16	35	35
Cash and cash equivalents	12	235,495	50,847
Current assets		617,609	275,756
Assets held for sale		18,975	721
Total assets		5,255,514	2,316,755
EQUITY AND LIABILITIES			
In thousands of euros	Notes	31.12.2014	31.12.2013 (*)
Share capital		395,188	174,198
Premiums		916,933	293,419
Consolidated earnings and retained earnings		590,960	278,286
Equity attributable to owners of the company		1,903,081	745,903
Non-controlling interests		-1,530	22,525
Total equity		1,901,551	768,428
Provisions for retirement benefits	18	46,152	22,931
Deferred taxes	26	638,258	241,688
Other provisions	19	55,432	14,411
Borrowings	17	1,638,208	712,101
Non-current liabilities		2,378,050	991,130
Provisions for liabilities due in less than 1 year	19	12,784	6,217
Trade payables	20	238,676	133,335
Other payables and accruals	20	610,311	320,324
Borrowings due within 1 year and bank overdrafts	17	77,853	59,306
Financial instruments - liabilities	16	23,379	38,014
Current liabilities		963,003	557,197
Liabilities held for sale		12,909	
Total liabilities		5,255,514	2,316,755

(*) The Group has applied IFRS 11 – Joint Arrangements since 1 January 2014. There is now a single method for accounting for investments in jointly controlled entities, the proportionate consolidation method having been eliminated. The financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.



Consolidated income statement

COMPREHENSIVE INCOME			
In thousands of euros	Notes	31.12.2014	31.12.2013 (*)
Revenue		2,222,203	1,356,374
Other income		21	
Operating revenue		2,222,224	1,356,374
Purchases used in the business		172,821	90,705
Personnel expenses	22	1,062,090	651,995
External expenses	23	597,074	390,960
Income and other taxes		75,144	45,179
Depreciation and amortisation		98,740	61,699
Gain/(loss) on acquisition and disposal of consolidated entities	24	-1,635	-4,972
Other operating income and expenses	24	-33,549	-11,038
Operating income		181,171	99,827
Financial expense		-50,010	-43,334
Financial income		363	50
Cost of gross debt	25	-49,647	-43,283
Income from cash and cash equivalents		2,400	366
Cost of net debt	25	-47,247	-42,917
Other financial expense	25	-29,647	-3,066
Other financial income	25	2,945	1,307
Profit/(loss) before tax		107,222	55,151
Income tax	26	-42,758	-23,788
Profit/(loss) of consolidated companies		64,464	31,363
Group share of profit/(loss) of associates		620	25
Net profit/(loss)		65,084	31,387
Non-controlling interests		3,265	2,812
Attributable to owners of the company		61,819	28,576
Basic earnings (attributable to owners of the company) per share (in euros)	15	0.89	0.83
Diluted earnings (attributable to owners of the company) per share (in euros)	15	0.89	0.83
Net profit/(loss) attributable to owners of the company		61,819	28,576
Recycled items: impact of IAS 39 (measurement of hedging derivatives), net of tax		5,836	10,625
Non-recycled items: impact of IAS 19 (actuarial gains and losses)		-7,804	261
Gains and losses recognised directly in equity (attributable to owners of the company)		-1,968	10,886
Profit/(loss) and gains and losses recognised directly in equity (attributable to owners of the company)		59,851	39,462
Profit/(loss) and gains and losses recognised directly in equity (non-controlling interests)		3,265	2,812

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euros)	31.12.2014	31.12.2013 (*)
Net profit/(loss)	65,084	31,387
<i>Of which income tax expense</i>	42,758	23,788
Net depreciation, amortisation and provisions	97,867	57,743
Deferred taxes	5,896	-5,244
Expense on the discounting of pension liabilities	0	0
Gain/(loss) on financial liabilities at fair value through profit or loss	-1,499	-584
Gain on disposal of assets	2,556	1,445
Value under IFRS 2 (BSA et PEG)		
Elimination of the share of income of associates	-620	-25
Costs charge to merger premium		
Cash flow after cost of net debt	169,284	84,722
Elimination of acquisition costs of securities	921	4,859
Elimination of net interest paid	68,331	43,349
Cash flow before cost of net debt	238,537	132,930
Change in inventories	587	58
Change in trade receivables	16,077	-3,286
Change in trade payables	19,921	422
State: change in income tax	-37,416	-5,288
Change in other items	9,256	-6,278
Change in working capital requirements	8,426	-14,371
Net cash flow from/(used in) operating activities	246,963	118,559
Impact of changes in scope (acquisitions)	-34,897	-82,974
Impact of changes in scope (disposals)	5,240	67,463
Payment for property, plant and equipment and intangible assets	-112,789	-121,260
Payment for other financial investments	3,482	593
Proceeds from disposals of non-current assets (excluding securities)	7,370	71,709
Net cash from/(used in) investing activities	-131,593	-64,469
Net cash flow	115,369	54,090
Capital increase of non-controlling interests	17,137	0
Treasury shares charged to equity	1,338	-72
Increase in financial liabilities	1,416,677	184,573
Repayment of financial liabilities	-1,243,175	-298,660
Net interest paid	-76,479	-43,349
Dividends paid to shareholders of the parent	-47,015	-7,617
Dividends paid to non-controlling interests in consolidated companies	-55	
Dividends payable		
Net cash from/(used in) financing activities	68,428	-165,125
Change in cash position	183,798	-111,035
Cash and cash equivalents at start of period	44,980	156,014
Cash and cash equivalents at end of period	228,778	44,980
Marketable securities	108,295	25,678
Cash	127,200	25,169
Bank overdrafts and advances	-6,717	-5,867
Cash	228,778	44,980

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule 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 2012	170,204	284,949	-40,374	297,454	712,233	20,325	732,558
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
<i>Profit/(loss) for 2013</i>				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
<i>Comprehensive income</i>			10,886	28,576	39,462	2,812	42,273
At 31 December 2013(*)	174,198	293,419	-27,408	305,694	745,902	22,526	768,427
Dividend distribution		-23,517		-23,498	-47,015	-54	-47,069
Capital increase	3,243	13,894			17,137		17,137
Share-based payment							
Business combinations	217,746	633,137	296,640		1,147,523	6,355	1,153,878
Purchase of minority shareholders' interests			-19,601		-19,601	-16,382	-35,982
Treasury shares			1,338		1,338		1,338
Other changes (1)			-2,056		-2,056	-17,239	-19,295
<i>Profit/(loss) for 2014</i>				61,819	61,819	3,265	65,084
Impact of IAS 19 (actuarial gains and losses)			-7,804		-7,804		-7,804
Measurement of hedging derivatives, net of tax			5,836		5,836		5,836
<i>Comprehensive income</i>			-1,968	61,819	59,851	3,265	63,116
At 31 December 2014	395,187	916,934	246,946	344,014	1,903,081	-1,530	1,901,551

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

(1) In the case of joint operations, the share accruing to the joint operators was, until 31 December 2013, recognised under non-controlling interests in consideration of shareholder accounts. At 31 December 2014, these sums were netted on the assets and liabilities sides of the consolidated statement of financial position for €17.2 million.

There are no rights, privileges and restrictions attached to the shares comprising the share capital.

Neither are any shares reserved for issue under options and contracts for the sale of shares.

Korian - Medica paid out €47,015 thousand, i.e. €0.60 per share, to its shareholders during the year.

Following shareholder approval at the General Meeting of 26 June 2014, the Group declared a total dividend of €0.60 per share with the option of the payment of €0.30 in shares based on a share price of €26.42. This option resulted in the issue of 648,650 new shares, which were delivered and admitted to trading on the Euronext Paris regulated market on 31 July 2014. In addition, the cash dividend amounted to €29.8 million and was paid out to shareholders on 31 July 2014.

Following this transaction, at 31 December 2014, the share capital of Korian - Medica stood at €395,187,615 and was divided into 79,037,523 shares.



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The consolidated financial statements approved by the Board of Directors at its meeting of 25 March 2015 are subject to the approval of the shareholders at the General Meeting of 25 June 2015.

On 18 November 2013, Korian had announced the signing of a memorandum of understanding in view of a merger with Medica. The Merger was completed on 18 March 2014, with retroactive effect in the annual financial statements to 1 January 2014 for accounting and tax purposes. In the consolidated financial statements, the former Medica group has been consolidated from 1 April 2014. The Company has been renamed “Korian - Medica”.

In light of the material impact of the Merger, *pro forma* financial information is presented in Note 2.

The Group provides and develops an extensive range of services in support of Ageing Well in France, Germany, Italy and Belgium.

At 31 December 2014, Korian - Medica group consolidated 413 legal entities.

Note 1 – Accounting policies

Declaration of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards and interpretations issued by the IASB (International Accounting Standards Board) and adopted by the European Union at the closing date. These standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretations, and are available from the following European Union website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The consolidated financial statements comprise the financial statements of Korian - Medica and the subsidiaries that it controls for the period between 1 January and 31 December 2014.

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 2013, with the exception of amendments to IFRS standards and interpretations subject to mandatory application for annual periods beginning on or after 1 January 2014. These specifically concern the following items.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IAS 28 – Investments in Associates and Joint Ventures

The impact of the application of these standards at 31 December 2014 can be found in Note 1.2 Joint Arrangements.

The other amended standards listed below did not have a material impact on the Group's financial statements.

- IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 36 – Recoverable Amount Disclosures for Non-financial Assets
- Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The Group did not opt for early application in the consolidated financial statements of the following text published by the IASB and approved by the European Union.

- IFRIC 21 Levies Charged by Public Authorities

Similarly, the Group did not opt for early application in the consolidated financial statements of the following texts published by the IASB but not yet approved by the European Union.

- IFRS 9 and amendments to IFRS 9 – Financial Instruments: Classification and Measurement of Financial Assets, Fair Value Option for Financial Liabilities and Hedge Accounting
- Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions
- IFRS 15 Revenue from Contracts with Customers

Presentation of the financial statements

The consolidated financial statements are prepared on a historical cost basis except for the following assets and liabilities, which are recorded at fair value:

- investments held for trading;
- investments available for sale;



- derivative financial instruments.

Current assets and liabilities are:

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

All other assets and liabilities are non-current.

The consolidated financial statements are presented in thousands of euros.

Basis of consolidation

The Group's consolidated financial statements include the financial statements of Korian - Medica and its subsidiaries for the period between 1 January and 31 December 2014.

Critical accounting estimates and judgements

For the preparation of the consolidated financial statements, the Group uses estimates and judgements that are regularly updated and are based on historical experience and other factors, including expectations of future events deemed reasonable in view of the circumstances.

For items on which assumptions and estimates are applied, sensitivity testing of the accounting value to the main assumptions is shown in the relevant notes.

The significant estimates and judgements made by the Group in preparing the financial statements relate to the following:

- the value in use of intangible and tangible assets is derived from the Company's internal valuations, based on the medium-term business plan; the main assumptions used in this valuation (medium-term growth rate, discount rate, margin and perpetuity growth rate) are those of the Group;
- the accounting value of assets 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 closing date;
- the analysis of external and internal indicators revealed no indication of impairment;
- an analysis of each of the leases is carried out. Leases are classified as operating leases when nothing suggests that "the large majority of the risks and rewards incidental to ownership of the leased asset is transferred to the lessee" and that the Group accordingly acts in the capacity of owner of the leased property. 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;
- at 31 December 2014, the Group changed the way it assesses customer risk by applying impairment rates determined on the basis of historical analysis (see Note 1.12 Trade receivables and Note 24 Non-recurring income and expenses) to the nominal value of receivables, by country and type of creditor.

1.1 Subsidiaries

Subsidiaries are entities controlled directly or indirectly by the Company. A subsidiary is controlled when the Company:

- has the power, directly or indirectly, to govern its operating and financial policies;
- obtains variable returns from its activities;
- has the ability to use its power to influence returns.

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

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

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



1.2 Joint Arrangements

Joint operations are arrangements in which the Group exercises, directly or indirectly, joint control, generally pursuant to a contractual agreement.

When the contractual agreement gives the entity rights to assets and obligations for liabilities, a joint operator must recognise:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation;
- its expenses, including its share of any expenses incurred jointly.

In the case of joint ventures, the contractual agreement gives the parties rights to the net assets of the arrangement. Profits (losses) and assets and liabilities are thus accounted for using the equity method.

The financial statements are consolidated with effect from the date when the Company acquires effective control until such time as control is lost.

The Group has applied IFRS 11 – Joint Arrangements since 1 January 2014.

The only entity within the former Korian scope impacted by the application of this new standard is Kinetika Sardegna, in which Segesta had a 28% interest at 31 December 2013 and which was proportionally consolidated.

The method used to consolidate this company was thus changed to the equity method up to 30 June 2014, the date on which Segesta acquired Kinetika Sardegna outright.

The retrospective application of IFRS 11 – Joint Arrangements resulted in the adjustment of the 2013 consolidated financial statements for comparison purposes.

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



The detailed effects of the first application of this standard are presented in the following tables.

ASSETS	Published financial statements		Restated financial statements
In thousands of euros	31.12.2013	Impact IFRS11	31.12.2013
Goodwill	748,713	-5,509	743,204
Intangible assets	669,886	-12,126	657,760
Property, plant and equipment	556,842	-1,357	555,485
Non-current financial assets	13,588		13,588
Shares in associates		12,235	12,235
Deferred tax assets	58,120	-113	58,007
Non-current assets	2,047,149	-6,870	2,040,279
Inventories	4,280	-184	4,096
Trade receivables	88,361	-2,799	85,563
Other receivables and current assets	135,543	-328	135,215
Financial instruments - assets	35		35
Cash and cash equivalents	51,933	-1,086	50,847
Current assets	280,152	-4,397	275,756
Assets held for sale	721		721
Total assets	2,328,022	-11,267	2,316,755

EQUITY AND LIABILITIES	Published financial statements		Restated financial statements
In thousands of euros	31.12.2013	Impact IFRS11	31.12.2013
Share capital	174,198		174,198
Premiums	293,419		293,419
Consolidated earnings and retained earnings	278,286		278,286
Equity attributable to owners of the company	745,903		745,903
Non-controlling interests	22,716	-191	22,525
Total equity	768,619	-191	768,428
Provisions for retirement benefits	23,324	-392	22,931
Deferred taxes	245,942	-4,254	241,688
Other provisions	14,411		14,411
Borrowings	713,576	-1,475	712,101
Non-current liabilities	997,251	-6,121	991,130
Provisions for liabilities due in less than 1 year	7,260	-1,043	6,217
Trade payables	135,851	-2,516	133,335
Other payables and accruals	321,721	-1,397	320,324
Borrowings due within 1 year and bank overdrafts	59,306	0	59,306
Financial instruments - liabilities	38,014		38,014
Current liabilities	562,152	-4,955	557,197
Liabilities held for sale			
Total liabilities	2,328,022	-11,267	2,316,755

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



COMPREHENSIVE INCOME			
In thousands of euros	Published financial statements 31.12.2013	Impact IFRS11	Restated financial statements 31.12.2013
Revenue	1,370,990	-14,617	1,356,374
Other income			
Operating revenue	1,370,990	-14,617	1,356,374
Purchases used in the business	93,423	-2,719	90,705
Personnel expenses	656,402	-4,407	651,995
External expenses	396,817	-5,857	390,960
Income and other taxes	45,223	-45	45,179
Depreciation and amortisation	62,689	-990	61,699
Gain/(loss) on acquisition and disposal of consolidated entities	-4,972		-4,972
Other operating income and expenses	-11,023	-14	-11,038
Operating income	100,441	-613	99,827
Financial expense	-43,414	81	-43,334
Financial income	50		50
Cost of gross debt	-43,364	81	-43,283
Income from cash and cash equivalents	366		366
Cost of net debt	-42,998	81	-42,917
Other financial expense	-3,169	103	-3,066
Other financial income	1,315	-8	1,307
Profit/(loss) before tax	55,588	-438	55,151
Income tax	-24,198	410	-23,788
Profit/(loss) of consolidated companies	31,391	-28	31,363
Group share of profit/(loss) of associates	-3	28	25
Net profit/(loss)	31,387	0	31,387
Résultat net d'impôt des activités arrêtées, cédées ou en cours de cession			
Résultat net	31,387	0	31,387
Non-controlling interests	2,812		2,812
Attributable to owners of the company	28,576	0	28,576

1.3 Associates

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

The Group's interests in associates are consolidated using the equity method. The financial statements of associates are included in the consolidated financial statements from the date of commencement of significant influence until the date when such influence is lost.

The accounting value of shares in associates includes the acquisition cost of the securities (including goodwill) plus or minus changes in the Group's share of the associate's net assets from the acquisition date. The income statement reflects the Group's share of the results of the associate.

1.4 Eliminated transactions

Commercial and financial balances and transactions, and profits or losses on intercompany transactions are eliminated in the consolidated financial statements.



1.5 Business combinations

a) Business combinations

At the acquisition date, and in accordance with IFRS 3R, business combinations are recognised as follows:

- the identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date;
- non-controlling interests in the acquired business are measured either at fair value (i.e. with goodwill allocated to the non-controlling interests: full goodwill method) or at the proportionate share of the fair value of the net identifiable assets of the acquired entity (i.e. with no goodwill allocated to non-controlling interests: partial goodwill method). This option is available on a case-by-case basis for each business combination;
- acquisition costs are expensed when incurred and are recorded under “Gain/(loss) on acquisition and disposal of consolidated entities” in the consolidated income statement;
- any earn-out payments on business combinations are recognised at fair value at the acquisition date. After the acquisition date, contingent consideration payments are recognised at fair value at each closing date. After a period of 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.

At the acquisition date, goodwill is the difference between:

- the fair value of the consideration transferred, plus the amount of non-controlling interests in the acquiree and, where a business combination takes place in several stages, the fair value at the acquisition date of the acquirer’s previously held equity interest in the acquiree, which is recognised in profit or loss; and
- the net fair value of identifiable assets acquired and liabilities assumed at the acquisition date, measured at fair value.

Goodwill is not amortised. In accordance with IAS 36 – Impairment of Assets, it is tested for impairment annually, and more frequently if there is evidence of impairment.

Testing procedures are described in section 1.10.

b) Commitments to purchase non-controlling interests entered into under business combinations

Pending an IFRIC interpretation or a specific IFRS, the following accounting treatment has been adopted in accordance with currently applicable IFRSs and the recommendation of the French financial markets authority (AMF):

- on initial recognition, these commitments are recognised as liabilities at the present value of the purchase price, offset by equity;
- subsequent changes in the value of the commitment are recognised by adjusting equity, on the grounds that it is a transaction between shareholders.

c) Acquisition of additional securities after exclusive control is obtained

When additional securities of an entity that is already under exclusive control are acquired, the difference between the purchase price of these securities and the proportion of additional consolidated equity acquired is recognised in equity attributable to owners of the Company. The carrying amount of the subsidiary’s identifiable assets and liabilities, including goodwill, is left unchanged.

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

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

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

The share previously held is remeasured at fair value through profit or loss when exclusive control is obtained.



e) Sale of securities without loss of exclusive control

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

f) Sale of securities with loss of exclusive control

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

Any residual interest is therefore remeasured at fair value through profit or loss when exclusive control is lost.

1.6 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 2014.

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 closing 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 2014 closing 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 accounting value.

In France, although licences are granted for a period of 15 years and tripartite agreements are signed for a period of 5 years, no amortisation is recognised in the consolidated financial statements. This market position in the sector stems from the fact that operating licences can only effectively be withdrawn if the Group fails to comply with the conditions imposed by regulators for this type of facility, including compliance with minimum standards of care, which is verified by means of compliance inspections.

Germany does not have a system of administrative licences allowing holders to operate facilities, which are primarily subject to technical standards. Operating rights accordingly do not meet the definition of an identifiable intangible asset. However, prices are set by supervisory authorities, and business growth depends on relations with them.

In Italy, national regulations impose minimum structural requirements. Each region transposes these regulations into local rules. Italian facilities are subject to checks by the supervisory authorities under agreements with the authorities.

Regulations, at both federal and regional level, represent a substantial barrier to entry in the Belgian long-term care nursing home market. An operating licence must be granted, and accommodation rates are controlled.



1.8 Tangible assets

a) Measurement of tangible assets

Tangible assets are initially measured at acquisition cost. Tangible assets acquired as part of a business combination is measured at fair value at the acquisition date. It is not subsequently remeasured.

At each closing date, the accumulated depreciation and any provisions for impairment losses, determined in accordance with IAS 36 – Impairment of Assets, are deducted from the acquisition cost.

b) Component approach

The main components of an asset whose individual useful lives are shorter than that of said asset are identified so that they may be depreciated over their own useful lives.

When a component is replaced, the expense corresponding to the new component is capitalised, provided that future economic benefits are still expected to be derived from the main asset.

c) Maintenance and repair costs

Maintenance costs of a recurring nature or that do not meet the criteria of the component approach are expensed as they are incurred.

d) Work carried out on leased buildings

Work carried out on buildings under operating leases is the subject of a depreciation schedule for each component over the property's useful life.

e) Depreciation of tangible assets

Depreciation of tangible assets is calculated using the straight-line method over the useful lives set out below. Land is not depreciated. Useful lives are as follows.

Category	Useful life	Method
Structure	60 years	Straight line
Construction components	Between 7 and 30 years	Straight line
Technical facilities	Between 5 and 15 years	Straight line
Other improvements, fixtures and fittings	Between 3 and 5 years	Straight line
Medical equipment	Between 2 and 10 years	Straight line
Equipment and furniture	Between 2 and 10 years	Straight line
Software	Between 1 and 3 years	Straight line
Transport equipment	5 years	Straight line

f) Impairment of tangible assets

Tangible assets are tested for impairment whenever there are indications of impairment.

g) Investment subsidies

Investment subsidies are deducted from the gross carrying amount of the corresponding investment. They are reversed in pace with the depreciation of said investment.

h) Borrowing costs

Pursuant to IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.

The capitalised borrowing rate corresponds to the average cost of the Group's debt after hedging.

The amount capitalised at 31 December 2014 was €472 thousand.



1.9 Leases

Tangible assets acquired under finance leases, which transfer most of the risks and rewards incidental to ownership of the leased asset to the Group, are recognised as assets on the balance sheet at the lesser of the fair value of the leased asset or the present value of minimum lease payments. The corresponding liability is recorded in financial liabilities.

