KORIAN
NOUS PRENONS SOIN DE LA VIE

Registration Document
Annual Report
2012

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

The original French version of this Registration Document was filed with the Autorité des Marchés Financiers (AMF, the financial markets authority) on April 24, 2013, in accordance with Article 212-13 of the General Regulations of the AMF. It may be used in connection with a financial transaction only in conjunction with an Information Memorandum approved by the AMF. This document was prepared by the issuer and is binding on its signatories.

The registration document is available for consultation on the Korian website (**www.groupe-korian.com**) and on the AMF's website (**www.amf-france.org**).

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CHAPTER 1. PRESENTATION OF THE KORIAN GROUP

1.1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

"Our earnings in 2012 were up significantly and truly mark a fresh start for Korian. By 2014, we project at least €1.4 billion in revenues and continued improvement in our profitability.

To achieve these targets and respond to the profound changes in our business sector, we have decided to make transformation the core of our strategy. This will happen by implementing a new corporate initiative called 'Korian First', built on four key pillars: Performance, Development, Innovation and People.

This transformation will allow us to take the lead on issues that will make the difference tomorrow: globalization and innovation.

Korian First already involves:

- *implementation of a Performance plan to drive further improvement*
- *acquisition of Curanum, to become the leader in Germany, in a position to seize the opportunities ahead (organic growth, consolidation)*
- *creation of the Korian Institut du Bien Vieillir (Korian Institute for Healthy Ageing) to fuel the Group's innovation and explore new avenues*
- *implementation of a management initiative to attract, train and retain employees.*

Thanks to the trust of our shareholders and the commitment of our teams, Korian has the means to become tomorrow's leader in quality, innovation and management."

Yann Coléou, Chief Executive Officer of Korian

1.2 FINANCIAL INFORMATION

On February 6, 2013, Korian announced revenues up by 9.2%, boosted by solid organic growth of 5%, strong growth abroad—a new growth driver—of 15%, and targeted acquisitions (including 4 nursing homes in Germany and 1 in France in 2012).

On March 27, 2013, Korian released its full financial statements. The two notable elements, in addition to revenues, were improved margins in all three countries and a significant reduction in net debt to €562 million.

In €M	Consolidated 2012	Consolidated 2011	FRANCE 2012	FRANCE 2011	ITALY 2012	ITALY 2011	GERMANY 2012	GERMANY 2011
Revenues	1,108.4	1,014.8	762.0	712.8	189.6	163.5	156.8	138.5
EBITDAR	276.8	247.9	188.1	175.3	44.7	36.3	44.0	36.3
% of revenues	*25.0%*	*24.4%*	*24.7%*	*24.6%*	*23.6%*	*22.2%*	*28%*	*26.1%*
Change in margin	+60 bp		+10 bp		+140 bp		+190 bp	

The Group also provided guidance for 2013 and 2014 in terms of revenues, margin and debt ratio, projecting more than €1.3 billion in revenues in 2013 and €1.4 billion in 2014. At the same time, the EBITDAR margin should reach 26% in 2013 and continue to increase in 2014, considering our international growth. The adjusted debt ratio should significantly decrease to less than 3 times EBITDA in 2014.

1.3 STOCK MARKET PERFORMANCE

The graph below illustrates the change in stock market prices and daily volumes for a 2-year period, from April 4, 2011 to April 2, 2013.

Shares were strongly impacted by the various economic crises that struck the economic-financial environment, particularly in July and November 2011, and subsequently in March 2012.

However, several events since December 2012 allowed the share to recover its early-2011 value, amid higher trading volumes: the launch of Korian First; the announcement of the Curanum takeover bid; the Oddo upgrade followed by the Natixis upgrade and Oddo's raising of its target price; all reinforced by the earnings announcement of March 28, 2013.

Market Price 17.24
Half of the year, Apr 04, 2011
Half of the year, Apr 02, 2013
Apr, Jul, Oct

Volume 10,287
Half of the year, Apr 04, 2011
Half of the year, Apr 02, 2013

1.4 HISTORY

The creation of a leading French group in comprehensive dependent care, listed on the stock market (2003 – 2006)

The Korian company (the "**Company**" or "**Korian SA**") was created in March 2003, with the aim of creating a benchmark operator in the comprehensive dependent care sector, by the successive combination of the Finagest, Sérience, Réacti-Malt and Medidep groups.

In parallel, Korian SA signed a partnership agreement with Foncière des Murs, a listed real estate company whose business consists in acquiring commercial properties from industrial and service groups. As part of this agreement, between 2004 and 2005 Foncière des Murs bought 53 buildings from the Korian Group for an asset value of €224.20 million.

Following this transaction, the Korian Group firmly refocused on the operation of medical-social and healthcare facilities and holds only minor real estate assets.

The year 2006 was dedicated to the operational alignment of these groups, with the goal of building an integrated group around a shared and unifying plan. Therefore, a unique organization was put in place for the two groups' operational positions and support functions, based in particular on centralizing administrative tasks (compatibility of information systems, purchasing systems, *etc*.) at the head office level. Furthermore, the Korian Group divided its operations into two operational divisions: the nursing home division and the healthcare division (which is subdivided into a follow-up care and rehabilitation division and a psychiatric division).

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

At December 31, 2006, the Korian Group had 168 facilities representing 13,798 beds in France.

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

One of the main goals of the IPO was to strengthen the 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 aging population, strong barriers to entry, increasingly stringent operating standards, an inadequate supply of beds to meet demand and a very fragmented market with a structure that is still evolving, *etc.*).

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

As a result, in April 2007 Korian SA acquired 92.5% of the Italian group Segesta, Italy's second-largest private operator specializing in care for the elderly, with the remainder of the share capital held by the management. Segesta operates 7 facilities, representing 909 beds.

In addition, in October 2007 Korian SA acquired 92.5% of the Phönix Group, a Bavaria-based company which operates 26 facilities, representing 2,922 beds, with the remainder of the share capital held by the management.

Meanwhile, in the first half of 2008, Korian SA signed an agreement with the Belgian real estate company Cofinimmo for the sale and leaseback of 19 buildings, representing a sales volume of close to €144 million over two years (14 buildings for €104 million in 2008 and five buildings for €40 million in 2009). With this transaction, Cofinimmo became the Group's second-largest real estate partner.

Until 2011, the Korian Group focused on consolidating its position as a European leader in comprehensive dependent care through targeted acquisitions, internal restructuring and organic growth. As a result, at December 31, 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
- 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 (economical nursing homes, PPP, temporary accommodation, *etc.*), combined with many operational improvements.

Change in the corporate governance model (2012)

The Annual Shareholders' Meeting of March 21, 2012 voted to adopt a corporate governance model with a board of directors.

After the meeting, the first Board of Directors decided to separate the roles of Chairman and Chief Executive Officer. This went into effect on April 30, 2012, the date on which Yann Coléou took office as the Chief Executive Officer. Christian Chautard, Chairman of the Board, had held both positions since March 21, 2012.

The same Annual Shareholders' Meeting also decided, as part of the new corporate governance model, to appoint Jean-Claude Georges-François as an observer.

This change in governance resulted in a comprehensive strategic study and restructuring at the end of 2012, which resulted in a corporate transformation initiative called "Korian First", launched at the beginning of 2013.

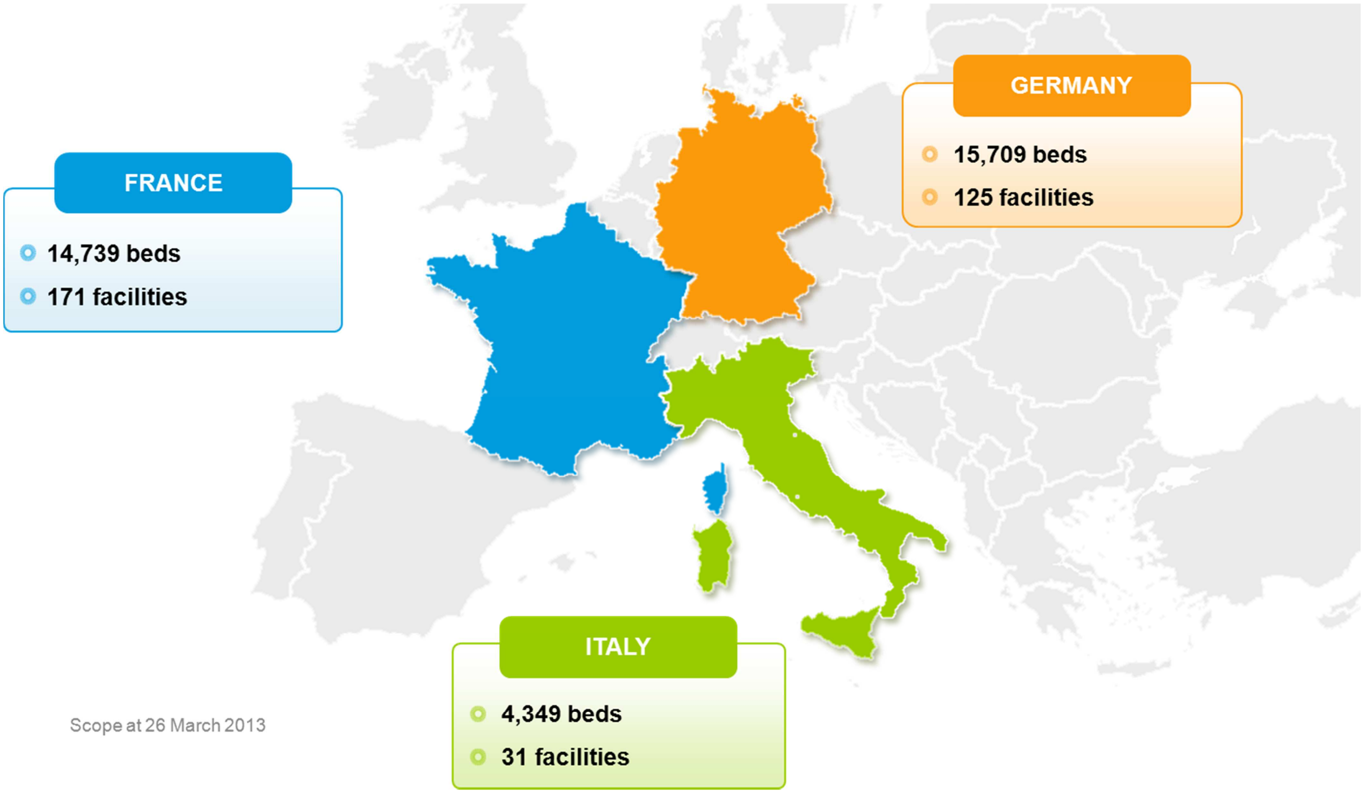
At the same time, the Group continued its active expansion policy, with the integration of nearly 1,000 beds. This policy was funded by the ongoing disposal of real estate, notably as part of the memorandum of understanding signed with Viveris, providing for the disposal of nine buildings in 2012-2013 for €117 million.

At the end of 2012, the Korian Group thus had:

- 14,739 beds in 171 facilities in France
- 5,426 beds in 47 facilities in Germany
- 4,349 beds in 31 facilities in Italy

for a total of 24,514 beds in 249 facilities.

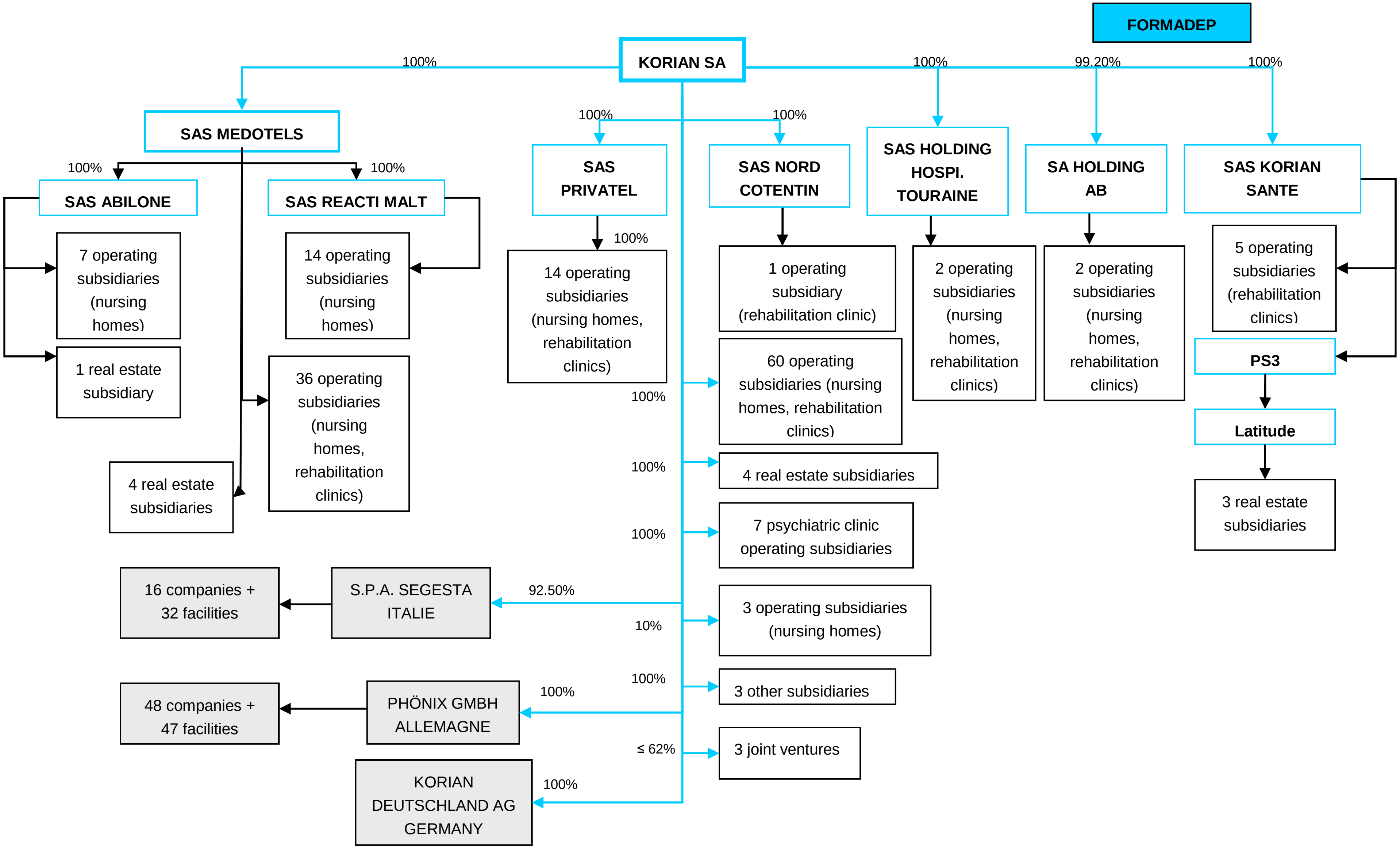
Furthermore, at the end of 2012 Korian announced its intention to launch a takeover bid on the German group Curanum, which manages 10,150 beds in 77 facilities. This transaction was launched and completed at the beginning of 2013.



1.5 LEGAL STRUCTURE

At December 31, 2012, Korian's scope included 243 consolidated companies.

The legal structure of the Korian Group at December 31, 2012 is presented on the next page.

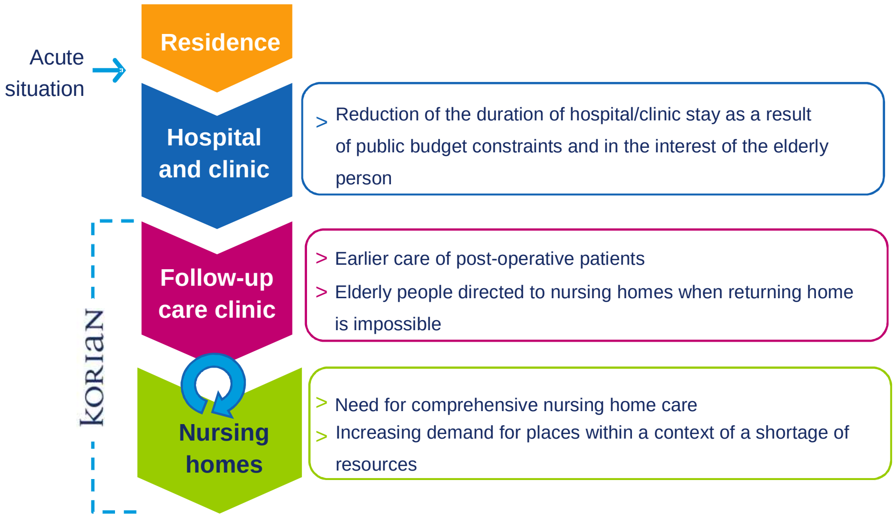

FORMADEP
KORIAN SA
100%
100%
99.20%
100%
SAS MEDOTELS
100%
100%
SAS PRIVATEL
SAS NORD COTENTIN
SAS HOLDING HOSPI. TOURAINE
SA HOLDING AB
SAS KORIAN SANTE
100%
100%
SAS ABILONE
SAS REACTI MALT
7 operating subsidiaries (nursing homes)
1 real estate subsidiary
14 operating subsidiaries (nursing homes)
36 operating subsidiaries (nursing homes, rehabilitation clinics)
4 real estate subsidiaries
100%
14 operating subsidiaries (nursing homes, rehabilitation clinics)
1 operating subsidiary (rehabilitation clinic)
2 operating subsidiaries (nursing homes, rehabilitation clinics)
2 operating subsidiaries (nursing homes, rehabilitation clinics)
5 operating subsidiaries (rehabilitation clinics)
PS3
Latitude
3 real estate subsidiaries
100%
60 operating subsidiaries (nursing homes, rehabilitation clinics)
100%
4 real estate subsidiaries
100%
7 psychiatric clinic operating subsidiaries
16 companies + 32 facilities
S.P.A. SEGESTA ITALIE
92.50%
10%
3 operating subsidiaries (nursing homes)
100%
3 other subsidiaries
48 companies + 47 facilities
PHÖNIX GMBH ALLEMAGNE
100%
≤ 62%
3 joint ventures
KORIAN DEUTSCHLAND AG GERMANY
100%

CHAPTER 2. GROUP ACTIVITIES AND MARKET

2.1 MAIN ACTIVITIES OF THE GROUP

2.1.2 Definition of Korian's business: the two main types of dependence

Two main types of adult dependence have been identified by healthcare professionals: long-term dependence and temporary dependence. In addition to the difference in duration, they affect different categories of people and require special types of care. The Korian Group thus aims to provide dependent persons with a healthcare, medical-social and social continuum, in both long-term dependence (medical nursing homes) and temporary dependence (follow-up care clinics), as illustrated by the following diagram.



a) *Long-term dependence*

In common parlance, various terms are used to describe and define the consequences of aging and degenerative conditions on elderly people, covering a range of situations: dependence, invalidity, incapacity, disability, loss of autonomy, impairment, *etc.* Those described as "dependent" are usually adults who depend on others to help them perform daily tasks, both within and outside the home. Dependence can be both physical and mental.

The vast majority of cases of long-term dependence involve elderly people, although temporary and permanent debilitating impairments can occur prematurely. These elderly people, who can no longer stay at home due to the difficulties and costs involved in caring for them, are housed in appropriate medical care facilities, i.e., nursing homes.

For those who can stay at home, medical or paramedical assistance and services are necessary. These are known as "home supportive services", not to be confused with "home care services".

b) *Temporary dependence*

Temporary dependence mainly concerns:

- patients who need to receive care for a limited period following surgery;
- patients suffering from prolonged or chronic ailments that bring about a gradual deterioration in their condition, requiring medical care incompatible with home support services.

Temporary dependent care is provided:

- either at the patient's home, through home care (hospitalization, follow-up care, recurrent care, *etc.*) with the aim of avoiding full-time hospitalization or to reduce the duration;
- or, if justified by their degree of dependence or the complexity of the care that needs to be given, at a follow-up care and rehabilitation clinic for a limited period (about 30 days).

2.2 THE KORIAN GROUP IN FRANCE

a) Korian: a comprehensive range of dependent care services, boasting high quality standards

Korian offers and develops an extensive range of services associated with dependent care through its facilities spread throughout France: nursing homes (EHPAD in France), medium-term stay clinics (SSR clinics in France) and psychiatric clinics.

Korian manages its portfolio of facilities by focusing on increased medical care in its nursing homes and enhanced specialization where its healthcare facilities are concerned.

- Nursing homes are designed in such a way as to favor the resident's independence, offering a universal approach to care, but accommodation areas that are differentiated by illness or ailment in order to ensure personalized care tailored to the needs of each individual.
- Follow-up care and rehabilitation facilities have efficient, diversified technical support centers, allowing the most appropriate care to be delivered for each type of illness or ailment. Personalized follow-up therapy also allows the facilities within each of the Group's clinics to be used to full effect.

Facilities designed and equipped to serve as living environments

Korian's goal is to offer the best possible living conditions to the elderly people cared for in its facilities and to maintain their physical and mental capacities for as long as possible. To do this, Korian pays particular attention to the layout of its facilities: the structure must promote the resident's independence and be designed to function as a secure environment while allowing for as much freedom as possible.

Korian aims to provide a number of lounges within each facility in order to offer residents comfortable and welcoming areas where they can interact and spend time with family. Residents can also furnish their rooms with personal items. Lounges set aside for recreation, hairdressing and beauty treatments, newspaper stands and areas dedicated to leisure activities (music, reading, cooking, *etc.*) are also included in most facilities.

Lastly, the Group's staff strives to maintain the social link both between residents and between residents and their families, for example by facilitating family visits, always remaining attentive to the needs of residents and protecting the privacy of their visits.

Korian's follow-up care and rehabilitation activity: a range of high-quality and specialized medium-term stay services

- Korian's range of services in follow-up care and rehabilitation clinics

Korian's follow-up care and rehabilitation clinics provide care for patients who have recently spent time in the hospital or been cared for at home, to help them regain as much independence as possible. These facilities provide universal follow-up care, as well as geriatric care, physical and rehabilitation therapy, cardiac and ENT rehabilitation and alcohol aftercare, among others. The goal is to help patients return home as soon as possible or refer them to long-stay facilities, when necessary.

The care given to patients by medium-term stay clinics is based on an individual treatment plan drawn up according to the overall assessment of the patient (medical, paramedical and psychological). All factors necessary to ensure successful rehabilitation are taken into account, in terms of care, reeducation in daily tasks and psychological support for the patient.

- Korian's psychiatric clinics: a range of high-quality services drawing on an innovative medical strategy

The Korian Group's psychiatric clinics provide treatment for psychosomatic disorders, acute and progressive mental conditions, bipolar disorders (depression), behavioral disorders, *etc.* They offer individual and group psychotherapy combined with pharmacological treatment in order to ensure personalized care tailored to the needs of each patient. It should be noted that physicians operating within the Group's psychiatric clinics work on an independent basis and are thus not employees of the facilities.

b) Regulatory framework

To summarize, Korian's activity in France is marked by:

- strong entry barriers to obtaining operating licenses and/or increasingly stringent operating standards;
- for nursing homes, by public bodies (governments, regional authorities, social security, *etc*.) covering part of the cost of funding dependent care, which represents 35% of the total cost;

- for follow-up care and rehabilitation clinics, by social security covering the cost of rates by specialty, representing 80% of the total cost.