Lease payments are apportioned between the financial expense and the amortisation of the outstanding liability so as to produce a constant periodic rate of interest on the balance of the borrowing representing the liability.

Assets that are the subject of a finance lease are depreciated over their useful lives in accordance with the rules applied by the Group (see section on the depreciation of tangible assets). If there is evidence of impairment, the assets are tested for impairment in accordance with IAS 36 – Impairment of Assets.

Sale-and-leaseback transactions, which consist of selling an asset and immediately leasing it back under a lease contract, give rise to the following additional treatment: the gain is recorded in deferred revenue and allocated to future results throughout the term of the lease.

Leases where the lessor retains most of the risks and rewards of ownership of the asset are classified as operating leases. Payments made under operating leases are expensed using the straight-line method over the term of the lease.

1.10 Impairment of tangible and intangible assets

The accounting value is reviewed to identify potential impairment:

- for non-amortisable intangible assets and goodwill: at each closing date, or more frequently if there are indications of impairment;
- for all other assets: whenever indications of impairment are identified.

Indications of impairment liable to trigger impairment testing include:

- external indicators (market value, significant changes in the business environment, *etc.*);
- internal indicators (fall in occupancy rate, regulatory change, obsolescence of assets, weaker-than-expected performance, *etc.*).

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 tangible assets, excluding goodwill) or on a group of CGUs (goodwill).

CGUs are uniform groups of assets whose continued use generates cash inflows.

The recoverable amount of a CGU is 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% for France, Germany and Belgium, and 8% 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 tangible and intangible assets, each retirement home or clinic represents a separate CGU. This breakdown corresponds to the smallest level at which assets can be tested for impairment. First-level testing procedures aim to ensure that the recoverable amount of the CGU is at least equal to its total accounting value (accounting value of licences plus accounting value of tangible assets).



Second-level testing

Second-level impairment testing of goodwill is carried out on a group of CGUs corresponding to the Group's operating segments (France, Germany, Italy and Belgium). Second-level testing seeks to ensure that the recoverable amount (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 tangible assets.

1.11 Inventory and work-in-progress

Inventories are valued at the lesser of the cost and the net realisable value.

The cost of inventories of raw materials, goods and other supplies consists of the purchase price excluding taxes, less discounts, rebates and other deductions obtained, plus incidental costs of purchase (transport, unloading charges, customs duties, purchasing commissions, etc.). These inventories are measured using the first in, first out method.

1.12 Trade receivables

Trade and other receivables are recognised at their nominal value, namely the fair value on the date of initial recognition.

Impairment is recognised when there are indicators of impairment (namely the existence of non-payments) depending on the age of receivables. The assessment of the amount to be impaired is based on historical default data.

The following impairment rates are applied to all Group receivables.

	From 0 to 6 months	From 1 to 2 years	From 2 to 4 years	Greater than 4 years
Private residents	50%	100%	100%	100%
Social Security Fund			100%	100%
Mutual insurances		50%	100%	100%
Other public agencies			100%	100%
ASL (Italy)			60%	100%
Municipalities (Italy)		60%	100%	100%

Trade receivables may be assigned to banking institutions to meet financing requirements. If an analysis of this assignment shows the transfer of substantially all the risks and rewards of ownership of the receivables, they are derecognised.

Otherwise, trade receivables continue to be recognised on the statement of financial position and a financial liability recognised for the amount assigned.

1.13 Financial assets

Financial assets comprise:

- non-current financial assets: investments in unconsolidated companies, related receivables, loans for construction, guarantees and security deposits given;
- current financial assets, including short-term financial derivative instruments and cash and cash equivalents (marketable securities).

a) Initial measurement

Financial assets are initially measured at fair value, which is generally equal to the acquisition cost.

b) Classification and measurement at the closing date

Financial assets (excluding hedging instruments) are classified into 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/(loss)
Loans and receivables	Amortised cost	N/A
Available-for-sale assets	<u>General principle</u> : fair value, <u>Exception</u> : 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 closing date, and changes in fair value are recorded under net financial income. Fair value is determined largely by reference to quoted market prices.

d) Loans and receivables

Loans and receivables are mainly comprised of non-derivative financial assets with fixed or determinable payments that are not traded on an active market.

In the Group, this category covers trade and related receivables, long-term loans and housing loans for employees at subsidised (1%) interest rates (which are immaterial).

The amortised cost of short-term receivables typically corresponds to their face value.

e) Available-for-sale assets

Investments in non-consolidated companies are treated as securities available for sale, and are carried at fair value, with unrealised gains and losses recognised in equity, except for unrealised losses deemed significant or lasting, which are recognised in profit or loss.

The fair value is the market price when available. In the absence of a market price, the Group determines fair value by using various valuation techniques including OTC transactions, analysis of discounted cash flows and net asset value.

Other available-for-sale assets are financial assets that have not been classified in one of the other two categories.

f) Cash and cash equivalents

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

Cash and cash equivalents consist of immediately available liquid assets (cash at bank and in hand) and short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of change in value (short-term deposits with an initial term of less than 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 closing date.

For financial derivatives that qualify as hedges for accounting purposes:

- if the derivative is classified as a fair value hedge, changes in the value of the derivative and the hedged portion of the risk are recognised in profit or loss over the same period;



- if the derivative is classified as a cash-flow hedge, the change in value of the effective portion of the derivative is recognised in equity. It is recognised in profit or loss when the hedged item itself is recognised in profit or loss. By contrast, the ineffective portion of the change in the value of the derivative is recognised directly in profit or loss.

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

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

1.15 Treasury shares

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

Proceeds from the sale of treasury shares are recognised directly as an increase in equity, so that any gains or losses and impairments do not have an impact on consolidated income.

1.16 Employee benefits

Pursuant to legal obligations and current practice, the Group offers supplementary pension plans and other long-term benefits to its employees. The Group does so via defined contribution plans.

Under the defined contribution plans, the Group has no obligations other than the payment of contributions, which are expensed during the relevant period. Where applicable, a provision is recorded for contributions not made during the period.

1.16.1 In France

a) Severance payments

Severance payments are based on the collective agreement applicable in the Group (*convention collective unifiée* – CCU) and cover compensation payable to employees who have taken early retirement or reached retirement age.

Severance payments fall under defined benefit plans.

b) Long-service awards (or anniversary bonuses)

Long-service awards, provided for under company-wide agreements, represent additional bonuses paid to employees who have worked for the company for a given number of years.

c) Supplementary pension plans

The Group has not granted employees any supplementary pension plans in addition to the minimum statutory pension.

Pension and post-retirement obligations arising from defined benefit plans are the subject of a provision valued on the basis of an actuarial calculation performed at least once a year by an independent actuary. These commitments relate only to retirement benefits. The projected unit credit method is applied: under this method, each period of service gives rise to an additional unit of benefit entitlement, and each unit is valued separately to determine the obligation owed to employees.

The calculations take into account the specific features of the various plans, as well as assumptions in respect of the date of retirement, career development and wage increases, and the probability of employees still being employed by the Group at retirement (based on staff turnover, mortality tables, etc.). The obligation is discounted using the interest rates of long-term bonds of first-order issuers, namely the AA-rated corporate bond rate for a maturity of more than 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 consolidated 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.

1.16.2 In Germany

The Group does not have any material retirement commitments pursuant to German law.

1.16.3 In Italy

In accordance with Italian law, the Group sets aside provisions to cover employee benefits in the form of an annual employer contribution to an indemnity fund known as the TFR (*Trattamento di Fine Rapporto*), which is made every year based on employee compensation paid during the same year, and recorded in the statement of financial position as a provision for expenses. This sum is released when the employee leaves the Company through resignation, dismissal or retirement.

The provision was calculated in accordance with IAS 19R.

1.16.4 In Belgium

The Group does not have any material retirement commitments pursuant to Belgian law.

1.17 Other provisions

A provision is recognised when, at the end of the period, the Group has a present obligation (legal or constructive) and it is probable that an outflow of resources embodying economic benefits will be required to settle it.

Provisions are discounted if the effect of time is material. Increases in the provision due to the passage of time are recognised as financial expenses.

For restructuring, a provision can only be set aside if the restructuring has been the object of an announcement and a detailed plan, or if restructuring work has begun at the closing date.

A provision is set aside for disputes (e.g. employee industrial tribunals, tax audits, commercial disputes *etc.*) if the Group has a liability towards a third party at the closing date. The amount of the provision reflects the best estimate of future expenditure.

1.18 Share-based payments

Options to subscribe for or purchase shares granted to employees are measured at fair value, which is recognised in profit or loss over the vesting period of employees' rights. The fair value of options is generally determined using an appropriate valuation model based on assumptions made by management.

1.19 Interest-bearing loans

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

At each reporting date, financial liabilities are subsequently measured at amortised cost using the effective interest method.

Borrowings are broken down into:

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



1.20 Trade and other payables

Trade and other payables are recorded at historical cost (representing the amortised cost).

1.21 Tax

Deferred taxes are recorded using the balance sheet liability method for temporary differences existing at the closing date between the tax base of assets and liabilities and their accounting value, and for tax losses. No deferred tax liabilities are recognised in respect of goodwill.

Deferred tax assets are recorded when it is probable that the Group will generate future taxable income against which unused tax losses can be offset.

Most of the Group's deferred taxes arise from the recognition, through business combinations, of intangible assets represented by operating licences.

Assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates (and tax regulations) that have been enacted or substantively enacted at the closing date.

Deferred taxes are calculated for each entity. They are offset when the tax is payable to the same tax authority and relates to the same taxable entity (tax group).

Deferred and current taxes are recognised as income or an expense in profit or loss, unless they relate to a transaction or event that is recognised directly in equity.

Deferred taxes are presented as specific balance sheet items included in non-current assets and non-current liabilities.

The tax rate applied in France for corporate income tax and deferred tax purposes is the standard statutory rate plus a contribution of 3.3%, i.e. a total rate of 34.43%.

The exceptional and temporary contribution due for financial years ending on or after 31 December 2011 and until 30 December 2015 has been added to the income tax expense in respect of 2014. This contribution, applicable to the amount of corporate income tax due, was 10.7% in 2013 and 2014.

Tax rates used on international operations are 15.83% in Germany (or 30% depending on the company), 31.40% in Italy and 33.99% in Belgium.

The Group considers that the corporate value added tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE) component of the economic territorial contribution (*contribution économique territoriale* – CET) satisfies the definition of an income tax as laid down in IAS 12, and accordingly recognises it as such in the consolidated financial statements.

Pursuant to the creation of the competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE), a provision was set aside in the amount of €24,372 thousand in consideration of personnel contributions.

1.22 Revenue

Revenue primarily comprises services performed in connection with the accommodation and care of residents, regardless of the origin of the payment.

It is recognised as and when the services are provided.

1.23 Calculation of operating income

The income statement is presented by type of expense.

Operating income is calculated as the difference between income and expenses before tax, other than:

- financial items;
- the profit or loss of associates;
- the Group share of income from joint ventures with non-consolidated companies; and
- the income of discontinued operations held for sale.

Employee profit sharing is included in personnel contributions.



1.24 Other operating income and Other operating expenses

These items represent the impact of major events during the accounting period that could skew the interpretation of the performance, particularly EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent), the Group's preferred indicator used in financial communications.

They comprise a limited number of infrequent items of income and expense, presented separately in the income statement in order to facilitate understanding of operational performance.

They mainly consist of:

- gains (losses) on disposal, substantial and unusual impairment of non-current assets (tangible and intangible assets);
- certain restructuring and merger expenses: these solely consist of restructuring costs that, because of their unusual nature and size, would distort earnings before interest and taxes (EBIT);
- other operating income and expenses such as substantial provisions for claims.

The amount and nature of these items are discussed in Note 24 Non-recurring income and expenses.

1.25 Earnings per share

Net earnings per share are calculated by dividing the Group's consolidated profit or loss for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share are calculated on the assumption that all outstanding dilutive options are exercised, and in accordance with the "treasury stock method" defined in IAS 33 – Earnings per Share.

1.26 Operating segments

IFRS 8 requires the disclosure of segment information based on the components of the Group reviewed and measured by the Group's management.

These components (operating segments) are identified on the basis of internal reports regularly reviewed by the operational management of the Group when deciding to allocate resources to segments and when assessing results.

The Group 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.

The operating segments are now presented by region (France, Germany, Italy and Belgium).

The indicators presented are those monitored by the Group's operational management, in particular revenue and EBITDAR.

1.27 Discontinued operations and assets held for sale

In accordance with IFRS 5:

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

These assets and groups of assets, and the related liabilities, are measured at the lesser of their accounting value or estimated selling price less selling costs.



Note 2 – Change in scope of consolidation and impact of acquisitions and disposals during the year

Scope of consolidation

At 31 December 2014, the scope of consolidation included, in addition to Korian - Medica, 412 fully consolidated companies (241 at 31 December 2013) and zero equity associates (1 at 31 December 2013).

There was a series of events in 2014, including the merger between Korian and Medica (*fusion-absorption de Medica par Korian*) and the consolidation, at 1 April 2014, of the companies of the former Medica group (Medica France in France, Aetas in Italy and Senior Living Group in Belgium).

The acquisition price was measured at fair value based on the quoted price of the Korian - Medica securities issued in consideration for the business combination at the acquisition date (the closing price on 18 March 2014, which was €26.35), namely a fair value of the securities transferred of €1,148 million.

Following the identification, measurement and recognition of the assets acquired and liabilities assumed in connection with the business combination (Purchase Price Allocation), the goodwill of the Medica group stood at €864.7 million at 31 March 2014.

Given the materiality of this acquisition, *pro forma* financial information is presented below.

Changes in scope – France

- Opening of a new facility on 1 July 2014, Les Restanques, in Saint Mitre les Remparts, Bouches-du-Rhône.
- Takeover, on 15 July 2014, of the Centre Hospitalier des Courses in Maisons-Laffitte (78), a public interest foundation in receivership.

Changes in scope – Germany

- Completion of the acquisition of the share capital of Curanum AG.
In March 2013, the Group acquired 78.45% of the shares in Curanum AG by means of a friendly takeover bid. Between 1 January and 14 July 2014, the Group acquired an additional 6,261,488 shares, representing 14.73% (14.93% excluding treasury shares) of the share capital of Curanum AG.
As a result, on 14 July 2014, the Company owned, via its subsidiary Korian Deutschland AG, 39,609,059 Curanum AG shares, representing 93.18% (94.14% excluding treasury shares) of that company's share capital and voting rights.
- A new facility opened in December 2014 in Meschede, North Rhine-Westphalia (80 beds).

Changes in scope – Italy

- Outright acquisition of Kinetika Sardegna.
On 30 June 2014, Segesta acquired Kinetika Sardegna outright, having previously held a 28% interest, for an acquisition price of €30.9 million.
In accordance with IFRS 3 REVISED, the takeover of Kinetika Sardegna resulted in the fair value remeasurement of the existing interest, offset by a gain (loss) on disposal (-€1.2 million), followed by an acquisition and the calculation of the corresponding goodwill (€9.7 million).
- Buyout of the non-controlling interests of Segesta and the Aetas subsidiaries
On 23 October 2014, Korian - Medica bought 5.60% of the share capital and voting rights of Segesta, thereby giving the Company outright control of the share capital and voting rights of Segesta.
On 28 October 2014, the Group bought out the non-controlling shareholders of three subsidiaries of Aetas SpA.

Changes in scope – Belgium

- Acquisition by Senior Living Group, on 3 April 2014, of 100% of the shares of Ry du Chevreuil for €3.6 million, generating negative goodwill of €141 thousand.



Impact of acquisitions and disposals of subsidiaries and joint ventures on cash

Purchase price of subsidiaries [A]	74,309
Cash-out/cash-in [B]	74,309
Debt incurred [C] = [A] – [B]	
Disposal price [D]	5,240
Cash acquired [E]	39,412
Cash transferred [F]	0
Impact of changes in the scope of consolidation [G] = [E-F-B+D]	-29,657

The purchase price of subsidiaries mainly included the purchase of additional shares in Curanum for €26.5 million, Kinetika Sardegna shares for €30.9 million, Italian non-controlling interests for €12 million and Ry du Chevreuil shares for €3.6 million.

Following the allocation of the purchase price of Medica group, the fair value of the items contributed broke down as follows.

In thousands of euros	Medica changes	
	Assets	Liabilities
Licences	918,739	
Lease rights	79,010	
Other intangible assets	14,967	
Goodwills	864,699	
Tangible assets	585,935	
Non-current financial assets	20,957	
Inventories	3,185	
Trade receivables	77,096	
Other receivables	140,091	
Prepayments and accruals	14,593	
Assets held for sale	26,580	
Equity		1,153,947
Provisions for risks and charges		49,690
Financial liabilities		782,136
Trade payables		96,124
Other liabilities		667,858
Other accruals		9,989
Liabilities held for sale		22,037

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The amount of assets and liabilities, other than cash and cash equivalents, of the other subsidiaries acquired during the year (Kinetika Sardegna, Hôpital des Courses and Ry du Chevreuil), broke down as follows.

In thousands of euros	Other changes in scope	
	Assets	Liabilities
Licences	52,370	
Lease rights		
Other intangible assets	310	
Goodwills	9,687	
Tangible assets	10,511	
Non-current financial assets	-46,448	
Inventories	585	
Trade receivables	13,644	
Other receivables	1,485	
Prepayments and accruals	1,255	
Assets held for sale		
Equity		-2,335
Provisions for risks and charges		7,707
Financial liabilities		6,215
Trade payables		9,333
Other liabilities		25,857
Other accruals		108
Liabilities held for sale		

Pro forma financial information

The *pro forma* income statement at 31 December 2014 has been prepared on the following basis.

- Merger of the Korian and Medica groups on 1 January 2014
- Takeover of Kinetika Sardegna by Segesta on 1 January 2014

1. 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 - Medica group at 31 December 2014, which were reviewed by the Statutory Auditors;
- the consolidated financial statements of the former Medica group at 31 March 2014, which were reviewed by the Statutory Auditors;
- the contribution of Kinetika Sardegna recalculated with a 100% impact on the first half of 2014 instead of profit (loss) of associates (28% owned prior to 30 June 2014).

2. Reclassifications and adjustments

The main adjustments made to the *pro forma* balance sheet and income statement are as follows.

a) Cancellation of costs related to significant business combinations

Costs relating to the merger of Korian and Medica were cancelled in the *pro forma* income statement on the "Other operating income and expenses" line for €24.3 million.

b) Change in estimate for the calculation of the customer receivable provision

The expense associated with the change in estimate for the calculation of the customer receivable provision was adjusted by €8.9 million on the "Other operating income and expenses" line, on the grounds that it was the new Group's method.



c) Restatement of financial results

In addition, when preparing the *pro forma* financial information, the interest expenses relating to the renegotiation of the instruments hedging the new financial liabilities arranged at the time of the Merger were eliminated for €21.1 million.

d) Adjustment of income tax

The *pro forma* financial statements take account of the tax effect of the following items. The overall tax effect is €20.8 million.

Transition	Consolidated accounts 311214	Medica Group 3 months	Kinetika 100% impact	<i>Pro forma</i> adjustments	Total <i>Pro forma</i>
Revenue	2,222,203	250,421	26,873		2,499,497
Purchases & External expenses	-471,027	-53,882	-12,985		-537,894
Personnel expenses	-1,062,090	-115,799	-8,112		-1,186,001
Income and other taxes	-75,144	-10,295	-80		-85,519
EBITDAR	613,941	70,445	5,696	0	690,083
<i>EBITDAR rate</i>	27.63%	28.13%	21.20%		27.61%
External rents	-298,847	-31,700	-1,893		-332,440
EBITDA	315,094	38,745	3,803	0	357,643
<i>EBITDA rate</i>	14.18%	15.47%	14.15%		14.31%
Amortisations	-90,710	-9,240	-1,319	1,356	-99,914
Depreciations and provisions	-8,029	-1,627	-211		-9,867
Other operating revenues and expenses	0	0	0		0
Current operating income	216,355	27,878	2,273	1,356	247,862
Gain/(loss) on acquisition and disposal of consolidated entities	-1,635	0	0		-1,635
Other operating income and expenses	-33,549	-13,965	-204	36,907	-10,811
Operating income	181,171	13,913	2,070	38,263	235,416
Net borrowing costs	-68,970	-5,715	-142	21,090	-53,737
Other financial income and expenses	-4,979	-784	-148		-5,912
Profit/(loss) before tax	107,222	7,413	1,780	59,353	175,767
Income tax	-42,758	-3,812	-559	-20,770	-67,898
Profit/(loss) of consolidated companies	64,464	3,602	1,221	38,583	107,869
Group share of profit/(loss) of associates	620	0	-620		0
Net profit/(loss)	65,084	3,602	601	38,583	107,869
Attributable to owners of the company	61,819	3,614	601	38,583	104,616
Non-controlling interests	-3,265	12		0	-3,253

Note 3 – Discontinued operations and assets held for sale

Discontinued operations

None.

Assets held for sale

At 31 December 2014, four real estate assets in the process of being disposed of, as well as the directly related liabilities repayable in conjunction with said disposals, were classified as held-for-sale assets.



Note 4 – Goodwill

In thousands of euros	31.12.2014	31.12.2013 (*)
Gross goodwill at start of period	743,203	666,795
Changes in scope	874,386	72,300
Definitive allocation of goodwill		
Valuation of commitment to buy out minority interests		-245
Disposals		-1,004
Contingent consideration		
Reclassifications		5,359
Assets held for sale		
Gross goodwill at end of period	1,617,589	743,203
Amount of impairment at start of period		
Impairment during the year		
Amount of impairment at end of period		
Net goodwill at start of period	743,203	666,795
Net goodwill at end of period	1,617,589	743,203

Change in goodwill

In thousands of euros	Group	France	Italy	Germany	Belgium
Net goodwill at start of period	743,203	441,550	115,100	186,552	
Changes in scope	874,386	714,082	51,690		108,614
Definitive allocation of goodwill					
Valuation of commitment to buy out minority interests					
Disposals					
Contingent consideration					
Reclassifications					
Impairment during the year					
Assets held for sale					
Net goodwill at end of period	1,617,589	1,155,632	166,791	186,552	108,614

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

The fair value of assets acquired mainly comprises the value of licences, property and leases.

Impairment tests were performed in accordance with the method described in Note 1.10 (impairment of tangible and intangible assets).

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 7.5% in the French and Belgium CGUs makes the recoverable amount of the assets tested less than the net accounting value, by -€109.7 million and -€11.5 million, respectively.

For the Germany and Italy CGUs, no reasonable change in the discount rate or the perpetuity growth rate would make the recoverable amount of the assets tested less than the net accounting value.



Note 5 – Intangible assets

In thousands of euros	Licences	Others	Total
Gross amount at start of period	632,001	56,585	688,586
Changes in scope	972,606	104,119	1,076,724
Disposals		-1,371	-1,371
Acquisitions	13	10,739	10,752
Transfers	-2	-2,062	-2,064
Reclassification			
Assets held for sale			
Gross amount at end of period	1,604,617	168,010	1,772,627
Cumulative amortisation at start of period	2	30,824	30,826
Changes in scope		10,262	10,262
Disposals		-1,624	-1,624
Amortisation		19,843	19,843
Transfers		11	11
Reclassification			
Cumulative amortisation at end of period	2	59,316	59,318
Net carrying amount at start of period	632,000	25,761	657,760
Assets held for sale			
Net carrying amount at end of period	1,604,616	108,694	1,713,309

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

No single licence represents a significant amount for the Group.

The number of CGUs for which licences were valued is 383, with an average value of €4,186 thousand.

Impairment tests performed on the licences did not reveal any evidence of an impairment of these assets.



Note 6 – Tangible assets

In thousands of euros	Land	Buildings	Plant and machinery	Other	In progress and advance payments	Total
Gross amount at start of period	39,647	517,020	136,412	254,891	18,561	966,531
Changes in scope	103,103	506,948	83,536	149,630	40,199	883,415
Disposals	-10	-3,435	-8,276	-12,180	-4,113	-28,014
Acquisitions	54	25,061	11,335	30,725	35,824	102,998
Transfers	1,197	15,853	2,045	5,361	-32,911	-8,455
Assets held for sale						
Gross amount at end of period	143,991	1,061,447	225,052	428,426	57,560	1,916,475
Cumulative amortisation at start of period	2,531	168,794	105,341	134,357	23	411,046
Changes in scope	-282	137,405	60,235	89,763		287,122
Additions	1	36,867	15,657	29,001		81,526
Disposals	-50	-1,538	-7,619	-11,943		-21,149
Other	305	-7,974	30	88		-7,550
Assets held for sale						
Cumulative amortisation at end of period	2,506	333,555	173,644	241,267	23	750,994
Net carrying amount at start of period	37,116	348,226	31,072	120,535	18,538	555,485
Net carrying amount at end of period	141,485	727,892	51,408	187,160	57,537	1,165,480

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

The gross value of tangible assets held under finance leases was €786,450 thousand at 31 December 2014; the net value was €496,567 thousand.

Note 7 – Non-current financial assets

- Change

In thousands of euros	Gross amount	Impairment	Net amount
Carrying amount at start of period	13,764	177	13,588
Additions	1,138		1,138
Repayments	-1,651	-2,808	1,158
Changes in scope	21,996	3,522	18,474
Other movements	-1,800		-1,800
Carrying amount at end of period	33,448	891	32,558

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.



- Analysis

Available-for-sale securities				31.12.2014	31.12.2013 (*)
Company	% interest	Gross amount	Impairment	Net amount	Net amount
SCI Le Perreux	22%	61		61	61
Furtado Gestion	10%	248		248	
Available-for-sale securities in Medica France		1,050	-709	342	
Other		158		159	2
Total available-for-sale securities		1,518	-709	810	63

Other non-current financial assets		31.12.2014	31.12.2013 (*)
Security deposits		30,469	12,270
Loans			
Other long-term securities		1,279	1,255
Total other non-current financial assets		31,747	13,525

Total non-current financial assets	32,557	13,588
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(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Note 8 – Investments in associates and joint ventures

In thousands of euros	Carrying amount
Carrying amount at start of period	12,235
Newly-consolidated companies	
Removed from scope of consolidation	-13,069
Share of income	620
Dividends paid	
Reclassifications and other	214
Carrying amount at end of period	0

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

The change in this item was mainly due to the change in the method used to consolidate Kinetika Sardegna and its subsequent takeover.

The main items on the balance sheet and the income statement in respect of equity investments are as follows.

In thousands of euros	31.12.2014	31.12.2013 (*)
Total assets/liabilities	0	214
Revenue	0	
Net profit/(loss)	0	25



Note 9 – Inventories

In thousands of euros	31.12.2014	31.12.2013 (*)
Gross amount	7,543	4,096
Impairment	-113	
Assets held for sale		
Net amount	7,430	4,096

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Note 10 – Trade receivables

In thousands of euros	31.12.2014	31.12.2013 (*)
Gross amount	170,478	96,827
Impairment	-27,875	-11,265
Assets held for sale		
Net amount	142,603	85,563

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

In thousands of euros	Outstanding liabilities due at 31/12/2014				Total outstanding liabilities at 31/12/2014
	Outstanding liabilities not due at 31/12/2014	From 0 to 6 months	From 6 to 12 months	Greater than 12 months	
France					
Trade receivables	24,833	35,618	6,686	10,141	77,278
Impairment of trade receivables			-1,953	-8,449	-10,402
Net value of trade receivables – France	24,833	35,618	4,733	1,692	66,876
Italy					
Trade receivables	22,004	6,999	5,155	16,020	50,178
Impairment of trade receivables		-44	-232	-14,231	-14,507
Net value of trade receivables – Italy	22,004	6,955	4,923	1,789	35,671
Germany					
Trade receivables	6,600	7,929	1,058	1,590	17,176
Impairment of trade receivables		-89	-591	-1,587	-2,268
Net value of trade receivables – Germany	6,600	7,839	466	2	14,908
Belgium					
Trade receivables	23,813	1,044	358	630	25,846
Impairment of trade receivables		-104	-54	-540	-699
Net value of trade receivables – Belgium	23,813	940	304	90	25,147
Net value of trade receivables	77,250	51,352	10,426	3,573	142,603

The Group also has €55.7 million in security deposits partially covering Group trade receivables. The quantitative and qualitative analysis performed revealed no significant residual collection risk.

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



In thousands of euros	Outstanding liabilities not due at 31/12/2013	Outstanding liabilities due at 31/12/2013			Total outstanding liabilities at 31/12/2013
		From 0 to 6 months	From 6 to 12 months	by age 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	20,853	760	8,181	18,666	48,460
Impairment of trade receivables			-8	-6,945	-6,953
Net value of trade receivables – Italy	20,853	760	8,173	11,721	41,507
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	35,385	24,191	10,663	15,324	85,563

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Since 2014, the Group has applied a statistical method to assess the risk related to trade receivables.

The impact of the change in estimate used to calculate the impairment of trade receivables was recognised on the "other operating income and expenses" line in the income statement for the portion corresponding to the difference between the old and new methods.

Note 11 – Other receivables and current assets

In thousands of euros	31.12.2014	31.12.2013 (*)
Tax receivables	99,033	50,304
Social security receivables	21,090	3,375
Advances and down payments	7,524	1,906
Prepaid expenses	24,828	11,720
Other receivables	78,326	66,693
Assets held for sale		
Value of other receivables	230,801	133,998

The "other receivables" item is mainly composed of non-group current accounts (venturers) and other receivables.

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



In thousands of euros	31.12.2014	31.12.2013 (*)
Loans		
Deposits and guarantees	1,240	1,217
Other financial assets	5	
Assets held for sale		
Value of other current financial assets	1,246	1,217

Total other current financial assets (net)	232,047	135,215
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(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Note 12 – Cash and cash equivalents

In thousands of euros	31.12.2014	31.12.2013 (*)
Marketable securities	108,295	25,678
Cash	127,200	25,168
Assets held for sale		
Total	235,495	50,847

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Marketable securities comprise term deposits or euro-denominated open-ended investment funds with variable capital (SICAV), classified in the AMF's "short-term money market fund" category. Pursuant to IAS 7, they are highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value.

Note 13 – Categories of financial assets

The table below shows the size of financial instruments in proportion to the Group's consolidated assets.

The table presents a breakdown of financial instruments recognised at fair value by valuation method. The different levels of fair value are defined as follows:

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

	2014	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	810	810						810
Other non-current assets	31,747			31,747				
Non-current financial assets	32,557	810		31,747				810
CURRENT ASSETS								
Trade receivables	142,603			142,603				
Other receivables	230,801			230,801				
Deposits and guarantees	1,246			1,246				
Other receivables and current financial assets	232,047			232,047				
Derivative instruments – assets	35				35		35	
Marketable securities	108,295		108,295			108,295		
Cash	127,200		127,200					
Cash and cash equivalents	235,495		235,495			108,295		

The accounting value of financial assets represents their fair value.



Note 14 – Transfer and use of financial assets

In accordance with IAS 39, the Group derecognises financial assets when they are no longer expected to generate future cash flows and when most of the risks and rewards attached to them have been transferred.

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

Receivables assigned by the Italian subsidiaries are assigned at their nominal value less an initial charge of between 0.3% and 0.6%, recorded in other expenses, plus financial interest based on Euribor, which is recorded in financial expense.

The total amount of receivables assigned and derecognised in 2014 was €139,900 thousand.

The gain or loss on assignment of said receivables in 2014 was a loss of €1,720 thousand.

Breakdown of assignments of receivables over the year	2014	1st quarter 2014	2nd quarter 2014	3rd quarter 2014	4th quarter 2014
Assigned receivables	139,900	37,239	41,261	27,090	34,309
Amounts received	136,183	25,309	43,293	28,713	38,868
Commissions for management and recovery of assigned receivables	-824	-219	-243	-160	-202
Related financial expense	-896	-166	-285	-189	-256
Gain/(loss) on assignment	-1,720	-386	-528	-349	-458
Net cash received	134,463	24,923	42,765	28,364	38,410

Note 15 – Earnings per share

	31.12.2014	31.12.2013 (*)
Net profit/(loss) attributable to owners of the company (in thousands of euros)	61,819	28,576
Weighted average number of shares (in thousands)	69,479	34,395
Earnings per share (in euros)	0.89	0.83
Net profit/(loss) attributable to owners of the company (in thousands of euros)	61,819	28,576
Weighted average number of shares (in thousands)	69,479	34,395
Adjustments for stock options	52	95
Average number of shares used for calculation of diluted earnings per share	69,531	34,490
Diluted earnings per share (in euros)	0.89	0.83

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Note 16 – Hedging financial instruments

The Group uses derivative financial instruments to hedge against changes in interest rates, given that most of its financial liabilities are at variable rates.

At 31 December 2014, the market value of the instruments entered into to hedge interest rate risk was -€23,344 thousand.

In the first half of 2014, the Group restructured its interest rate hedging in order to cut its average cost of funding. As a result, €24 million was paid to unwind early a portion of its financial instruments. In accordance with IAS 39, the amount of reserves relating to these financial instruments will be recycled in profit or loss, when the hedged risk impacts the income statement. Thus, at 31 December 2014, €18.5 million was recognised in financial expense and €8 million kept in equity (this will be amortised between 2015 and 2021).

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 for each category of financial instrument.

	Impact on equity and change in fair value	Impact of hedging on profit or loss	Impact of undocumented items on profit or loss	Impact of financial instruments balanced in cash on profit or loss
Financial instruments eligible for hedge accounting	-10,663	2,304		
Financial instruments not eligible for hedge accounting			723	
Financial instruments balanced in cash				-18,514
Total	-10,663	2,304	723	-18,514

Assets	31.12.2014	Newly-consolidated companies	Removed from scope of consolidation	Change	31.12.2014
Interest rate swaps					
Options	35			0	35
Total hedging instruments – Assets	35			0	35
Interest rate swaps					
Options					
Total undocumented items - Assets					
Total financial instruments - Assets	35			0	35

Liabilities	31.12.2014	Newly-consolidated companies	Removed from scope of consolidation	Change	31.12.2014
Interest rate swaps	32,803	2,910		-13,689	22,024
Options	5,117	203		-4,615	706
Total hedging instruments – Liabilities	37,920	3,113		-18,304	22,730
Interest rate swaps	77	1,279		-719	637
Options	16			-4	13
Total undocumented items - Liabilities	94	1,279		-723	650
Total financial instruments - Liabilities	38,014	4,392		-19,027	23,379

Net total	37,979	4,392		-19,027	23,344
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Note 17 – Financial liabilities

Net indebtedness (current/non-current)

	31.12.2014	31.12.2013 (*)
Loans from credit institutions	1,178,813	520,445
Finance lease liabilities	442,689	190,502
Employee profit sharing	31	34
Other financial liabilities	16,674	1,120
Liabilities held for sale		
Non-current financial liabilities	1,638,208	712,101
Short-term loans from credit institutions	13,296	28,463
Short-term finance lease liabilities	43,703	13,896
Bank overdrafts and advances	6,717	5,867
Other Short-term financial liabilities	14,138	11,080
Liabilities held for sale		
Short-term financial liabilities	77,854	59,306

Financial liabilities (A)	1,716,062	771,406
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Marketable securities	108,295	25,678
Cash	127,200	25,168
Assets held for sale		
Cash (B)	235,495	50,847
Cash provided as collateral (C)	6,815	7,200
Net debt (A) - (B) - (C)	1,473,752	713,360

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Breakdown of borrowings by interest rate category

In thousands of euros	%	31.12.2014	31.12.2013 (*)
Fixed rate	28%	479,047	256,023
Variable rate	72%	1,237,015	515,383
Total	100%	1,716,062	771,406

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

At 31 December 2014, most of the Group's indebtedness was at variable interest rates. The Group has financial instruments to hedge against fluctuations in interest rates. It uses standard derivative instruments (interest rate swaps, caps, floors, etc.).

Taking into account financial instruments, 67% of variable-rate borrowings at 31 December 2014 was hedged.

Moreover, borrowings secured by guarantees such as collateral, mortgages and leases accounted for 27% of gross borrowings.



Breakdown of borrowings by maturity

In thousands of euros	31.12.2014	31.12.2013 (*)
Less than 1 year	77,854	53,439
1 to 5 years	987,431	487,063
More than 5 years	650,777	230,905
Total	1,716,062	771,406

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Change in borrowings

	31.12.2013 (*)	New borrowings	Repayments	Changes in scope	Other	31.12.2014	Current	Non-current
Borrowings	652 515	1 413 297	-1 231 015	722 784	120 919	1 678 501	56 999	1 621 502
Employee profit sharing	34		-3			31		31
Other financial liabilities	112 991	3 612	-12 157	31 221	-104 856	30 812	14 138	16 674
Liabilities held for sale								
Total borrowings	765 540	1 416 910	-1 243 175	754 005	16 063	1 709 345	71 137	1 638 208
Of which non-current	712 101	1 415 658	-1 192 946	735 277	-31 882	1 638 208		
Of which current	53 439	1 252	-50 228	18 729	47 946	71 137		

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

- **Change in the Group's indebtedness as at 31 December 2014**

At 31 December 2014, indebtedness to credit institutions stood at €1,474 million, €759 million up on 2013, including €486 million in immovable property debt.

This increase is due to the consolidation of the former Medica group in 2014. Excluding the immovable property debt, Korian - Medica's net debt/EBITDA ratio is thus 2.9x, well below the covenant limit of 4.5x in the syndicated loan.

Korian - Medica negotiated a refinancing contract covering the entire debt of the new Group.

The new syndicated loan was signed on 12 March 2014. 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 revolving credit tranche of €300 million to finance the Group's general needs.

Korian - Medica also continued to diversify its sources of funding with the arrangement, on 15 July 2014, of a private placement of €45 million in bonds, with a fixed coupon of 3.65% and a maturity of 7.5 years. Furthermore, on 16 December 2014, Korian - Medica issued a *Schuldschein* (a private placement under German law) for €358.5 million comprising tranches with maturities of 5, 6 and 7 years (the average maturity being 6.1 years) at fixed and variable rates.

Finally, in Q2, the Group completed the restructuring of its interest rate hedges. This restructuring made it possible to significantly cut the average cost of funding, while reducing risk by extending the maturity of the hedges. The total cost of this restructuring, amounting to €24 million, was recognised in the financial statements under "restructuring of debt and hedging financial instruments".

The financing transactions following the refinancing of the syndicated loans made it possible to partly pay down the refinancing tranche by €150 million.

The Group's gross borrowings excluding bank overdrafts and advances thus broke down as follows at 31 December 2014:

- loans from credit institutions of €650 million corresponding to the €800 million refinancing tranche following the €150 million repayment in December. At 31 December 2014, Korian thus had €300 million available on the revolving credit facility;



- immovable property debt in the amount of €486 million. These debts consist primarily of operating and finance leases with long maturities;
- medium-term borrowings in the amount of €36.3 million;
- bonds placed with private investors in a total amount of €537 million.

Moreover, at the end of the financial year, the Group's net cash position stood at €235.6 million.

- Sensitivity analysis of financial expense

In light of the hedging arranged, the sensitivity of financial expense over a year to a one-percentage-point change in the Euribor three-month benchmark was as follows at the closing date:

- the effect of a 1% increase in the yield curve (100 basis points) would increase the Group's financial expense by €4.3 million;
- the impact of a 1% reduction (100 basis points) would reduce the financial expense by €1.3 million.



Note 18 – Provisions for pensions and other benefits

	31.12.2014	31.12.2013
Provisions for retirement benefits – France	37,000	14,402
Provisions for retirement benefits – Abroad	9,152	8,922
Assets held for sale	0	0
Total	46,152	23,324

Reconciliation of commitments and provisions – France	31.12.2014	31.12.2013
Commitment	37,957	15,301
Fair value of assets	-957	-899
Provision at end of period	37,000	14,402

Components of financial expense for the year – France	31.12.2014	31.12.2013
Service cost (normal cost)	2,133	1,551
Interest expense (interest cost)	591	471
Amortisation of actuarial losses/(gains)	54	0
Other	-42	-25
Pension costs	2,735	1,997

Change in provisions – France	31.12.2014	31.12.2013
Provision at start of period	14,402	15,809
Expense for the year	2,735	1,997
Benefits or contributions paid by the employer	-882	-784
Recognition of actuarial gains/(losses) in OCI	12,231	-615
Change in the scope of consolidation	8,572	-2,012
Other	-58	7
Provision at end of period	37,000	14,402

(Key) actuarial assumptions used	31.12.2014	31.12.2013
<i>Discount rate</i>	1.30%	3.20%
<i>Wage increases</i>	2.00%	3.00%
<i>Mortality table</i>	TPGF05 / TPGH05	INSEE H/F 06-08
<i>Retirement age – managers</i>	Born in 1951 and before : 63 years Born in 1952 and after: 64 years	63 years
<i>Retirement age – non-managers</i>	Born in 1951 and before : 60 years Born between 1952 and 1954: 61 years Born in 1955 and after: 62 years	62 years
<i>Type of retirement</i>	voluntary	voluntary

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



Reconciliation of commitments and provisions – Italy	31.12.2014	31.12.2013
Commitment	8,788	8,790
Fair value of assets	0	0
Provision at end of period	8,788	8,790
Components of financial expense for the year – Italy	31.12.2014	31.12.2013
Service cost (normal cost)	76	70
Interest expense (interest cost)	374	359
Amortisation of actuarial losses/(gains)	-748	0
Other	0	-80
Pension costs	-297	349
Change in provisions – Italy	31.12.2014	31.12.2013
Provision at start of period	8,790	8,888
Expense for the year	-297	349
Benefits or contributions paid by the employer	-740	-699
Recognition of actuarial gains/(losses) in OCI	0	-12
Change in the scope of consolidation	1,009	264
Other	26	0
Provision at end of period	8,788	8,790
(Key) actuarial assumptions used	31.12.2014	31.12.2013
Discount rate	4.00%	4.00%
Wage increases M	2.50%	2.50%
Wage increases W	2.25%	2.25%
Inflation rate	2.00%	2.00%
Mortality table	ISTAT M/F 2013	ISTAT M/F 2010
Retirement age – managers and non-managers	65 years	65 years
Type of retirement	voluntary	voluntary

- Other information
 - Sensitivity of liabilities in respect of France at 31 December 2014 to change in the discount rate:
 - 0.80%: €39,193 thousand
 - 1.30%: €37,086 thousand
 - 1.80%: €35,161 thousand
 - In France, the median age of employees on long-term contracts is 42.12 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 2014.
 - Estimation of the fair value of assets at 31 December 2014.

Fair value at 31/12/2013	928
Anticipated return on plan assets	29
Benefits paid in 2013	
Actuarial gains/(losses)	
Contributions paid by the employer	
Other	
Fair value of assets at 31/12/2014	957



Note 19 – Other provisions

- Non-current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at start of period	-13	3,307	11,116	14,411
Additions	397	7,758	13,863	22,018
Used	-90	-2,982	-5,146	-8,219
Reversals		-13	-56	-69
Changes in scope	2,380	8,770	15,809	26,959
Reclassifications	1,141	275	-1,084	333
Liabilities held for sale				
Balance at end of period	3,815	17,114	34,501	55,432

Provisions for anniversary bonuses, included in non-current provisions (“social” column in the table above), amounted to €678 thousand at 31 December 2014.

- Current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at start of period	840	2,929	2,448	6,218
Additions	2,024	1,622	1,445	5,090
Used	-885	-4,407	-684	-5,976
Reversals	-445	-74		-519
Changes in scope	22	4,000	4,753	8,775
Reclassifications	379	721	-1,904	-804
Liabilities held for sale				
Balance at end of period	1,935	4,791	6,058	12,784

- Main risks and disputes

Risks relating to operating disputes (“Other” column)

Provisions for operating disputes relate mainly to care.

Allowances received under tripartite agreements are recognised in revenue. When filing use-of-funds statements, surplus care allowances are allocated to the compensation reserve, thereby resulting in income for the Company. The Group recognises all income in use-of-funds statements as revenue and records surpluses as provisions to cover the risk of having the public authorities allocate the funds differently.

The amount of the allocation for the year totalled €3.2 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 2014.