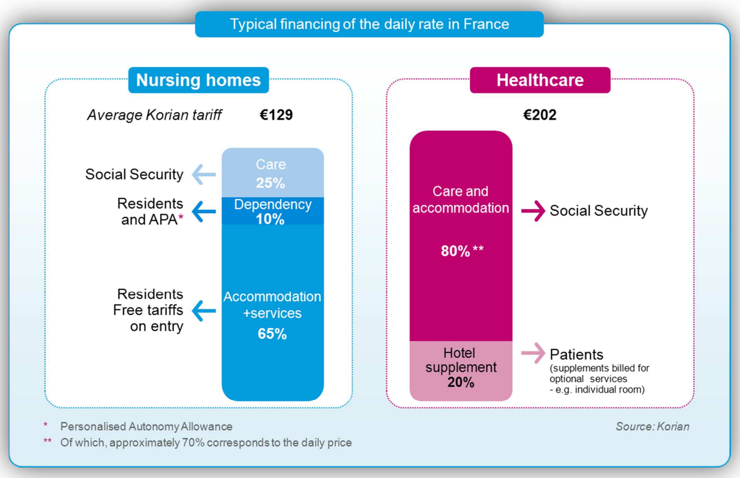
As a medical-social activity, long-term dependent care is heavily regulated in terms of both the creation and operation of nursing homes. The reform carried out in 2002 therefore led to increased complexity in the regulations, which represents an entry barrier to the market that, in practice, restricts the emergence of new operators with no experience in this field.

In the healthcare sector, follow-up care and rehabilitation clinics are also strongly regulated. The authorization reform in 2008 led to a strong medicalization of Korian facilities and defined a national regulatory framework. The authorizations are issued by the ARS (Agences Régionales de Santé, or Regional Health Agencies) according to the requirements of the healthcare services defined in the SROS-PRS (Regional Healthcare Organization Plan).

Pricing structure applicable to facilities

The pricing structure applying to the Group's facilities is also subject to a strict regulatory environment that helps create entry barriers to the Korian Group's markets.

The pricing of Korian facilities breaks down as follows:



- Pricing structure applicable to medical-social facilities

The law of January 2, 2002 and its implementing decree of October 22, 2003 defined the basic pricing structure for nursing homes. The budget allocated to a nursing home by the public authorities under the tripartite agreement is directly correlated to the level of dependence of its residents (classified as Iso-Resource Group levels).

Since it was introduced, a number of legal texts have modified or supplemented this regulation, such as the Social Security Financing Acts for 2008 and 2009 and the 2009 Finance Act, which authorized ministers to set, with the goal of ensuring price convergence, ceiling rates and the rules for calculating them. These rates now take into account the care workload using tools assessing the level of care needed depending on the resident's illness or ailment.

The price of a nursing home is therefore established under the tripartite agreement and includes three components.

- The accommodation rate (accommodation services, catering and services for residents)

The accommodation rate is borne by the resident, set freely by the facilities when a new resident arrives under a residence contract. Subsequent annual adjustments to this rate are governed by a maximum variation rate set by order of the French Ministry of Finance.

The accommodation rate accounts for around 65% of the Group's nursing home revenues.

Certain facilities are entitled to partial social welfare (this entitlement relates to a set number of beds per facility). In this case, the Conseil Général (departmental council) sets the accommodation rates for these beds as well as their annual adjustment. Residents may also, depending on their means, receive a housing allowance covering their accommodation in a retirement home.

- Care rates (basic care or nursing and technical care)

Care rates are set by the ARS and represent approximately 25% of the Korian Group's nursing home revenues. They cover the medical services required to care for the medical conditions of residents, together with the paramedical services associated with a loss of autonomy. The system thus covers 70% of the salaries of care assistants negotiated with regional health agencies, 100% of the salaries of registered nurses, 100% of the salaries of physiotherapists and occupational therapists, 100% of the salary of the coordinating physician and 100% of the expenses incurred through the disposal of medical waste. Since August 2008, facilities have also received a fixed sum per resident to cover medical devices.

These costs are not passed on to residents but are paid to the facility directly through Assurance Maladie (health insurance) in the form of a block grant. They are negotiated with the regional health agencies based on the projected budget of each facility.

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

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

Dependence rates are set by the Conseil Général and account for approximately 10% of the Korian Group's nursing home revenues. They cover all assistance and monitoring services required to perform essential everyday tasks not connected with care. Further to negotiations with each Conseil Général, a fraction of the miscellaneous expenses (such as the salaries of qualified care assistants, nurse's aides and psychologists and expenses related to incontinence and accommodation supplies, maintenance products, laundry and amortization of equipment used in dependent care).

These rates are set and reviewed each year following negotiations between the facility and the Conseil Général, based on a projected budget presented by the facility. The Conseil Général may choose not to take into account all of the facility's expenses, in which case the facility would incur an additional expense. The rate applicable to residents in Iso-Resource Groups 5 or 6 is not covered by the APA (personalized autonomy allowance) and must therefore be paid by the resident. This is a non-refundable expense.

The fixed sum for dependence is paid either by the resident, who benefits from the APA covering the portion of the cost exceeding the non-refundable expense, or directly by the Conseil Général for the portion exceeding the non-refundable expense.

This pricing structure clarifies the financial responsibilities of all parties:

- elderly people and their families cover the lodging, the non-refundable portion of the dependence rate and the remainder of the dependence rate, subject to eligibility for the APA (personalized autonomy allowance);
- Assurance Maladie (health insurance) covers the care portion; and
- the Conseils Généraux cover, via the APA, all or part of the dependence rate excluding the non-refundable portion, and accommodation for the most underprivileged via social welfare.

- Pricing structure applicable to healthcare facilities

Since the French Social Security Financing Act for 2000, commercial private sector rates have been set by the government and professional bodies working in consultation with each other. Each year, the government issues an order setting the "OQN" (national quantified target) for private facilities using contract pricing (those deemed to be "not covered by the block grant", or "covered by the OQN"), comprised of the annual cost of hospitalization fees in these facilities that is covered by health insurance. This amount is determined according to the ONDAM (national health insurance spending target) voted by the Parliament.

A national agreement reached between the Ministers for Health and Social Security and at least one of the organizations most representative of private hospitalization (FHP (French private hospitals federation) or FEHAP (French federation of not-for-profit private hospitals and healthcare facilities)) then determines:

- the national average adjustment rate for service prices and its variation by region;
- the variation band above and below the regional average rate; the price adjustment rate applied to each facility by the ARS must fall within this band.

The regional health agencies can modulate facility price adjustments each year, 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.

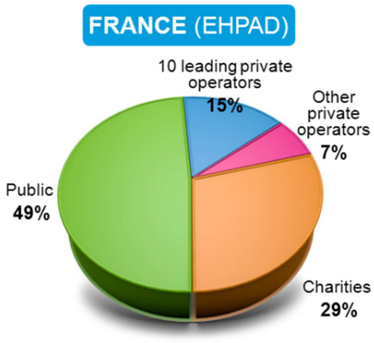
The regional health agencies also set the prices for new facilities and new activities authorized within existing facilities, based on regional average rates.

In addition to the daily price paid by social security, clinics can receive supplements related to comfort services (private room, television, telephone, *etc.*), for which they are free to set their own rates, unless an agreement exists with a mutual insurance company. These supplements are paid directly by the patient requesting the services, or are covered by his or her supplementary private health insurance.

c) Operators in the market

The public and non-profit sector represents 78% of the 684,000 dependent care beds in France, and the private market is in the process of being restructured, but is still fragmented.

In addition to the Korian Group, the main operators in the dependent care sector are Orpéa, Médica, DomusVi and Le Noble Age.



d) A rapidly-expanding market, driven by favorable socio-demographic factors and characterized by a structurally loss-making offer

In short, Korian's sector is marked by a rapidly aging population.

A demographic, economic and social context conducive to the growth of the dependent care market

Dependence is just one aspect of the wider context of the aging of the French population. There will be more than 18.4 million people aged sixty or over in 2022 (compared with 15.7 million today, an increase of more than 17% in 20 years) and around 22.6 million in 2040, representing nearly one third of the total population[1].

The increase in the number of elderly people is mainly attributable to the increase in life expectancy brought about by improved living conditions and better methods for detecting and caring for serious medical conditions. In 2011, life expectancy at birth was 84.8 years for women and 78.2 years for men. According to the INSEE's central scenario, projections of the age pyramid show life expectancy in 2060 of 86.0 years for men and 91.1 years for women[2].

The INSEE analyses also confirm that the share of the elderly and very elderly population will rise sharply until 2035. This major increase corresponds in part to the baby boom generations moving into this age range. As a result, in 2040 the population of those aged 75 and older will multiply by 1.5, to 10.7 million, and those aged 85 and older will more than double, to 4 million[3].

Dependent care needs that rise with population aging and the appearance of related needs connected with new pathologies

The dependent care sector benefits structurally from long-term growth prospects.

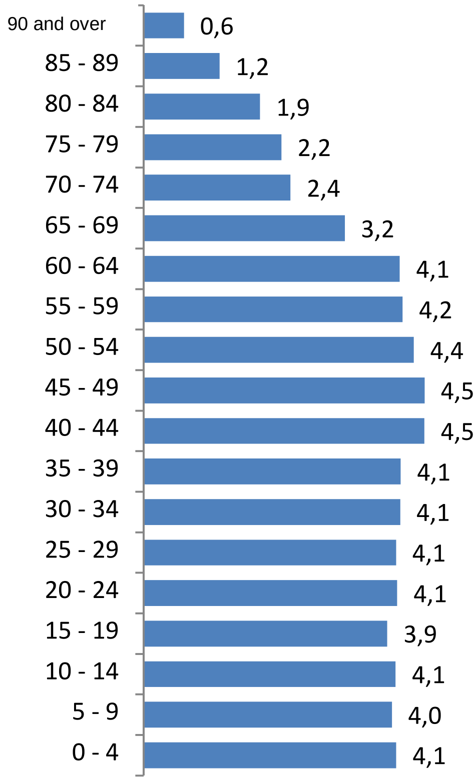
- The soaring population of senior citizens

The number of people over the age of 80 will rise sharply in the next few years as a result of the overall aging of the population in Europe. This age threshold is critical in terms of dependent care. Starting from this age, dependence becomes:

- increasingly frequent: in France, while it only concerns 13% of persons over the age of 60, dependence affects 50% of those over 80 (INSEE and DDASS);
- increasingly severe: in France, 10% of those aged 75, 35% of those aged 85 and 90% of those aged 95 are heavily dependent (i.e. in Iso-Resource Groups 1 or 2).

[1] *Central scenario of the OMPHALE – INSEE 2010 demographic projection model.*
[2] Source: *INSEE population projections for the future, No. 1320, 2010.*
[3] *Central scenario of the OMPHALE – INSEE 2010 demographic projection model.*

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



The first rise in the number of dependent people began in 2005 when dependence began to affect the 1920 to 1940 generations, who are replacing previous, smaller generations, particularly the small number of people born during the First World War.

While medical advances and improved living conditions should slow the onset of dependence, the speed at which this shift will occur varies depending on the assumptions used. In the central scenario favored by the INSEE's studies in 2003 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 and 1.5 million dependent people according to the scenario used.

In 2040, the number of dependent elderly people, but also the age of the onset of dependence, will be higher than in 2000. The change in the number of dependent people is a result of the interaction of two opposing trends: the decline in the rate of dependence at a given age and the renewal of the generations, according to which the number of elderly people is rising. For elderly people under the age of 80, the decrease in the dependence rate is prevalent, resulting in a decline in the number of dependent people. However, beyond the age of 80, the generational effect is predominant and causes the number of dependent elderly persons to double.

- The impact of specific age-related illnesses

At the same time, the increase in the number of people suffering from age-related illnesses, such as Alzheimer's disease and, more generally, persons suffering from multiple medical 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, nursing homes have the high level of medical provision required to provide such care.

The effects of aging are often combined with chronic illnesses to bring about a very fragile condition, in terms of both health and dependence. The illnesses most frequently observed, particularly in people over the age of 85, the effects of which are cumulative in the deterioration of health, are as follows:

- cancer and cardiovascular diseases (coronary disease, heart failure and atrial fibrillation, AVC) which are the leading causes of death in the elderly, which also cause severe fragility;
- neurodegenerative diseases the incidence rate of which continues to rise: in France, Alzheimer's disease (approximately 225,000 new cases diagnosed each year), Parkinson's disease (10,000 new cases a year), depression in the elderly (responsible for some 3,000 suicides per year) and sleep disorders;
- neurosensory disorders, particularly deafness and eye diseases, which lead to disabilities if they are not treated early enough. These problems include, more specifically, cataracts, glaucoma, and age-related muscular degeneration;
- conditions affecting the locomotor system, such as osteoporosis and osteoarthritis, which require hospitalization and surgery followed by rehabilitation care and equipment.

Alzheimer's disease (and related conditions) is the primary cause for patients entering a specialized facility. In 2004, there were some 800,000 people in France suffering from Alzheimer's or related disorders (18% of those aged over 75 and 30% of those over 80), 40% of whom were being cared for in a facility[4]. Given the aging population and better diagnoses, a sharp increase in the number of people suffering from these conditions is expected. The number of patients could reach 1.3 million French citizens by 2020[5].

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

New economic and social factors will increase the demand and requirements for dependent care.

The dependent care sector for the elderly is also driven by a combination of economic and social factors:

- the reduction of hospitalization periods spent in short-stay units in favor of follow-up care facilities (SSR)

Changes in medical and surgical practices have resulted in a reduction in the average hospital stay in short-term care facilities, thus creating a growing need for follow-up care for temporary dependence, which has become more frequent and often more severe. Furthermore, the rate reform in this industry could amplify this phenomenon. Medical-Surgical-Obstetric institutions (known as "MCO" in France) will tend to, or be encouraged to, reduce average stays as much as possible in order to ensure greater patient turnover.

- Increase in follow-up care, particularly in partial hospitalization

Follow-up care and rehabilitation in healthcare facilities increased in 2008, with more than 3 million admissions recorded, in modes of hospitalization combined, or a 6.7% increase compared to 2007. This activity is following the growth trend that began several years ago, with the number of admissions having risen 36.2% since 2002. Over two-thirds of this activity is carried out under partial hospitalization, which is gaining increasing ground on full hospitalization. In fact, in 2008 the number of arrivals in follow-up care and rehabilitation facilities rose 8.7% under partial hospitalization, versus 2.4% under full hospitalization.

This upsurge in activity is more significant in private clinics. The number of stays and days in private follow-up care rose 7.7% and 6.2% respectively in 2008 (46% of stays took place in public facilities, 28% in private clinics and 26% in non-profit private facilities)[6].

Dependent care: solvent demand

Dependence needs can be structurally financed in a viable manner and operators can invest in it because there is a limited risk of insolvency.

In France, the revenues of one Korian Group nursing home break down schematically into three components (care, dependence and accommodation), as shown above. The "accommodation" component, which is paid by the resident and/or his or her family, amounts to approximately €2,500 including VAT per month, based on the average daily accommodation rate per bed within the Korian Group's facilities. On average, it is estimated that around one-third of this cost is funded by the resident's family, with the remainder being covered by the person's own income. In addition, an economically disadvantaged elderly person residing in a nursing home may, based on their personal resources, receive various types of state aid, particularly from the Conseils Généraux as "social welfare" to cover the cost of accommodation. However, the number of beds authorized to accept residents on social welfare is negligible in the Korian Group.

In the French medium-term stay healthcare sector, the daily price is covered, subject to a non-refundable portion referred to as the "daily flat rate", by the social security authorities. The daily flat rate can be covered by mutual health insurance, as can certain additional costs relating to comfort such as the private room supplement. The combination of social security authorities and, where applicable, mutual insurance companies, thus helps ensure the solvency of demand in follow-up care and rehabilitation facilities and psychiatric clinics.

Lastly, in France, the resources elderly people have available to pay for their dependent care are likely to increase over the next few years:

- an increase in the number of women who were once in the workforce and hold pensions in their own name and no longer only the remainder of their spouses' pensions;
- a gradual increase in dependent care insurance offered by life insurance companies;
- general aging, as the current generation has greater resources than before to support their parents.

[4] *Source: Seniorscopie – "Les dix mesures Douste-Blazy contre l'Alzheimer" (the ten Douste-Blazy measures against Alzheimer's) – September 2004).*
[5] *Source: Seniorscopie – "Les dix mesures Douste-Blazy contre l'Alzheimer" (the ten Douste-Blazy measures against Alzheimer's) – September 2004).*
[6] Source: *Drees - L'activité des établissements de santé en 2008 en hospitalisation complète et partielle – Février 2010* (The Activity of Healthcare Facilities in 2008 in Full and Partial Hospitalization - February 2010).

2.3 THE KORIAN GROUP IN GERMANY (PHÖNIX BRAND)

a) Phönix: a range of services focused on retirement homes, at the highest standards of quality

Phönix is focused on the nursing home sector (*Pflegeheime*), and a few related activities:

- serviced residences established as extensions of the main nursing home (with a ratio of about 20 serviced residence beds per 100 beds in the *Pflegeheime*);
- home care services or home nursing through the nursing homes.

The German healthcare system is structured according to the major reform principles of 1995 and 1996, which organized dependent care (SGB V) and medico-social services (SGB XI).

The system is highly decentralized: Federal law has given the authorization and supervision of care to be provided to the states (*Länder*), which, in turn, have established two bodies:

- at the regional level, the medical service and supervision of healthcare funds is ensured by the "MDK", the high authority responsible for verifying the level of quality of services provided by facilities (through on-site inspections);
- at the local level, the supervision of nursing homes is under the authority of the *Heimaufsicht*.

b) Regulatory framework

Since 1996, Germany has a fifth branch of social security providing funding for dependent care, the *Pflegekasse*.

Dependent care insurance is mandatory in the same way as health insurance, and is funded by employee and employer contributions.

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

Degree of dependence	Assessment criteria
Pflegestufe I	Assistance necessary for at least two chores or for several basic care tasks at least once per day Assistance for 90 minutes per day + 45 minutes of care
Pflegestufe II	Assistance necessary at least three times per day for basic care and several times a week for household assistance Assistance for 180 minutes per day + 120 minutes of care
Pflegestufe III	Need for care and assistance at all hours of the day and night, plus household assistance several times per week Assistance for 300 minutes per day + 240 minutes of care
Härtefall (exception)	For special and individual cases that require an exceptionally high level of care (personal care, feeding, mobility) which require at least 6 hours per day and at least three times at night *Vollstationäre Pflege*: full hospitalization On-going care to hospitalized patients with personnel continuously present

Once a person is recognized as dependent, the healthcare system pays him/her a monthly allowance according to the type of care and degree of dependence. An assessment rubric classifies the residents by "*pflege*" (care level). The German system tries to promote home support services for elderly people.

€ /amount	Pflege 1	Pflege 2	Pflege 3	Pflege 3+
Family	€235/month	€440/month	€700/month	
***Ambulant Pflege* (German term)**	€450/month	€1,100/month	€1,550/month	€1,918/month
Pflegeheime	€1,023/month	€1,279/month	€1,510/month	€1,918/month

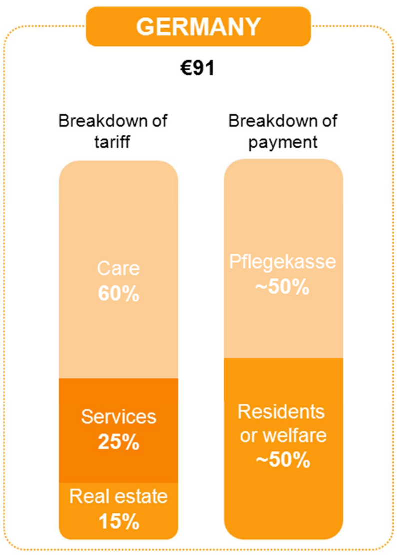
In addition, for low-income people, the municipality covers the rest itself (30% of Phönix residents). In this case, the IK rate (see below) is also regulated.

Completely independently, the operator negotiates certain elements of its rate with the local nursing home supervisor (*Heimaufsicht*) and with the health insurance funds:

- the care portion (*Pflege*) includes all expenses that are not "Services" (U+V) or "Real Estate" (IK);
- the Services portion (U+V) covers expenses associated with accommodation services: catering, laundry;
- the real estate portion (IK) covers rent and associated costs.

The first two components of the cost are regulated, but the supervisory authorities authorize a margin, and there are no use-of-funds statements (i.e. *a posteriori* adjustment).

IK rates are freely set for residents not receiving assistance.

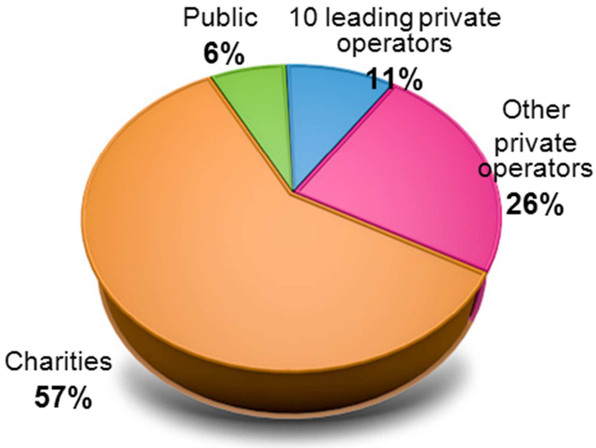


Source: Korian

c) Operators in the market

Of the 876,000 German nursing home beds, 57% are managed by non-profit operators, including four large operators. Between 1999 and 2007, 71% of beds were created by private operators. The private sector represents 37% of beds and remains highly fragmented.

Germany has 12,400 nursing homes, more than half of which are concentrated in the states of Nordrhein-Westfalen, Bayern, Baden-Württemberg and Niedersachsen, which also have the strongest demand. In most regions, the sector has continued to grow (+5.1% on average since 2009).



Breakdown by private operator:

Source: Federal Bureau of Statistics

No.	Operator	Beds 2011
1	Pro Seniore	17,000
2	Kursana	11,072
3	Curanum	10,150
4	Casa Reha	9,114
5	Marseille Kliniken	8,088
6	Vitanas	7,989
7	Maternus & Cura	6,190
8	Phönix	5,183
9	Azurit	4,652
10	Alloheim	4,000

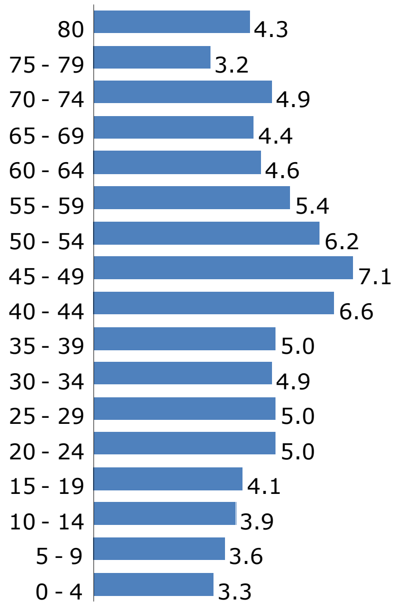
c) *Market trends*

A rapidly-expanding market, driven by favorable socio-demographic factors and characterized by a structurally loss-making offer

Phönix's activity is marked by a rapidly aging population and demand for beds in excess of supply.

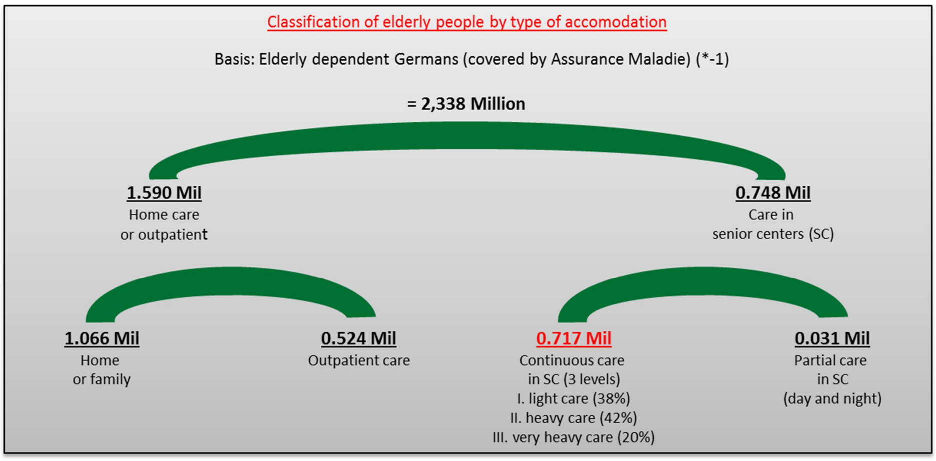
German age pyramid in 2011
(by age group, in millions of people)

Source: Euromonitor



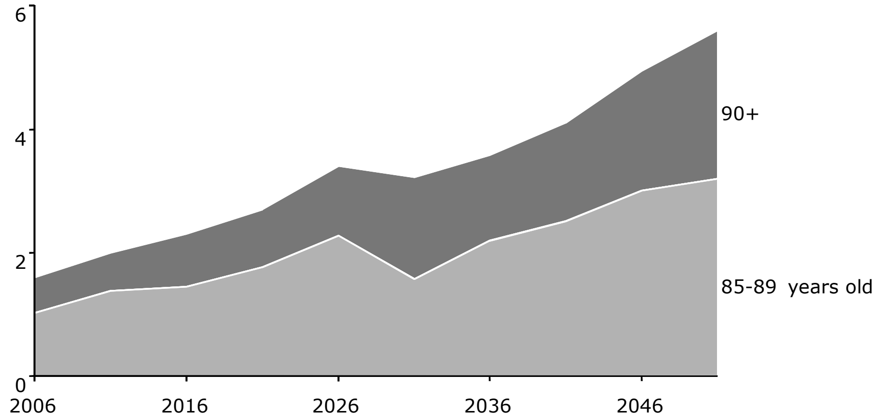
A demographic, economic and social context conducive to the growth of the dependent care market

Of the 2.3 million elderly dependent population, 68% receive home care or outpatient care. There are 787,000 elderly people living in *Pflegeheime*, most of whom are permanent stays.



The over-85 population is expected to rise sharply in the coming years, more rapidly than in France by 2020 (source: Destatis). This is due to the higher birth rate that marked Germany in the 1930s and which is now reflected in the age pyramids.

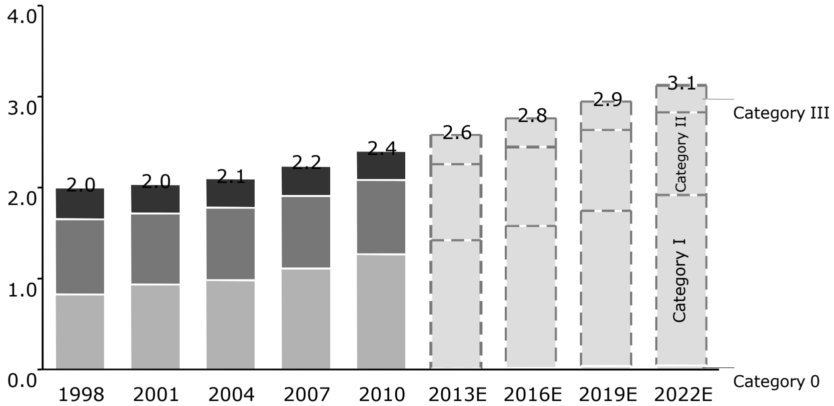
Change in the number of people over 85 years old, V1W1* variant
(Classified by age in millions)



Note: (*) V1 W1 variant: birthrate of 1.4 children per woman until 2050, life expectancy higher by 7.6 years for men and 6.5 years for women, net annual immigration of 100,000 people

The other characteristics of the French market (prevalence of dependency, changing lifestyles, *etc.*) are identical in the German market.

Number of people requiring care (in millions)



These combined characteristics make it possible to project the needs in terms of dependence in the years ahead.

Assumption: growth of institutional care provided by family and similar professionals; people needing care defined by care category I (reduced need for care) to category 3 (high need for care)
Source: Destatis; ADMED/HCB/RWI; Litsearch; Bain interviews

This model projects a 30% increase in dependent elderly people from now until 2022. Converted into EHPAD beds, this would represent 200,000 new beds over the next 10 years (Source: Destatis, ADMED/HCB/RW, Bain analysis).

2.4 THE KORIAN GROUP IN ITALY (SEGESTA BRAND)

a) Segesta: a comprehensive operator with the highest standards of quality

Segesta is the only Italian company present in all sectors of healthcare.

	CLINICS	REHABILITATION CLINICS	NURSING HOMES	DAILY CENTERS	DISABLED	HOME CARE
KOS	●	●	●			
MEDICA			●			●
ORPEA			●			
EUKEDOS			●			
SEGESTA	●	●	●	●	●	●

Segesta is present in the medical-surgical-obstetric (MCO) clinic sector (Sardinia), in follow up care clinics (Tuscany, Apulia), medical nursing homes “*Residenze sanitarie assistenziali*” or “RSA” (in several regions), adult day care (in several regions), residences for disabled people (Liguria and Apulia) and home care (Lombardy and Apulia).

This range of services complies with the organization of the Italian healthcare system, and addresses the continuum of care: the regional authority (ASL) manages all healthcare operators, from hospitals to home care, under one budget, and does not hesitate to force competition between them.

This characteristic found its practical application in 2010 with the “*Patto di Salute*”, which officially organizes the transfer of the MCO’s regional budgets towards medium and long-term stays, with quantified objectives for bed closures by region.

The other characteristic of the Italian healthcare system is that it is very regional, each ASL being highly autonomous in terms of management and decision-making. Some ASLs will favor follow-up care clinics, while others will favor nursing homes, and still others will favor home care.

Additionally, regarding nursing homes, each ASL may have different definitions of quality standards and a different pricing policy (see chapter on regulation).

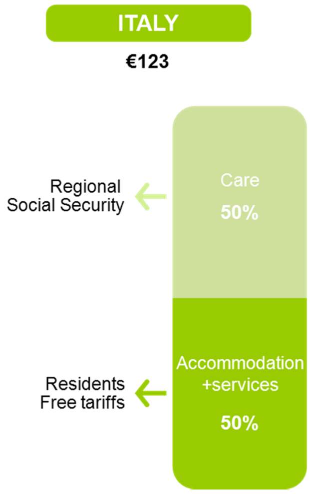
In response to the organization of this healthcare system, Segesta’s range of services is centered on the philosophy of the continuum of care, with the mission of offering a comprehensive integrated service, personalized support therapies, improved quality of life for patients, respect for the dignity and individuality of all patients, ensuring the continuity of care, allowing the patient to choose between different support solutions, a high degree of professionalism by dedicated personnel, and opening up services.

b) Regulatory framework

Segesta’s activities are marked by:

- strong entry barriers to obtaining operating licenses and/or increasingly stringent operating standards;
- public bodies (governments, regional authorities, social security, *etc.*) covering roughly 50% of the cost of funding dependent care.

Opening a nursing home is contingent upon an administrative authorization and a financing authorization, which entitles the administrative authority to fund care.



Pricing structure

Nursing home rates are broken down into averages.

The average rate for Segesta's RSA is composed of:

- a care rate representing around 50% of the overall rate, regulated with no margin and paid by the region;
- an accommodation rate also representing 50% of the overall rate and set freely in the regions of operation (Lombardy in particular).

It is important to note that at the national level there are large disparities in rates, from €29 to €64 per day. The accommodation rate, which is freely set in Lombardy and Venice, is capped, for example, in Piedmont at €42 per day.

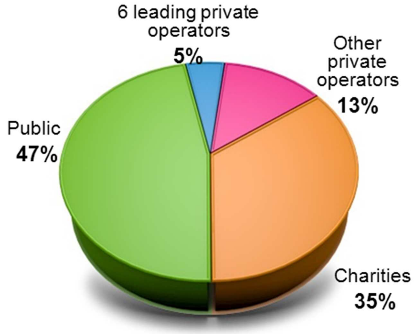
	SERVICE	RATE COVERED BY S.S. (€/D)	RATE ACCOMODATION (€/D)	TOTAL (€/D)
LATIUM	Nursing home average level-low	€46.19	€46.19	€92.38
	Nursing home average level-high	€58.95	€58.95	€117.90
LIGURIA	RP long stay	€28.72	Free	-
	Nursing home maintenance	€46.26	€40.00	€86.26
LOMBARDY	Nursing home	€39.00	Free	-
	Nursing home Alzheimer Units	€52.00	Free	-
PIEMONT	Nursing home basic level	€48.50	€41.50	€90.00
	Nursing home enhanced level	€56.50	€41.50	€98.00
	RAF basic level	€36.50	€36.50	€73.00
	RAF enhanced level	€41.50	€41.50	€83.00
APULIA	RSSA	€46.00	€46.00	€92.00
SARDINIA	Nursing home low intensity	€59.00	€59.00	€118.00
	Nursing home high intensity	€64.00	€64.00	€128.00
VENICE	Nursing home low intensity	€50.58	Free	-
	Nursing home high intensity	€51.51	-	-

c) Operators in the market

The 340,000 dependence beds in Italy are marked by:

- a very large majority of public and non-profit operators (82%);
- a very fragmented private sector where the top six operators represent just 5% of total beds.

In addition to the Korian Group, through Segesta, the main national operators in the dependent care sector are KOS, Arkimedica, Aetas, Orpéa and Kinetika. There are many regional operators.

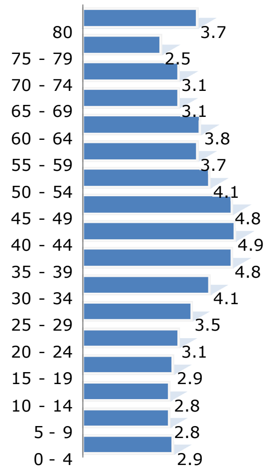


d) A rapidly-expanding market, driven by favorable socio-demographic factors and characterized by a structurally loss-making offer

Segesta's activity is marked by a rapidly aging population and demand for beds in excess of supply.

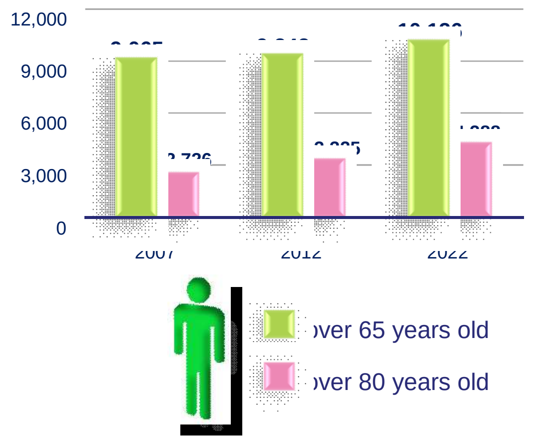
A demographic, economic and social context conducive to the growth of the dependent care market

Italian age pyramid in 2011:
(by age group, in millions of people)
Source: Euromonitor



The over-80 population is expected to grow 29% by 2022.

Elderly population in Italy - ISTAT 2007 central scenario



Source: The riforme regionali per i non autosufficienti – a cura di C. Gori – Carocci - 2008

The number of people over 85 will increase significantly 2020. This is due to the higher birth rate that marked Italy in the 1930s and which is now reflected in the age pyramid.

The other characteristics of the French market (prevalence of dependency, changing lifestyles, *etc.*) are identical in the Italian market.

CHAPTER 3. MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2012

3.1. HIGHLIGHTS

a) Change in governance and new Chief Executive Officer

In its decision on March 21, 2012, the Annual Shareholders' Meeting approved a change to the company's corporate governance model, under which the dual structure comprising a Supervisory Board and an Executive Board was replaced by a Board of Directors.

The first Board of Directors meeting, held immediately following that meeting, also decided to initially combine the roles of Chairman of the Board and Chief Executive Officer and to appoint Christian Chautard as Chairman and CEO of the Company until the date on which the new CEO, Yann Coléou, effectively took office, subject to the recognition of his appointment by the Chairman of the Board.

On April 30, 2012, the separation of the executive and non-executive roles came into effect with the installation of Yann Coléou as Chief Executive Officer of the Group, with Christian Chautard becoming the non-executive Chairman of the Board of Directors.

A close-knit team was set up around the Executive Management, within an Executive Committee composed of the following people:

- Yann Coléou: Chief Executive Officer
- Philippe Denormandie: Deputy Managing Director
- Louis Guyot: Group Chief Financial Officer
- Mariuccia Rossini: Managing Director of Segesta
- Ralf Stiller: Managing Director of Phönix
- Chantal Lallemand: Director of Operations, France.

b) Development

The 2012 financial year was marked by the consolidation of our existing facilities, even as we integrated 529 new beds across the three countries in which we operate.

France

The Group continued to restructure its portfolio and implement its organic growth plan, finalizing:

- the restructuring of its Mont-Blanc follow-up care and rehabilitation facility, with the opening of a new facility in Thiez which has 115 beds and 25 extra beds;
- the opening of 30 additional spaces for its assisted living facility in Yvelines;
- the relocation of its nursing home in Rouen (102 beds).

Additionally, the Group completed some external growth transactions:

- the acquisition of a 70-bed nursing home near Caen, thus strengthening the cluster already established there;
- the continued integration of the Seniors Santé group facilities as they were being taken over, with, in 2012, the integration of Château des Ollières in Nice (85 beds), Vauvenargues close to Aix (80 beds) as well as Sorgentino, also in Nice (81).

As part of its strategic plan, Korian sold off two nursing homes, totaling 162 beds.

At the end of 2012, Korian had 14,739 beds in operation in France, across 171 facilities.

Germany

In 2012, Phönix continued its business expansion, begun in 2011, with the acquisition of the Weidlich Group, the acquisition of four new facilities and the opening of a fifth. Phönix also sold off an atypical facility focused on assisting young people. Furthermore, the Group announced its intention to launch a friendly takeover of Curanum.

At the end of 2012, Korian had 5,426 beds in operation in Germany, across 47 facilities.

Italy

The responsiveness and know-how of Segesta's management allows it to position itself for all opportunities offered by a healthcare market in the process of being restructured. Within this context, 2012 was an opportune year to continue reorganizing the Cagliari clinics in Sardinia, to integrate and restructure the seven facilities at Bari in Apulia, and to build an innovative partnership in the discharge of patients at Monza in Lombardy.

At the end of 2012, Korian had 4,349 beds in operation across 31 sites.

c) Major debt reduction program

At December 31, 2012, net debt totaled €562 million, down €57 million compared to 2011. This reduction in debt reflects the business's strong cash flow generation and the asset disposals that mostly took place in December 2012. In particular, Korian undertook an asset disposal program, signing a new partnership agreement with Viveris providing for the sale of nine buildings for €117 million, €55 million of which was carried out in 2012.

As a result, the adjusted debt ratio for real estate has decreased by 3.1x EBITDA for a covenant set at 5.0x.

The Group thus has significant financial flexibility with €158 million in cash and authorizations to issue nearly €350 million of additional debt.

3.2 CHANGE IN THE GROUP'S BUSINESS ACTIVITIES

3.2.1 Change in consolidated revenues

In € million	2012	2011	2012/2011 Change
Nursing homes France	493.2	463.0	6.5%
Healthcare France	268.8	249.8	7.6%
Total France	**762.0**	**712.8**	**6.9%**
Italy	189.6	163.5	16.0%
Germany	156.8	138.51	13.2%
Consolidated Revenues	**1,108.4**	**1,014.8**	**9.2%**

In 2012, the Group posted growth of 9.2%, sustained by:

- robust organic growth (5%);
- strong growth abroad—a driver of new growth (15%);
- targeted external growth transactions (including four nursing homes in Germany and three in France).

Korian thus increased its capacity by 529 beds, for a total of 24,514 beds across 249 facilities.

3.2.2 Growth of 6.5% for the nursing home sector in France

With €493.2 million in revenues in 2012, the nursing home business increased significantly over the year, posting nearly 7.0% in growth. In terms of facility type, this growth breaks down as follows:

In € million	2012	2011	Change as a %
Mature facilities	414.6	397.2	4.4%
Facilities being ramped up	30.1	18.2	65.4%
Facilities undergoing restructuring	48.5	47.6	1.9%
Total	**493.2**	**463.0**	**6.5%**

Organic growth accounted for 4.7% of this figure, with the remaining 1.8% arising from acquisitions made in 2011/2012.

With stable occupancy rates, organic growth was attributable to facility openings and expansions carried out in 2011 and 2012 and a dynamic pricing policy which generated a 2.6% rise in the average accommodation rate.

Nursing homes set their own accommodation rates for new residents. The rates are then indexed annually by order of the Ministry responsible. For the 2012 financial year, the rates for services offered to elderly people residing in nursing homes as at December 31, 2011 could not be increased by more than 2.5%. Rates can only be adjusted above this index when a new resident arrives. The Group's management therefore has some leeway for improving its nursing home accommodation rates.

3.2.3 Activity growth of 7.6% in the Korian Group's healthcare business in France

Revenue for Korian's healthcare facilities amounted to €268.8 million at December 31, 2012, up 7.6% compared to 2011.

In € million	2012	2011	Change as a %
Mature facilities	216.3	204.3	5.9%
Facilities being ramped up			
Facilities undergoing restructuring	52.5	45.5	15.4%
Facilities sold			
Total	**268.8**	**249.8**	**7.6%**

Organic growth accounted for 4.3% of growth in the healthcare sector, with the remaining 3.3% arising from acquisitions and disposals made during the year (three follow-up care and rehabilitation clinics near Bordeaux, one healthcare facility in Talence).

Occupancy rates for mature facilities remained high and improved sharply, rising by 0.7 percentage points to 98%. In addition to these occupancy rates, organic growth was also attributable to the solid occupancy rates of private rooms, which increased by 1.7 percentage points to 87.6%, as well as a rise in their rates of about 7%.

3.2.4 Activity growth of 16% in Italy

In 2012, Segesta continued its growth policy with €189.6 million in revenue, up 16%. The acquisitions made in 2011 (Villa Giovanna, Kinetika Sardinia and Caccuri) accounted for 13.5% of this figure, with the remaining 2.5% attributable to organic growth. The weakness in organic growth is due to the restructuring policy led on several facilities at the end of the year.

Mature facilities generated €110.4 million in revenues, and occupancy rates remained high (97%). Home care and adult day care also performed well.

Facilities being ramped up and those undergoing restructuring generated €79.2 million in revenue. Korian's Italian operations have significant potential for improvement.

3.2.5 Activity growth of 13.2% in Germany

Germany consolidated its growth in 2012, posting revenues of €156.8 million, up 13.2%. Organic growth accounted for 6.7% of this figure, with the remaining 6.5% arising from acquisitions made in 2011/2012. Early in the second half of 2011 Phönix had acquired the Weidlich Group, comprised of eight nursing homes, totaling 833 beds. In 2012, five new facilities totaling 497 beds were added to the German network.

Comfortable organic growth is due to a growing occupancy rate in the network as well as good rate renegotiations.

In 2013, the German network is going to expand significantly with the integration of Curanum, the second largest operator on the market, following the friendly takeover initiated at the beginning of the year.

3.3 FINANCIAL POSITION AND RESULTS AT DECEMBER 31, 2012

3.3.1 Korian Group consolidated financial statements

There were no changes in accounting method liable to have a material impact on the consolidated financial statements.

As a reminder, Korian favors EBITDAR as its benchmark indicator as it allows the Group's operating performance to be assessed independently from its real estate policy (the retaining or sale-and-leaseback of facility premises has an impact on operating income). EBITDAR consists of EBITDA before rental expenses (see note 29 to the consolidated financial statements).

EBITDA is equivalent to EBITDAR as defined above, less rental expenses.

a) Consolidated income statement

In € million		12.31.2012	12.31.2011	2012/2011 Change
Revenues		1,108.4	1,014.8	9.2%
EBITDAR		276.8	27.9	11.6%
	% of revenues	25.0%	24.4%	
External rents		137.7	125.2	9.8%
EBITDA		139.1	122.7	13.4%
	% of revenues	12.5%	12.1%	
Operating income		86.7	79.4	9.5%
Financial income		-34.1	-33.2	3.0%
Income before taxes		52.5	46.2	13.6%
Net income (Group share)		23.1	21.7	6.8%

All operating indicators show growth exceeding that of activity, another sign of the rigorous management of our facilities in a context of high growth.

In the breakdown of EBITDAR by item, personnel expenses accounted for 47.9% of pre-tax revenues totaling €531.2 million at December 31, 2012.

In France, the personnel expenses/pre-tax revenues ratio increased slightly from 51.9% in 2011 to 52.6% in 2012, a key consequence of government actions on employer contributions (the "social package") and the payroll tax. In Germany, this ratio dipped 0.1 points year-on-year to 52.1%. In Italy, it increased by 1.9 points to 25.6%. It should be emphasized that this relatively low rate is due to the fact that, in Italy, a portion of personnel expenses is billed through co-operatives, except in clinics. This explains why the rate increased nominally in 2012 given that growth in 2011 stemmed mainly from clinics.

Other purchases and expenses represented 27.1% of pre-tax revenues, amounting to €300.4 million. This percentage was down 1.2 points compared to 2011, as a consequence of the stringent and centralized procurement policy implemented within the Group.

Consolidated EBITDAR thus amounted to €276.8 million at December 31, 2012, representing an increase of €28.7 million on last year. Korian's 2012 EBITDAR margin of 25% was up significantly by 60 basis points on 2011. This increase is broken down by sector as follows:

Operating segments	Total		Nursing homes France		Healthcare France		Italy		Germany	
	2012	**2011**	2012	2011	2012	2011	2012	2011	2012	2011
Revenues	**1,108.3**	**1,014.8**	493.1	463.0	268.8	249.8	189.6	163.5	156.6	138.5
EBITDAR	**276.9**	**247.9**	135.6	126.9	52.6	48.5	44.7	36.3	44.0	36.2
% of revenues	**25.0%**	**24.4%**	27.5%	27.4%	19.6%	19.4%	23.6%	22.2%	28.0%	26.1%

Rents increased 10% to €137.7 million, representing 50% of the Group's consolidated EBITDAR.