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 and liable to have a material impact on the business, results or financial position of the Group.



Note 20 – Other payables and accruals

Trade payables	31.12.2014	31.12.2013 (*)
Trade payables	238,676	133,335
Liabilities held for sale		
Total	238,676	133,335

Other payables and accruals	31.12.2014	31.12.2013 (*)
Residents' deposit	55,672	25,394
Commitment to buy out non-controlling interests	1,109	12,203
Suppliers of non-current assets	30,325	22,352
Advances and down payments made on orders	11,189	2,021
Tax liabilities	78,423	55,649
Social security liabilities	190,431	99,341
Dividends payable	6	8
Other liabilities	190,224	56,899
Deferred income	52,933	46,457
Liabilities held for sale		
Total	610,311	320,324

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

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.

2014	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss			Fair value measurement		
		Fair value hedging derivatives	Derivatives not eligible for hedge accounting	Cash flow hedging derivatives	Level 1 : active markets	Level 2 : observable inputs	Level 3 : unobservable inputs
NON-CURRENT LIABILITIES							
Loans from credit institutions	1,178,813	1,178,813					
Finance lease liabilities	442,689	442,689					
Employee profit sharing	31	31					
Other financial liabilities	16,674	16,674					
Borrowings	1,638,208	1,638,208					
CURRENT LIABILITIES							
Loans from credit institutions	13,296	13,296					
Finance lease liabilities	43,703	43,703					
Bank overdrafts and advances	6,717	6,717					
Other financial liabilities	14,138	14,138					
Loans due in less than one year and bank overdrafts	77,854	77,854					
Derivative financial liabilities	23,379		0	650	22,729		23,379
Trade payables and related accounts	238,676	238,676					
Commitment to buy out non-controlling interests	1,109	1,109					
Residents' deposits	55,672	55,672					
Other liabilities	553,530	553,530					
Other payables and accruals	610,311	610,311					



The accounting value of financial liabilities represents their fair value.

Note 22 – Personnel contributions

In thousands of euros	31.12.2014	31.12.2013 (*)
Wages and salaries	776,399	474,707
Social security charges	278,856	166,668
Employee profit sharing	5,230	5,357
Other personnel expenses	1,605	5,262
Personnel expenses of discontinued operations		
Personnel expenses	1,062,090	651,995

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Note 23 – External expenses

In 2014, external expenses amounted to €597,074 thousand and included property and equipment leasing charges in the amount of €298,847 thousand. In 2013, external expenses amounted to €390,960 thousand and included property and equipment leasing charges in the amount of €190,328 thousand (*).

External expenses on the Italian scope amounted to €168,741 thousand. This includes salary expenses invoiced by cooperatives.

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Note 24 – Non-recurring income and expenses

- Gain/(loss) on acquisition and disposal of consolidated entities

In thousands of euros	31.12.2014	31.12.2013 (*)
Securities acquisition costs	-327	-4,859
Gain/(loss) on disposal of consolidated entities	-1,308	-113
Gain/(loss) on acquisition and disposal of consolidated entities	-1,635	-4,972

- Other operating income and expenses

In thousands of euros	31.12.2014	31.12.2013 (*)
Gain/(loss) on disposal of premises		10 378
Share of sale and leaseback gain	3 799	3 835
Gain/(loss) on disposal of non-current assets	-1 622	-1 608
Impact of free shares and stock options		
Impact of purchase price allocation of Medica	2 918	
Costs incurred in the merger	-14 617	-8 714
Restructuring expenses	-4 771	-6 097
Change in the client-risk assessment	-8 827	
Other operating expenses	-12 031	-12 053
Other operating income	1 602	3 221
Operating income from continuing operations		
Total income (expenses)	-33 549	-11 038



Note 25 – Net financial income

In thousands of euros	31.12.2014	31.12.2013 (*)
Interest expense and other	-49,647	-43,283
Gross borrowing costs	-49,647	-43,283
(Gain)/loss on disposal of investment securities	2,400	366
Net borrowing costs	-47,247	-42,917
Discounting of pension liabilities	-21,084	
Dividends received from non-consolidated companies	60	48
Other income from investments		
Other financial expense	-7,815	-2,953
Fair value of hedging instruments, ineffective portion	1,972	458
Fair value of hedging instruments, trading impact	723	126
Other financial income	143	675
Other allocations to financial provisions	-701	-113
Other reversals of financial provisions		
Net financial income	-73,949	-44,677

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

Note 26 – Income taxes

- Analysis of income tax expense

In thousands of euros	31.12.2014	31.12.2013 (*)
Current tax	-36,907	-29,900
Deferred taxes	-5,850	6,112
Income tax expense of discontinued operations		
Income tax expense/(income)	-42,758	-23,788

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.

In accordance with IFRS, taxes for the year ended 31 December 2014 include an expense of €14,234 thousand, corresponding to the CVAE.

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- Reconciliation between real tax and theoretical income tax expense

In thousands of euros	31.12.2014	31.12.2013 (*)
Profit/(loss) attributable to owners of the company	61,819	28,576
Non-controlling interests	3,265	2,812
Profit/(loss) of associates	-620	-25
Income tax expense	42,758	23,788
Profit/(loss) before tax	107,222	55,151
Theoretical tax rate	34.43%	34.43%
Theoretical income tax expense	36,916	18,988
Permanent differences	1,134	183
Impact of non-deductible financial expense	4,548	552
Tax losses for the year not activated	-999	0
Use of tax losses not activated	495	-33
Adjustment of prior-year deferred taxes	-955	1,791
Tax at the reduced rate	204	-525
Income tax of foreign companies	-1,177	259
Impact of CVAE net of tax in France	9,333	5,368
Impact of CICE in France	-8,391	-3,080
Impact of IRAP in Italy	1,946	1,652
Reimbursement of IRAP on IRES in Italy	0	-1,532
Impact of exceptional contribution	895	371
Difference between parent company and subsidiary tax rates	-1,191	-206
Actual tax expense	42,758	23,788
<i>Effective tax rate</i>	<i>39.88%</i>	<i>43.13%</i>

- Permanent differences

In thousands of euros	31.12.2014	31.12.2013
Other non-deductible and non-taxable income and expense	1,166	847
Share of costs and expenses	6	21
Annual flat-rate tax and other adjustments	-38	-685
Total	1,134	183

- Net change in deferred taxes

In thousands of euros	31.12.2014	31.12.2013 (*)
Balance at start of period	183,680	192,709
Expense/(income)	5,850	-5,834
Change in the scope of consolidation	360,834	-10,784
Charged to equity	-1,430	4,155
Other changes	-668	3,433
Assets and liabilities held for sale		
Balance at end of period	548,265	183,680

(*) Pursuant to IFRS 11 – Joint Arrangements, the financial statements for the year ended 31 December 2013 have been adjusted in accordance with the new rule for comparison purposes.



- Breakdown of deferred taxes

In thousands of euros	31.12.2014	31.12.2013 (*)
Intangible assets	518,468	202,692
Property, plant and equipment	81,295	3,585
Temporary differences on CVAE	7,518	6,579
Financial instruments	-7,293	-13,096
Tax loss carryforwards	-19,121	-6,601
Pension provisions	-15,294	-5,329
Other provisions	-1,227	
Other temporary differences	-8,460	-7,000
Other assets/liabilities	-7,620	2,849
Assets and liabilities held for sale		
Total	548,265	183,680

Note 27 – Related-party transactions

Summary table of compensation paid to executive directors		
	Year ended 31 December 2014	Year ended 31 December 2013
	Amount paid	Amount paid
Chief Executive Officer		
Fixed compensation	€514,217	€477,001
Variable compensation	€218,000	€200,000
Exceptional compensation	€436,000	-
Benefits in kind	€4,788	€5,187
TOTAL	€1,173,005	€682,188
Chairman of the Board from 1 January to 18 March 2014		
Fixed compensation	€53,571	€250,000
Variable compensation	-	-
Exceptional compensation	€114,534	-
Benefits in kind	-	-
TOTAL	€168,105	€250,000
Chairman of the Board from 18 March to 31 December 2014		
Fixed compensation	€270,250	-
Variable compensation	-	-
Benefits in kind	€2,417	-
TOTAL	€272,668	-

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 and 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)/Professional Training Account (*Compte Professionnel de Formation* – CPF)

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. From 1 January 2015 DIF is replaced by CPF. All DIF hours accrued by 31 December 2014 must be used before 31 December 2020 as though they were accrued through the CPF framework.



Number of hours accrued by employees at 31 December 2014 (balance of the number of hours at 31 December less hours already used): 1,410,037 hours.

Note 29 – Commitments under leases

- Finance leases

In thousands of euros	31.12.2014	31.12.2013
Net carrying amount of assets held under finance leases	496,567	223,192
Leasing commitments by term:		
less than one year	43,703	14,734
more than one year	189,096	66,850
more than five years	253,593	122,815
Total commitments	486,393	204,398
Discounting effect	132,444	58,563
Total discounted commitments	353,948	145,835

- Operating leases

In thousands of euros	31.12.2014	31.12.2013
Minimum non-cancellable lease payments due		
in less than one year	302,105	161,356
in between one and five years	1,070,070	686,082
in more than five years	1,536,456	577,392
Total undiscounted commitments	2,908,632	1,424,830

Note 30 – Share-based payment

Free shares plan

On 10 September 2014, the Board of Directors approved, under the authorisation of the General Meeting of 26 June 2014, the implementation of a free shares plan for certain members of General Management. This plan provides for the allocation of a maximum of 153,030 Company shares, subject to the achievement of performance conditions associated with the market price, EBITDA and revenue.

For French tax residents, the allocation of free shares will vest and the ownership of said shares be transferred to the beneficiaries on 31 March 2017, subject to continued employment. Moreover, the beneficiaries will not be permitted to transfer the shares received under the terms of this plan until 10 September 2018.

The free shares plan has an IFRS cost of €2,765 thousand (excluding social security charges) and will lead to a maximum dilution of 0.19%.

Stock option plan

Under the authorisation granted by the General Meeting of 21 June 2007, the former Executive Board decided to grant stock options to Group employees and/or directors at a unit price of €30.39. The exercise period of these options expired on 28 August 2014. To date, no options have been exercised.

Under the authorisation granted by the General Meeting of 17 June 2010, the former Executive Board decided to grant stock options to Group employees and/or directors at a unit price of €16.83. The exercise period of these options expires on 30 June 2015. To date, 2,000 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.

The measurement methods and parameters are identical to the free shares plan described above.

The fair value of options is calculated at the grant date using the Black-Scholes model. Subsequent changes in the fair value of the instrument are not taken into consideration.

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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 2014.

	2014		2013	
	Options	Weighted average exercise price (euros)	Options	Weighted average exercise price (euros)
Options remaining at 1 January	84,000		95,000	
Options granted			0	
Options exercised	2,000		0	
Options cancelled and expired	77,000		11,000	
Options remaining at 31 December	5,000		84,000	
Options exercisable at 31 December	5,000		84,000	
Share price at the exercise date of options	26.31			
Share price at the grant date of options (granted during the year)	17.30			
Fair value of options granted during the year				
Impact on equity (in thousands of euros)				



Note 31 – Operating segments

Operating segments at 31/12/2014	Total of all activities	France	Germany	Italy	Belgium
Revenue	2 222 203	1 323 408	476 241	265 561	156 994
EBITDAR*	613 941	367 288	143 857	63 772	39 025
	27,6%	27,8%	30,2%	24,0%	24,9%

Transition from EBITDAR to operating income at 31 December 2014:

EBITDAR	613 941
External rents (excluding discontinued operations)	298 847
Depreciation, amortisation and provisions	98 740
Gain/(loss) on disposal of consolidated entities	-1 635
Other operating income and expenses	-33 549
EBIT (operating income)	181 171

Operating segments at 31/12/2013	Total of all activities	France	Germany	Italy
Revenue	1,356,374	765,521	413,749	177,104
EBITDAR*	371,493	202,495	124,594	44,403
	27.4%	26.5%	30.1%	25.1%

Transition from EBITDAR to operating income at 31 December 2013:

EBITDAR	371,493
Head office EBITDAR	-3,630
External rents (excluding discontinued operations)	190,328
Depreciation, amortisation and provisions	61,699
Gain/(loss) on disposal of consolidated entities	-4,972
Other operating income and expenses	-11,038
EBIT (operating income)	99,827

* EBITDAR: earnings before interest, taxes, depreciation, amortisation and rent.

Note 32 - Dividends approved and proposed

	Per share (in euros)	Total (in thousands of euros)
Total payout in 2014 (2013 financial year)*	0.60	47,015
Dividends proposed to the 2015 General Meeting (fiscal 2014)	0.60	47,423

* The 2014 payout was comprised of a dividend of €0.30 per share and a capital repayment of €0.30 per share.



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 2014 for all consolidated companies.

	MAZARS				ERNST & YOUNG			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%	
	2014	2013	2014	2013	2014	2013	2014	2013
Statutory audit Certification, review of separate and consolidated financial statements:								
Issuer	325	255	20%	18%	310	255	25%	16%
Fully consolidated companies	1,254	1,091	78%	77%	933	819	75%	50%
Other work and services directly related to the work of the statutory auditors	25	65	2%	5%	0	551	0%	34%
Sub-total	1,604	1,411	100%	100%	1,243	1,625	100%	100%
Other services		0		0		0		0
Sub-total		0		0		0		0
Total	1,604	1,411	100%	100%	1,243	1,625	100%	100%

Note 34 – Post-closing events

Since 1 January 2015, Korian has carried out the following transactions.

- Acquisition of the German regional group Evergreen Holding GmbH

In January 2015, Korian - Medica group acquired the German regional group Evergreen Holding GmbH. Based in western Germany, this regional group operates six facilities and has four ongoing projects that will, over time, expand the network by over 1,100 beds in long-term care nursing homes and assisted living facilities, generating over €35 million in additional revenue.

This transaction, together with the transactions completed in 2014, is firmly in line with the Group's development strategy in Germany.

- Merger (*fusion-absorption*) of Curanum AG and delisting from Deutsch Börse

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

- Company share capital increase

In accordance with the provisions of Article L. 225-178 (3) of the French Commercial Code (*Code de Commerce*), following the exercise of 2,000 share subscription options in 2014, the Board of Directors at its 25 March 2015 meeting recorded the €10,000 increase in the Company's share capital, by means of the issue of 2,000 new shares with a par value of five (5) euros each, thereby increasing from €395,187,615 to €395,197,615.



Note 35 – List of consolidated companies

Company name	31/12/2014		31/12/2013		Method	Registered office
	% control	% interest	% control	% interest		
KORIAN - MEDICA SA	100	100	100	100	Parent	32, rue Guersant 75017 PARIS
Medidep Foncier	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA JANIN	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOCIETE IMMOBILIERE JANIN	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN SANTE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
ABILONE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SCI KORIAN IMMOBILIER	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
JONGKIND	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SANTE-MARKETING ET STRATEGIE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LA MOULINIERE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
CHATEAU DE OUEZY			100	100	Transfert of all assets and liabilities to Médotel	Allée de Roncevaux 31240 L'UNION
KORIAN PARTENAIRE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SCI LA SOURCE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
PRIVATEL	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
HOLDING HOSPITALIERE DE TOURAINE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOGESCO - SOCIETE DE GESTION ET CONSEILS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LE NORD COTENTIN	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CENTRE WILLIAM HARVEY	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
HOLDING AUSTRUY BUREL	99.16	99.16	99.16	99.16	FC	Allée de Roncevaux 31240 L'UNION
PB EXPANSION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
REACTI MALT	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOGEMARE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LE CLOS MYRAMIS	100	100	100	100	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	57.75	57.75	FC	Zone Industrielle 25870 DEVECEY
SARL RESIDENCE FRONTENAC	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LE BASTION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES LUBERONS	99.9	99.9	99.9	99.9	FC	Zone Industrielle 25870 DEVECEY
RESIDENCE PERIER	100	100	100	100	FC	Zone industrielle 25870 DEVECEY
PERIER RETRAITE	100	100	100	100	FC	Zone industrielle 25870 DEVECEY
VEPEZA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LA REINE MATHILDE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LA NORMANDIE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY

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Company name	31/12/2014		31/12/2013		Method	Registered office
	% control	% interest	% control	% interest		
RESIDENCE LES AJONCS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN JARDIN DE L'ANDELLE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
L'ERMITAGE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN NYMPHEAS BLEUS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA EVORA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LA ROSERAIE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN MAS DE LAUZE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SCI BADERA	62	62	62	62	FC	Zone Industrielle 25870 DEVECEY
ALSACE SANTE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA ORTIS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
VILLA BONTEMPS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
DOMAINE DE LA BRANEYRE			100	100	Transfert of all assets and liabilities to Villa Bontemps	Allée de Roncevaux 31240 L'UNION
RESIDENCES DU CANAL	100	100	100	100	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	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LE RAYON D'OR	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
ACCUEIL MEUNIERES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES AMARANTES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
CHAMTOU	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOCIETE GERONTOLOGIQUE DU CENTRE OUEST - SGCO	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOCIETE HOSPITALIERE DE TOURAINE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA D'ALBON	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
ORION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
POULIGUEN GESTION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
POULIGUEN	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
CHATEAU DU MARIAU	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SCI LE TEILLEUL	60	60	60	60	FC	Zone industrielle 25870 DEVECEY
KORIAN LE DIAMANT	100	100	100	100	FC	Zone industrielle 25870 DEVECEY
COMPAGNIE FONCIERE VERMEILLE	59.22	59.22	59.22	59.22	FC	Zone Industrielle 25870 DEVECEY
BELLECOMBE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
KORIAN LES ARCADES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
RESIDENCE MAGENTA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
VILLA SAINT DOMINIQUE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY

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Company name	31/12/2014		31/12/2013		Method	Registered office
	% control	% interest	% control	% interest		
LE CLOS CLEMENT 77 - RESIDENCE DU BOIS CLEMENT	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN BRUNE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LES LILAS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SAINT CYR GESTION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
L'AUBIER DE CYBELE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
L'AUBIER DE CYBELE GESTION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
REANOTEL	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LA MAGDELEINE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN FLORIAN CARNOT	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
MEUDON-TYBILLES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES LIERRES GESTION	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA ST HILAIRE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
RESIDENCE LES ACACIAS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
L'AIR DU TEMPS RESIDENCES STRASBOURG ROBERTSAU	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES HAUTS D'ANDILLY	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
ATRIA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES BEGONIAS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LA REINE BLANCHE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES BLES D'OR	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES TEMPS BLEUS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
CARLOUP SANTE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LE CASTELLI	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES FONTAINES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
ISERE SANTE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN L'IMPERIAL	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LAFFITTE SANTE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
S.C.I. LE MAIL IMMOBILIER	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LE MAIL SANTE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
MASSENET SANTE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
MEDOTELS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
RESIDENCE FREDERIC MISTRAL	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN CLOS DES VIGNES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA PYPYRI	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



Company name	31/12/2014		31/12/2013		Method	Registered office
	% control	% interest	% control	% interest		
KORIAN VILLA D'AZON	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LES CASSISSINES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILLA SPINALE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN L'ASTREE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN LA FONTANIERE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
GEM VIE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SOCIETE D'ETUDES ET DE REALISATIONS POUR LE NOUVEL AGE SERENA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN AU FIL DU TEMPS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN PLAISANCE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN SAVERNE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VAL DES SOURCES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN VILL'ALIZE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN L'ESCONDA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LE PETIT CASTEL	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
PEROU	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LES PINS BLEUS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
RESIDENCE DE PONTLIEUE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
HOMERE HOTELLERIE MEDICALISEE RETRAITE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
LA SAISON DOREE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SAINT FRANCOIS DE SALES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SARL VILLANDIERES NIMES	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
CLINIQUE DE SOINS DE SUITE ET READAPTATION CHATEAU DE GLETEINS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
LA PINEDE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CHATEAU DE LA VERNEDE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
KORIAN LES OLIVIERS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CENTRE DE READAPTATION FONCTIONNELLE DE CAEN	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE CARDIOLOGIQUE DE GASVILLE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CENTRE DE REPOS ET DE CONVALESCENCE L'AQUITANIA	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE DE MEDECINE PHYSIQUE ET DE READAPTATION FONCTIONNELLE "LES GRANDS CHENES"	100	100	100	100	FC	40-52 rue Stehelin 33200 BORDEAUX
LES FLOTS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
LATITUDE	100	100	100	100	FC	40-52 rue Stéhélin 33200 BORDEAUX
PS3	100	100	100	100	FC	40-52 rue Stéhélin 33200 BORDEAUX
IMMO 2	100	100	100	100	FC	40-52 rue Stehelin 33200 BORDEAUX

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



Company name	31/12/2014		31/12/2013		Method	Registered office
	% control	% interest	% control	% interest		
LE BELVEDERE PLAGES	100	100	100	100	FC	40-52 rue Stehelin 33200 BORDEAUX
LE BELVEDERE	100	100	100	100	FC	Quartier de l'Océan 40530 LABENNE
CENTRE MEDICAL INFANTILE MONTPRIBAT	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CENTRE DE REEDUCATION FONCTIONNELLE DE SIOUVILLE	99.83	99.83	99.83	99.83	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE NAPOLEON	100	100	100	100	FC	Allée de Christus 40990 SAINT PAUL LES DAX
SCI NAPOLEON	100	100	100	100	FC	Allée de Christus 40990 SAINT PAUL LES DAX
LE BREVENT			98.47	98.47	Prop. (liquidated)	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	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
KORIAN LA GUYONNE	99.9	99.9	99.9	99.9	FC	Allée de Roncevaux 31240 L'UNION
HAD YVELINES SUD	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SOCIETE NOUVELLE DE LA CLINIQUE DU MESNIL	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CENTRE DE SOINS DE SUITE DE SARTROUVILLE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
KORIAN LES TROIS TOURS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
OREGON	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SOCIETE D'EXPLOITATION DE LA CLINIQUE MEDICALE DE SAINT COME A JUVISY	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE DE SACLAS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SOCIETE CLINIQUE DE SOINS DE SUITE DE NOISY LE SEC	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE DE LIVRY SULLY	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SOCIETE D'EXPLOITATION DE LA CLINIQUE DU PERREUX	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
NEWCO BEZONS	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE DE CONVALESCENCE DU CHATEAU DE CLAVETTE	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SERIEUSE SOINS DE SUITE ET DE READAPTATION	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
SARL DE BIOUX SANTE	100	100	100	100	FC	Rue du 8 mai 1945 71850 CHARNAY LES MACON
THALATTA	100	100	100	100	FC	Allée de Roncevaux 31240 L'UNION
LA PETITE MADELEINE	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
RESIDENCE LES AINES DU LAURAGAIS	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
GRAND'MAISON	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
KORIAN PASTORIA	100	100	100	100	FC	Zone Industrielle 25870 DEVECEY
SA MEDICA FRANCE	100	100			FC	32 rue Guersant - 75017 PARIS
SAS CLINIQUE DE SANTE MENTALE SOLISANA	100	100			FC	1 chemin du Liebenberg - 68500 GUEBWILLER
SAS CLINIQUE DU VAL DE SEINE	99.85	99.85			FC	Le Clos de la Tour - Chemin du cœur volant - 78430 LOUVECIENNES
SARL CLINIQUE LES ALPILLES	100	100			FC	1 avenue renée de la Comble, Quartier de l'Argelier - 13210 SAINT REMY DE PROVENCE