Acquisitions and leaseback transactions accounted for 8.2% of this increase. On a like-for-like basis, rents rose 1.8%, due to the indexing defined in the leases.

Operating income rose by €7.3 million between 2011 and 2012 to €86.7 million, an increase of 9.2%. This rise is in line with activity and reflects the impact of acquisition and restructuring costs. Excluding these particular items, operating income grew 10.2%.

Financial income fell from -€33.2 million in 2011 to -€34.1 million in 2012, a small decline of 3%, with net debt remaining mostly stable throughout the year. Net debt fell significantly in December 2012.

At December 31, 2012, the average cost of debt was 4.4%.

The tax rate was 51% at December 31, 2012. This seemingly high rate includes the French value-added contribution for businesses (composante assise sur la valeur ajoutée, or CVAE), which has been classified as an income tax since 2010, as well as the IRAP in Italy (Italian regional production tax). Note also that the net interest deductibility on financial debt has been limited to 85% from 2012. Excluding these elements, the tax rate was 35%.

Finally, net income (Group share) amounted to €23.2 million, up 7% on the previous year.

a) Consolidated balance sheet

In millions of euros	12.31.2012	12.31.2011
Non-current assets	1,774.5	1,830.8
Current assets	364.4	254.7
Assets held for sale	92.9	3.5
Total assets	**2,231.9**	**2,089.0**
Shareholders' equity	735.3	722.8
Non-current liabilities	933.2	895.4
Current liabilities	537.2	467.9
Liabilities held for sale	26.2	2.9
Total liabilities	**2,231.9**	**2,089.0**

Assets

- Intangible fixed assets accounted for €1,325 million, or 76% of assets and 59% of the total balance sheet. They consist of licenses to operate facilities. The value of these licenses and the Group's goodwill are tested in accordance with IAS 36 (DCF) based on their value in use, which is determined by discounting future cash flows. The change in intangible fixed assets originated mainly from acquisitions and disposals during the year as well as assets held for sale.
- Property, plant and equipment declined €15 million over the year to €390 million as a result of construction work and acquisitions and operations. This figure was offset to an extent by disposals of premises and extensions.
- Within current assets, trade receivables amounted to €78 million, a decline of €14 million, or 15%, indicating the strong collection management in place.

Liabilities

- Consolidated shareholders' equity (Group share) increased by €12 million, primarily as a result of:
  - the impact of net income (Group share), in the amount of €23.1 million;
  - the distribution in June 2012 of €19.7 million in dividends in respect of income for the 2011 financial year;
  - the capital increase, in the amount of €14.5 million, related to the dividend share payment;
  - the impact of hedge accounting on interest rate hedging instruments, which came to -€5.0 million.
- At December 31, 2012, Korian's share capital comprised 34,040,828 shares.
- Net borrowings and financial debt amounted to €562.0 million, a significant reduction of €57 million.

The Group's debt breaks down as follows:

	12.31.2012	12.31.2011
Loans with financial institutions	567,361	529,285
Finance lease liabilities	96,628	92,262
Employee profit share	35	66
Other sundry financial debts	1,024	1,015
Liabilities held for sale	-154	
Long-term financial debts	**665,202**	**622,628**
ST loans with financial institutions	42,102	18,660
ST finance lease liabilities	7,826	6,706
Bank overdrafts	5,077	6,852
Other sundry ST financial debts	4,662	5,225
Liabilities held for sale	126	
Short-term financial debts	**59,541**	**37,443**
Financial debts (A)	**724,743**	**660,071**
Marketable securities	135,574	20,261
Cash assets	27,313	22,003
Assets held for sale	164	1,106
Cash (B)	162,723	41,158
Net debt (A) - (B)	562,020	618,913

Net financial debt amounted to €562 million at December 31, 2012, including €171 million in real estate debt. Korian's net debt ratio on EBITDA adjusted for real estate is therefore 3.1 x, well within the covenant of 5.0 x. Net debt has sharply declined compared to 2011 (-€57 million) thanks to significant effort made to generate cash flow and to asset disposals made in December 2012.

3.3.2 Korian S.A. annual financial statements

There were no changes in accounting method liable to have a material impact on the annual financial statements.

Income statement

In €M	2012 12 months	2011 12 months
Revenues	36.0	32.4
Other operating revenue	1.7	2.9
Total operating revenue	37.7	35.3
Other external purchases and expenses	-16.4	-14.2
Taxes and duties	-1.5	-1.7
Personnel expenses	-26.2	-24.2
Depreciation, amortization and provisions	-5.0	-2.9
Other expenses	-0.4	-0.4
Total operating expenses	**-49.5**	**-43.4**
Net Operating income	**-11.8**	**-8.1**
Financial income	**28.4**	**5.3**
Non-recurring income	**-2.7**	**-4.0**
Income tax (income from consolidation)	11.0	15.9
Net income	**24.9**	**9.1**

Net operating income

Korian SA's income primarily comprises the receipt of a Group royalty paid by all facilities as part of an assistance agreement. This royalty, which amounted to €23.5 million (+€0.2 million) in 2012, is broken down according to the number of beds operated by the facilities.

Korian also bills other expenses such as insurance, advertising and engineering time to its subsidiaries and miscellaneous services to non-Group companies. These billings accounted for €1.7 million in 2012. External services billed outside of the Group amounted to €8.3 million (+€0.4 million).

At €26.2 million for an average workforce of 326 employees, personnel expenses accounted for around 53% of total operating expenses.

Amortization increased by €1 million following the installation of a number of IT tools across the Group.

Provisions for €1.2 million involved head office restructuring costs.

Financial income

As the main holding company of the Group, Korian SA also receives dividends from its subsidiaries. These dividends rose from €21.8 million in 2011 to €45.4 million in 2012.

Korian SA carries the majority of the Group's debt. Borrowing costs amounted to €24.6 million in 2012 (+€0.4 million).

Against this, as the lead company in the cash pooling structure, Korian SA paid €5.2 million in current account interest expenses and received €13.8 million in current account interest income from its subsidiaries.

Non-recurring income

The net non-recurring loss of €2.7 million was comprised of:

- Amortization and depreciation on acquisition costs of securities for €0.7 million;
- Losses on receivables excluding operations for €0.4 million;
- Costs of abandoned projects for €1.2 million.

Balance sheet

Assets	12.31.2012	12.31.2012
Intangible fixed assets	309.9	309.8
Property, plant and equipment	3.5	2.9
Long-term financial assets	578.5	543.0
Total fixed assets	**892.3**	**855.7**
Trade receivables	3.3	3.6
Other receivables	370.3	402.3
Cash assets	141.0	17.7
Prepaid expenses	0.8	0.8
Total current assets	**515.4**	**424.4**
Total assets	**1,407.7**	**1,280.1**

Liabilities	12.31.2012	12.31.2012
Share capital	170.2	163.6
Reserves and premiums	429.8	421.7
Retained earnings	18.9	29.6
Income	24.9	9.1
Regulated provisions	4.6	3.9
Net financial position	**648.4**	**627.9**
Provisions for risks and charges	**2.0**	**0.9**
Financial liabilities	738.5	639.2
Trade payables	4.9	4.4
Tax and social security payables	13.4	7.3
Other payables	0.0	0.4
Deferred income	0.5	0.0
Total trade payables	**757.3**	**651.3**
Total liabilities	**1,407.7**	**1,280.1**

Korian SA’s balance sheet total amounted to €1,407 million and was mainly comprised of:

Assets:

- Fixed assets in the amount of €892 million, accounting for nearly 67% of the balance sheet. These assets consist of:
  - A merger deficit of €300 million arising from the Korian/Medidep merger in 2006;
  - €578 million in subsidiary securities. Korian performed a capital increase on its German subsidiary Phönix for €24.8 million.
- The two other main items posted under assets on the balance sheet are:
  - Current accounts with subsidiaries in the amount of €366 million;
  - Cash in the amount of €141 million.

Liabilities:

- When dividends were paid out in 2012, shareholders were given the choice of taking payment in cash or in new company shares. This operation increased Korian SA’s share capital by €6,610,335 through the issue of 1,322,067 shares on July 23, 2012;
- Korian SA’s share capital thus rose to €170,204,140, divided into 34,040,828 fully paid-up shares, all of the same category and each with a par value of €5;

- Financial debts came to €738 million, including €565 million in borrowings (+€73 million) and €173 million in subsidiaries' current accounts;
- Trade payables amounted to €4.8 million and break down as follows:
  - €0.9 million in accrued invoices;
  - €3.9 million in trade payables.

The repayment schedule for these debts at December 31, 2012 was as follows:

In €M	> 60 days past due	> 60 days past due	< 60 days not past due	< 60 days not past due	Total
Operating trade payables	0.1	2.4	1.1	0.3	3.9
Group trade payables	0	0	0	0	0
Total	0.1	2.4	1.1	0.3	3.9

As a reminder, the repayment schedule for these debts at December 31, 2011 broke down as follows:

In €M	> 60 days past due	> 60 days past due	< 60 days not past due	Total
Operating trade payables	0	1.3	1.7	3
Group trade payables	0	0.1	0.1	0.2
Total	0	1.4	1.8	3.2

3.4 POST-BALANCE-SHEET EVENTS

a) Change in the scope of consolidation

Since January 1, 2013, Korian has completed the following transactions:

- Friendly takeover (78% control) of the Curanum group. With 10,150 beds spread out over 77 facilities, Curanum is the second-largest operator in Germany's medical-social sector. At the end of 2012, it had 7,124 employees and is mainly active in NRW, Hesse and Bavaria. In 2012, it made €289 million in revenues for an EBITDAR of €88.1 million (30.5%) and EBITDA of €32.2 million. Since 2010, it has been managed by Walther Wever, who favorably welcomed the Korian takeover bid;
- Going from 60 to 100% on the last two operating companies of Seniors santé.

b) Rate modifications

The public authorities granted rate revaluations for the 2013 financial year. The French Ministry of the Economy, Finance and Industry issued an order setting the rate increase for nursing home services at 2.3% for 2013 (applicable to persons already residing in nursing homes at December 31, 2012).

3.5 RISK PREVENTION AND MANAGEMENT POLICY

The risks presented here are those that, at the date of this report, Korian considers likely to have a significant adverse effect on the Korian Group, its activity, its financial position and its income or growth.

The Korian Group cannot, however, rule out that other risks may arise in the future and have a significant adverse effect on the Korian Group.

3.5.1 Risk prevention and management policy

The Korian Group takes a number of measures designed to limit its exposure to the risks inherent to its dependent care operations in the medical, social and healthcare sectors.

As far as Korian is aware, the Group's facilities are not and have never been party to any significant dispute related to the occurrence of the risks identified by the Group and that are covered by its risk management policy.

The Group's risk management policy, as described below, applies to both nursing homes and healthcare facilities, on the understanding that the risks associated with care activities vary in severity depending on the level of the medical services provided by the facilities.

a) Risks associated with obtaining and maintaining operating licenses and subsequent agreements

The Korian Group's activities in France, Germany and Italy are strictly governed by legislative and regulatory programs. The Group is thus exposed to risks of licenses or subsequent agreements being declared null and void, suspended or withdrawn and not being renewed, and of its operating conditions becoming more stringent, which may have a direct impact on its operations, growth policy and earnings.

For medical-social facilities/nursing homes in France

Any creation, transformation or expansion of a nursing home is subject to the issuance of a joint license from the President of the Conseil Général's Business Establishment department and the Managing Director of the ARS for the region in which the facility is located, after a project application process is completed. This license is valid for 15 years starting from the date of the authorization order (10 years for facilities created before 2002). In addition, since the HPST bill (Hospital, Patient, Health, Territories Bill), the license may only be granted if the financing tied to the facility's operations (provisions for care) have been approved by the public authorities. The Korian Group may not begin construction, creation, transformation or expansion of a facility until it has obtained this financing.

The renewal of licenses is also subject to an internal and external assessment procedure, the arrangements and schedule of which are specified in the implementing decrees of the HPST bill, which supplemented the provisions of the order dated May 15, 2007 and the recommendations of the ANESM (the French agency for assessing the quality of social and medical-social facilities and services). These assessments aim to evaluate the facility's ability to perform the tasks entrusted to it and the quality of its activities in relation to its license.

The facilities authorized to receive elderly dependent people must also have signed a five-year tripartite agreement with the Conseil Général and the ARS (regional health agency) of their region, which aims to define the operating conditions and progress of the facility, both financially and in terms of caring for patients and the care given.

For healthcare facilities in France

Healthcare facilities are also subject to a program of licenses granted by the ARS for a period of no less than five years.

The license application is made within a license submission window set by the ARS (two months, twice per year). For this submission window, the ARS establishes a report of quantified objectives for the facility based on the requirements involving the range of care defined in the SROS-PRS, the first objective of which is to coordinate the linkage between the healthcare, outpatient and medical-social sectors according to the needs of the local population, and with a view to improving the state of healthcare, reduce inequality and improve access to care. The SROS consists of an operational tool to implement the PSRS, which includes, in particular, the assessment of healthcare needs, the range of care offered as well as determination of the region's strategy in terms of healthcare. An additional goal has been assigned to the SROS-PRS pertaining to the improvement of the regional healthcare system's efficiency. It must therefore continue restructuring the range of healthcare services with the goal of healthcare quality and security and to structure the healthcare offerings toward alternatives to total hospitalization, without forgetting to take the macro-economic context into consideration.

The license is granted when the project meets the population's healthcare requirements as identified by the plans, is compatible with the targets set by these plans and has satisfied conditions of establishment and technical and operational conditions.

The licenses, initially granted in terms of beds or spaces and then OQOS, are now issued for heavy equipment or for care activities. The reference to the concept of OQOS has been removed and replaced by that of IPA, determined in the CPOM and not in the authorization order. The number of beds physically installed in a facility is now merely an issue of organizational preference to be decided upon by the facility. The approach based on supply has thus been replaced by one that takes actual requirements into account.

The CPOM is signed for a period of five years and aims to define the facility's strategic direction, to identify follow-up indicators and to improve the control of healthcare costs and professional practices, as well as to set the associated pricing structure. Failure to adhere to the CPOM can lead to financial penalties, and the CPOM can be terminated or suspended before term by the ARS in the event that the facility commits a serious breach of the regulatory and legislative provisions or its contractual obligations.

The authorization given before construction begins serves as authorization to operate, subject to completion of a compliance visit, which is performed no later than six months after the implementation of healthcare activities.

The authorization granted to a facility can be rendered null and void if the operation has not started within three years, or if the completion, implementation or site development has not been accomplished within four years. It can also be suspended or withdrawn in the event that the facility commits a major operational error.

The application of decrees from 2008 aiming, in particular, to define a national regulatory framework led follow-up care and rehabilitation facilities to file authorization applications in 2010 confirming their healthcare activities. The authorizations refer to the potential care of infants or adolescents as well as specialized care (locomotor ailments, nervous system afflictions, cardio-vascular disorders, respiratory ailments, digestive, metabolic and endocrine system disorders, onco-hematological illnesses, burns, addiction disorders, illnesses of elderly polypathological patients and patients who are dependent or have a dependency risk).

All of the Korian facilities obtained this new authorization and have two years to make themselves compliant with operating conditions (general and according to specialties). Compliance visits for the Korian Group's healthcare facilities will be finalized during the first half of 2013, with the established CPOMs to follow.

For medical-social facilities in Germany

The dependent care insurance regime was implemented in 1996 and is based on a regional structure. The *Länder* regulate and audit the operators via the *Medizinischer Dienst der Krankenversicherung* (MDK).

A license is not required to operate a nursing home - a simple prior declaration to the authorities is sufficient. This declaration contains various pieces of information regarding the facility's financial details, staff (including their number and qualifications) and quality. With this declaration, the authorities can verify at any time that the structures and organization of the facility comply with their requirements.

This compliance with the authorities' requirements must be ongoing throughout the facility's operation; if breached, the appropriate authorities can order the termination of the business or close all or part of the facility, as they deem necessary.

Moreover, compliance checks verifying the Group's adherence to obligations related to licenses and their subsequent agreements and the safety of facilities are carried out by the competent authorities on a regular basis. These checks are liable to result in injunctions to change care arrangements, carry out work or, in the most extreme cases, suspend the operation of a facility where the inspection reveals major operational failures within the facility or inadequate care quality.

Lastly, the renewal of an authorization is also subject to compliance with minimum care standards, as verified through a compliance inspection.

For medical-social facilities in Italy

The Italian system is relatively close to the French model, since operating a retirement home is also subject to a licensing and accreditation system. The law sets the minimum framework to be complied with in terms of structure and organization, and the regions are responsible for defining their specific requirements (for example, in Lombardy, where the Group operates, the local authority stipulates a minimum amount of time that must be devoted to each resident).

The opening licenses are contingent upon submitting a file (including, in particular, producing several declarations pertaining to compliance with structure and management standards) to the region concerned, and obtaining public financing and accreditation (which requires more stringent management standards and implies that the activity will be conducted in a geographic region for which the public authorities have identified unmet needs).

Adherence to operating conditions is periodically verified by the local authority, which, in the event of serious failures, may apply penalties and even revoke licenses.

When the standards for obtaining licenses are revised, facilities may be required to modify their structures and organization within legally-prescribed timeframes.

b) Risks associated with changes in applicable rates and social policy

An adverse change in the social and pricing policy in France, Germany and Italy, in particular with respect to operators in the lucrative private sector, may have a negative impact on the operations, strategy, earnings, financial position and outlook of the Korian Group.

For medical-social facilities in France

A portion of the revenues of medical and welfare facilities (approximately 35% for nursing homes) is set by the public authorities based on the costs borne by these facilities. There is a risk that these public authorities may limit their share in the financing of these costs, in particular for care services.

A change in the procedures for allocating social services or reimbursement of care by *Assurance Maladie* (health insurance) could present a risk of reduced profit margins for the facilities.

For healthcare facilities in France

A very large portion of revenues for healthcare facilities depends upon rates set by social security agencies. Any decrease, freeze or inadequate revaluation of rates may therefore have a negative impact on the profitability and financial position of the Korian Group.

The MSAP can affect the follow-up care and rehabilitation clinics, which present a high number of patient admissions to reeducate them on certain surgeries. Once notified, the MSAP is pronounced for a maximum period of six months and can lead to a decrease in business for our facilities. The Korian Group's facilities have thus put in place a more advanced analysis of admissions in order to avoid and limit these MSAP.

For medical-social facilities in Germany

Prices are negotiated with the health insurance body and the authorities responsible for social welfare in the region. The entire amount is billed to the resident, who receives a monthly lump sum from the dependent care section (Pflegekasse) of the social security fund depending upon his or her degree of dependency (four levels).

The system is financed through salary contributions paid by employers and their employees.

For medical-social facilities in Italy

Rates include a portion for care and a portion for accommodation. They are regulated by each region and vary significantly among those regions. For example, the accommodation rate is entirely free in Lombardy, but capped in Piedmont.

A similar difference can exist in the definition of care quality standards. For example, in the south, the rates are generally weaker, but the same is true of standards.

In all regions, the healthcare rate is regulated by the public authority (ASL), and the accommodation cost is borne by the resident (except for those with low incomes, for whom the local authority bears the costs). On average, at Segesta, the rate components are split evenly.

c) Labor risks

Any shortages of healthcare workers and/or potential increases in the rate of employee turnover, especially for qualified nursing staff, may have an impact on the quality of service within the Korian Group's facilities, affect its image and growth prospects and/or lead to a substantial inflation in salaries, which would have a negative effect on profit margins. Any possible long-term shortage of personnel for certain facilities would jeopardize their associated operating licenses.

Moreover, the Korian Group cannot exclude a deterioration in employee relations liable to lead to disruption in the form of strikes or other industrial actions. As a result, the smooth operation of its facilities, its financial position and its operating income could be affected by employee disruptions. The Korian Group's human resources policy, which encourages proactive employee dialog and career development through an ambitious training policy and internal mobility plans, is a means of preventing labor risks.

In France, changes in public authorities' regulations and requirements pertaining to qualified staff may require the Korian Group to increase its number of qualified employees, with no corresponding increase in its accommodation capacity. This may force the Korian Group to manage an increase in its payroll and carry out large-scale recruitment campaigns in a sector suffering from a shortage of qualified staff. Faced with the difficulty of recruiting qualified employees, partnerships have been established with business schools and universities to create pools of future facility managers.

In Germany, care in nursing homes is provided by nurses. In fact, the regulations in effect require a minimum of 50% nurses with nursing degrees in the caretaking personnel or the facilities risk a reduction in the number of authorized beds. Recruitment is therefore a major challenge for Phönix, which endeavors to pay particular attention to professional training to confront shortages in qualified personnel. This is illustrated in particular by the implementation of internal training, a special program to support young graduates and partnerships with universities.

In an effort to create loyalty among the personnel and reduce turnover, Phönix put in place a seniority system that rewards employees. Additionally, a large, short-term internal-mobility program was developed with the goal of mitigating a decrease in staff at certain facilities and therefore avoiding the need to reduce business in the event of a lack of qualified personnel.

Phönix also launched a large recruitment campaign called "*pfleg mich*", notably through the media.

d) Infection risks associated with care activities

On the one hand, regulations applicable to medical-social facilities are ever-changing and are supported via reference to best-practice recommendations. On the other hand, the Korian Group's healthcare facilities are subject to strict regulations governing patient safety, hygiene, health, the environment and ethics.

Failure on the part of the Group's facilities to comply with these rules could subject the Group to civil and/or criminal liability and harm the reputation of the whole Korian Group, thereby having a negative impact on its operations and financial position.

In addition, major regulatory changes could lead the Korian Group to incur expenses (facilities, equipment, staff *etc.*) that modify its investment plans, operating expenses and operating conditions, thereby delaying implementation of its strategy. Moreover, failure to comply with these new regulatory obligations may lead to the suspension of licenses and have an adverse impact on the Group's operations, financial position and earnings.

Prevention of infection

In the Korian Group's French facilities, controlling the risk of infection is defined according to a few key drivers: making resources available to implement hygiene best-practice recommendations, implementing prevention measures in terms of hygiene and healthcare, compliance with certain rules pertaining to basic hygiene (sanitizing hands, in particular), controlling technical care, environmental control (water, IMW, the laundry process *etc.*), management of epidemics and vaccination policy, raising users' awareness (patients, residents and families), training professional employees and external contractors and developing collaborations with specialized healthcare institutions such as the CCLIN (Coordination Center of the Campaign Against Nosocomial Infections). Controlling the risk of infection is regularly tested, notably under annual infection-risk self-assessments in both the medical-social and healthcare sectors.

Within these healthcare facilities, the existing process is supplemented by a local epidemic control plan for each clinic: by monitoring the nosocomial infection control plan (presence of a CCLIN and EOH in each of the Group's clinics); by implementing prevention measures in terms of hygiene and care, including correct usage of antibiotics (procedures, protocols, training); by organizing nosocomial infection, multi-resistant bacteria and antibiotic consumption monitoring, as well as assessing best practices; and by monitoring national indicators (antibiotic consumption, consumption of hydro-alcoholic solutions, staphylococcus aureus).

Vigilance with regard to infections (internal and external signaling of nosocomial infections) is applied in all facilities. The facilities compile a yearly standardized summary of activities carried out to combat nosocomial infections, allowing the public authorities (the ARS and the former department of medical and social affairs, DDASS) to establish an ICALIN score (composite index of activities carried out to combat nosocomial infections).

In Germany, the risks associated with nosocomial infections are governed by standard hygiene procedures that apply to all employees. Certain diseases must be reported to authorities, and the sufferers isolated; the healthcare staff in contact with sufferers of such diseases must therefore wear adapted clothing to protect against the risk of infection.

Furthermore, each facility must respect hygiene rules, which are reiterated in written procedures and available to employees at any time. These procedures are standardized and are audited and checked by the Phönix audit and quality services department (Léos), as well as during visits from the healthcare authorities, which verify their implementation and compliance.

In Italy, in addition to complying with the applicable regulations, the Group has implemented an internal quality control process in its nursing homes (*Case di Cura*).

Management of infectious medical waste (IMW)

The management of IMW is governed by specific procedures that identify the waste in question, impose the use of appropriate packaging (secure receptacles for needles, sharp edges, cutters and containers), describe the procedures for intermediate and final storage and stipulate removal by an approved service provider at a specified frequency, depending on the waste produced and in accordance with the laws applicable in each country.

In France and Italy, specialized companies manage medical waste.

In Germany, infectious medical waste must be removed, separated and handled in accordance with applicable regulations.

Epidemics

The spread of an epidemic may have a negative impact on the operations, financial position and earnings of the Group, owing in particular to any resulting loss of business as well as the additional expenses and costs resulting from the implementation of exceptional healthcare measures.

In France, although standard precautions allow facilities to limit the risk of nosocomial infections within their premises, these facilities are now preparing to deal with a possible epidemic originating from outside. A comprehensive process to protect against this risk was created in 2009 as part of a national plan to prevent and combat a flu pandemic. Healthcare facilities must take measures to handle an abnormally high influx of patients. The Korian Group’s follow-up care and rehabilitation facilities and nursing homes do not have emergency services, but are organized so as to handle extraordinary situations that they each describe in their “plan blanc” (“white” emergency response plan for hospitals and medical facilities) or “plan bleu” (“blue” emergency response plan for facilities accommodating elderly persons). These plans are now defined with the ARS (as a continuation of the work initiated with the DDASS), and include a PCA (business continuity plan), which must also define layered organization and functioning in the event that employees are absent and the facility experiences supply issues. The healthcare facilities have added an “epidemic control” section to their white plans. Every year, the facilities adopt a vaccination policy for their teams (flu and whooping cough) and for elderly people residing in their nursing homes (flu and pneumonia).

In Germany, the facilities are obliged to immediately warn the regional health agencies, which then assist them in implementing appropriate treatment.

In Italy, the facility’s health director informs the relevant personnel and carries out decontamination of the facility according to protocols defined by the health authorities.

Medication cycle

Each stage of the medication cycle is prone to errors that could present a risk to the patient or resident, from the suppression of active ingredients to the toxicity of the treatment administered. The consequences could lead to the facility being held liable should it face a complaint with respect to the endangerment, temporary or permanent invalidity or even death of a patient or resident.

In this context, the Korian Group has implemented a prevention policy based on controlling the medication cycle, drug monitoring and identification monitoring. Respectively speaking, prescription is a medical act, dispensing is a pharmaceutical act and administration is an act performed by professionals authorized under the healthcare and medical-social regulations.

In France’s healthcare facilities, organization of the medication cycle (prescription, dispensing and administration) is tightly regulated, particularly since the issue of the RETEX order, which calls for a multi-disciplinary, collective approach with the firm involvement of management and the CME (the facility’s medical committee) to lead projects and foster communication among departments and participants. A team charged with working on the medication policy is clearly identified, with four key overseers: the facility manager, the medical committee, the healthcare risk management coordinator and the person responsible for quality management and medicinal treatment.

In medical-social facilities, the organization of the medication cycle (prescription, dispensing and administration) is increasingly governed by a formal agreement, proposed by the Korian Group and prepared jointly by the dispensing pharmacy and nursing home. Prescribing physicians must now sign a contract defining procedural rules designed to make the prescription process safer. The CCG, composed of representatives of all of the facility’s caregivers, is required to meet at least twice per year to work on medication issues.

Korian has asked all of its facilities to carry out an annual self-assessment of their medication cycles and report on actions to be implemented as part of each facility’s quality improvement plan. Timed drug administration is carried out by the medical team to improve monitoring of sick patients and reduce the workload and risk for the nursing team with respect to medication.

To supplement these efforts, a medication booklet has been drafted over the last three years and circulated to all of Korian’s facilities. It lists the most suitable drugs for elderly subjects, drawing on the current recommendations of HAS (the French National Authority for Health), a thorough review of the literature, existing dosage forms and an analysis of practices involving 60,000 prescriptions issued by community physicians.

Lastly, the computerization of the medication cycle is essential with the arrival of the DPI in our healthcare facilities, the finalization of an interface between the dispensing pharmacies and the DPI in our nursing homes. These systems automate the analysis of prescriptions, remove the need for retranscription and produce indicators upon which we can base our review process.

In Germany and Italy, like in France, medications are prescribed by a doctor, issued by a pharmacy and administered by a nurse. Opiates and medication expiration dates, however, have special tracing requirements.

Risks associated with medical equipment and devices and materials vigilance

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

The lack of preventive maintenance may lead to diagnosis errors or poor performance, which in turn leads to medical accidents or the application of an inappropriate care program. Moreover, the use of reusable devices ("multiple-patient devices") can be vehicles for infection. However, the absence of surgical activity or the insertion of implantable medical devices reduces the risk associated with this type of equipment.

In order to prevent these risks, an inventory of medical equipment and devices is conducted in all facilities; annual preventive maintenance is organized; reusable medical devices are identified and maintenance protocols are put in place. Materials vigilance (monitoring of incidents and risk of incidents arising from the use of medical devices) is operational and applied in all of the Group's facilities subject to risks associated with medical devices.

Lastly, a limited number of healthcare facilities are equipped with imaging equipment that is subject to specific authorization: such equipment is subject to regulatory audits, and professionals who are at risk are monitored to control their exposure to ionizing radiation (dosimetry control).

In Germany, the authorities require medical-social facilities to be equipped with a minimum level of medical equipment. This obligation is checked by both the quality manager for Germany and the authorities. Equipment maintenance is ensured by local teams and is certified by such external bodies as Ecomed System & Management, Gedias or the TUV.

In Italy, medical equipment is audited every year by a company specializing in this field. Internal and external audits are also regularly performed. Additionally, the health authorities in each region verify the compliance of medical equipment once per year.

e) Risks associated with buildings

Non-compliance with applicable building regulations by the Korian Group's French facilities could subject the Korian Group to civil and/or criminal liability and harm its reputation. In addition, major regulatory changes could lead the Korian Group to incur expenses (facilities, equipment, staff *etc*.) that modify its investment plans, operating expenses and operating conditions and thereby delay the implementation of its strategy. Failure to comply with new regulatory obligations may lead to the suspension of activity and have an adverse impact on the operations, financial position and earnings for the Group.

Guaranteeing the physical safety of patients, guests and goods is a prerequisite for all healthcare and medical-social facilities. In this area, the regulatory provisions are increasing and becoming progressively more complex and restrictive.

Every year, the Korian Group invests the necessary amounts to ensure that its buildings comply with the public authorities' directives regarding health and fire safety.

At the same time, the Group has forged partnerships with professionals that conduct ongoing inspections and monitor compliance with regulations, specialized service providers and independents responsible for controlling the facilities' security (equipment, buildings *etc*.).

In France, the facilities are subject to regulations applicable to ERPs (Establishments Open to the Public). A team of 10, which reports to the Real Estate department, supervises the maintenance and safety of French facilities. In this respect, the main points that are or will have to be subject to standards following a change in the regulatory environment involve smoke extraction and fire safety systems, improvement in water systems to help protect against legionella bacteria, modernizing elevators, diagnostics and potential treatment of materials containing asbestos and access for those with reduced mobility.

In Germany, the director of each facility is responsible for monitoring compliance with the standards in effect and ensuring that buildings are properly maintained. In most of the contracts, under the terms of the current leases, the cost of routine maintenance is borne by the facilities, while heavy maintenance work is paid for by the building owners.

In Italy, a health director in each facility is responsible for health and safety conditions for the residents, staff and building, and maintenance contracts are established in accordance with legal requirements. Internal safety procedures are implemented in accordance with Law No. 81/08 pertaining to the prevention of safety hazards, and employees are trained to handle emergency situations.

The primary risks relating to buildings are detailed below.

Fire risk

In France, special attention is paid to fire safety regulations. The Group's policy in this area is based on prevention (compliance with standards and staff training), implementing preventative and regulatory controls and maintenance (fire safety systems, extinguishers, electricity, elevators, operation of automatic doors, gas system and heating system), displaying evacuation plans and safety instructions and maintaining a safety register. The Safety Commission conducts a prior inspection during the construction of a building and before opening, followed by a triennial audit in all facilities.

In Germany, Phönix has a fire safety system that is similar to the one used in France. All of the residences are linked directly to a fire station and have fire-brigade access that is reserved and regulated for authorized vehicles. The fire prevention plan, present in all facilities, also includes an evacuation plan, and staff members are trained in this respect.

In Italy, the terms of legislative decree No. 81/08 are incorporated into each facility's risk-management document. A special prevention plan exists for risks associated with third parties (residents, staff and subcontractors), and in each region, the fire services initiate periodic audits.

Risks associated with asbestos

Like all buildings open to the public, the Group's healthcare and medical-social facilities are subject to standards governing protection against health hazards from exposure to asbestos. Each facility at risk has a DTA (asbestos technical report) listing the components likely to contain asbestos and their state of repair. In order to assess change in exposure to such risk, visual inspections are carried out every two years.

According to reports issued by inspection agencies, the components of some facilities' buildings are likely to contain asbestos. However, the materials in question (pipes and ducts, floor coatings, concrete slabs *etc.*) are deemed to be in a decent state of repair, so exposure to the asbestos hazard is therefore judged to be non-existent at present.

In 1979 in Germany, the authorities signed voluntary agreements with businesses, with the goal of eradicating asbestos within 10 years. A decree in 1990 banned the presence of asbestos and established control procedures for this regulation. Property owners are not obliged to remove asbestos unless there is a total renovation of the building, and employees must be informed of the presence of asbestos in their workplace.

In Italy, the presence of asbestos is subject to inspections carried out by the competent authorities.

To the company's knowledge, no situation exists that would be potentially hazardous to the health of resident patients or staff at its facilities.

Risks associated with hot water (legionella bacteria)

In France, the concentration of legionella bacteria in water systems is monitored, and actions to prevent the risk of legionellosis are taken. The water distribution systems of all facilities are examined (by an inspection agency or approved service provider), an installation control plan has been drawn up and the work for improving the water system is complete or underway. The search for legionella bacteria is conducted by approved laboratories once per year on 10 sampling points representative of the domestic hot water system, from production to distribution. The sampling points are defined by taking into account the structure of the water systems, frequency and types of use and at-risk areas.

Following a change to the regulations for medical-social facilities in July 2010, preventative measures and alert procedures were revised, and the Group circulated new preventative procedures and best practices in November 2010.

In Germany, the presence of legionella bacteria is subject to inspections carried out by the competent health authorities.

In Italy, the presence of legionella bacteria is subject to internal inspections in accordance with the protocol arising from Directive 1751 of 2009, and most sites are equipped with special water filters. Moreover, periodic checks are conducted by ISO/IEC 17025-certified laboratories and by the inspection authorities.

Accessibility for the disabled

In France, all checks relating to accessibility for the disabled have been carried out by the VERITAS inspection agency in the form and timeframe defined by regulations, and will allow the Korian Group to schedule work after analyzing the reports in order to make its facilities compliant by January 1, 2015. A certain number of recommendations issued by VERITAS have already been implemented to-date through restructuring work at certain sites.

f) Climate risks

Certain climate-related events can exacerbate the pre-existing chronic illnesses of residents and patients and endanger their health. The assessment of climate-related risk within facilities remains a delicate issue. Should the Korian Group's facilities be unable to deal with this risk, they may be held liable and their image may be affected, causing harm to their appeal, which could have adverse consequences upon the Group's operations and earnings.

In addition, the high mortality level for those elderly residing at home following an exceptional climate event could temporarily affect the occupancy rate of Korian Group nursing homes.

In France, the Korian Group takes a number of measures to manage the risks associated with heatwaves. Every year, the Ministère des Affaires sociales et de la Santé (Ministry of Social Affairs and Public Health) publishes a PNC (National Heatwave Plan), which specifies national, local and individual actions to be implemented for each facility in order to prevent and reduce health risks from a heatwave. Since 2004, the PNC has required each facility to draft and update its "plan bleu" (nursing homes) and "plan blanc" (healthcare facilities) emergency response plans on a yearly basis. As a temporary and exceptional process, the PNC must be applied on a gradual, targeted basis, taking into account the scale of the heatwave and the plan de gestion de la canicule départemental (departmental heatwave management plan, PGCD) trigger levels. Its internal implementation is decided upon by the facility's director and nursing staff, supplementing the standard vigilance applied to vulnerable groups. The Korian Group offers its facilities frameworks for drawing up a "plan blanc" or "plan bleu," which must be adapted to the local context of the facility, and to its operating procedures in particular.

All French facilities have air-conditioned or cooled rooms and mobile air-conditioners, particularly for those who are bedridden and cannot leave their room (in accordance with regulatory requirements). For some facilities, sun-blocking shades on the sides of the building most exposed to the sun supplement the heatwave protection measures.

Protocols on "Hydration & Prevention - Treatment of Dehydration" are known by all personnel, for whom the medical and nursing supervisory staff regularly arrange training sessions. The medical and nursing team regularly organizes training sessions. Persons deemed to be at risk are specifically identified and monitored. Each facility signs an agreement with a nearby healthcare facility defining the cooperation procedures, rules for resident transfers and discussions on best practices for the prevention of hospitalization.

With respect to the application of the decree on the modernization of civil protection in order to alleviate electricity-distribution network failures, the Korian Group has begun the installation of power generators with, among others, suppliers such as EDF Optimal Solutions and Ecotral, both EDF subsidiaries. Currently, 65% of the Group's facilities are equipped with power generators, and their installation will continue over the coming years: in 2013, 80% of sites will be covered, and by 2014, 90% of sites.

All sites, particularly those with city development and/or technical constraints that do not allow for the installation of power generators (10%) or those facilities whose power generators are going to be installed in 2013 and 2014, have had their DARDE updated by the end of 2012. The DARDE, implemented in each French facility and updated on a regular basis, is intended to supplement the forward-looking risk control and crisis management process following a storm or period of snow causing an electrical power supply failure.

In Germany, the facilities are not equipped with air-conditioning, and the temperature is monitored by a private third-party operator.

In Italy, all facilities are equipped with rooms that are air-conditioned or cooled by an air-conditioning system; maintenance contracts are entered into in this respect. The heating system varies between facilities; in some cases, it is managed by an external company responsible for temperature control.

g) Business risks

The Group's retirement homes represent "outstanding balances" for the various families involved, according to country and region: close to €80 per day in France, €45 in Germany and €65 in Italy (with large regional disparities). For French and Italian facilities, which are intended for upper socio-professional categories, the economic crisis could affect occupancy rates and even our ability to increase rates.

In a business offering personal services, especially one that provides care for dependent persons, the Group's facilities may be exposed to claims and complaints from residents or their relatives pertaining to the quality of medical supervision, the care delivered, patient management and the accommodation services offered.

Physicians who operate within the Group's facilities, whether on an employed or independent basis, are professionally liable for any negligence they may commit in performing their duties. Although their liability is separate from that of the facility, it remains the case that the facility's reputation, and thus its operations and earnings, may be affected by one of its practitioners being held liable by a patient or relative, even if their claims are unfounded.

h) Public counterparty risks

Nearly half of the Group's revenues come from public contributors, including Assurance Maladie, the Conseils Généraux, *Pflegekasse* and ASL. These contributors are directly linked to governments and their financial health.

However, it should be noted that the Korian Group's operations are limited to three countries in the eurozone: France, Germany and Italy.

- In France, Assurance Maladie and the Conseils Généraux anticipate significant structural deficits.
- In Germany, the Pflegekasse, financed since the 1996 reform, has a surplus. The Länder in Northern Rhineland, Bavaria, and Baden-Württemberg have voted on a new law requiring the facilities to extend their basic rooms (80%), which could have a financial impact on our German activities. Furthermore, from now until 2018 a new reform will require facilities in Northern Rhineland to reduce their patient capacity to a maximum of 80 beds.

- In Italy, certain regions (those tied to the ASL) have substantial debt levels. Note that this situation varies significantly by region (debt going from €1,000 to €3,600 per inhabitant).

i) Other risks associated with operations

The Korian Group, mainly due to its activity, is exposed to other risks that could hurt its reputation or have a significantly unfavorable effect on its development, outlook and/or income should they occur.

Risk of residents suffering falls

As the Korian Group provides care for dependent persons, all employees are trained in the risk of patients and residents suffering falls, which can have serious consequences on their general health, especially where the presence of the elderly in medical-social facilities is concerned. All falls are reported and recorded.

Risks associated with food products

Food safety is ensured in all of the Group's facilities, whether catering is outsourced or managed internally. Collective food poisoning (CFP) is a risk that is managed by implementing a method for identifying and analyzing critical points in the catering process (HACCP: Hazard Analysis Critical Control Point), from the delivery of products to the consumer's plate to the use of hygiene audits and microbiological testing of prepared "control" dishes and surfaces.

In France, these audits and controls are entrusted to independent companies accredited by the COFRAC (a French accreditation organization). This method of monitoring the catering process was also applied in Germany and Italy. The combined checks carried out by public authorities (including the DDPP - Departmental Directorate for Population Protection), subcontracted service providers and professionals within the Group ensure that food risk is managed effectively.

In Germany, sanitary audits in the kitchens are performed according to HACCP criteria. Internal procedures describe the process to be followed and designate a person to supervise and control it.

Drinking-water quality

Water systems are inspected at set intervals and maintained in accordance with the facility's maintenance policy.

A diagnosis of the water system is carried out on a regular basis by an external inspection agency or service provider, accredited by the COFRAC, in all healthcare and medical-social facilities. Inspections are conducted at all points of use, applying extremely rigorous technical procedures and using highly sophisticated inspection tools. Sampling frequencies are adapted to the structure of the water systems, frequency and types of use and areas deemed to be at risk.

Tests on drinking-water quality in France fall under the responsibility of the city hall or regional health agency and the prefectural authority. The results are sent to the facility upon request. In addition, bacteriological and physicochemical analyses (type D 1) are performed annually by an external laboratory. Water fountains are also maintained either internally or by an external service provider.

In Germany, drinking-water distribution is subject to regular inspections carried out by the competent authorities every two months.

In Italy, drinking water is strictly controlled according to the terms of legislative decree 31 of 2001.

3.5.2 Quality and ethical development process

The Korian Group's firm commitments to better risk prevention

a) Quality approach and ongoing improvement of practices: a Korian priority

The Korian Group has defined a quality policy in order to address the legal and industrial risks inherent in its activities.

In France, a centralized system has been implemented, which facilitates the monitoring of facilities and the rapid detection of adverse events with a view to verifying the effectiveness of the quality approach across the network. It also helps to instigate a strong team spirit among Korian Group employees for the benefit of residents and patients. Risk management is an essential component of the quality approach, the priority of which is to ensure safety of care and of people and service quality. A reporting culture is promoted both internally and externally. As part of the reporting procedure for serious adverse events, any potentially serious event must be reported by each facility director to his or her regional director, who advises the director of operations in France. This latter, in case of a known serious event, can trigger a meeting of the crisis management team, in agreement with the managing director. Externally, reporting is also recommended and supervised with a view to communicating controlled information (the event, together with provisional and/or planned measures) and working in partnership and transparently with the authorities (regional health agency, Conseils Généraux *etc.*).

A department dedicated to the Group's two business lines provides the necessary methodological assistance to its facilities, monitors procedures and models the Group's quality approach in France. In particular, it supports the facilities in gradually implementing a quality-based management approach. Therefore, each quality specialist also takes on cross-functional tasks aimed at continuously improving the quality approach and the tools offered to facilities.

In Germany, an internal quality audit is conducted every two years in all of the facilities by an *ad-hoc* team of 11 former head nurses. The reference system used is exactly the same as that of the MDK, the social security inspection body that also inspects facilities every year and publishes its findings on the Internet.

Depending on the results of the internal audits, an individually-tailored training program is defined and implemented for each facility, including a special training course on "Ethics and Responsibilities."

In Italy, the Group's facilities, the training center and the head office's consulting department are all ISO 9001/2008 certified. The affiliated co-operatives and six new services were ISO 9001/2008 certified in 2012. A dedicated team based at the head office, supported by the quality managers of each facility, carries out regular inspection audits at least once per year, checking the protocols of each department.

b) Ethical development: a core concern for the Korian Group

The Korian Group has implemented a proactive policy in the field of positive treatment, coordinated by the ethical development department headed by Dr. Claude Malhuret, creator and former president of Médecins sans Frontières and former French Secretary of State for Human Rights.

Within the Korian Group, the care given to residents and patients is based on a number of firm commitments: respect for the individual and his or her dignity and wishes are the cornerstones of the care provided by the Group's facilities.

A Group project: placing ethics at the heart of our practices

Regulatory provisions require that all facilities respect the rights of patients and residents. It is within its facilities, closest to those operating in the field, that the Group's ethical policy is reflected in a firm daily commitment to the care given to residents and patients, involving respect for the individual and his or her dignity and wishes. This project examines practices that ensure real respect for each individual's lifestyle, food preferences and freedom to come and go, while ensuring the person's safety and complying with rules on restraint, consent to receive care, respecting the person's preferences regarding where he or she wishes to stay during the day and the activities he or she wishes to pursue.

In France, the Group is now organized according to a few key drivers: collective discussions held by the 'Group's teams are formalized in review meetings organized with the care professionals within the facility; collective discussions within the COVIRIS (Vigilance and Risk Management Committee), CVS (Social Life Council) for the nursing homes or CRUQ-PC (committee for user representatives and for care quality) for the follow-up care clinics; assistance from consulting ethics centers, recommended if difficulties surpass the facility's authority; and special tools developed within the Group to help teams in their ethics approach (particularly the BEST training program, the MobiQual and Korum kits and the Group's Intranet).

This cross-functional project also involves all of the relevant head-office departments, including Development and Services, Operations in France and Human Resources in France in order to develop care practices and provide tools for assessing the impact of this policy.

In Germany, an ethics charter and a study tool were created (particularly for pain and incontinence management). Standardization and documentation procedures were drafted and are included in training within Phönix.

In Italy, Segesta has adopted an ethical code that provides ethical and conduct standards for all of the company's employees, professionals, suppliers and consultants (law 231/2001).

A key driver: continuous professional development

For a number of years, the Group has made a key choice to invest in employee training that goes beyond regulatory requirements. This ambitious decision is supported by a desire to deliver training programs that have a direct impact on the quality of care and support and, depending on the topic, the organization of the Group's facilities.

In Germany, audits allow the Group to refine in-house training programs for healthcare staff working in the facility, in connection with the manager, and all residences offer a training program.