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



Company name	31/12/2014		31/12/2013		Method	Registered office
	% control	% interest	% control	% interest		
SARL CLINIQUE DU MONT VENTOUX	100	100			FC	Avenue JH Fabre - 84200 CARPENTRAS
SARL CLINIQUE DE SANTE MENTALE DU GOLFE	100	100			FC	Rue du Gaou - 83310 COGOLIN
SAS CLINIQUE ALMA SANTE	100	100			FC	165 rue François Laur - 42210 MONTROND LES BAINS
SAS CLINIQUE DU CHATEAU DE MORNAY	100	100			FC	Château de Mornay - 17330 SAINT PIERRE DE L'ISLE
SAS CLINIQUE SAINTE COLOMBE	100	100			FC	10, rue de l'Abbaye - 89100 SAINT DENIS LES SENS
SARL CLINIQUE LA CONDAMINE	100	100			FC	Domaine de la Condamine - 07330 THUEYTS
SARL CLINIQUE DE SANTE MENTALE VILLA BLEUE	100	100			FC	Route de Champagnières - 16200 JARNAC
SARL CLINIQUE MAISON BLANCHE	100	100			FC	Route de Champagnières - 16200 JARNAC
SAS CLINIQUE MONTJOY	100	100			FC	52 route de Grenoble - 05100 BRIANCON
SAS CLINIQUE DE SANTE MENTALE DE PIETAT	100	100			FC	Hameau de Piétat - 65690 BARBAZAN DEBAT
SAS CLINIQUE DE SANTE MENTALE SAINT MAURICE	100	100			FC	49 route de Limoges 87340 LA JONCHERE SAINT MAURICE
SAS CLINIQUE LA PALOUMERE	100	100			FC	Cap du Bosc - 47160 CAUBEYRES
SAS CLINIQUE LA VARENNE	100	100			FC	Le Bourg - 71480 VARENNE SAINT SAUVEUR
SAS CLINIQUE LA ROSERAIE	100	100			FC	Rue des Lombards - 71870 HURIGNY
SARL CLINIQUE LE CLOS DE BEAUREGARD	100	100			FC	Beauregard Chadrac - 43000 CHADRAC
SAS CLINIQUE DU CHAMBON	100	100			FC	Chemin des Airelles - 43400 LE CHAMBON SUR LIGNON
SAS CLINIQUE LES BRUYERES	100	100			FC	Château de Letrette - 69620 LETRA
SAS LES JARDINS D'HESTIA	99.92	99.92			FC	Chemin des Pierres Blanches, Lieudit Le Crest - 69290 GREZIEU LA VARENNE
SARL GMR	100	100			FC	3 rue Xavier Darasse - 31000 TOULOUSE
SAS AUBERGERIE DE QUINCY	91.78	91.78			FC	18 rue de Boussy - 91480 QUINCY SOUS SENART
SAS AUBERGERIE DU 3E AGE	91.78	91.78			FC	95 avenue des près Martin - 77340 PONTAULT COMBAULT
SARL RESIDENCE DES PINS	100	100			FC	35 rue Emile Eudes - 11100 NARBONNE
SAS GASTON DE FOIX	100	100			FC	Faubourg du Cardinal d'Este - 09270 MAZERES
SNC TOPAZE	100	100			FC	32 rue Guersant - 75017 PARIS
SARL RESIDENCE DE CHAINTREAUVILLE	96	96			FC	1 bis rue de Chaintreauville - 77140 SAINT PIERRE LES NEMOURS
SAS DLS GESTION	96.67	96.67			FC	Rue Alphonse Daudet - Lieudit Les Marais - 13310 SAINT MARTIN DE CRAU
SARL LA FONTAINE BAZEILLE	100	100			FC	Lieudit Baronnes Nord - 47200 SAINTE BAZEILLE
SAS RESIDENCE LES SANSONNETS	100	100			FC	4 rue de l'Hôtel Dieu 95750 CHARS
SAS LES TERRASSES DU XXEME	100	100			FC	5 rue de l'Indre - 75020 PARIS
SAS RESIDENCE LES MATHURINS	100	100			FC	2 rue des Mathurins - 92220 BAGNEUX
SAS LE VAL D'ESSONNE	100	100			FC	1 allée du Val d'Essonne - 78310 MAUREPAS
SARL MAISON DE RETRAITE LES GARDIOLES	100	100			FC	Rue de Devois - 34980 SAINT GELY DU FESC
SARL LA PAQUERIE	100	100			FC	17 impasse des Aurengues - 13013 MARSEILLE

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



Company name	31/12/2014		31/12/2013		Method	Registered office
	% control	% interest	% control	% interest		
SARL LA COLOMBE	100	100			FC	18 rue des Fauvettes - 34770 GIGEAN
SARL LES TAMARIS	100	100			FC	32 boulevard Général de Gaulle - 34410 SERIGNAN
SARL RESID'GEST	100	100			FC	5 rue Georges Bataille - 34410 SERIGNAN
SARL RA DE LAXOU	100	100			FC	1 allée de la Saulx - 54520 LAXOU
SARL RA DES SABLES	100	100			FC	Rue du Chenal - 85100 LES SABLES D'OLONNES
SARL RA DE LYON GERLAND	100	100			FC	6 rue Ravier - 69007 LYON
SARL RA DU MANS	100	100			FC	1/3 rue Chanzy - 72000 LE MANS
SARL LE MOLE D'ANGOULINS	100	100			FC	15 bis route de la Douane - 17690 ANGOULINS SUR MER
SAS RA DE NEUVILLE ST REMY	100	100			FC	Rue du Comte d'Artois - 59554 NEUVILLE ST REMY
SARL MAISON DE RETRAITE SOULAINES	100	100			FC	2 rue de la Verrière - 10200 SOULAINES DHUYS
SAS DOMAINE DES TROIS CHEMINS	100	100			FC	2 rue de la Gruche - 86120 LES TROIS MOUTIERS
SAS LE MONT SOLEIL	100	100			FC	Chemin de la Barque - 05190 ESPINASSES
SARL RESIDENCE BELLEVUE	100	100			FC	Rue Bellevue - 47120 DURAS
SARL RESIDENCE AGAPANTHE	100	100			FC	1 rue Georges Bizet - 86000 POITIERS
SARL RESIDENCE LA GRANDE PRAIRIE	100	100			FC	2 rue de la Croix Blanche, ZI de la Croix Blanche - 60290 MONCHY SAINT ELOI
SARL RESIDENCE PIN BALMA	100	100			FC	260 route de Toulouse - 31130 PIN BALMA
SARL LE HAMEAU DE PRAYSSAS	100	100			FC	Lieu-dit la Bichette - 47360 PRAYSSAS
SAS LE HAMEAU DE LA SOURCE	100	100			FC	33 rue Claudius Thirard - 69190 SAINT FONS
SAS RESIDENCE CLAUDE DEBUSSY	100	100			FC	44b avenue Claude Debussy - 13470 CARNOUX EN PROVENCE
SARL LES OLIVIERS	100	100			FC	148 avenue Michel Jourdan - 06150 CANNES LA BOCCA
SAS MAISON DE RETRAITE LE CHALET	100	100			FC	7 route de l'Aurignolle - 33830 BELIN BELIET
SARL LA CAMPAGNARDE	100	100			FC	Maison de retraite "Les Tilleuls" - 80930 ERCHEU
SARL DU CHÂTEAU	100	100			FC	Les Landes - 45240 LA FERTE SAINT AUBIN
SARL BUEIL	100	100			FC	67 grande rue - 27730 BUEIL
SAS RESIDENCE DE L'ABBAYE	100	100			FC	82 rue de l'Abbaye - 59730 SOLESMES
SAS LA VALLEE BLEUE	100	100			FC	Avenue de la République - 18200 SAINT AMAND MONTROND
SAS LES CIGALES	100	100			FC	Chemin des Barelles - 83500 LA SEYNE SUR MER
SAS LES TOURELLES	100	100			FC	Rue de la ferte Alais dit la Brenée - 91720 MAISSE
SAS LA DETENTE	100	100			FC	5-7 rue du Limonet - 77400 DAMPMART
SAS SAINT FRANCOIS DU LAS	100	100			FC	Rue David, Quartier Valbertrand - 83200 TOULON
SARL MAISON DE RETRAITE LES ALYSSES	100	100			FC	124 rue de la 4e Division d'Infanterie Coloniale - 60130 LIEUVILLERS
SAS LA VILLA DU CHÊNE D'OR	100	100			FC	Bois Gast, rue du Général de Gaulle - 53960 BONCHAMP LES LAVAL
SAS LA VILLA DU PARC	100	100			FC	Lieudit Le Bourg - 69700 ECHALAS

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



Company name	31/12/2014		31/12/2013		Method	Registered office
	% control	% interest	% control	% interest		
SARL LE DOMAINE DE COLLONGUES	100	100			FC	Domaine des Collongues - 13100 SAINT MARC JAUMEGARDE
SAS LE CLOS VERMEIL	100	100			FC	Route d'Aspremont - 06690 TOURRETTE LEVENS
SAS RELAIS TENDRESSE SAINTE MARGUERITE	100	100			FC	Chemin de la Cartonnerie - 88100 SAINT MARGUERITE
SARL MEDI-SAISONS	100	100			FC	66 route de la Treille, Camoins les Bains - 13011 MARSEILLE
SAS L'AMARYLLIS	100	100			FC	700 chemin de Lançon, Résidence du Gourd - 83110 SANARY SUR MER
SAS STELLA MARIS	100	100			FC	Avenue du Stade - 83110 SANARY SUR MER
SARL PUMA	100	100			FC	Chemin de Mouriès, Le Busc - Les Roches Blanches - 83140 SIX FOURS LES
DOYENNE DE LANGON	100	0			FC	91 cours Maréchal De l'attre de Tassigny - 33210 LANGON
LE PLATANE DU GRAND PARC	100	0			FC	17 rue des Généraux Duchés - 33300 BORDEAUX
SAS LA LOUISIANE	100	100			FC	33 rue Eugénie - 83400 HYERES
SAS LES PALMIERS	100	100			FC	Quartier Bourgogne - Ceyreste - 13600 LA CIOTAT
SARL LUBERON SANTE	100	100			FC	Route de Lacoste - 84560 MENERBES
SARL INVAMURS	100	100			FC	32 rue Guersant - 75017 PARIS
SARL INSTITUT DES BONNES PRATIQUES	100	100			FC	11/13 rue Charles Gille -37000 TOURS
SAS SOCEFI	100	100			FC	32 rue Guersant - 75017 PARIS
SAS JPC CONSULTANT	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SAS FINANCIERE DE LETRETTE	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SAS GROUPE PASTHIER	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SARL PASTHIER PROMOTION	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SARL LA PINEDE 2	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI CHAMBERY JORCIN	100	100			FC	32 rue Guersant - 75017 PARIS
SCI BRUAY SUR ESCAUT	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI SAINT GEORGES DE DIDONNE	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI DE LAXOU MAXEVILLE	51	51			FC	Allée de la Saulx - 54250 LAXOU
SCI DES SABLES	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI DE LYON-GERLAND	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI SAINT-MALO	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI DU MANS	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI D'ARS EN RE	100	100			FC	21 Bis avenue d'Antioche - 17590 ARS EN RE
SCI PIERRE DEBOURNOU	99.8	99.8			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI DE LA RUE BICHAT	100	100			FC	Rue Bichat - 51000 CHALONS EN CHAMPAGNE
SCI CENTRE DE CONVALESCENCE DE NEUVILLE	100	100			FC	150 Place des Chamoinesses - 01400 NEUVILLE LES DAMES
SCI CENTRE MEDICAL LES ALPILLES	100	100			FC	32 rue Guersant - 75017 PARIS

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



Company name	31/12/2014		31/12/2013		Method	Registered office
	% control	% interest	% control	% interest		
SCI VALMAS	100	100			FC	Rue Montaigne - 42210 MONTROND LES BAINS
SCI ALMA SANTE	100	100			FC	165 rue François Laur - 42210 MONTROND LES BAINS
SCI SAINT MAURICE	100	100			FC	Route de Gueret - 87340 LA JONCHERE SAINT MAURICE
SCI LA PALOUMERE	100	100			FC	Cap du Bosc - 47160 CAUBEYRES
SCI LA VARENNE	100	100			FC	Le Bourg - 71480 VARENNES SAINT SAUVEUR
SCI LA ROSERAIE	100	100			FC	Rue des Lombards - 71870 HURIGNY
SOCIETE CIVILE IMMOBILIERE DE MONTVERT	100	100			FC	46, route du Moutou - 31180 CASTELMAUROU
SCCV BAZEILLE DEVELOPPEMENT	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI SUO TEMPORE	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI LES TROIS CHEMINS	100	100			FC	2 rue de la Gruche - 86120 LES TROIS MOUTIERS
SARL DU PRE DE LA GANNE	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SCI SYR IMMOBILIER	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SARL LE BOIS DU CHEVREUIL	100	100			FC	33830 BELIN BELIET
SAS ALEXMAR	100	100			FC	Rue David, Quartier Valbertrand - 83200 TOULON
SNC IMMOBILIERE DE DINARD	100	100			FC	Le Rubis, 165 avenue Galilée, Parc de la Duranne III - 13857 AIX EN PROVENCE
SAS MS FRANCE	60	60			FC	Immeuble Ellipse - 41 avenue Gambetta, La Défense 5 - 92400
SAS HAD France	51.95	51.95			FC	25 rue Thiboumery - 75015 PARIS
PHÖNIX Seniorenzentren Beteiligungsgesellschaft mbH	100	100	100	100	FC	Reichskanzler-Müller-Straße 21
KORIAN DEUTSCHLAND	100	100	100	100	FC	Reichskanzler-Müller-Straße 21
KORIAN MANAGEMENT	100	100	100	100	FC	Reichskanzler-Müller-Straße 21
CURANUM AG	93.17	93.17	78.45	78.45	FC	Circus Krone-Straße 10
SEGESTA	100	100	100	100	FC	Viale Cassala 16 20143 Milano
AETAS S.P.A	100	100			FC	Viale Cassala 16 20143 Milano
Senior living Group	100	100			FC	Satenrozen 1a, 2550 Kontich



5.2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your general meeting of shareholders, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying consolidated financial statements of Korian - Medica;
- 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 2014 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 our opinion, we draw your attention to the matter set out in Note 1 to the consolidated financial statements entitled "Accounting principles", which describes the impacts of the first-time adoption of standard IFRS 11 "Joint Arrangements" as from 1 January 2014.

II - Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Your Group performs impairment tests on the value of tangible and intangible assets according to the methods described in Note 1.10 to the financial statements. We reviewed the methods of implementation of these impairment tests and verified that sufficient provisions have been recognized.
- Note 1.7 to the financial statements sets out the methods for the determination of the fair value of the authorizations to operate in France, Belgium and Italy. We ensured that these methods were applied correctly to the acquisitions for the year.
- Note 1.14 to the financial statements states that your Group uses derivative financial instruments to hedge against the interest rate risk. These financial instruments are accounted for at their fair value, which is determined using measurement techniques based on market parameters. We assessed the data and assumptions on which these estimates are based, reviewed the experts' calculations, and the documentation available on the derivative financial instruments designated as cash flow hedging instruments.
- Note 2, concerning the main changes to the consolidation scope that occurred in financial year 2014, notably describes the accounting treatment adopted for the first-time consolidation of Medica and its subsidiaries. We verified the appropriateness of the accounting treatment applied to this business combination, and assessed the data and assumptions underlying the value of the assets and liabilities adopted for initial consolidation.



These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group’s management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris La Défense, 21 April 2015

The Statutory Auditors

**ERNST & YOUNG ET
AUTRES**

(French original signed by)

SOPHIE DUVAL

MAZARS

(French original signed by)

MANUELA BAUDOIN REVERT



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6.1. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Separate financial statements

(Unless otherwise indicated, all amounts are expressed in thousands of euros).

Statement of financial position

ASSETS	31/12/2014	31/12/2013
Intangible assets	272,089	282,583
Tangible assets	2,038	3,181
Non-current financial assets	2,046,324	665,814
<i>Of which equity investments</i>	<i>1,882,545</i>	<i>661,465</i>
Total non-current assets	2,320,452	951,578
Progress payments and instalments to suppliers	68	51
Trade receivables	4,741	3,404
Other receivables	605,988	370,108
Cash	9,667	1,737
Marketable securities	95,805	22,725
Prepaid expenses	12,952	307
Total current assets	729,221	398,332
Debt issuance costs/Bond redemption premiums	13,251	653
Total assets	3,062,923	1,350,563

EQUALITY AND LIABILITIES	31/12/2014	31/12/2013
Share capital	395,188	174,198
Additional paid-in capital	916,933	293,419
Legal reserve	20,181	17,020
Retained earnings	19	22,765
Other reserves	128,516	128,516
Profit/(loss)	74,261	3,912
Regulated provisions	4,814	4,660
Net position	1,539,912	644,490
Provisions for risks and expenses	3,676	692
Loans and other borrowings (special terms and conditions)		17,491
Other bonds	540,186	106,466
Loans from credit institutions	712,818	362,883
Sundry loans and other financial liabilities	244,698	193,025
Trade payables	5,890	4,721
Tax and social security liabilities	14,323	13,566
Suppliers of non-current assets	980	6,542
Other liabilities	147	171
Total operating liabilities	1,519,041	687,374
Deferred income	295	516
Total equity and liabilities	3,062,923	1,350,563

Income statement

	31/12/2014	31/12/2013
Operating income		
Sales of goods		
Revenue	40,942	40,117
Capitalised production (Long-term inventory)	732	981
Operating subsidies	2	5
Reversals of provisions and invoiced expenses	15,042	2,602
Other income	99	98
Total	56,816	43,803
Operating expenses		
Purchases of goods for resale		
Other purchases and external costs	36,316	20,854
Income and other taxes	2,265	2,141
Wages	21,175	19,742
Social security charges	9,291	8,125
Additions		
- depreciation & amortisation of non-current assets	6,903	4,891
- on current assets		
- provisions for risks and expenses	516	666
Other charges	538	310
Total	77,006	56,728
Operating profit/(loss)	(20,190)	(12,925)
Financial income	144,925	42,949
Financial expense	57,888	32,526
Financial income	87,037	10,422
Recurring profit/(loss)	66,847	(2,503)
Non-recurring income	6,025	80,850
Non-recurring expenses	13,571	84,958
Non-recurring profit/(loss)	(7,546)	(4,508)
Income tax	(14,959)	(10,923)
Net accounting profit/(loss)	74,261	3,912

Notes to the individual financial statements for the year ended 31 December 2014

Significant accounting policies

The financial statements have been prepared in accordance with the Regulation of the Accounting Standards Authority no. 2014-03 from 5 June 2014 relating to the French General Accounting Plan, respecting the principle of conservatism and in accordance with the following assumptions:

- going concern;
- independence of financial periods;
- consistency of accounting methods used from one year to the next.

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 5 years. Purchased software is capitalised and amortised over a period of 3 years, while stand-alone applications (developed internally) are capitalised and amortised over a period of 5 years.

The loss resulting from Korian's merger with 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 accounting value of business goodwill with its value in use.

The accounting value of business goodwill and equity investments is compared with their value in use. The value in use is determined based on estimates prepared by Korian - Medica, which factor in the outlook of the subsidiary.

If an impairment loss is recognised, an impairment provision is recorded in order to bring the accounting value of business goodwill to its value in use.

- Tangible assets

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 5 years. If the accounting value is greater than the value in use, an impairment provision is recognised for the difference.

The value in use is determined based on estimates prepared by Korian - Medica, 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, Germany and Belgium 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 the Company and most French companies within the former scope of the Korian group. Other Group companies obtain financing from Korian - Medica through loans or current accounts.

- Currency risks

All financial flows are concentrated in the eurozone.

- Interest rate risk

The Company's borrowings are primarily variable-rate and hedged by derivative instruments.

- Bond issuance and borrowing costs

Bond issuance and borrowing costs are recorded under external costs and amortised over the bond's maturity.

Highlights of the year

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

On 18 March 2014, the Combined General Meetings of Korian and Medica approved the merger between Korian and Medica (*fusion-absorption de Medica par Korian*) on the basis of an exchange ratio of 10 Korian shares for 11 Medica shares.

On the basis of this exchange ratio, the Company carried out a capital increase for a nominal amount of €217,746,300 raising it from €174,198,065 to €391,944,365, by means of the creation of 43,549,260 new shares allocated to Medica shareholders, with a settlement date of 24 March 2014. On the same date, the Company and, thereby, the shares, were renamed Korian - Medica.

The total number of shares rose to 78,373,873.

- Korian - Medica capital increase

Following shareholder approval at the Combined General Meeting of 26 June 2014, the Company declared a total dividend of €0.60 per share with the option of the payment of €0.30 in shares based on a share price of €26.42. Thus, on 28 July 2014, the share capital of Korian - Medica was raised by a nominal amount of €3,243,250, by means of the issue of 648,650 shares.

Following this transaction, the share capital of Korian - Medica rose to €395,187,615, divided into 79,037,523 fully paid up shares, all of the same class, with a par value of €5 each.