In Italy, Segesta has a training center that analyses training needs, formulates appropriate *ad-hoc* training plans and ensures that they are implemented. Moreover, in each facility a training advisor assists the facility director in drawing up annual training plans. The main topics are care protocols, special programs for healthcare professionals and advisors and the development of interpersonal skills (communication, conflict resolution, team-building *etc*.). In 2012, training on work safety has been monitored by Segesta's managers, facility directors and employees of the healthcare facilities.

A commitment to listening and assessing

This commitment is primarily focused on our facilities' users: patients, residents and their families are given the opportunity to express their dissatisfaction or register a complaint. A special procedure has been implemented within each facility to follow up on complaints and claims.

In France, Dr. Claude Malhuret's mission is to assist facilities in handling complaints and events liable to cause disruption and operational failures or lead to deterioration in the quality of or the peace and quiet within a facility. This mission does not take the place of regulatory bodies, such as the user-relations commissions.

All complaints must be recorded on a single complaint form according to a formal procedure and an information process that flows upward to the regional director.

In accordance with regulations, each French healthcare facility has implemented a User Relations and Care Quality Committee (CRUQ-PC), and each nursing home has put in place a Social Committee (CVS). These bodies provide an opportunity for a facility's management and staff to meet and exchange views with residents, patients and their families.

However, this commitment also extends to facility staff: for example, each French facility has introduced adverse-event management, according to which staff members report any event liable to lead to operational failures or undermine the principle of positive treatment. The idea is to manage the event as closely as possible to where it arises, with a view to pre-empting an escalation of the problem, identifying options for improvement and implementing a prevention policy (for mistreatment, in particular) in line with ethical development.

Phönix has implemented a system for complaints under which they are classified according to department in one of nine predefined categories (from care to reception at the front desk). This division allows the facility to better trace the complaint and send it to the department involved. The complaints are then analyzed according to their origin (patients, family, staff) and then categorized and handled within a maximum of three days after receipt. This system was developed and implemented internally. Shortly thereafter, it was made electronic, and the directors can now instantly access a complaint's follow-up and keep up-to-date on its progress.

The Board of Directors' Ethics and Risks Committee

In order to supplement these in-house procedures and policies, the Korian Board of Directors renewed the Ethics and Risk Committee in its existing form during the change in governance that took place on March 21, 2012. Therefore, since November 23, 2006 this authority formulates proposals concerning ethical issues arising from the dependent care provided in the Group facilities and regarding risk management (evaluation of procedures within the Group to protect itself against risks, making proposals to the Board regarding the implementation of specific procedures and making proposals to the Board on the follow-up of complaints).

3.5.3 Risks inherent to Korian

In addition to the risks associated with its line of business, Korian is also exposed to certain risks arising from the strategy implemented by the Group.

a) Risk of dependence on key executives

The Korian Group's future success partly depends on its ability to motivate and retain a high-quality, experienced management team. This team benefits from extensive experience in the markets in which the Group operates, an excellent command of its business lines and an impressive ability to integrate acquisitions. If the Group were to lose the services of any of its key executives, or if said executives were to reduce their involvement, the Group might encounter difficulties in replacing them and/or its growth might be temporarily slowed.

b) Risks associated with the acquisition of new facilities

As part of its external growth policy, the Group seeks, and will seek over the short, medium and long term, opportunities that enable it, primarily through acquisitions, equity investments and partnerships, to take part in the shift toward business combinations in the comprehensive dependent-care sector.

However, the Group cannot guarantee that such opportunities will arise, especially under economic and financial conditions that are acceptable to it, or that it will succeed in integrating the companies it acquires, or return a profit from such acquisitions, and in obtaining the anticipated synergies while maintaining a uniform system of internal procedures and preserving solid relationships with staff.

c) Real estate risks

The Korian Group mainly rents the buildings in which it operates its facilities. Rents paid by the Group amounted to 50% of EBITDAR in 2012.

Rents are indexed to the IRL (housing property reference index), inflation (IPC) and the ICC (Construction Cost Index), the fluctuations of which over the next few years cannot be foreseen by the Group, or to a combination of the ICC, IPC (Consumer Price Index) and IPT (benchmark rate for nursing home rate increases). The ICC has risen sharply over the last few years, so the Korian Group has made a significant effort to replace the indexing of its rent to the ICC with an index close to inflation. A strong increase in the ICC and inflation in the next few years could have significant adverse consequences for the Korian Group's earnings.

d) Risks associated with information systems

The Korian Group uses a number of IT tools and information systems for managing records and data relating to its residents and patients and for managing its human resources.

As these systems are used in the day-to-day management of the Group's activities, a malfunction in such systems could temporarily shut down its operations and have an adverse impact on the Korian Group's earnings. A failure of the Group's IT system could likewise prevent it from carrying out its activities under normal conditions, which could have significant adverse consequences for the Group's operations, earnings and financial position.

Nevertheless, Korian considers that the work carried out over the last few years in France by the Group's Information Systems department on the technical infrastructure and implementation of an integrated network, together with the average annual budget allocations in this area, should allow it to protect itself against this risk.

Updates on the follow-up and assessment of the projects undertaken by the Information Systems department (ISD) are regularly presented by the department to the Group's Management Committee.

3.5.4 Coverage against risks inherent to the company and its line of business

A suitable insurance policy

a) Coverage against operating risks

The Korian Group is currently covered by insurance policies taken out with Allianz to cover the risk of property damage and operating losses and with Mitsui to cover the risk of the financial consequences of any liability the Group's French companies may incur through their operations in France.

The Korian Group's policy is to adjust its coverage limits to the replacement value of the insured assets, or, in terms of liability, to the estimate of its own risks and of risks that may be reasonably expected in its line of business.

In France, all facilities are covered up to the ceiling limits and coverage for all of the following general or specific risks.

Policy for property damage and operating losses	
Limits, any damage and losses combined, per claim and per facility, deductibles excluded	€49,900,000
Sub-limit operating losses	€19,988,914
Deductible per claim	
- **Damage**	€4,997, except for broken windows (€1,665)
- **Operating losses**	Three times the average daily amount of the gross margin loss suffered during the indemnity period

Civil liability policy	
Coverage for all damage combined	€15,000,000 per claim per year
Of which entrusted property	€100,000 per claim
Deductible	€7,500 per claim for consecutive material and immaterial damage, including civil depository liability and entrusted-property damage

For each construction site, the Real Estate department itself takes out structural damage, property developer and builders' all-risk insurance policies.

In Italy, all of the facilities are covered by insurance policies, particularly for damage and civil liability. If the contractual limit of the coverage is specific to each facility, the civil liability coverage is capped at €5,000,000 or at €1,000,000, according to the facility concerned (the deductibles applicable for these policies are €15,000 and €1,500 respectively).

The Group's German business is covered by a property and operating loss insurance policy as well as a civil liability policy. The contractual limit for the damage and operating loss policy is capped at €60,000,000 and that of the civil liability policy at €10,000,000. The Group's German business is covered by a property and operating loss insurance policy as well as a civil liability policy.

b) Coverage for executives

The Korian Group has taken out insurance to cover the civil liability and criminal defense of its executives for any personal negligence committed as part of their activity within the Group. The policy has a coverage limit of €15,000,000 per year with no deductible. The coverage extends to corporate officers, *de facto* executives and any person potentially liable for any professional negligence committed as part of executive, management or supervisory activity performed with or without a mandate or delegation of powers.

The activity of German and Italian managers is also covered by this policy.

c) Crisis management

The Korian Group has taken out a crisis management policy in the event of a significant interruption of activity liable to lead to an imminent financial loss or adverse publicity and originating from a major disruptive event for the company, such as the death of a key staff member, arbitrary detention or kidnapping of a key staff member, an investigation, prosecution or similar proceeding against the Korian Group, changes to the corporate financial statements or the announcement a decrease in earnings or revenue, violence at the workplace, catastrophic events (major fire, building collapse, terrorist attack *etc.*), a strike involving at least 20% of the workforce lasting longer than 48 hours, an investigation into potential fraud, blackmailing of the company or invasive computer hacking aimed at obtaining confidential information.

The coverage amount is €2,000,000 per crisis situation and insurance period, and the indemnity period is 30 days. The pre-approved crisis management company is Euro RCSG. A specific "strike" deductible of €75,000 is applicable.

3.5.5 Legal and tax-related risks

In addition to litigation that occurs in the normal course of business, the Korian Group's companies are dealing with significant litigation regarding value-added tax.

Subsequent to an audit of the Group's accounts regarding VAT and pertaining to the period from March 1, 2003 through March 31, 2005, a proposal for reassessment was made to Korian in September 2006.

The tax authorities considered that Korian was not eligible to recover the full amount of VAT applied to all of its invoices for the purchase of fixed assets and general expenses, as its deduction *pro-rata* was not 100%. Consequently, Korian was notified of and paid VAT arrears in the amount of €679,000.

The company disputes the proposed reassessment and intends to obtain a reduction in the amount of taxes payable by challenging the tax authority's estimate.

The VAT dispute is ongoing, and the recourse action is still pending as at December 31, 2012.

3.5.6 Financial risks

a) Risks associated with the Korian Group's debt

At December 31, 2012, the Korian Group's total net financial debt was €562 million.

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

- A €500 million syndicated loan that matures in five years (July 23, 2015), comprising two tranches: one €380-million refinance loan, which was drawn in its entirety to refinance the previous syndicated loan, and a renewable credit line of €120 million. At December 31, 2012, Korian has €35 million available in renewable credit;
- €171 million in mortgage debt. This debt is mainly comprised of leasing contracts with long maturities (10-12 years);
- €42 million in medium-term credit;
- A bond issued in December 2012 to private investors for €37.5 million.

Additionally, at December 31, 2012 the Group had €158 million net in cash.

The company carries out a periodic review of its liquidity risk and believes that it is able to meet future debt repayments.

b) Interest-rate risk and hedging policy

At December 31, 2012, the Korian Group's debt was primarily variable-rate debt. The Group uses financial instruments to protect itself against interest-rate fluctuations. It uses standard financial derivatives (interest-rate swaps, caps, floors *etc*.).

Taking these financial instruments into account, the variable-rate loans outstanding at December 31, 2012 were more than 66% hedged, reflecting the Group's prudent management policy.

The average hedge maturity is four years, reflecting the Group's desire to hedge against interest-rate risks over an extended period.

Moreover, the marketable securities mainly comprise term deposits or euro-denominated open-ended investment funds and, in accordance with IAS 7.6 criteria, are defined as highly liquid short-term investments, readily convertible into known amounts of cash and subject to a low risk of changes in value.

At December 31, 2012, the net value of our financial instruments amounted to €52.3 million, booked under Korian's liabilities.

c) Risks associated with off-balance-sheet commitments

All off-balance-sheet commitments are presented in the notes to the consolidated financial statements at December 31, 2012.

d) Currency and equity risks

At December 31, 2012, the Group held 5% of Curanum's shares, a company listed on the Frankfurt stock exchange.

Excluding this position, the Group is not exposed to currency or equity risks.

3.6 CORPORATE, SOCIAL AND ENVIRONMENTAL INFORMATION

3.6.1 Corporate information

The Korian Group's human resources management seeks to promote and motivate all employees. It is based on the combination of several principles established as corporate values, such as:

- Ethics, the primary objective and unifying factor of business activity, which should be shared by all personnel;
- Observance of and adherence to the quality approach;
- Resident/patient care that should be viewed as a whole, including physical and psychological well-being.

The Korian Group's aim is to implement, through training and dialog with employees, a more proactive corporate policy eventually covering all of its facilities both in France and abroad and allowing it to attract and retain the top talent in the industry. This is one of the major challenges facing management.

a) Employment

The table below shows the total workforce and the breakdown of employees in France by gender and age for 2011 and 2012.

	2011			2012		
Data	Female	Male	Total	Female	Male	Total
< 25 years of age	1,059	117	1,176	1,064	116	1,180
Between 25 and 30 years of age	1,302	167	1,469	1,417	164	1,581
Between 30 and 35 years of age	1,215	175	1,390	1,280	181	1,461
Between 35 and 40 years of age	1,219	221	1,140	1,181	217	1,398
Between 40 and 45 years of age	1,229	195	1,424	1,324	224	1,548
Between 45 and 50 years of age	1,296	201	1,497	1,316	200	1,516
Between 55 and 60 years of age	1,198	196	1,394	1,213	186	1,399
Between 55 and 60 years of age	868	178	1,044	954	194	1,148
> 60 years of age	374	120	494	433	144	577
Total	9,758	1,570	11,328	10,182	1,626	11,808

The table below shows the total workforce in Germany and the breakdown of employees by gender and age for 2011 and 2012

	2011			2012		
Data	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
< 25 years of age	401	103	504	428	93	521
Between 25 and 30 years of age	520	118	638	579	124	703
Between 30 and 35 years of age	345	88	433	379	90	469
Between 35 and 40 years of age	294	58	352	344	72	416
Between 40 and 45 years of age	441	69	510	400	66	466
Between 45 and 50 years of age	490	79	569	515	87	602
Between 55 and 60 years of age	491	70	561	498	74	572
Between 55 and 60 years of age	317	50	367	334	43	377
> 60 years of age	115	30	145	144	36	180
Total	3,414	665	4,079	3,621	684	4,306

The table below shows the total workforce in Italy and the breakdown of employees by gender and age for 2011 and 2012.

	2011			2012		
Data	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
< 25 years of age	68	30	98	46	15	61
Between 25 and 30 years of age	212	64	276	202	69	271
Between 30 and 35 years of age	305	97	402	288	105	393
Between 35 and 40 years of age	425	129	554	424	116	540
Between 40 and 45 years of age	468	169	637	475	155	630
Between 45 and 50 years of age	423	164	587	451	167	618
Between 55 and 60 years of age	307	119	426	332	112	444
Between 55 and 60 years of age	155	61	216	172	70	242
> 60 years of age	37	28	65	41	27	68
Total	2,400	861	3,261	2,431	836	3,267

The tables below show hirings and redundancies in France for 2011 and 2012

	2011			2012		
Reason for joining	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Hirings	1,064	209	1,273	928	200	1,128
Rehires	534	92	626	497	106	603
Total	1,598	301	1,899	1,425	306	1,731

	2011			2012		
Reason for leaving	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Redundancies	275	48	323	288	65	1,273
Total	275	48	323	288	65	1,899

In France, the Group paid €240,198,623 for base salaries (i.e. a gross URSSAF - Organization for the payment of social security and family benefit contributions - amount of €256,431,364) in 2011 and €251,178,297 for base salaries (i.e. a gross URSSAF amount of €265,966,281) in 2012.

In Germany, the Group paid €56,915,366 for base salaries (i.e. a gross URSSAF - Organization for the payment of social security and family benefit contributions- amount of €67,320,861) in 2011 and €71,169,125 for base salaries (i.e. a gross URSSAF amount of €84,250,972) in 2012.

In Italy, the Group paid €44,199,879 for base salaries (i.e. a gross URSSAF - Organization for the payment of social security and family benefit contributions - amount of €50,542,631) in 2011 and €53,151,979 for base salaries (i.e. a gross URSSAF amount of €60,026,151) in 2012.

b) Organization of working time

The duration and organization of working time are decided and implemented according to existing laws and the various applicable collective agreements, in particular through company-wide agreements on the reduction of working hours. Overtime is also managed in accordance with legal provisions and collective agreements. Facility shift schedules are managed at each facility individually. In France, the Group's HR department created a network of regional operational human resources managers who assist their region's facility directors in applying employment and contractual legislation (collective branch or company statutes) as well as with managing recruitment and training. Procedural memos on staff management and legal and social developments are drafted by the Group's French labor law and consulting department and circulated to the entire operating team in France.

c) Promotion of employee dialog

The Group's employee management is based on listening and a hands-on management style on the part of facility managers and the countries' human resources departments. They are committed to promoting open and proactive communication between management and staff in each of the Group's structures. They also seek to institute positive employee-management relations that enable the goals set at overall corporate level and at divisional level to be achieved.

The facility manager, who manages his or her teams assisted by the regional human resources manager, is responsible for developing such dialog, which should aim in particular to convey the Group's values.

In accordance with legal obligations, the Korian Group's French subsidiaries have employee representative bodies. The same applies in Germany and Italy, where most facilities have an employee representative body that can play a highly active role in negotiating how the facility is managed (shift schedules *etc*.).

In 2011 in France, the Korian Group negotiated two collective agreements with its social partners regarding all facilities, pertaining to working conditions and hazardous work as well as gender equality.

In 2012 in France, Korian signed two other collective agreements. The first involved renewing employee profit-sharing in the company's earnings for a new three-year period. The second aimed to relax conditions on the end-of-year attendance bonus from which French employees benefit to better take into account maternity and adoption leave.

In addition, salary negotiations are carried out each year for all Group companies in which union representatives have been appointed.

Employee representatives also attend Korian SA Board of Directors' meetings.

d) Health and safety at work

Developing well-being at work and limiting absenteeism are also Korian Group priorities, in addition to the quality of services rendered. As such, Executive Management signed a collective agreement on August 25, 2010 pertaining to the implementation of an attendance and facility stability bonus with union organizations. This bonus aims to create loyalty among employees, add value to their presence and help decrease absenteeism. The Group plans to ramp up this system over the next four years. The amount of the bonus is calculated each year and cannot be less than 1% of the SMC. The maximum amount of the bonus is weighted according to seniority and is reduced based on the employee's recorded absences. Furthermore, the absenteeism rate in 2012 was 7.3%, stable compared to 2011.

Preventing musculo-skeletal problems, evaluating professional risks and managing psycho-social risks are some of the subjects to which the Group pays particular attention. In 2012, management launched a new concept on the theme of bio-cleaning in order to select and roll out new ergonomic equipment for cleaning staff to all of our French facilities. The numerous benefits of this innovative concept involve improving working conditions thanks to ergonomic equipment that reduces and prevents musculo-skeletal problems. The concept's ergonomic accessories limit several expenses in the clean zones, transportation costs, posture constraints and pains, cleaning times for affected areas and observed repetitive tasks at work. Korian aims to reduce its employees' back and shoulder problems by 30%.

e) Training and career management

Managing training

Employee training remains an ongoing concern for the Group. Actions to keep its employees' professionalism at the highest level while also continuing to grow it thereby ensure that patients and residents receive excellent care.

Training Korian Group's employees is also a vital driver toward uniting teams around common goals and offering patients and residents more innovative interaction and care adapted to their needs – with, of course, the primary Group training goal being to support strategic projects.

In France, the management and advisory training program and the Formadep in-house training center are consolidated under the same entity. The synergy between these two activities is firm and better supports our training goals. In 2012, 197,600 hours of professional training were devoted to the Group's French employees (versus 125,499 hours in 2011).

In addition, access to nurse's aide, medico-psychological assistant and other professional diplomas remains a major training policy driver through school entrance financing and validation of experience acquired. In 2012, 48,305 hours were thus devoted to such professionalization efforts (versus 68,146 hours in 2011).

Moreover, a working group that combines training and care professionals developed a training program using the BEST method, thus continuing to follow the goal of delivering excellence in care. In 2011, nearly 400 interns received BEST training and, in 2012, the number increased by 31% (i.e. 526 people trained).

This dynamic also translates into professionalizing, adding value to, and harmonizing and sharing best practices in management. As the Korian Group's managers are the main vector in the success of projects, the Group supports them in their daily tasks by giving them the keys and fundamentals for efficient management. In France, in addition to the Korian Campus program from which facility directors benefit, carried out in partnership with ESSEC (Superior School of Economic Science and Business), the Korian Academy was launched in 2011 to train hands-on managers, with a series of 14 promotions for 20 hands-on managers began in 2012, ranging over a 15-month period. This seven-day program, presented in three modules, involved 280 managers.

In Italy, Segesta has a training center that analyses training needs, formulates appropriate ad-hoc training plans and ensures that they are implemented. Moreover, a training advisor assists the director of each facility in drawing up annual training plans. The main subjects are care protocols, special programs for healthcare professionals and advisors, and the development of interpersonal skills (communication, conflict resolution, team-building *etc.*). Directors have a special program comprising seven annual sessions on crisis management, communication, human resources management and more.

In Germany, audits are conducted with the director to refine continuing education programs for the facility's healthcare staff. A special program is aimed at high-potential executives with a view to their holding management positions in the future.

Career management

The Korian Group's performance over the long term relies on the quality, skills and success of its employees, which, moreover, are the conditions for assuring their loyalty in an industry characterized by labor shortages and resulting tensions on the job market.

This is why the Korian Group endeavors every day to create a fulfilling professional environment that allows everyone to make the most of their potential.

The Group's ambition is to enable its employees to develop in order to achieve the company's objectives. To this end, it is important to develop the skills of each and every employee, thus strengthening their motivation and contribution to these corporate objectives.

The Group has therefore put in place a career management policy intended to facilitate and reward those who display talent. Using annual evaluations, career committees are organized every year in order to analyze individual situations and employees with growth potential. Through these career committees, reviews of potential talents are organized annually in order to support the development of each employee and to offer motivating career paths. For example, in order to encourage internal mobility, the French Human Resources department provides available opportunities in France to employees on a monthly basis (the Korian Job Market).

Furthermore, attracting talented people is a major goal of our recruitment policy. Our exemplary nature is an indication of our success. All employees responsible for recruiting are aware of the rules regarding ethics and non-discrimination. Diversity is highly valued at Korian, and the company's recruitment communications endeavor to reach all industry professionals. In order to promote the hiring of disabled workers within our facilities, we have put in place a partnership with a dedicated employment site to publicize our jobs and distribute our employment offers.

f) Equal treatment, promotion and compliance with fundamental ILO agreements

The Korian Group strives to:

- Comply with freedom of association and the right to collective bargaining, which is to say that all legal and conventional provisions regarding collective bargaining are correctly applied, whether in negotiating Group or company agreements;

- Eliminate job discrimination by striving to eliminate all forms of discrimination; to this effect, the Company signed a collective agreement to promote gender equality in January 2012 and another in favor of seniors in 2009;
- Eliminate forced or mandatory labor by never participating in such labor practices;
- Abolish child labor by never participating in such labor practices.

g) Company savings plan, stock options and bonus shares

When it was listed on the stock market in November 2006, Korian implemented an employee shareholding policy through a reserved capital increase and the creation of a Group savings plan (following negotiation and signature with trade union organizations).

At December 31, 2012, the Korian Group's employees in French facilities held 0.30% of the Company's share capital through a Company employee shareholding plan (*fonds commun de placement d'entreprise*, or FCPE).

Alongside this, on June 21, 2007 the Executive Board received the approval of the Extraordinary Shareholders' Meetings of June 21, 2007 and June 17, 2010 to grant Group employees and/or directors options that give the right to subscribe to or purchase ordinary shares in the Company, within the limit of 138,433 ordinary shares. The Executive Board meetings of August 28, 2007 and June 30, 2010 established the details of these stock option plans:

- A two-year lock-up period starting from the grant date;
- A two-year time limit for exercising the options (with a maximum time frame of five years for the 2010 plan);
- The purchase or subscription price must be equal to at least 95% of the average market price of the share over the 20 days preceding the grant date.

Moreover, authorization was given to the Executive Board by the Extraordinary Shareholders' Meeting of June 21, 2007 to grant, on one or more occasions, existing or newly-issued ordinary shares in the Company to certain Group employees and/or corporate officers, within the limit of 138,433 ordinary shares (0.5% of the share capital).

On August 28, 2007, the Executive Board defined the terms of this bonus share award plan:

- A three-year vesting period starting from the grant date;
- A two-year lock-up period starting from the final grant date.

3.6.2 Corporate social information

a) Placing ethics at the heart of our practices

Positive treatment is a chief concern for Korian, and the value-in-use of goodwill is reviewed annually. For several years, positive treatment has undergone a series of efficiency measures, including the implementation of internal and external control procedures and the rollout of review meetings. In 2011, Korian moved forward with this strategic challenge with the solid wish to change from a platform based on kindness to one based on positive treatment. One of the most significant actions has been the launch of the new BEST training in France.

In order to strengthen its ethics process, Korian also relies on its Ethics and Risks Committee, which makes proposals on ethical questions posed by comprehensive dependent-care facility professionals as well as on risk management within the Group. Chaired by Mr. Jean-Paul Thonier, the committee meets twice per year.

In France, the nursing home charter highlights assistance, respect, ethics and professionalism, which are essential to providing high-quality resident care.

- Opening our facilities to the outside world

Korian encourages its facilities to develop best practices with the goal of making residents more comfortable and open to the outside world. For example, la petite Maison Korian, owned by the Korian Artémis nursing home, is a private space offered free-of-charge to families. In 2012, 30 different families took advantage of the Petit Maison, including seven families several times, for a total of 42 uses (35 meals and seven afternoon teas).

- Engaging in dialog with clients and their families

Every year, Korian interviews customers and their families on key components of comprehensive dependent care, including care, daily interaction, comfort, the room, organization of catering, meals, social life and motivation, and staff.

- In nursing homes, the 2012 satisfaction survey, which took place from mid-April until the end of May, illustrated an overall satisfaction rate of 92.9% for residents (94.7% for residents and 91% for families). The overall recommendation rate is 88.1%, which indicates that close to nine out of 10 people would recommend our facilities to a friend or relative.

- In healthcare, the 2012 exit questionnaires demonstrated an overall patient satisfaction rate of 96.2%. The overall recommendation rate is 94.6%, which indicates that more than nine out of 10 people would recommend our facilities to a friend or relative.

- Working on adopting a responsible approach

The new bio-cleaning concept also decreases water consumption, the amount of chemicals used, one-time use consumables (particularly pollutants) and waste production. The equipment used also secures and limits our patients' and residents' access to detergent products (particularly in the Alzheimer units and psychiatric clinics). The concept eliminates spray products, thus reducing the risk that people visiting the facility will inhale chemical particles. The reduction of water use on the grounds limits their dampness and reduces drying times. These two elements combined help to prevent the risk of slippage-related falls and therefore increase the safety of those visiting the facility. Korian aims to reduce its facilities' water and chemical consumption by 50%. It also uses a new line of quieter electronic equipment that reduces noise during use from 72 to 58 dB (manufacturer's data).

In general, combating fraud and corruption involves strict internal procedures regarding delegation of powers and responsibility as well as appointment and payment, all subject to automatic, regular controls. Furthermore, Korian strives to comply with fair practices. For example, Korian commits to practicing fair competition, particularly in selecting suppliers and issuing work orders. The selection is based on an analysis table of offers listing several objective criteria, such as the amount of the offer in terms of expected man-hours and references. The criteria are weighted according to significance and context.

b) Being part of the local economy

Anchored in the local economy, Korian facilities play a key role within the region in which they are located by: stimulating the local economy, inserting ourselves into the local healthcare industry framework, cooperating closely with public authorities and city halls, and participating in the challenge of bringing generations, sponsors and partnerships together. These actions illustrate the Group's corporate commitment and corporate social responsibility.

- Implementing local gerontological areas

Confronted with consistent, integrated demand at local level for comprehensive dependent care in France, Korian developed a facility strategy aimed at establishing local gerontological areas. The goal is to offer elderly dependent people a healthcare continuum (follow-up care, psychiatric clinics and home hospitalization), medical-social (nursing homes) and social (in the home) care, and to limit unnecessary hospitalizations, which can cause a loss of identity for residents and patients and higher costs for the community. Beyond improving the healthcare of dependent people, this approach encourages the sharing of best practices, developing synergies and pooling resources among Korian facilities and with neighboring entities in the same region.

- Becoming a partner with the public and voluntary sectors

In France, Korian retains close operational ties with hospitals and clinics by signing agreements and transmitting medical files so as to guarantee continuity of care. The regional directors play a key role in dealings with the administrative authorities thanks to a stronger, more consistent presence. For example, even though La Pinède, the Korian follow-up care and rehabilitation clinic located in Sigean (in the Aude region), had to be decentralized, it forged a partnership with the Narbonne hospital center. These two entities agreed on the construction of a facility that will open in September 2013: a follow-up care and rehabilitation clinic called Les Quatre Fontaines, which will receive their respective patients. As part of this project, the Narbonne hospital also obtained authorization to establish 30 additional follow-up care and rehabilitation beds.

- Stimulating the local economy

Establishing a new facility in a region is a strong source of growth. A structure with some 100 residents or patients represents between 60 and 70 jobs that cannot be outsourced (directors, physicians, nurses, nurses' aides, cooks, organizers, estheticians, physiotherapists *etc.*). Each new facility therefore results in local hirings. The local dynamism created by the arrival of a facility goes beyond direct employment, since each site represents an important hub of local consumption, from building and garden maintenance to local consumer-goods purchases.

3.6.3 Environmental information

a) The Korian Group's general environmental policy

Environmental constraints stem from regulations that apply to all of the Group's facilities in France and elsewhere. Generally speaking, Korian strives to decrease CO_2 emissions at its facilities and to combat climate change. The Group also tries to take into consideration environmental quality standards within the context of its real estate investments and to limit its dependence on fossil fuels by using renewable energy more often.

As indicated in the "Risk prevention and management policy" chapter, the activities of Korian's facilities require:

- DASRI (infectious waste) management: the management of this waste is subject to strict procedures within our facilities, requiring the use of appropriate packaging and setting out specific storage methods prior to collection. Licensed contractors collect this DASRI at regular intervals. Each Korian facility is connected with a specialized waste processing and disposal company, in accordance with regulatory requirements, and a means of tracking the collection and disposal of waste is in place.

Estimate of DASRI for 2012 per facility	Nursing homes	Clinics
Annual tonnage of medical waste (DASRI)	132	212

DASRI estimate for the Group	2010	2011	2012	Change 2010-2011	Change 2011-2012
Annual tonnage of medical waste (DASRI)	58,322	59,509	62,240	2%	5%

- Waste management associated with operational management: Korian rolled out several initiatives aimed at limiting the annual production of waste at its facilities (packaging reduction program, implementation of selective sorting, collection and recycling of used edible oils for their transformation, mainly into biodiesel, and processing of compost and catering waste at facilities that benefit from green spaces). The Group's head office in France practices selective sorting and selection of eco-friendly paper, and is researching recycling solutions for used equipment.

Estimate of operational waste for the Group	2010	2011	2012	Change 2010-2011	Change 2011-2012
Annual tonnage of household waste	4,233,170	4,319,368	4,517,585	2%	5%
Annual tonnage of recyclable waste	223,566	228,118	237,587	2%	5%

- Monitoring the water-supply system: preventative and monitoring measures are implemented to help protect against legionella bacteria in medical-social facilities and healthcare facilities, as well as in social and medical-social facilities. All facilities in France have inspected their DHW (domestic hot water) network and have a carnet sanitaire (health inspection record). Corrective measures have been or will be applied further to the results of these inspections.

(in millions of euros)	2011	2012	Change 2011-2012
Annual water bill	3.00	3.33	11%

b) Commitment to sustainable development

Responsible purchasing

Korian intends to undertake a sustainable development process with its service providers, suppliers and subcontractors. This program will specifically focus on utilities savings (water, gas and electricity), making maximum use of non-polluting or low-pollution products and promoting preventive initiatives to enhance environmental protection. Purchasing well and purchasing better are the Group purchasing department's main challenges in France. In order to achieve substantial savings, this department strives to guarantee the best quality/price/service ratio for each French facility's purchases. It is very committed to sustainable development, whether in selecting suppliers or in the operational management of the facilities. For each of the product families for which buying is centralized, special attention is paid to certain clauses that make Korian's suppliers true partners in terms of sustainable development.

Sustainable development criteria generally carry 15% of the weight in the supplier-selection process:

- All contracts and catering calls for tender f contain sustainable development clauses. Aside from achieving patient and resident satisfaction, the main imperative is the obligation to comply with the European regulations and national legislation in effect.
- The three major goals defined in relation to calls for tender for bio-cleaning are quality (achieved by standardizing methods), product training (delivered by the service provider for all bio-cleaning teams at the Group's French facilities) and optimizing costs and protecting the environment through the provision of economical product dosing systems (such as diluting equipment, washing/rinsing dispensers *etc.*).

Since 2010, Korian has committed to optimizing its vehicle fleet with the goal of reducing its average consumption of CO^2/km. In 2010, the Group's average position, after an inventory of the fleet, amounted to 135g of CO^2/km for its entire fleet. Since 2011, this rate has decreased to close to 9%, totaling 123g of CO^2/km. The 2012 annual assessment showed a further decrease in this rate, amounting to 113g of CO^2/km (i.e. down 8%). The Group's objective is to reach an average of less than 105g of CO^2/km, particularly by using more hybrid cars.

Combating climate change - limiting greenhouse gas emissions

Energy efficiency is a priority for Korian, in particular to reduce management costs.

In 2011 and 2012, through third-party service provider ECO2 Initiative, carbon assessments were performed on all of the Group's French facilities. These assessments enabled the Group to carry out a precise analysis to identify which of its buildings are the least energy-efficient and to schedule work designed to achieve energy savings and reduce CO_2 emissions.

Korian, with the help of an external provider, launched a training campaign for all of its internal operators in relation to the work so as to enable them to easily identify all of the potential factors involved in reducing energy consumption and thus reducing CO_2 emissions.

In 2012 in France, all of this resulted in carrying out insulation work through the exterior of the facades and insulating the attics, which allowed the Korian Group to acquire its first Energy Savings Certificates. This work involved 33 facilities in the French asset portfolio and should create an annual decline in consumption of approximately 5,900,000 kWh and a decrease in CO_2 emissions of about 1,000 t. These efforts are continuing over the next few years.

Lastly, most of the buildings are constructed and/or managed sustainably, using, when possible, low-consumption light bulbs, installing regulators to reduce water consumption by approximately 25% and implementing solar cells for hot water and heating in recently-constructed buildings that receive enough sunlight.

Consumption	2010	2011	2012	Change 2010-2011	Change 2011-2012
Number of facilities	164	168	173	2%	3%
Group annual expense (in millions of euros)	8.30	9.90	10.90	19%	11%
Gas	2.80	3.50	4.10	24%	17%
Electricity	4.90	5.60	5.80	13%	5%
Fuel oil	0.60	0.80	1.00	43%	20%
Annual expense per facility (in €)					
Gas	17,371	20,955	23,821	21%	14%
Electricity	29,876	33,075	33,692	11%	2%
Fuel oil	3,533	4,942	5,752	40%	16%
Breakdown of annual energy consumption (in kWh)					
Gas	67,478,989	69,561,337	76,692,938	3%	10%
Electricity	62,998,174	65,987,393	67,356,740	5%	2%
District heating	495,000	495,000	495,000	0%	0%
Fuel oil	11,887,105	13,425,858	14,012,256	13%	4%

3.6.4 Compliance with article 225 of the Grenelle II Act

Korian is subject to provisions in the implementing decree dated April 24, 2012 at the end of article 225 of the Grenelle II Act dated July 12, 2010 pertaining to companies' transparency obligations regarding social and environmental matters, in effect since the 2012 financial year.

All of the information required by this law that is not presented in this report is either not pertinent to our business, not collected in a reliable manner and/or not collected in time to be included in the report.

3.7 RESEARCH AND DEVELOPMENT

By virtue of its activity, which involves providing accommodation for dependent persons, the Korian Group does not carry out any systematic research and development activities and thus holds no specific certification in this regard.

Similarly, the Group's activity does not depend on any licenses.

The Korian Group's research & development activity all takes place within its internal training center. The Group has a scientific council that determines areas of research, monitors the progress of studies and provides an external perspective.

Korian's medical-social research involves clinical action research with a dual purpose: enhancing residents' knowledge and improving professional practices.

The research topics dealt with have focused on the three main fields defined by the scientific council, and have thus touched upon a wide variety of subjects, including epidemiological studies, studies focusing on the quality of care and assessment of professional practices, and ethical issues relating to the care of elderly people in facilities.

For 2012, the following projects in particular were continued: research on preventing falls, the European study on falls, assessing well-being in nursing homes, making the medical cycle medication-delivery safer, behavioral problems and assistance to the hearing and seeing impaired.

The rollout of the DRI and then the DPI will support this research with a complete, up-to-date database that can be consulted and queried in real time.

3.8 OTHER FINANCIAL INFORMATION

3.8.1 Income and other significant characteristics of Korian SA

Type of indications/periods Duration of financial year	12.31.2012 12 months	12.31.2011 12 months	12.31.2010 12 months	12.31.2009 12 months	12.31.2008 12 months
Financial position at end of period					
a) Share capital	170,204,140	163,593,805	161,000,590	156,863,135	138,433,295
b) Number of shares issued	34,040,828	32,718,761	32,200,118	31,372,627	27,686,659
Total income from completed transactions					
a) Pre-tax revenues	36,031,309	32,417,902	29,613,908	28,791,919	27,724,637
b) Profit before tax, profit-sharing, amortization and provisions	20,438,967	-2,997,705	8,693,596	23,104,662	-1,575,203
c) Income tax	-11,042,880	-15,892,382	-11,737,382	-11,309,898	-14,729,634
d) Profit after tax, but before amortization and provisions	31,481,847	12,894,803	20,430,978	34,414,560	13,154,431
e) Profit after tax, profit-sharing, amortization and provisions	24,887,516	9,086,329	16,541,478	33,528,711	9,601,822
f) Distributed profit	20,424,497	19,631,257	19,320,071	18,823,576	16,611,995
g) Employee profit-sharing	0	0	0	0	0
Earnings per share					
a) Profit after tax, but before amortization	0.92	0.39	0.63	1.10	0.48
b) Profit after tax, amortization and provisions	0.73	0.28	0.51	1.07	0.35
c) Dividends paid to each share	0.60	0.60	0.60	0.60	0.60
Staff					
a) Number of employees	326	327	305	292	278
b) Total payroll	18,011,569	16,616,427	15,206,984	13,900,472	14,267,207
c) Sums paid in the form of employee benefits	8,166,082	7,629,479	7,256,610	6,421,774	6,005,164

**The planned dividend distribution for the 2012 financial year will be submitted to the Annual Shareholders' Meeting on June 20, 2013.*

3.8.2 Activity and income of Company subsidiaries and consolidated companies

The subsidiaries comprise:

- Follow-up care and rehabilitation clinics, which provide accommodation for convalescent or disabled patients following a stay within an acute-care facility. These clinics strive to reduce physical disabilities and help patients regain their autonomy in order to facilitate their return home and to assist in their reintegration into their social and professional environment;
- Psychiatric clinics, which deal with patients under treatment for psychosomatic disorders as well as acute and progressing psychiatric problems;
- Residential homes for elderly dependent people, which provide accommodation and care for elderly persons who are no longer able to live at home due to their level of dependence. The goal of these facilities is to provide humane support and care, regardless of their level of dependence, up to the end of their lives;
- Holding companies, whose sole purpose is to hold the Group's stakes in the aforementioned facilities;
- Companies whose purpose is to hold the facilities' real estate.

3.8.3 Dividends paid out in the last three financial years

Financial year	Number of shares	Dividend paid	Dividend conferring entitlement to a tax allowance*
2011	32,718,761	€0.60	€0.60
2010	32,200,118	€0.60	€0.60
2009	31,372,627	€0.60	€0.60

**This dividend entitled individuals who are tax residents in France to a tax allowance of 40%.*

3.8.4 Allocation of income for the 2012 financial year

At the Annual Shareholders' Meeting to be held on June 20, 2013, a proposal will be made to allocate the income for the 2012 financial year as follows:

- Allocation of €661,033.50 to the legal reserve account;
- Distribution of a dividend of €0.60 per share to 34,040,828 Company shares, i.e. €20,424,496.80, withdrawn entirely from profits from the financial year;
- Allocation of €3,801,985.88 to the retained earnings account;

3.8.5 Sumptuary and general expenses giving rise to reinstatement

The Korian Group's sumptuary expenses as defined under Article 39-4 of the French General Tax Code amounted to €73,960, of which Korian SA accounted for €57,651.

3.8.6 Share buyback program

In accordance with the 28th resolution adopted by the Combined Shareholders' Meeting on March 21, 2012, the Company established a new share buyback program.

Drafted pursuant to Article 241-1 et seq. of the AMF general regulations and European Commission regulation (EC) No. 2273/2003 of December 22, 2003, the purpose of this description of the share buyback program is to set out the objectives and terms of the new program for the Company's repurchase of its own shares.

- Shares traded: ordinary shares.
- Transaction authorization: Combined Shareholders' Meeting on March 21, 2012.
- Maximum share of capital authorized for purchase by the Annual Shareholders' Meeting: 10% of the number of shares comprising the Company's share capital (at any one time, this percentage applying to a share capital figure adjusted to reflect transactions affecting it after the date of the aforementioned meeting), i.e. for the purposes of illustration, 3,404,082 shares at March 21, 2012.
  It is hereby stipulated that the number of shares acquired by the Company with a view to retention or subsequent delivery in payment or exchange in connection with a merger, spin-off or capital contribution transaction may not exceed 5% of its share capital, and that, where shares are purchased to enhance liquidity under the conditions defined by the AMF's general regulations, the number of shares used in the calculation of this 10% limit will correspond to the number of shares purchased less the number of shares re-sold over the duration of this authorization.
- Maximum purchase price: €30 (excluding fees)
- Maximum amount of funds available for the requirements of the current program: €5,000,000.
- Objectives in descending order of priority:
  - To enhance the liquidity of transactions and the stability of the Company's share price under a liquidity contract agreed to with an investment firm acting in accordance with the market practices approved by the AMF;
  - To ensure the coverage of share purchase and bonus share award plans and other forms of allocating shares to employees and/or corporate officers of the Group, for example, in respect of profit-sharing or a Company savings plan in accordance with the terms and conditions laid down by the law and by the market authorities and at the times the Board of Directors or the person acting pursuant to a delegation of the Board of Directors shall deem appropriate;
  - To retain the shares purchased and subsequently use them in exchange or as consideration in acquisitions;
  - To allow (i) the transfer of Company shares when rights attached to securities giving the right, whether immediate or deferred, by reimbursement, conversion, exchange, presentation of a warrant or any other form of allocation of Company shares, are exercised, and (ii) all hedging operations to be carried out with regard to the issuance of such securities, in accordance with the terms and

conditions set forth by the market authorities and at the times the Board of Directors or the person acting pursuant to a delegation of the Board of Directors shall deem appropriate;
  - To cancel them in full or in part through a reduction of share capital.
- Buyback terms: the acquisition, sale, transfer or exchange of these shares may be carried out by any means in accordance with existing regulations, on one or several occasions, by market trading or private agreement, including by transactions of blocks of shares (which may amount to the whole of the program), by the use of financial contracts (traded on a regulated market or by private agreement) or of warrants or securities giving entitlement to Company shares, or by the implementation of optional strategies (insofar as these resources do not contribute to a significant increase in the volatility of the shares), or by the issuance of securities giving the right, by conversion, exchange, reimbursement or exercise of a warrant or in any other manner, to Company shares held by the Company itself, at the times the Board of Directors shall deem appropriate. All of the above terms must comply with the applicable legal and regulatory provisions. Subject to the legal and regulatory provisions in effect, these transactions may take place at any time.
- Duration of the program: starting from April 2, 2012 until September 20, 2013, i.e. 18 months from the Combined Shareholders' Meeting of March 21, 2012.
- Breakdown by objective of the shares held at March 21, 2013: at this date, the Company held 36,495 shares intended for market-making in the secondary market and to enhance the liquidity of the Company's share through the liquidity contract referred to above.
- The Company did not use any derivative instruments under this share buyback program or the previous one, and has no open currency positions.

This share buyback program was published on April 2, 2012, in accordance with the AMF general regulations, prior to the implementation of the program.

3.8.7 Shareholdings or controlling interests in equity investments

a) Shareholdings and controlling interests acquired

Pursuant to the provisions of Article L. 233-6 of the French Commercial Code, the Chief Executive Officer hereby presents the significant shareholdings and controlling interests in other companies acquired during the financial year ended December 31, 2012:

France:

- Pledge of 90% of SAS Ollières Gestion shares and 70% of SAS Auguste Gal shares to Korian;
- Acquisition of 100% of SA Reine Mathilde shares;
- Purchase offer to acquire 40% of the residuals of SAS Pouliguen, SAS Mougins Gestion and SAS St Cyr Gestion;
- Purchase offer to acquire 30% of SAS Vauvenargues Gestion shares.

In Italy:

- Acquisition of 15% minority interest remaining in Gabbiano;
- Finalization of an agreement concerning the additional 40% investment of Heliopolis shares.

In Germany:

- Phönix's acquisition of two nursing homes in Herolsberg and Köln-Nippes for €1.3 million and €2.2 million, respectively. These acquisitions generated €3.4 million in goodwill;
- Acquisition of two additional facilities in Vermold and Gütersloh; the acquisition price amounted to €150,000 and €1,000,000, generating €141,000 and €983,000 in goodwill, respectively;
- Opening of a new facility in Sassenburg.

b) Disposals of equity investments

Pursuant to the provisions of Article L. 233-6 of the French Commercial Code, the Chief Executive Officer hereby presents the significant shareholdings and controlling interests in other companies sold during the financial year:

France:

- Disposal by SCI Korian Immobilier of 38% of SCI Badéra to Caisse des Dépôts et Consignation;
- Disposal of 100% of Kérinou Santé by Médotels;
- Disposal of 100% of Demeure Saint Clair by Korian.

In Germany:

- Disposal of the Stein business;
- Partial disposal (75%) of Mediserv, changing it from being fully-integrated to being an equity affiliate.

3.9 ADMINISTRATIVE AND MANAGEMENT BODIES

The Annual Shareholders' Meeting held on March 21, 2012 decided to adopt a Board of Directors governance model and, accordingly, proceeded with the appointment of directors. The composition of the Company's new Board of Directors is largely identical to the composition of its Supervisory Board as approved at the end of the 2011 financial year. At December 31, 2012, the Board of Directors was composed of the following 12 members: Mr. Christian Chautard (Chairman), Mr. Charles Ruggieri (Vice-Chairman), Mr. Jérôme Grivet, Mr. Jean-Jacques Duchamp, Monroe, represented by Mr. Julien Ruggieri, Malakoff Médéric Assurances, represented by Hugues du Jeu[7], MACSF Epargne Retraite, represented by Mr. Marcel Kahn, ACM Vie, represented by Mr. Pierre Bieber, Mr. Jacques Ambonville, Mr. Jean Castex, Ms. Catherine Chouard and Mr. Jean-Paul Thonier.