- Syndicated loan

Following the Merger, the syndicated loans of Korian and of Medica were refinanced under a new syndicated loan, comprising 2 tranches maturing in 5 years:

- 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.
- Bonds

On 15 July 2014, the Company carried out a bond issue totalling €45,000 thousand and maturing on 15 January 2022.

A second bond issue was carried out on the German market on 9 December 2014, for a nominal amount of €358,500 thousand, one tranche (€12,000 thousand) of which will be released in April 2015. This bond is comprised of a number of tranches, maturing between April 2020 and December 2021.

- Financial instruments

In the first half of 2014, Korian - Medica restructured its interest rate hedging in order to cut its average cost of funding. As a result, €23,872 thousand was paid to unwind early a portion of its financial instruments. This sum was deferred over the remaining period to maturity of said financial instruments. Accordingly, a financial expense of €11,207 thousand was recognised in 2014, with the remainder, i.e. €12,665 thousand, being recognised in prepaid expenses.

- Acquisition

Korian - Medica acquired the outstanding 5.6% of the share capital and voting rights in the Italian company Segesta for €8.5 million.

- Liquidation

On 17 December 2014, the Le Brevent subsidiary was liquidated. This had a €3 thousand impact on profit (loss).

Main statement of financial position and income statement items

- Non-current assets, and depreciation and amortisation

Non-current assets	31/12/2013	Contribution	Acquisitions	Disposals	31/12/2014
Concessions, patents and similar rights	20,906	531	1,920		23,357
Intangible assets in progress	9,629		810	9,300	1,139
Business goodwill (technical merger losses)	264,286			697	263,589
General fittings	1,542		121		1,663
Transport equipment	-				
Office and IT equipment	8,680	6	434		9,120
Assets in progress	-	6		6	
Advances paid on non-current assets	-				
Equity investments and related loans and receivables	666,459	1,213,070	8,558	2,672	1,885,415
Other financial assets	4,349	127,714	51,705	19,989	163,779
Total	975,851	1,341,327	63,548	32,664	2,348,062

Depreciation	31/12/2013	Contribution	Additions	Reversals	31/12/2014
Concessions, patents and similar rights	11,859	385	3,752		15,996
General fittings	607		336		943
Transport equipment	-				
Office and IT equipment	6,434	6	1,362		7,802
Total	18,900	391	5,450	0	24,741

Provisions	31/12/2013	Contribution	Additions	Reversals	31/12/2014
On equity investments	4,993		1,268	3,391	2,870
On technical merger losses	379			379	0
On borrowings	-				
Total	5,372	0	1,268	3,770	2,870

Depreciation and amortisation 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.

"Other non-current assets in progress" correspond to capitalised production and service provider costs for the development and roll-out of internal software packages (€1,139 thousand).

- Equity investments

Korian - Medica is the Group parent company. 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
AETAS	1,000,000	1,000,000	100.00%	68,282,007	68,282,007	1,000,000	3,533,569	18,775,363	0	35,765,612
ALSACE SANTE	500	500	100.00%	377,000	377,000	37,000	255,795	770,252	0	0
AUBIER DE CYBELE	6,332	6,332	100.00%	25,263,707	25,263,707	672,166	604,547	11,501,449	0	0
CENTRE DE READAPTATION FONCTIONNELLE DE CAEN	3,700	3,700	100.00%	1,237,000	1,237,000	37,000	146,195	197,898	0	156
CENTRE DE REEDUCATION FONCTIONNELLE DE SIOUVILLE	70	6,000	1.17%	538,180	515,952	96,000	983,816	4,763,817	5,833	0
CENTRE DE REPOS ET CONVALESCENCE L AQUITANIA	639	1,000	63.90%	765,490	765,490	40,000	73,318	263,929	0	0
CENTRE DE SOINS DE SUITE DE SARTROUVILLE	3,700	3,700	100.00%	37,000	37,000	37,000	960,026	1,969,151	380,000	0
CENTRE MEDICAL INFANTIL MONTPRIBAT	2,505	2,505	100.00%	5,640,614	5,640,614	38,188	276,787	24,521	0	1,340,365
CENTRE WILLIAM HARVEY	4,000	4,000	100.00%	3,048,980	3,048,980	308,000	957,312	5,801,181	425,000	0
CHÂTEAU DU MARIAU	300	300	100.00%	1,356,725	1,356,725	45,735	396,589	172,333	0	5,250
CLINIQUE CARDIOLOGIQUE DE GASVILLE	2,500	2,500	100.00%	4,079,378	4,079,378	37,500	254,401	(423,511)	0	22,361
CLINIQUE DE LIVRY SULLY	3,500	3,500	100.00%	3,685	3,685	140,000	787,777	3,284,465	330,000	0
CLINIQUE DE SACLAS	1,000	1,000	100.00%	2,016,779	2,016,779	701,000	966,475	5,500,540	540,000	0
CLINIQUE DE SOINS DE SUITE ET DE READAPTION GLETEINS	6,250	6,250	100.00%	4,817,375	4,817,375	100,000	147,268	278,207	300,000	92,526
CLINIQUE DU CANAL DE L'OURCQ	3,700	3,700	100.00%	37,000	37,000	37,000	(188,965)	(6,435,028)	0	9,595,556

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
FURTADO GESTION	2	10,420	0.0002%	248,200	0	N/A	N/A	N/A	0	0
GRAND'MAISON	2,500	2,500	100.00%	706,990	706,990	38,112	420,543	1,080,671	0	0
HAD YVELINES SUD	3,700	3,700	100.00%	37,000	37,000	37,000	687,214	861,052	700,000	0
HHT	2,520	2,520	100.00%	1,551,438	1,551,438	40,320	304,846	(1,634,826)	0	4,224,823
HOLDING AB	20,017	20,177	99.21%	3,967,395	3,967,395	403,540	125,549	5,309,082	496,035	0
KORIAN BRUNE	500	500	100.00%	1,522,641	1,522,641	38,500	1,100,713	5,975,247	0	0
KORIAN DEUTSCHLAND	1	1	100.00%	101,050,000	101,050,000	50,000	(764,547)	100,302,139	0	17,445,936
KORIAN FLORIAN CARNOT	8,500	8,500	100.00%	1,447,554	1,447,554	136,000	696,866	3,764,493	0	0
KORIAN IMMOBILIER	200	200	100.00%	3,203	3,203	3,049	(1,343,557)	770,252	0	25,572,395
KORIAN JARDIN de L'ANDELLE	500	500	100.00%	2,434,204	2,434,204	37,000	23,347	191,023	0	0
KORIAN JARDINS DE L'ATLANTIQUE	1,000	1,000	100.00%	8,834,928	8,834,928	528,000	617,891	4,580,685	0	0
KORIAN LA GUYONNE	999	1,000	99.90%	1,871,235	1,871,235	40,000	573,563	1,643,047	0	0
KORIAN LA MAGDELEINE	382	382	100.00%	38,200	38,200	38,200	321,155	505,127	450,000	0
KORIAN LA ROSERAIE	504	504	100.00%	1,746,420	1,746,420	40,320	265,067	729,629	0	0
KORIAN LE CLOS MYRAMIS	249	500	49.80%	862,447	862,447	7,622	(20,743)	200,644	149,400	583,200
KORIAN LES ARCADES	504	504	100.00%	2,326,040	2,326,040	40,320	690,750	3,807,771	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 LES LILAS	504	504	100.00%	2,036,555	2,036,555	40,320	750,131	4,021,520	0	0
KORIAN MANAGEMENT	100	100	100.00%	50,000	50,000	50,000	(36,932)	(49,394)	0	0
KORIAN NYMPHÉAS BLEUS	350	5,000	7.00%	183,975	183,975	165,500	243,348	957,193	0	0
KORIAN PARTENAIRE	500	500	100.00%	5,000	5,000	5,000	(7,851)	(35,957)	0	28,353
KORIAN SANTE	4,000	4,000	100.00%	8,000,920	8,000,920	60,980	(1,166,713)	(4,511,448)	0	34,163,126
KORIAN VILLA EVORA	504	504	100.00%	1,890,266	1,890,266	40,320	327,020	1,165,252	0	0
KORIAN VILLA JANIN	100	100	100.00%	855,892	855,892	7,500	24,512	(190,188)	0	320,833
KORIAN VILLA ORTIS	5,000	5,000	100.00%	1,710,000	1,710,000	76,225	429,621	988,878	0	0
LA BASTIDE DE LA TOURNE	2,498	2,500	99.92%	5,013,014	5,013,014	38,112	513,412	2,182,032	0	0
LA MOULINIÈRE	100	100	100.00%	1,996,919	417,575	76,225	41,823	341,350	0	0
LA NORMANDIE	2,500	2,500	100.00%	584,388	584,388	38,112	344,923	(264,489)	0	294,599
LA PETITE MADELEINE	2,500	2,500	100.00%	2,588,097	2,588,097	40,000	(52,833)	(355,120)	0	1,954,934
LA PINEDE	250	250	100.00%	38,115	38,115	38,250	436,041	685,960	0	26,204
LE CLOS CLEMENT 77 - RESIDENCE DU BOIS CLEMENT	2,500	2,500	100.00%	304,898	304,898	38,112	314,362	1,197,944	0	0
LE MONT BLANC	30	60,000	0.05%	1,906	1,906	960,000	-297,160	-8,012,283	0	8,826,082
LE NORD COTENTIN	15,000	15,000	100.00%	10,637,761	10,637,761	915,000	691,109	791,333	210,000	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
LE RAYON D'OR	2,500	2,500	100.00%	620,000	620,000	38,076	293,319	943,779	0	0
L'ERMITAGE	1,000	1,000	100.00%	1,143,368	1,143,368	38,112	168,098	352,144	0	0
LES AMARANTES	4,000	4,000	100.00%	3,804,490	3,804,490	446,291	509,626	574,446	500,000	0
LES ISSAMBRES	63,282	63,282	100.00%	2,495,000	2,495,000	964,728	469,600	1,784,860	0	0
LES LIERRES GESTION	40,000	40,000	100.00%	5,114,002	5,114,002	448,000	330,666	(7,502)	0	668,575
LES LUBERONS	589	1,000	58.90%	1,962,821	1,962,821	76,225	227,939	403,747	176,700	1,065,577
LES OLIVIERS	1,000	1,000	100.00%	4,608,437	4,608,437	304,898	514,205	4,163,258	300,000	0
LES TROIS TOURS	1,606	5,606	28.65%	2,058,062	2,058,062	85,463	1,015,879	5,100,562	71,625	0
L'IMPERIAL	23,055	47,080	48.97%	2,948,889	2,948,889	47,080	(1,380,592)	(1,571,375)	0	2,562,889
MEDICA FRANCE	3,353,685	3,353,685	100.00%	1,005,896,274	1,005,896,274	50,976,012	22,238,828	149,188,587	100,000,000	193,572,020
MEDI'DEP FONCIER	500	500	100.00%	7,500	7,500	7,500	1,394,425	2,014,877	1,700,000	0
MEDOTELS	73,763	73,763	100.00%	149,254,402	149,254,402	1,124,886	31,978,413	144,982,164	15,000,000	72,382,458
NEWCO BEZONS	6,966	6,966	100.00%	213,582	213,582	111,456	536,993	1,969,149	225,000	0
PHONIX	5	5	100.00%	136,354,144	136,354,144	5,000,000	(1,262,696)	42,760,607	0	612
PRIVATEL	23,400	23,400	100.00%	7,419,922	7,419,922	356,731	(357,694)	(740,882)	0	16,254,383
RESIDENCE DU CANAL	2,500	2,500	100.00%	5,596,000	5,596,000	38,200	312,740	1,198,192	0	316,008
RESIDENCE MAGENTA	500	500	100.00%	1,524,490	1,524,490	40,000	1,031,910	5,753,815	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	362,384	(636,009)	0	0
SCI LE TEILLEUL	1,650,000	2,750,000	60.00%	1,650,000	1,650,000	2,750,000	(20,837)	1,008	0	2,102,588
SCI PERREUX	0	0	22.00%	60,980	60,980	N/A	N/A	N/A	0	0
SEGESTA	2,618,412	2,618,412	100.00%	117,229,354	117,229,364	2,618,412	(5,149,918)	10,716,465	0	117,247,537
SHT (Sté Hospitalière de Touraine)	1,306	3,899	33.50%	2,737,664	2,737,664	58,485	767,372	1,930,525	60,480	0
SLG	4,737	4,738	99.98%	138,942,728	138,942,728	25,595,679	8,543,969	16,957,820	0	63,448,090
SOGESCO - STE DE GESTION ET CONSEILS	3,020	3,020	100.00%	9,415,884	9,415,884	298,980	256,678	628,179	150,000	1,850,066
STE CLINIQUE DE SOINS DE SUITE DE NOISY LE SEC	2,500	2,500	100.00%	38,112	38,112	38,112	632,302	1,799,427	250,000	0
STE D'EXPLOITATION DE LA CLINIQUE DU PERREUX	2,500	2,500	100.00%	38,127	38,127	38,112	1,013,942	3,323,258	475,000	0
STE GERONTOLOGIQUE DU CENTRE OUEST - SGCO	129	2,500	5.16%	27,128	27,128	38,112	573,983	798,494	30,720	0
STE NOUVELLE DE LA CLINIQUE DU MESNIL	382	382	100.00%	38,200	38,200	38,200	319,509	861,440	100,000	414,383

- Receivables maturity schedule

Statement of receivables	Total	Due in less than one year	Due in more than one year
Loans and receivables related to equity investments	162,608	17,250	144,858
Other financial assets	545	387	158
Other accounts receivable	4,741	4,741	-
Personnel and related accounts	76	76	-
Social security and other welfare organisations	76	76	-
Government and local authorities			
- Income tax	32,274	32,274	-
- Value-added tax	655	655	-
- Other	100	100	-
Group and associates	570,429	570,429	-
Debtors	3,695	1,731	1,964
Prepaid expenses	12,952	4,986	7,966
Total	788,151	633,205	154,946

- Marketable securities

Available cash on hand or at bank was stated at nominal value.

Korian - Medica holds marketable securities and term deposits (excluding treasury shares) valued according to the FIFO method, in the amount of €95,111 thousand.

Korian - Medica owns treasury shares valued using the weighted average price method and changes are explained as follows.

In €	Number	Amount
Balance at 31 Dec. 2013	32,052	742,814
2014 Purchases	1,452,652	38,807,756
2014 Sales	1,460,948	40,857,004
<i>2014 Net gain/(loss) on disposal</i>		<i>2,000,414</i>
Balance at 31 Dec. 2014	23,756	693,980

- Prepaid expenses

Prepaid expenses break down as follows.

Expenses	2014	2013
Maintenance	189	177
Swap cash payments and interest expense on instruments	12,665	
Equipment rental expenses	13	15
Commissions	-	22
Travel expenses	18	22
Advertising	4	18
Documentation	17	13
Fees	37	-
Contributions	7	-
Other	2	40
Total	12,952	307

- Deferred income

Prepaid expenses break down as follows.

Income	2014	2013
Royalties	295	393
Work and project management	-	123
Total	295	516

- Accrued income and expenses

Type of item	Income	Expenses
Accrued interest on loans		1,886
Accrued interest on bonds		3,686
Accrued interest on swaps		827
Suppliers, invoices not yet received		1,381
Group suppliers, invoices not yet received		23
Trade receivables, non-Group, invoices yet to be drawn up	2,365	
Trade receivables, Group, invoices yet to be drawn up	395	
Social security liabilities		6,427
Social security contributions on social security liabilities	68	1,871
Accrued income/expenses - State	100	1,288
Accrued interest on current accounts	12,682	5,249
Accrued bank interest		29
Total	15,610	22,667

- Changes in shareholders' equity

Statement of changes in equity

Changes in shareholders' equity	In € thousands
At start of year	644,490
Capital increase	220,990
Additional paid-in capital	623,515
Legal reserve	3,160
Retained earnings	(22,747)
2013 Dividends paid	(3,912)
2014 Profit/(loss)	74,261
Regulated provisions	155
At year-end	1,539,912

Regulated provisions relate to amortisation for tax purposes applied to share buyback costs. In 2014, they gave rise to a non-recurring expense of €155 thousand.

In 2014, there was a capital repayment of €0.30 per share. In addition, with respect to the payment of the dividend of €0.30 per share, shareholders were able to choose between receiving the payment in cash or in new Company shares, at an issue price of €26.42 per share. On 28 July 2014, the share capital of Korian - Medica was raised by a nominal amount of €3,243,250, by means of the issue of 648,650 shares.

Following this transaction, the share capital of Korian - Medica rose to €395,187,615, divided into 79,037,523 fully paid up shares, all of the same class, with a par value of €5 each.

Breakdown of Korian's shareholding structure at 31 December 2014

Shareholders	Number of shares	% of share capital	% of voting rights
Predica	19,007,813	24.05%	24.05%
Groupe Covéa	9,505,065	12.03%	12.03%
Groupe Malakoff Médéric	5,089,185	6.44%	6.44%
Groupe Batipart	4,544,903	5.75%	5.75%
ACM Vie	3,972,498	5.03%	5.03%
Free float	36,918,059	46.71%	46.71%
Total	79,037,523	100.00%	100.00%

- Provisions for risks and expenses

The provisions for risks and expenses and their changes break down as follows.

In € thousands	31/12/2013	Contribution	Additions	Reversals	31/12/2014	
				Used	Not used	
Provisions for risks and expenses						
Other contingency provisions		6,531	500	4,121		2,910
Provisions for wage-related claims and disputes	692	900	519	1,345		766
Provision for losses						0
Provision for restructuring expenses						0
Provision for taxes						0
Total	692	7,431	1,019	5,466	0	3,676

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

	2014	2013
Bank overdrafts	25	275
Total	25	275

Bank loans		
- Due within one year	9,481	9,011
- Due in more than one year	701,396	353,498
Accrued interest	1,916	99
Total bank loans	712,793	362,608

Total bank debt	712,818	362,883
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Korian - Medica's gross borrowings broke down as follows on 31 December 2014:

- loans from credit institutions of €650 million corresponding to the €800 million refinancing tranche following the €150 million repayment in December. At 31 December 2014, the Group thus had €300 million available on the revolving credit facility;
- medium-term borrowings in the amount of €60.9 million;
- accrued interest totalling €1.9 million.

- Liabilities maturity schedule

Statement of liabilities	Total	Due within one year	Due in 1 to 5 years	Due in more than five years
Other bonds	540,186	3,686	145,000	391,500
Loans and other borrowings due within one year	11,421	11,421		
Loans and other borrowings due in more than one year	701,396		701,396	
Sundry loans and other financial liabilities	884	827		57
Trade payables	5,890	5,890		
Personnel and related accounts	6,437	6,437		
Social security contributions, other social contributions	3,602	2,552	1,050	
State: income tax				
State: VAT	2,995	2,995		
State: other taxes	1,288	1,288		
Suppliers of non-current assets	980	980		
Group and associates	243,814	243,814		
Other liabilities	147	147		
Deferred income	295	295		
Total	1,519,335	280,278	847,446	391,557

- 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	163,169	
Gross equity investments	1,885,106	309
Overdrawn current account	570,426	
Credit balance current account	243,814	
Financial expense	5,339	
Financial income	138,930	52

- Revenue

Revenue is generated exclusively in France and breaks down as follows.

	2014	2013
Royalties from long-term care nursing home	19,009	18,674
Royalties from post-acute and psychiatric care facilities	5,077	5,641
Project management assistance services to subsidiaries	0	3,630
Accounting services	144	144
Reinvoiced employee expenses	2,514	1,299
Other reinvoiced items	3,352	209
Reinvoiced expenses	156	722
Service agreements	10,147	9,501
Reinvoiced property rental expenses	543	297
Total	40,942	40,117

- Transferred operating expenses

This totalled €14,597 thousand.

It includes:

- reimbursement of training costs (€140 thousand);
- reimbursement of sick pay and benefits in kind (€352 thousand);
- the cost of arranging the bond issue and syndicated loan (€14,105 thousand).

- Operating expenses

The most significant items under purchases and external expenses are as follows.

Nature of expense	2014	2013
Purchases to reinvoice	174	768
Subcontracting	834	665
Rental expense	2,240	2,195
Equipment rental expenses	1,016	908
Maintenance	1,249	1,084
Temporary employee expenses	1,294	448
Administrative fees	7,630	7,159
Travel expenses	1,576	1,573
Telecommunications	920	911
Banking services	15,582	2,154
Recruitment costs	378	64
Other charges	3,423	2,925
Total	36,316	20,854

Taxes

This item breaks down as follows.

Nature of expense	2014	2013
Taxes and duties on compensation	1,397	1,258
Corporate value-added tax/Corporate real estate contribution	389	403
Real estate tax	136	127
Non-recoverable VAT	153	115
Vehicle tax	58	55
Organic	87	82
Other taxes	45	101
Total	2,265	2,141

Wages and social security contributions

This item breaks down as follows.

Nature of expense	2014	2013
Wages and salaries	21,175	19,742
Social security charges	9,291	8,125
Total	30,466	27,866

- Financial income and expense

This item breaks down as follows.

Type of item	2014		2013	
	Income	Expenses	Income	Expenses
Financial income from investments (dividends)	123,078	-	29,965	-
Interest on current accounts	12,682	5,339	10,231	4,974
Interest on borrowings	-	23,512	-	13,400
Cost of financial instruments	-	27,266	-	13,955
Revenue from loans	3,222	-	136	-
Provisions	3,596	1,365	1,962	113
Other	2,347	406	655	84
Total	144,925	57,888	42,949	32,526

- Non-recurring income and expenses

This item breaks down as follows.

Nature of expense	Income	Expenses
Securities earn-out payments		259
Accelerated depreciation & amortization		383
Impairment provision	379	
Provision for restoration		500
Losses on shares		697
Tax depreciation		155
Dissolution of subsidiaries	322	2,672
Merger costs of company taken over	4,703	4,489
Development costs		2,923
Supplier indemnities		367
Sundry non-recurring income	621	
Sundry non-recurring expenses		1,126
Total	6,025	13,571

- Off-balance sheet commitments

Joint and several guarantees for rental payments

Since the Group's creation, the leases entered into by Korian - Medica's subsidiaries with institutional lessors have been secured by a surety or a rental guarantee by Korian - Medica.

Moreover, under the finance lease transactions carried out since December 2009, Korian - Medica has stood surety for the lease commitments of its subsidiaries.

Disputes

To the knowledge of the Company and its legal advisors, there are no disputes not covered by provisions and liable to have a material impact on the business, results or financial position of the Company.

French individual training entitlements (Droit individuel à la formation - DIF)/Professional training account (CPF)

The DIF was introduced by the Act of 4 May 2004. At 31 December 2014, DIF entitlement totalled 23,163.75 hours of training.

Since 1 January 2015, the DIF has been replaced by the CPF. DIF hours outstanding on 31 December 2014 must be used prior to 31 December 2020 on the same basis as for hours accumulated under the DIF.

Pension commitments

The current value of the Company's pension commitments to all of its employees was estimated based on the following assumptions:

- calculation method used: projected credit unit;
- female mortality table: TPGF05;
- male mortality table: TPGH05;
- discount rate: 1.30%;
- collective bargaining agreement: CCU (private healthcare);
- retirement age: 60 to 64 years;
- retirement conditions: retirement at the request of the employee.

Provisions had only been funded in the individual financial statements for €176 thousand of the termination benefits, which totalled €871 thousand at 31 December 2014.

Derivative financial instruments (at fair value)

The Company uses derivative financial instruments (swaps and caps) to hedge against the interest rate risk arising from its variable-rate financing policy.

The fair value of these instruments is as follows.

In € millions	Value at 31 December 2014	Nominal
SWAP	(21.6)	325
CAPS	(0.7)	470

Only swaps valued in connection with the Medica merger are recognised as liabilities, representing an after-tax value of -€2,233 thousand.

Asset and liability guarantees received

In accordance with the Group's practices over the past 5 years, the Group has liability guarantees on all of its acquisitions.

Asset and liability guarantees given

In the framework of disposals of non-Group companies, Korian - Medica 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, 34% SAS Aubier de Cybèle
Palatine	62% SAS Aubier de Cybèle, 100% des Lierres gestion
Bred	100% Sogesco

Repurchase commitments

Korian has made the following repurchase commitments:

- in the framework of equity investments in the Séniors Santé group subsidiaries, Korian - Medica 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

- Free shares plan

On 10 September 2014, the Board of Directors approved, under the authorisation of the General Meeting of 26 June 2014, the implementation of a free shares plan for certain members of General Management. This plan provides for the allocation of a maximum of 153,030 Company shares, subject to the achievement of performance conditions associated with the market price, EBITDA and revenue.

For French tax residents, the allocation of free shares will vest and the ownership of said shares be transferred to the beneficiaries on 31 March 2017, subject to continued employment. Moreover, the beneficiaries will not be permitted to transfer the shares received under the terms of this plan until 10 September 2018.

The free shares plan has an IFRS cost of €2,765 thousand (excluding social security charges) and will lead to a maximum dilution of 0.19%.

- Stock option plan

Under the authorisation granted by the General Meeting of 21 June 2007, the former Executive Board decided to grant stock options to Group employees and/or directors at a unit price of €30.39. The exercise period of these options expired on 28 August 2014.

Under the authorisation granted by the General Meeting of 17 June 2010, the former Executive Board decided to grant stock options to Group employees and/or directors at a unit price of €16.83. The exercise period of these options expires on 30 June 2015. To date, 2,000 options have been exercised.

The shares that might be subscribed under these plans are subject to a lock-up period of 2 years after the vesting period.

The measurement methods and parameters are identical to the free shares plan described above.

	2014	2013
	Options	Options
	Weighted average exercise price (euros)	Weighted average exercise price (euros)
Options remaining at 1 January	84,000	95,000
Options granted		
Options exercised	2,000	
Options cancelled and expired	77,000	11,000
Options remaining at 31 December	5,000	84,000
Options exercisable at 31 December	5,000	84,000
Share price at the exercise date of options	26.31	-
Share price at the grant date of options (granted during the year)	17.30	-

Fair value of options granted during the year	-
Impact on equity (in thousands of euros)	-

The fair value of options is calculated at the grant date using the Black-Scholes model. Subsequent changes in the fair value of the instrument are not taken into consideration.

The matching contribution policy, introduced in 2006 for employees who acquire Korian Actionnariat (a collective employee share ownership fund, or FCPE) units under the employee share ownership plan, continued in 2014.

- Fair value of options granted

Year ended 31 December	2014	2013
Expected dividend yield	1.00%	1.00%
Expected volatility of the share	24.00%	15.00%
Risk-free interest rate	-0.14%	4.00%
Estimated life of the option (years)	1	1

- Other information

Average workforce

The average workforce over the year was 298 employees. It breaks down as follows.

Type of employee	2014	2013
Managers	204	204
Other staff	94	101
Total	298	305

Compensation paid to the executive bodies

The compensation of the executive bodies for 2014 was as follows:

- 2014 fixed compensation: €975 thousand;
- Variable compensation: €294 thousand (2013 bonus paid in 2014);
- Company car allowance: €19 thousand.

Compensation paid to the management bodies

The compensation of the management bodies for 2014 was as follows:

- 2014 fixed compensation: €514 thousand.

The Board of Directors' internal regulations, adopted on 21 March 2012, define the allocation of attendance fees up to 18 March 2014 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.

The Board of Directors meeting held at the end of the 18 March 2014 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.

- 1/2 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.
- 3/10 of the aforementioned total amount of attendance fees are divided amongst Board members proportionally to the number of Board meetings they attend, with the Chairman and Vice-Chairman receiving double the fee.
- 1/5 of the total amount of attendance fees is awarded to the members of the various committees and distributed amongst them proportionally to the number of committee meetings they attend, with the Chairman of each committee receiving double the fee.

Attendance fees paid to members of the Board of Directors and other committees in respect of the 2014 financial year amounted to €251 thousand.

Furthermore, the members of the Board and of the committees 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 income 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 - Medica 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 - Medica will thus incur an income tax expense.

The consolidated group of which Korian - Medica is the parent comprised 128 companies in 2014 (including Korian - Medica).

If no tax consolidation agreement had applied, the Group's net income tax expense for 2014 would have been €19,175 thousand.

The application of the tax consolidation regime generated a tax benefit of €19,175 thousand, which was recorded at the parent company level.

The Group's current taxable income for the 2014 financial year was minus €12,729 thousand.

The Group recorded total research tax credits of €19,139 thousand for the 2014 financial year.

On top of this, the Group benefited from €513 thousand in tax credits on research, patronage and apprenticeship.

Analysis of tax expense

	Before tax	Tax	After tax
Recurring profit/(loss)	66,847	0	66,847
Non-recurring profit/(loss)	(7,546)	0	(7,546)
Impact of tax consolidation and tax credits		14,959	14,959
Accounting profit/(loss)	59,032	14,959	74,261

Increases and reductions in future tax liabilities

Increases

- Reallocation to the subsidiaries of their deficits €55,332,993
- **i.e. a future tax expense of €21,026,537**

Reductions

- Organic €86,639
- **i.e. a future tax benefit of €32,923**

- Events since the year-end

None.

6.2. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your general meetings of shareholders, we hereby report to you, for the year ended 31 December 2014, 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 financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- The note to the financial statements concerning the “Main methods used relative to participating interests and other long-term investment securities” sets out the accounting rules and methods for the measurement of investment securities.
- The note to the financial statements concerning the “Main methods used relative to intangible assets” sets out the accounting rules and methods for the measurement of goodwill.

We verified the appropriateness of these accounting methods and ensured that they were applied correctly.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with

the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, 21 April 2015

The Statutory Auditors

**ERNST & YOUNG ET
AUTRES**

(French original signed by)

SOPHIE DUVAL

MAZARS

(French original signed by)

MANUEL BAUDOIN REVERT

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 report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*) concerning the implementation, during the year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the General Meeting of Shareholders

- Agreements and commitments authorized during the year

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors.

- With Mr Christian Chautard, Director and Chairman of the Board of Directors

At its meeting on 3 February 2014, your Board of Directors authorized the award of exceptional compensation to Mr Christian Chautard, in the gross amount of €85k, for his involvement in the completion of the merger between Korian and Medica. This special compensation was paid following the approval of the merger.

At its meeting on 18 March 2014, your Board of Directors authorized the extension of Mr Christian Chautard's duties to include a strategic integration assignment, which involved the coordination of the integration and management of the consultant(s) of the Korian-Medica entities in France, Italy and Belgium with effect from 1 April 2014 until 31 March 2015. Gross compensation for this assistance amounts to €70k.

Mr Christian Chautard has been Chairman of your company since 25 March 2015.

- With Mr Jacques Baillet, Director and Chairman of the Board of Directors

On 26 November 2014, your Board of Directors authorized the payment to Mr Jacques Baillet of a non-compete indemnity for the gross amount of €525k. In return, Mr Baillet undertook not to hold any corporate office or perform any executive functions of any kind whatsoever and not to provide any advisory services for a period of three years as from the termination of his position as Chairman of the company, for any company or competitor of the company that specializes in medium-stay and long-stay facilities, including residential care homes for the elderly, retirement homes, post-operative and rehabilitation clinics and home services, in European territory.

This amount was paid to Mr Baillet by your company upon the effective termination of his duties as Chairman of the Board of Directors on 25 March 2015.

- **Agreements and commitments already approved by the General Meeting of Shareholders**

In accordance with Article R. 225-30 of the French Commercial Code (*Code de commerce*), we have been advised that the implementation of the following agreements and commitments which were approved by the General Meeting of Shareholders in prior years continued during the year.

- Agreement with Foncière des Murs

Commercial leases were granted by the companies of the Foncière des Murs group to certain subsidiaries of your company and rental guarantees were granted by your company to the companies of the Foncière des Murs group relating to the aforementioned leases, on 29 June 2007, having been authorized by the Supervisory Board on 21 June 2007. These transactions were partially renewed by an agreement on 22 December 2010, having been authorized by the Supervisory Board on 8 December 2010.

- Agreement with Predica and Batipart, shareholders with a stake of more than 10% in your company

At its meeting on 15 November 2013, your Board of Directors authorized the signing of a memorandum of understanding with Medica within the context of the proposed merger-acquisition of Medica by your company. This MOU sets out the main terms of the merger, including governance, and defines the basis for the negotiation of any final agreements, notably the merger agreement.

The MOU was entered into on 17 November 2013, and the merger became effective on 18 March 2014.

Since 21 July 2014, the Batipart group has not reached the 10% threshold of the capital and voting rights of Korian – Medica.

- Commitment towards Mr Yann Coléou, CEO

At its meeting on 21 March 2012, your Board of Directors authorized the award of an indemnity payable to Mr Yann Coléou, in his capacity as CEO of your company, in the event of his removal from office or the non-renewal of his term of office after a period of five years, decided by your company.

Theoretical amount of the indemnity

The indemnity is equal to twelve months' gross remuneration increased by 25% per year of service, not exceeding a total of twenty-four months' remuneration. This indemnity will be calculated on the basis of Mr Coléou's gross fixed and variable remuneration received during the twelve months preceding his departure.

Performance criteria

If Mr Coléou leaves the company more than twelve months after taking up office, the indemnity will only be paid if the following conditions are met:

- Accumulated EBITDA recorded over the twelve months prior to departure amounts to at least the annual EBITDA recorded as at 31 December of the year prior to the date of departure, with a minimum of €123.1m; fulfilment of this criterion alone will give entitlement to 70% of the indemnity;
 - The average occupancy rate for French establishments over the twelve months prior to departure amounts to a minimum of 95.6%; fulfilment of this criterion alone will give entitlement to 30% of the indemnity.
- Commitment towards Mr Christian Chautard, Director and Chairman of the Board of Directors since 25 March 2015

At its meeting on 27 March 2013, your Board of Directors authorized the payment of exceptional compensation to Mr Christian Chautard, in connection with an assignment to provide assistance in the integration of your company's business in Germany following the acquisition of the Curanum group. This compensation was set at an annual gross amount of €140k. It was decided that the company would pay Mr Chautard's moving costs and his expenses.

The amount paid by your company under this agreement was €140k in respect of FY 2014. This payment was made via Korian Management.

- Commitment towards Ms Christine Jeandel, Deputy CEO of Medica S.A. until 18 March 2014

At its meeting on 4 February 2014, the Board of Directors of Medica S.A. authorized the signing of an agreement to terminate Ms Christine Jeandel's employment contract. Following the termination of Ms Christine Jeandel's employment contract on 18 March 2014, your company paid a contractual termination indemnity amounting to €457k and waived the application of the non-compete clause in the employment contract.

Courbevoie and Paris-La-Défense, 21 April 2015

The Statutory Auditors

**ERNST & YOUNG ET
AUTRES**

(French original signed by)

SOPHIE DUVAL

MAZARS

(French original signed by)

MANUEL BAUDOIN REVERT



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7.1. 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 is described on pages 162 to 170 of its 2012 Registration Document, which may be viewed on the Korian website (www.korian.com) or the AMF's website (www.amf-france.org). The Company's Articles of Association include modifications approved by the Annual General Meeting of Shareholders of 26 June 2014 relating to the appointment of a director representing employees pursuant to the law of 14 June 2013 on securing employment.

7.1.1. Corporate purpose

Article 3 of the Articles of Association states that the corporate purpose of 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".*

7.1.2. Administrative and management bodies

Articles 11-13 of the Articles of Association contain clauses pertaining to the Board of Directors and General Management, as well as their compensation.

Pursuant to the law of 14 June 2013 on securing employment, the Annual General Meeting of Shareholders of 26 June 2014 decided to amend Article 11 of the Articles of Association by adding section 11.4 setting out the procedure for appointing directors representing employees on the Board of Directors.

- **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 physically present and specifying the names of the directors present, represented or deemed to be present (i.e. who took part in the meeting via videoconference or telecommunication).

The minutes are compiled and kept under the conditions set out by existing regulations. Copies and excerpts from the meeting minutes are legally certified when signed by the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Operating Officers or a duly authorised representative.

When the Company is being liquidated, these copies and excerpts are legally certified when signed by a single liquidator".

11.3 Powers of the Board of Directors

"In relation to its general powers, the Board of Directors determines the Company's business strategy and 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".

11.4 Directors representing employees

"The Board of Directors has, pursuant to Articles L. 225-27-1 et seq. of the French Commercial Code, decided to appoint one or more directors representing employees:

- when only 1 director is to be appointed, he or she is selected by the union that received the highest number of votes in the first round of the elections referred to in Articles L. 2122-1 and L. 2122-4 of the French Labour Code within the Company and its direct or indirect subsidiaries headquartered in France;*
- when 2 directors are to be appointed, they are selected by the 2 unions that received the highest number of votes in the first round of the elections referred to in Articles L. 2122-1 and L. 2122-4 of the French Labour Code within the Company and its direct or indirect subsidiaries headquartered in France.*

The term of office of the director(s) representing employees is three (3) years. At the end of their mandate, the renewal of the director(s) representing employees is subject to the continued application of the conditions laid down in Article L. 225-27-1 of the French Commercial Code.

Within six (6) months of an amendment to the Articles of Association, or at the end of the mandate of the director(s) representing employees, the relevant union(s) will be requested by letter delivered by hand against receipt or by registered letter with acknowledgement of receipt to nominate a director representing employees meeting the conditions required by law, and notably those laid down in the first paragraph of Article L. 225-28 and Article L. 225-30 of the French Commercial Code.

The union shall then provide the Chairman of the Board of Directors with the name and profession of the director representing employees by registered letter with acknowledgement of receipt within fifteen (15) days.

The term of office of directors appointed pursuant to Article L. 225-27-1 of the French Commercial Code shall expire at the end of the Annual Ordinary General Meeting of Shareholders called to approve the financial statements for the prior year, held during the year in which the term expires.

Termination of the employment contract terminates the mandate of directors appointed pursuant to Article L. 225-27-1 of the French Commercial Code.

Directors appointed pursuant to Article L. 225-27-1 of the French Commercial Code may be dismissed for misconduct in the performance of their mandate under the terms laid down in Article L. 225-32 of the French Commercial Code.

In the event of vacancy due to death, resignation, dismissal, termination of the employment contract or any other cause affecting a director representing employees appointed pursuant to this article, the vacancy shall be filled under the same conditions. The mandate of the director so appointed shall end at the end of the normal term of the mandate of the other directors appointed pursuant to Article L. 225-27-1 of the French Commercial Code."

- Article 12. General Management

12.1 Selection of procedures for exercising executive management

"The executive management of the Company is the responsibility of either the Chairman of the Board of Directors or another individual who may or may not be a director. This individual is appointed by the Board of Directors and bears the title of Chief Executive Officer.

The procedures for exercising the executive management of the Company are chosen by the Board of Directors at its meeting held to appoint the Chairman. This decision is made by a majority vote of the directors present, represented or deemed to be present. The shareholders and third parties are notified in accordance with regulatory requirements.

Where the executive management of the Company is ensured by the Chairman of the Board of Directors, the provisions of these bylaws relative to the Chief Executive Officer apply to him or her"

12.2 Appointment - Dismissal - Resignation of the Chief Executive Officer

"No person may hold the office of Chief Executive Officer - or remain in the position - if he or she has, through any form of criminal penalty, been banned from directing, managing or controlling a commercial or industrial undertaking or commercial company, in any capacity.

The Chief Executive Officer is appointed by the Board of Directors, which sets his or her compensation, term of office and, where applicable, the internal limitations on his or her powers other than those laid down by the present bylaws. The Chief Executive Officer must be no older than 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 Deputy Chief Executive Officers

"No person may hold the office of Chief Operating Officer - or remain in the position - if he or she has, through any form of criminal penalty, been banned from directing, managing or controlling a commercial or industrial undertaking or commercial company, in any capacity.

At the proposal of the Chief Executive Officer, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer and holding the title of Chief Operating Officer. They may not exceed five (5) in number.

Chief Operating Officers are appointed by the Board of Directors, who sets their compensation, terms of office and, where applicable, the internal limitations on their powers other than those already stipulated by the present bylaws. The term of office of a Chief Operating Officer may not, however, exceed that of the Chief Executive Officer. Chief Operating Officers may be re-elected.

Deputy Chief Executive Officers must be no older than sixty-five (65). Deputy Chief Executive Officers are deemed to have automatically resigned at the close of the first meeting of the Board of Directors following their 65th birthday.

In the absence or incapacity of the Chief Executive Officer, the Chief Operating Officer(s), unless decided otherwise by the Board of Directors, retain their duties and remits until the appointment of a new Chief Operating Officer.

Chief Operating Officers may, at the proposal of the Chief Executive Officer, be dismissed at any time by the Board of Directors. Should the dismissal be decided upon without sufficient grounds, it may give rise to damages and interest being paid.

Each Chief Operating Officer is vested, in relation to third parties, with the same powers as the Chief Executive Officer and is responsible for the general management of the Company and for representing it in relations with third parties.

The Company is bound even by actions of a Chief Operating Officer that do not fall within the corporate purpose, unless it proves that the third party was aware that the action exceeded the corporate purpose or could not have been unaware of it in view of the circumstances; disclosure of the bylaws is not in itself sufficient proof thereof.

Any limitations on the powers of the Chief Operating Officer are not binding on third parties".

- Article 13. Compensation paid to members of the Board of Directors and Executive Management

"The Ordinary General Meeting may allocate to directors, in compensation for their activity, an annual fixed sum that the meeting determines by way of attendance fees, without being bound by previous decisions. This sum is recognised in the accounts under operating expenses.

The Board of Directors freely distributes among its members the total amounts allocated to them in the form of attendance fees. It may also allocate a greater amount to members of the Board of Directors who serve on committees than that allocated to the other directors. The Board of Directors may also allocate exceptional compensation for specific tasks or mandates assigned to its members; this compensation, which is also recognised under operating expenses, is subject to the special procedure applying to regulated agreements.

The number of members of the Board of Directors bound to the Company by an employment contract may not exceed 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".

7.1.3. Rights attached to each share

Articles 7 and 9 of the Company's Articles of Association set out the rights attached to each share.

- Article 7. Shares

"Shares may be held in registered or bearer form at the discretion of the shareholder. Whether in registered or bearer form, shares shall be entered in an account under the conditions and in the manner prescribed by applicable legal and regulatory provisions.

*However, any shareholder, whether an individual or a legal entity, that owns, directly or via entities it controls within the meaning of Article L. 233-3 of the French Commercial Code, a percentage of the shares or voting rights of the Company at least equal to 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. Rights attached to shares⁷¹

"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".

7.1.4. Convening of and conditions for admission to annual and extraordinary shareholders' meetings

Article 15.1 of the Company's Articles of Association sets out the terms governing the convening of and conditions for admission to Annual and Extraordinary General Meetings of Shareholders.

"Ordinary General Meetings are called and held under the conditions provided for by law.

Meetings are held at the head office or any other location specified in the notice of meeting.

All shareholders are entitled to attend Ordinary General Meetings and to take part in deliberations, personally or by proxy under the applicable legal and regulatory conditions, upon simple proof, under the applicable legal and regulatory conditions, of identity and of the registration of shares in the name of the shareholder or that of an intermediary registered on its behalf.

Any shareholder may also, if the Board of Directors allows when convening an Ordinary General Meeting, take part in the meeting via videoconference and vote by any means of telecommunication or remote transmission, including the Internet, in accordance with the conditions provided for by the regulations applicable at the time such methods are used. This decision shall be indicated in the notice of meeting.

Shareholders may vote by post in accordance with applicable legal and regulatory provisions. Any shareholder may submit, in paper format or, upon the decision of the Board of Directors, by electronic means, proxy voting and postal vote forms before all Ordinary General Meetings. Shareholders who, within the required time limit, use the electronic voting form provided on the website set up by the organiser of the meeting are deemed equivalent to shareholders who are present or represented at the meeting. Shareholders may complete and sign the electronic voting form directly on the website, using any method approved by the Board of Directors and that complies with the conditions set out in the first sentence of the

⁷¹ French law No. 2014-384 of 29 March 2014 on reclaiming the real economy, known as the "Florange" law, establishes double voting rights in listed companies in the absence of a contradictory clause in the Articles of Association or a vote against at an Extraordinary General Meeting. These rights automatically apply to fully paid-up shares that have been registered in the name of the same shareholder for 2 years. Article 9 of the Company's Articles of Association, which lays down the principle of "one share, one share", will be ratified at the next Annual General Meeting, scheduled for 25 June 2015.

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".

7.1.5. Declarations made when thresholds are crossed

Article 8 of the Company's Articles of Association bears on threshold crossing disclosures.

"Shares may be freely traded and transferred.

Any individual or legal entity acting alone or in concert with others, who acquires or relinquishes, directly or indirectly, at least two-hundredths (0.5%) of the share capital or voting rights of the Company, or a multiple of this percentage, is required to notify the Company by registered letter with acknowledgement of receipt, addressed to the Company's head office, within four (4) days of each threshold being crossed, and to state the number of shares and voting rights held (alone, directly or indirectly, or in concert with others), together with (a) the number of shares held giving future access to share capital and the number of voting rights attached to them, (b) the shares and voting rights already issued that this person may acquire, pursuant to an agreement or a financial instrument and (c) all information set forth in Article L. 233-7 of the French Commercial Code. Investment fund management companies are required to provide this information for all shares in the Company held by the funds they manage.

If they are not regularly disclosed in accordance with the conditions set forth above, any shares in excess of the fraction that should have been disclosed are, within the conditions and limits laid down by law, deprived of voting rights in all shareholders' meetings for a period of two (2) years following the date on which proper disclosure is made.

This penalty will only be applied at the request of one or more shareholders holding at least two-hundredths (0.5%) of the Company's share capital or voting rights, such a request being included in the minutes of the Ordinary General Meeting".

7.2. ALLOCATION OF THE SHARE CAPITAL

At 31 December 2014, Korian - Medica's share capital was divided into 79,037,523 shares with a par value of €5 each.

Each share carries one vote at annual shareholders' meetings. No double voting rights exist. This principle is laid down in Article 9 of the Company's Articles of Association; it is subject to ratification by shareholders at the next Annual General Meeting, scheduled for 25 June 2015, in order to prevail over the provisions of the Florange law.

Change in the breakdown of the Company's share capital between 31 December 2012 and 31 December 2014 is shown in the table below.

Shareholders	31 December 2014			31 December 2013			31 December 2012		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Predica	19,007,813	24.05%	24.05%	11,059,441	31.74%	31.74%	10,651,094	31.29%	31.29%
Groupe Covéa	9,505,065	12.03%	12.03%	625,181	1.79%	1.79%	602,098	1.77%	1.77%
Groupe Malakoff Médéric	5,089,185	6.44%	6.44%	5,032,046	14.44%	14.44%	4,846,249	14.24%	14.24%
Groupe Batipart	4,544,903	5.75%	5.75%	8,447,223	24.25%	24.25%	8,317,548	24.43%	24.43%
ACM VIE	3,972,498	5.02%	5.02%	3,265,627	9.59%	9.59%	3,265,627	9.59%	9.59%
Groupe MACSF⁷²	-	-	-	3,320,806	9.76%	9.76%	3,320,806	9.76%	9.76%
Free float	36,918,059	46.71%	46.71%	3,089,289	8.87%	8.87%	3,037,405	8.92%	8.92%
Total	79,037,523⁷³	100%	100%	34,839,613	100%	100%	34,040,828	100%	100%

To the Company's knowledge, no other shareholder held more than 5% of the share capital or voting rights at 31 December 2014.

At the time of the Merger, the breakdown of the Company's share capital was significantly modified. The breakdown of Korian - Medica's share capital following the Merger is shown in section 8.2 of the 2013 Registration Document.

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 plans (*fonds commun de placement d'entreprise*, FCPE) held 129,593 Korian - Medica shares at 31 December 2014⁷⁴.

⁷² Following the Merger, MACSF held 4.2% of the share capital and voting rights. Since 6 June 2014, the MACSF group no longer holds any Korian - Medica shares.

⁷³ In accordance with the provisions of Article L. 225-178 (3) of the French Commercial Code (*Code de Commerce*), following the exercise of 2,000 share subscription options in 2014, the Board of Directors at its 25 March 2015 meeting recorded the €10,000 increase in the Company's share capital, by means of the issue of 2,000 new shares with a value of five (5) euros each, thereby increasing from €395,187,615 to €395,197,615.

⁷⁴ 92,560 shares are held by the Korian FCPE and 37,033 by the Medica France FCPE.

The following shareholders made threshold-crossing disclosures to the AMF in 2014.⁷⁵

Disclosures made by	Date of disclosure	Date of threshold crossing	Type	Number of shares/voting rights ⁽²⁾	Percentage of share capital and voting rights ⁽¹⁾⁽²⁾	AMF notice
ACM Vie ⁽³⁾	17/03/2014	11/03/2014	Increase	3,885,627	11.15%	214C0404
Groupe Covea	25/03/2014	18/03/2014	Increase	9,934,881	12.68%	214C0449
Groupe Batipart ⁽⁴⁾	25/03/2014	18/03/2014	Decrease	12,452,504	16.03%	214C0452
ACM Vie	27/03/2014	18/03/2014	Decrease	3,927,897	5.01%	214C0465
Groupe Malakoff Médéric ⁽⁵⁾	27/03/2014	18/03/2014	Decrease	5,032,047	6.42%	214C0461
Predica ⁽⁶⁾	28/03/2014	18/03/2014	Decrease	15,976,403	20.38%	214C0477
Groupe Batipart	06/05/2014	02/05/2014	Decrease	11,248,212	14.35%	214C0711
Groupe MACSF	24/06/2014	24/03/2014	Decrease	2,700,806	3.45%	214C1172
Groupe Batipart	02/09/2014	21/07/2014	Decrease	5,602,270	7.15%	214C1813

(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 Regulation, 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 Regulation, based on all of the shares to which voting rights may be attached, including, where applicable, shares deprived of voting rights (treasury shares).

(2) The Company's Articles of Association do not provide for double voting rights. This principle is laid down in Article 9 of the Company's Articles of Association, which will be put forward for ratification by shareholders at the next Annual General Meeting, scheduled for 25 June 2015, in order to prevail over the provisions of *Florange* law.

(3) Controlled by *Groupe des Assurances du Crédit Mutuel*.

(4) Comprising Luxembourg company *Batipart Invest* (formerly *Monroe*) and French company *Batipart*, controlled by the *Ruggieri* family.

(5) Subsidiaries of the *Malakoff Médéric* Group.

(6) Subsidiary of the *Crédit Agricole* Group.

The declarations made in 2014 by the Company's shareholders in relation to threshold crossings and declarations made by the executives when they carry out transactions on the Company's shares are available on the AMF's website (www.amf-france.org).

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.

⁷⁵ The full text of these disclosures can be consulted on the AMF's website (www.amf-france.org).



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8.1. PERSON RESPONSIBLE FOR THE INFORMATION PROVIDED

Person responsible for the registration document: Yann Coléou, Chief Executive Officer

8.2. DECLARATION OF THE RESPONSIBLE PERSON

I certify that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the Company's assets, financial position and earnings, as well as those of its consolidated subsidiaries, and that the Management Report included in this Registration Document provides a fair view of the development of the business, earnings and financial position of the Company and all of its consolidated subsidiaries, and a description of the main risks and uncertainties that they face.

I have received an audit completion letter ("lettre de fin de travaux") from the statutory auditors, in which they state that they have verified information relating to the financial position and the financial statements in this Registration Document, and have reviewed this document in full.

The Statutory Auditors' report on the Group's consolidated financial statements for the year ended 31 December 2014 is included in section 5.2. It contains an observation drawing the reader's attention to note 1 "Accounting methods" to the consolidated financial statements, which sets forth the impact of the first-time application of IFRS 11 "Joint Arrangements" from 1 January 2014.

Paris, 28 April 2015

Yann Coléou

Chief Executive Officer

8.3. 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 Courbevoie	30 June 2009	Annual General Meeting called to approve the financial statements for the year ended 31 December 2014
Ernst & Young et Autres Tour First 1, place des Saisons 92037 Paris La Défense	23 June 2011	Annual General Meeting called to approve the financial statements for the year ended 31 December 2016

Alternate Statutory Auditors

Name	Date first appointed/renewed	Date appointment ended
Alternative to Mazars Cyrille Brouard Tour Exaltis 61, rue Henri Regnault 92400 Courbevoie	30 June 2009	Annual General Meeting called to approve the financial statements for the year ended 31 December 2014
Alternative to Ernst & Young Cabinet Auditex Tour Ernst & Young Faubourg de l'Arche 92037 Paris La Défense Cedex	23 June 2011	Annual General Meeting called to approve the financial statements for the year ending 31 December 2016

As the mandates of Mazars and Cyrille Brouard, respectively the Statutory and Alternate Auditors, expire at the close of the next Annual General Meeting, shareholders will be asked at this meeting, scheduled for 25 June 2015, to reappoint them for a period of 6 years, i.e. until the Annual General Meeting called to approve the financial statements for the year ending 31 December 2020.

Auditors are selected by the Board of Directors on the recommendation of the Audit Committee; this procedure is consistent with the recommendations of Article 16.2.3 of the AFEP-MEDEF Code.



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9.1. HISTORICAL FINANCIAL INFORMATION

Pursuant to Article 28 of European Commission Regulation (EC) No. 809/2004, the following information is included by reference in this Registration Document:

- the key figures given on page 5, and the consolidated financial statements and corresponding Statutory Auditors' reports as presented on pages 141 to 203 of the 2013 Registration Document, filed with the AMF on 30 April 2014 under No. D. 14-0454;
- 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 2012 Registration Document, filed with the AMF on 24 April 2013 under No. D. 13-0422.

9.2. DOCUMENTS AVAILABLE TO THE PUBLIC

Copies of this document can be obtained free of charge from the Company and from the AMF's website (<http://amf-france.org>).

During the period in which this Registration Document remains valid, the Company's Articles of Association and bylaws, together with its consolidated and annual financial statements, can be consulted in electronic format (<http://www.korian.com/Investisseurs/Investisseurs>). 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.

CHAPTER 10. ANNUAL INFORMATION DOCUMENT PURSUANT TO ARTICLE 222-7 OF THE AMF GENERAL REGULATION



Date	Purpose	Place of consultation
23 January 2014	Signature of the merger agreement between Korian and Medica	www.korian.com
30 January 2014	Change to the 2014 annual revenue publication schedule	www.korian.com
31 January 2014	Half-yearly liquidity contract report	www.korian.com
3 February 2014	2013 full-year revenue	www.korian.com
24 February 2014	Availability of information relating to the Combined General Meeting of 18 March 2014	www.korian.com
18 March 2014	Completion of the merger of Korian and Medica	www.korian.com
19 March 2014	Amendment to the liquidity contract	www.korian.com
27 March 2014	2013 annual results	www.korian.com
14 May 2014	First-quarter 2014 revenue	www.korian.com
10 July 2014	Half-yearly liquidity contract report	www.korian.com
15 July 2014	Description of the share buyback programme	www.korian.com
16 July 2014	Business activity in the first half of 2014	www.korian.com
11 September 2014	2014 half-year earnings	www.korian.com
16 December 2014	Success of the <i>Schuldschein</i> issue	www.korian.com
20 January 2015	Deployment of the growth strategy in Germany	www.korian.com
26 January 2015	Half-yearly liquidity contract report	www.korian.com
11 February 2015	2014 annual revenue	www.korian.com
25 March 2015	2014 annual results	www.korian.com
25 March 2015	Change in governance	www.korian.com
7 April 2015	2014 dividend – schedule and terms	www.korian.com



The table below contains a definition of the terms and acronyms specific to the medico-social and post-acute and psychiatric sectors that are used in this Registration Document.

Agency for the assessment of the quality of social and medical-social facilities and services (ANESM)	A French organisation whose purpose is to develop a culture of welfare within facilities and medico-social services that care for vulnerable people (particularly the elderly). In this context, the 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 in France to elderly over 60-year persons who require help to accomplish essentials activities of daily life.
Feedback order (RETEX order)	A French order on quality management and medicinal treatment in post-acute and psychiatric care facilities.
Azienda sanitaria locale (ASL)	In the Italian healthcare system, a regional public authority which manages in a same budget all of the healthcare operators, from hospitals to home care.
Multi-resistant bacteria (MRB)	Bacteria that have become resistant to a large number of antibiotics. They are no longer sensitive to a small number of antibiotics used in therapy. They are not more virulent than other bacteria, even if it is more difficult to treat the infections caused by these bacteria.
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 Korean employees in France as part of their specific training, and has been developed since January 2011.
Socio-professional category (CSP)	French statistical nomenclature that classifies occupations.
Day care centre (CSJ)	Term used in Belgium to refer to, or used in connection with, centres located in MRs or MRSs that welcome during the day people aged over 60 experiencing loss of independence, for care and, if necessary, therapeutic treatment and social assistance.
Post-acute and rehabilitation care clinics (SSR clinics)	Clinics in which patients are hospitalised for a medium or 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.
Healthcare risk management and supervision committee (COVIRIS)	A French 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 French pillar of efficient inter-disciplinary and inter-professional coordination, this authority is a place for exchange, dialogue, training and project monitoring for long-term care nursing homes.
Municipal Security Commission (CCS)	In France, Municipal Security Commissions are research, control and information bodies assisting mayors in the implementation of police and surveillance measures required to guard against fire and panic in public access buildings (PAB). Their purpose is to address shortcomings in regulations, any faults or failings in terms of safety, and any factors conducive to the spread of fire and/or liable to make it difficult or impossible for emergency services to intervene.



User Relations and Dependency Care Quality Commission (CRUQPC)	A French authority whose main purpose is to monitor respect for users' rights and facilitate their processes so that they can express their difficulties.
Facility Medical Commission (CME)	In France, this commission is established as an authority that includes, in each healthcare facility, representatives from the medical, pharmaceutical and dental community.
Multi-year targets and resources contracts (MYTRC)	A contract in France through which a healthcare facility commits to the public authorities to carry out an action plan for a multi-year period, based on its positioning in regional medical care services as well as on key drivers for improving its performance. This contract also defines the financial resources which will be allocated to the facility to accomplish the tasks assigned to it.
Unified collective bargaining agreement (CCU)	An agreement in France pertaining to working conditions and social guarantees, signed between the employee representatives and employers' organisations.
Waste from activities with risk of infection (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.
Medical, Ethical, Quality and Regulatory Department (DEMQR)	A department that draws up a French facility's medical policy, after consulting with the facility's medical board, and submits it to the relevant authorities. It manages several processes (cross-entity programmes, clinic itineraries, etc.) aimed at improving clinical organisation and facilitating patients' care pathways in France.
Departmental Directorate for the Protection of Populations (DDPP)	A French organisation 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 in France of the department's prefect, DDASSs are responsible for implementing healthcare, medical-social and social policies in the department, as defined by the public authorities. In this way, they implement integration, insertion, solidarity and social development policies, undertake promotion and prevention actions in terms of public health and health safety, are in charge of the public authority and audits of post-acute and psychiatric care and social facilities (medical and administrative technical inspections; approval of a certain number of management acts taken by the facilities; setting the budget and rates) and inspect the documents of the local and regional authorities.
Information Systems 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. Each country in which the Group operates also has an ISD.
Power Failure Risk Analysis Document (DARDE)	In France, 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)	In France, a mandatory document for all companies, regardless of their workforce and business sector. This document is prepared by the employer. It lists the risks that exist within the company and must be updated annually and each time a change is made to the working conditions. This document must be made available to the CHSCT (Committee for Health, Security, and Working Conditions), staff representatives, company employees and during work inspections.



Computerised patient file (DPI)	In the Group's French clinics, a computerised file grouping all of the information concerning a patient's health, held by the professional, which in particular contributed to the formulation and follow-up of the diagnosis and treatment or of a preventative measure or was subject to written exchanges between healthcare professionals.
Computerised resident file (DRI)	In the Group's French long-term care nursing homes, a computerised file grouping together all of the information concerning a resident's health, held by the professional, which in particular contributed to the formulation and follow-up of the diagnosis and treatment or of a preventative measure or was subject to written exchanges between healthcare professionals.
Asbestos technical report (DTA)	In France, a file compiled by the property owners putting communal residential buildings up for sale which were built before the banning of asbestos from use in the construction sector (i.e. prior to 1 July 1997). It contains the result of the search for the potential presence of asbestos in the communal areas of the buildings where materials containing asbestos are evaluated, their deterioration is noted, and if there are known risks, it indicates the measures that are to be taken immediately by the owner of the building to ensure the full elimination and removal of the asbestos.
Domestic hot water (DHW)	Necessary water for the hygiene needs of the individual in his/her home and workplace.
Operational hygiene teams (EOH)	In France, teams composed notably of medical or pharmaceutical personnel and nurses, whose primary tasks are writing and implementing an annual action plan for combating nosocomial infections and an annual activity report that assesses the degree to which the targets set have been achieved, identifying, analysing and monitoring risks of nosocomial infections by the CLIN, developing and implementing a best practices guide on hygiene, developing protocols, procedures and technical files, surveillance (nosocomial infections, bacterial ecology, MRB, etc.), monitoring indicators and consumption of mild soap (hand washing) and antibiotics.
Long-term care nursing home	A medical facility, authorised by the French government to receive dependent elderly people, which has a care team responsible for providing the required medical care to each resident according to their personal situation.
Public Access buildings (PAB)	In France, public or private places open to customers or users, which are subject to specific regulations, in contrast to public or private places receiving employees (regular employees or state employees) which are, themselves, protected by regulations pertaining to health and safety at work.
Serious adverse events (SAE)	Events liable to cause dysfunctions or that undermine the principle of best care practices. They are qualified as "serious" if they cause hospitalisation or lead to prolonged hospitalisation, an inability to leave the unit or vital risk.
Serious exceptional and/or dramatic adverse events (SEDAE)	Events representing a genuine public and/or reputational threat for the company due to their extraordinary and/or dramatic nature (fire, event requiring the transfer from the facility of some or all of its residents/patients, strike action, threat of adverse media coverage, threat to business continuity, etc.).
French Private Hospitals Federation (FHP)	A French organisation which brings together close to 1,250 private healthcare facilities in France, organised into regional unions and unions by speciality. It consults with the public authorities on major issues that involve the future of the healthcare system.
French federation of not-for-profit private hospitals and healthcare facilities (FEHAP)	A French benchmark federation in the not-for-profit post-acute and psychiatric, social and medical-social sectors, which groups together over 3,200 healthcare facilities and care services.



Iso-Resources Groups (IRG)	A French 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.
Hospital Home Care (HHC)	Full time hospitalisation where treatment is performed in the patient's home.
Hazard analysis critical control point (HACCP)	A method for identifying and analysing critical points in the catering process.
INAMI	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)	A French 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)	A French index that measures, each quarter, the change in the price of new buildings used mainly for residential purposes. It relates to the price, including VAT, paid by the project managers to the construction companies. It exclusively relates to construction work and excludes the price and costs related to the land (developing the building site, special foundations, 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 French 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.
Home care (MAD)	Term designating all the personalised resources implemented to enable an elderly person who has lost their independence to continue to live under good conditions in their own home.
Rest home (RH)	Term used in Belgium to refer to public or private facilities approved by the Flemish, Brussels or Walloon regional governments, offering collective housing and services for people aged over 60.
Nursing and care home (MRS)	Term used in Belgium to refer to (care) beds housed in rest homes. These beds are reserved for highly dependent people who no longer require acute care, but for whom the assurance of a higher level of care is provided.
Medicine-surgery-obstetrics (MCO)	Acronym used to define facilities providing acute care.
Medizinischer Dienst der Krankenversicherung (MDK)	In the German healthcare system, a regional health insurance service which regulates care services and controls the quality of care at the facility level.
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 (French National Health Service) for



	rehabilitation care currently given on an out-patient basis by private masseur-physiotherapists.
Call for the improvement of the quality of professional practices (MOBIQUAL)	A French national action plan whose goal is to support the improvement of the quality of professional practices, of providing medical care for and taking care of disabled and elderly people in healthcare facilities and at home. Within this context, kits are used to verify that the best practices developed under this action plan are properly implemented.
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 Spending Target (ONDAM)	A provisional amount established annually for National Health Service spending in France.
<i>Patto di Salute</i>	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.
<i>Pflegeheime</i>	A German term for long-term care nursing homes.
<i>Pflegekasse</i>	A branch of German Social Security that ensures the financing of dependency care.
Business Continuity Plan (PCA)	The French PCA is both the name of a concept, a procedure and the document that allows a group (government, local authority, institution, corporation, hospital, etc.) to operate even in the event of significant change, whether in 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 French Ministry of Social Affairs and Health prepares a heatwave plan. As part of this, monitoring is stepped-up each year between 1 June and 31 August. Each heatwave plan includes 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.
<i>Residenze Sanitarie per Anziani (RSA)</i>	An Italian term for long-term care nursing homes.
Corporate social, societal and environmental responsibility (CSR)	Extra-financial information on social, societal, environmental and governance issues, subject to a report certified by an independent body.
Regional healthcare organisation plans (SROS-PRS)	Outline plans in France designed to comprehensively organise, qualitatively and quantitatively, public health, by seeking to respond to both patients' needs and healthcare planning requirements at the regional and sometimes departmental level.
Home nursing care services (HNS)	Social and medico-social bodies that provide nursing services in the patient's everyday environment (home, long-term care nursing home or collective housing) so as to shorten, or if possible avoid, hospital stays.
Quality Management System (QMS)	Term used in Italy to refer to the reporting system set up by facilities benefiting from ISO 9001-2008 certification, based on a quality manual, appropriate procedures for each type of facility and a reporting platform accessible by the Group's Quality Department in Italy over the Intranet.



Collective food poisoning (CFP)	In France, 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 French system that allows a person to obtain all or part of a certification (diploma, professional credentials or certificates of professional qualification) based on employee or contractor experience (retailer, employee of a retailer, freelancer, farmer or craftsman, <i>etc.</i>) and/or unpaid experience (union, charity) and/or volunteer experience. This experience, in line with the certification sought, is approved by a board of examiners.



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)

with share capital of €395,197,615

32 rue Guersant - 75017 Paris

Registered at the Paris Trade and Companies Registry under No. 447 800 475