The Board of Directors, which met after the said Shareholders' Meeting, furthermore opted to separate the positions of Chairman of the Board of Directors and Chief Executive Officer. In accordance with the decision during the Board of Directors meeting on March 21, 2012, this separation of positions came into effect on April 30, 2012[8], the date on which Mr. Yann Coléou assumed the position of Chief Executive Officer.

3.9.1 Presentation of the management and administrative bodies

Mr. Yann Coléou

Born February 14, 1962 in Rouen (76)
Nationality French
Address: 32 Rue Guersant, 75017 Paris

Date on which term of office began: April 30, 2012

Date on which term of office expires: April 29, 2017

Main position held: Chief Executive Officer of Korian SA

Biography

Yann Coléou began his career in 1985 at Sodexo, where he spent 24 years working for the worldwide leader in quality-of-life solutions building a very rich, varied career and climbing the entire corporate ladder. From 1985 to 1994, he held very diverse positions: sales (1985-1989), Director of Sales in France (1989- 1993) and then Director of Marketing, Development and Communication (1993- 1994). From 1994 to 2002, he was Managing Director of the Healthcare division of Sodexo, where he stayed for 17 years. In 2002, he was appointed Managing Director of the Corporate division. He took over chairmanship and management of Sodexo France in 2003, and held this position until his departure for London in 2008, where he was appointed CEO of Sodexo UK and Ireland. At the same time, from 2006 to 2009, he was Chairman of Sodexo India and presided over the SNRC (National Union of Institutional Catering), and was Vice-Chairman of FERCO (the European Federation of Contract Catering Organizations), in charge of social dialog.

From October 2009 to April 2012, he chaired and managed the ISS Group in France, the top subsidiary of the global leader in facility services.

Since April 30, 2012, he has been Chief Executive Officer of Korian.

He does not hold any Korian shares.

Offices held outside of the Korian Group

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

Treasurer: PopEnglish

Past directorships held during the last 5 financial 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 and Syndicat National de la Restauration Collective

Director: Banque de France des Yvelines, Groupement des Professions de Services

Chairman: Sodexo India

CEO: Sodexo UK

Vice-Chairman: Fédération Européenne de la Restauration Concédées

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[7] Since September 11, 2012, the position of permanent representative of Malakoff Médéric Assurances on the Korian Board of Directors has been held by Mr. Hugues du Jeu in replacement of Mr. Guillaume Sarkozy.

[8] From March 21, 2012 to April 30, 2012, Mr. Christian Chautard, Chairman of the Board of Directors, combined the positions of Chairman of the Board of Directors and Chief Executive Officer.

Mr. Christian Chautard

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

Offices held within Korian: Chairman of the Board of Directors, Chairman of the Appointments and Compensation Committee, member of the Investment Committee, member of the Ethics and Risks Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Biography

Christian Chautard, age 64, spent the first part of his career holding operational responsibilities at two leading metalworking industry groups.

From 1982, he began a career in strategy, organization and governance consulting for managers of international groups. He worked in Europe and the United States, notably within the Mercer office, which became Oliver Wyman.

He also has in-depth knowledge of Germany and its business practices. He chairs the Marsh SA Board of Directors.

He is a former student of the École Polytechnique and holds an MBA from INSEAD.

He holds 10 Korian shares.

Offices held outside of the Korian Group

Director: Marsh France, Spigraph
Chairman: Rénovia

Past directorships held during the last 5 financial years

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

Mr. Charles Ruggieri

Born January 6, 1948 in Capelle-sul-Tavo (Italy)
Nationality French
Address: 28 Boulevard Joseph II, L-1840 Luxembourg

Offices held within Korian: Vice-Chairman of the Board of Directors, Chairman of the Investment Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Biography

Born in 1948, Charles Ruggieri is the founder of Batipart, a family holding company formed in 1988. After spending 15 years in the steel industry, he first developed a real estate business at Immobilière Batibail, then at Groupe Foncière des Régions. At the same time, he developed business in the healthcare sector starting in 2000 in order to participate in building the Korian Group, a private operator of retirement homes in France, Germany and Italy.

He holds a PhD in law.

He holds one Korian share.

Offices held outside of the Korian Group

Chairman: Monroe (Luxembourg), JPF (Luxembourg)

Director: Banque CIC Est, L'Arsenal (association), Le Républicain Lorrain, Monroe (Luxembourg), JPF (Luxembourg), Immobilière Monroe (Luxembourg), Monroe Invest (Luxembourg), Batipart SAS

Permanent representative of Monroe, Director: Eurosic, Médica

Past directorships held during the last 5 financial years

Honorary Chairman: Batigere

Chairman: Batipart SA, Batipart SAS, Beni Stabili (Italy)

Director: Batipart SA, Groupe Proméo, Manutan International, Groupe ICN (association), L'Arsenal (association), foncière Logements (association), Usine d'électricité de Metz (régie municipale), Foncière Développement Logements

Deputy Director: Cilgere Lorraine

Chairman of the Supervisory Board: Foncière des Régions, Anthémis

Vice-Chairman of the Supervisory Board: Korian SA

Member of the Supervisory Board: Foncière des Murs, Foncière Développement Logements, Foncière Europe Logistique, Imméo Wohnen (Germany)

Legal representative of Batipart, Chairman: Anthémis, Novaé, Proval, Batipart Santé SAS, Batipart Hôtels, Cherbourg Hôtels, BTP 6, BTP 7, BTP 8, Batipart Immobilier, Batipart Santé, Prominvest

Legal representative of Batipart, Manager: SCI du 28 rue Dumont d'Urville, BTP 2

Manager: SCI Juniclair, SCI Saint André d'Embrun

Mr. Jérôme Grivet

Born March 26, 1962 in London (United Kingdom)
Nationality French Address: 50-56 Rue de la Procession, 75015 Paris

Offices held within Korian: Vice-Chairman of the Board of Directors, Chairman of the Investment Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Main position held: Chief Executive Officer of Crédit Agricole Assurances and of Prédica

Biography

Jérôme Grivet, age 50, has been Chief Executive Officer of Predica and Crédit Agricole Assurances since the end of 2010.

He began his career in administration at IGF. He was then an Advisor for European Affairs for the Prime Minister, Mr. Alain Juppé, before joining Crédit Lyonnais in 1998 as head of the Finance and Management Control department of commercial banking in France.

In 2001, he was appointed Director of Strategy at Crédit Lyonnais. He then held the same position at Crédit Agricole S.A.

In charge of Finance, Secretariat General and Strategy at Calyon in 2004, he became Deputy Chief Executive Officer in 2007.

Born in 1962, Inspector of Finance and former student of the ENA, he holds a degree from the ESSEC and the Institut d'Etudes Politiques de Paris.

He holds one Korian share.

Offices held outside of the Korian Group

Chairman of the Board of Directors: Spirica (ex Axeria Vie), Dolcéa Vie

Director: CAAGIS, Crédit agricole Vita (Italy), Pacifica, CA Indosuez Private Banking (ex BGPI);

Chairman: CA Life Greece (Greece)

Chief Executive Officer: Crédit Agricole Assurances, Predica

Observer: La Médicale de France

Permanent representative of Crédit Agricole Assurances, Director: CACI

Permanent representative of Predica, Director: Foncière des Régions

Permanent representative of Predica, member of the Supervisory Board: CA Grands Crus

Permanent representative of Predica, Observer: Siparex Associés

Past directorships held during the last 5 financial years

Member of the Supervisory Board: Korian SA, Union de Banques Arabes et Françaises

Director: LCL Obligation Euro, Cedicam, CA Chevreux, Newedge Group, Trilion

Chairman and CEO: Mescas

Chairman: SNGI

Vice-Chairman: BES VIDA

Deputy Chief Executive Officer: Calyon

Managing Director: CLSA BV, Stiching CLSA Foundation

Permanent representative of Calyon, Director: Fletirec

Permanent representative of Predica, Director: CAPE, La Médicale de France

Mr. Jean-Jacques Duchamp

Born August 29,1954 in Fort-de-France
Nationality French
Address: 50-56 Rue de la Procession, 75015 Paris

Offices held within Korian: Director, Chairman of the Audit Committee, member of the Investment Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Main position held: Deputy Chief Executive Officer of Crédit Agricole Assurances

Biography

Deputy Chief Executive Officer of Crédit Agricole Assurances since January 1, 2011, in charge of the Finance, Asset Management and Organization division, Jean-Jacques Duchamp, age 58, is a member of the Bureau de La Commission Economique et Financière de la FFSA (Office of the Economic and Financial Commission of the French Federation of Insurance Companies). He began his career in designing/carrying out hydraulic infrastructure projects (Canal de Provence, Coteaux de Gascogne *etc.*) and then developed financing for international projects at Banque Mondiale (India, Colombia, Morocco) and joined the Ministry of Agriculture in 1984. He joined the General Inspectorate of Crédit Agricole in 1985, then joined the Financial Management department of Caisse Nationale de Crédit Agricole in 1991. In 2001, he was appointed Director of Finance of Predica. He is a Director for SANEF (North and East Interstate in France), for the real estate companies SFL and GECINA, and for the Korian Group (medical residences).

As part of his responsibilities, he organized discussions and strategy meetings on healthcare, as well as the investment policy of the Crédit Agricole Assurance Group in this area, in the field of medical residences, MCO clinics and even laboratories.

He is an Agricultural Engineer - Rural Engineering of Water and Forests (IGREF)

He holds one Korian share.

Offices held outside of the Korian Group

Permanent representative of Predica, Director: SFL, Gecina, SANEF
Director: PACIFICA, CA Immobilier, CPR AM, Dolcea Vie, CA VITA SA, SPIRICA, Lifeside Patrimoine, ISR Courtage

Past directorships held during the last 5 financial years

Member of the Supervisory Board: Korian SA
Director: CA Assurances, Previseo Obsèques, BES Vida
Permanent representative of Predica, Director: UNIMO SA, Foncière des Régions

Mr. Julien Ruggieri

Born April 7, 1974 in Thionville (57)
Nationality French
Address: 28, Boulevard Joseph II, L-1840 Luxembourg

Offices held within Korian: Permanent representative of Monroe, Director, member of the Audit Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Biography

Born in 1974, Julien Ruggieri has been responsible for international shareholdings and controlling interests for the Batipart Group since 2005.

After spending six years in a steel trading subsidiary of the Arcelor Group in New York, in 2003, he joined Morgan Stanley's real estate fund financing teams in New York.

Since 2008, he has developed a shareholding and capital risk and development business privately and on behalf of Batipart in Luxembourg. This business was primarily international (Eastern Europe, Asia, Africa).

He is a graduate of the European Business School, and holds a DESS degree in internal audit from IAE in Aix-en-Provence and an MBA from Cornell University.

Monroe SA holds 8,203,511 Korian shares.

Mandats extérieurs au Groupe Korian

Director: Groupe Proméo, Monroe (Luxembourg), Maelys (Luxembourg), JPF (Luxembourg), Afridi (Switzerland), Cherbourg Management, Batipart SAS, Fond Light (Hong Kong), Kadimastem Limited (Israel)

Vice-Chairman of the Supervisory Board: Jardiland

Chairman: Cherbourg Hôtels, Batipart Hôtels, Maelys (Luxembourg)

Manager: League Jinn (Luxembourg), SJR (Luxembourg)

Permanent representative of Cherbourg Hôtels, Chairman: Ky-Ho

Permanent representative of Maelys, Director: MonUsine, Onomo International, Delta Car Trade (Switzerland)

Past directorships held during the last 5 financial years

Chairman: Monroe

Director: Batipart SA, Cotinvest (Luxembourg), Parcs GFR, MonUsine, Delta Car Trade (Switzerland)

Vice-Chairman of the Supervisory Board: Finabélia

Member of the Supervisory Board: GFR Imobilien (Germany), Immeo Wohnen (Germany), Anthémis

Permanent representative of Batipart SA, member of the Supervisory Board: Korian

Permanent representative of Batipart SAS, member of the Supervisory Board: Korian

Permanent representative of Batipart Immobilier, member of the Supervisory Board: Foncière des Régions

Permanent representative of Monroe, member of the Supervisory Board Foncière des Régions

Permanent representative of Monroe, Director: Onomo International, MonUsine

Manager: BTP Transactions

Mr. Hugues du Jeu

Born October 17, 1957 in Bourges (18)
Nationality French
Address: 21 Rue Laffite, 75009 Paris

Offices held within Korian: Permanent representative of Malakoff Médéric Assurances, Director, member of the Investment Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Main position held: Deputy Chief Executive Officer, Social Action, Strategy and Partnerships at Malakoff Médéric

Biography

Hugues du Jeu is a maritime engineer and IAF actuary.

He began his career as head of maritime operations at Entreprise d'Equipements Mécaniques et Hydrauliques from 1981 to 1984. Between 1984 and 1998, he was a consultant at Jean Pierre Martichoux et Associés. In 1998, he joined Abeille Vie, where he was Director of Management Resources, Director of Individual Insurance and Secretariat General.

He entered the Médéric group in 2002, where he successively held the positions of Director of Group Performance, Director of Supplementary Retirement, Director of Management and Customer Service and Director in charge of the Malakoff – Médéric merger.

Since 2008, he has been Director of Strategy and Social Action for the Malakoff Médéric Group. As Deputy Chief Executive Officer, he is a member of the Group's Executive Committee.

Malakoff Médéric holds 4,846,249 Korian shares.

Mandats extérieurs au Groupe Korian

Director: Médéric Epargne

Member of the Supervisory Board: Fédéris Gestion d'Actifs

Permanent representative of Malakoff Médéric Assurances, Director: LVL Médical Groupe, Quatrem Assurances Collectives

Chairman: Sévriéna 3, Bien-Être Assistance

Member of the Executive Board: Saprem

Member of the Investment Committee: Malakoff Médéric Innovation, Malakoff Médéric Participations

Past directorships held during the last 5 financial years

Director: Malakoff Médéric Assurances, Médéric Assurances

Member of the Investment Committee: Médéric Innovation, Médéric Participations

Member of the Executive Board: Médéric Assurances

Permanent representative of Médéric Assurances, member of the Supervisory Board: Quatrem

Permanent representative of Médéric Assurances, member of the Executive Board: Quatrem

Mr. Marcel Kahn

Born July 1, 1956 in Strasbourg (67)
Nationality French
Address: 32 Boulevard d'Argenson, 92200 Neuilly-sur-Seine

Offices held within Korian: Permanent representative of MACSF Epargne Retraite, Director

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Main position held: Chief Executive Officer of the MACSF Group

Biography

Marcel Kahn, age 56, is a graduate of Essec, public accountant, actuary, former auditor of IHEDN and held various management positions within the Axa group between 1988 and 2000. From 2001 to 2003, he was Chief Executive Officer of PartnerRe France and the Director of Finance for PartnerRe Global. In 2004, he joined the reinsurance group Scor as Director of Finance and member of the group's Executive Committee. In January 2008, he joined the MACSF group, where he held the following positions: Chief Executive Officer of the MACSF group, Secretary General of Réunion des Organismes d'Assurance Mutuelle (ROAM), Vice-President of FFSAN, member of the Office of the FFSA (French Federation of Insurance Companies) and Vice-President of the Association of Mutual and Cooperative Insurers in Europe (AMICE).
The MACSF Group holds 3,320,806 Korian shares.

Offices held outside of the Korian Group

Director, Chairman: Libéa, Médiservices Partenaires, Château Lascombes, Médi-Actions, Médi-Convertibles
Member of the Supervisory Board: MACSF Financement
Director: MACSF RE
Chief Executive Officer: MACSF Epargne Retraite, MACSF SGAM and MACSF Assurances

Past directorships held during the last 5 financial years

Member of the Executive Board: MACSF Financement
Permanent representative of MACSF Assurances, Director: ANPREPS (Association), Médiservices Partenaires
Permanent representative of MACSF Epargne Retraite, Director Medi-Actions, Médi-Convertibles, Fondation d'entreprise MACSF, La Prévention Médicale (Association)
Permanent representative of MACSF Epargne Retraite, member of the Supervisory Board: Korian, UFG Group

Mr. Pierre Bieber

Born December 20, 1952 in Strasbourg (67)
Nationality French
Address: 34, rue du Wacken, 67000 Strasbourg

Offices held within Korian: Director, member of the Appointments and Compensation Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Main position held: Director in charge of the Secretariat General of ACM Vie

Biography

Pierre Bieber, age 60, holds a bachelor's degree in law from the University of Strasbourg.
He joined Assurances du Crédit Mutuel in 1978, and since 2003 has held the positions of Director in charge of the Secretariat General, particularly in the areas of legal affairs, human resources, internal control and audit.
He has been the representative of ACM Vie SA on the Korian Board of Directors since March 21, 2012. He also represents GACM as the Chairman of Immobiliere ACM (SAS). Since August 31, 2009, he has represented ACM Vie SA as Chairman of the Supervisory Board of Fonciere Massena SCA.
ACM Vie holds 3,265,627 Korian shares.

Offices held outside of the Korian Group

Director: FFSAM
Permanent representative of ACM Vie, Member of the Supervisory Board: Foncière Massena SCA
Permanent representative of GACM, Chairman: Immobilière ACM
Permanent representative of Serenis Assurances, Director: Partners (Belgian company)

Past directorships held during the last 5 financial years

Member of the Supervisory Board: Korian SA
Manager: Real Estate Investment Company, ACM, SCI ADS
Permanent representative of ACM IARD, member of the Supervisory Board: Foncière des Murs SCA
Permanent representative of ACM Vie, member of the Supervisory Board: Serenis Assurances

Mr. Jacques Ambonville

Born December 13, 1949 in Nancy (54)
Nationality French
Address: 1 Villa Marceau, 75019 Paris

Offices held within Korian: Director, member of the Audit Committee, member of the Investment Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Biography

Mr. Jacques Ambonville, born in 1949, holds a pharmaceutical degree and management degrees (ICG and INM), and began his career as a pharmacist before joining OCP in 1975, where he became Sales Director in 1985 and Chairman of the Executive Board in 1993. Following the acquisition of OCP by Celesio AG, from 1995 to 2006 he was a member of the Executive Board of the latter, in charge of pharmaceutical distribution in Europe and Chairman of the Supervisory Board of OCP. In this capacity, he has impeccable knowledge of the European healthcare sector. Since January 2007, he has been Chairman of a healthcare consulting firm for the pharmaceutical and healthcare services industry.
He holds 100 Korian shares.

Offices held outside of the Korian Group

Chairman: Hâm Consulting
Director: Galien Développement

Past directorships held during the last 5 financial years

Member of the Supervisory Board: Korian SA
Director: Depolabo, Welcoop

Mr. Jean Castex

Born September 24, 1943 in Bagnères-de-Bigorre (65)
Nationality French
Address: 21 Rue Hallé, 75014 Paris

Offices held within Korian: Director, member of the Appointments and Compensation Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Biography

Born in 1943, Jean Castex holds a bachelor's degree in science and mathematics and economic science, and is also a graduate of the Institut d'études politiques de Paris. After having been in charge of the General Delegation of Scientific and Technical Research (DGRST) for eight years, he joined Institut Pasteur, an officially recognized private foundation. He held the positions of Administrative and Financial Director (from January 1981) and then Deputy Chief Executive Officer (from January 2000 to September 2005). From 1981 to 1995, he was a Director of Sanofi Diagnostics Pasteur and Pasteur Mérieux Sérums et Vaccins. He is currently a director of the Institut Curie.
He holds one Korian share.

Offices held outside of the Korian Group

Director: Institut Curie

Past directorships held during the last 5 financial years

Member of the Supervisory Board: Korian SA
Director: Société du Roule, CPR Convexite

Ms. Catherine Chouard

Born October 29, 1960 in Saint-Mandé (94)
Nationality French
Address: 14 Rue Béatrix Dussane, 75015 Paris

Offices held within Korian: Director, member of the Appointments and Compensation Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Biography

Born in 1960, Catherine Chouard is an economist and INSEAD graduate, who created an individualized management consulting firm in 2009. She has taught in the Executive Human Resources MBA program at the Université de Paris Dauphine for 10 years. She is the Chairperson and Founder of Sokasi Banten, a non-profit organization.

Previously, for close to 20 years, she was Director of Group Human Resources and a member of the Executive Committee of large international companies (DHL International, GrandVision and Elior).

For four years, she was a member of the French Equal Opportunities and Anti-Discrimination Commission (Haute Autorité de Lutte contre les Discriminations et pour l'Egalité).

She holds one Korian share.

Offices held outside of the Korian Group

Chairman: Sokasi Banten (a 1901-Law non-profit organization)

Past directorships held during the last 5 financial years

Director: Kiabi

Member of the French Equal Opportunities and Anti-Discrimination Commission (Haute Autorité de Lutte contre les Discriminations et pour l'Egalité)

Mr. Jean-Paul Thonier

Born July 5, 1952 in Tunis, Tunisia
Nationality French
Address: 22 Rue Duchefdelaville, 75013 Paris

Offices held within Korian: Director, member of the Appointments and Compensation Committee

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Biography

After being educated in private law and graduating from the Institut d'Etudes Politiques, recently supplemented by an international Associate in Risk Management certification, Mr. Jean-Paul Thonier's career path led him to various organizations - ministries, an insurance group, a professional organization, a consulting firm and the Service Interentreprises de Santé au Travail (Inter-company Corporate Healthcare Service).

Until September 2009, he managed the second-largest inter-company corporate healthcare service in France, AST 67 (230 employees, including 100 physicians and 18,000 corporate members).

He is a founder of the Institut Silverlife, a think tank specializing in economic issues stemming from an aging population and dependency.

He is currently a consultant specializing in risk management and health safety at work, Director of programs within the Healthcare Decision group and Director of the Science of Danger collection for Editions Economica.

He holds five Korian shares.

Offices held outside of the Korian Group

Director: CARM (a 1901-Law non-profit organization)

Past directorships held during the last 5 financial years

Member of the Supervisory Board: Korian SA

Vice-Chairman: Silverlife Institute (a 1901-Law non-profit organization)

Director: AST 67 (a 1901-Law non-profit organization)

Mr. Jean-Claude Georges François

Born June 6, 1937 in Le Havre (76)
Nationality French
Address: 10 Avenue de l'Opéra, 75001 Paris

Offices held within Korian: Observer

Date of appointment: ASM on March 21, 2012

Date on which term of office expires: ASM held to approve the financial statements for the financial year ending December 31, 2016

Biography

Born in 1937, Jean-Claude Georges-François is a graduate of the Institut d'Etudes Politiques de Paris. After some initial experience in administration, he held management positions at Pont à Mousson from 1967 to 1986.

In 1986, he joined Usinor (which became Arcelor), where he held executive management positions in human resources, development and communications and was a member of the Executive Committee from 1987 to 2002.

From 2002 to 2004, he was an advisor to Francis Mer at the Ministry of the Economy and Finance.

In 2004, he joined Korian as Chairman.

He is an Officer of the Legion of Honor.

He holds 35,630 Korian shares.

Offices held outside of the Korian Group

Manager: JCGF Conseil, Clodapier SCI
Director: CMAV, Fédéris, Batipart SAS
Legal representative of JCGF Conseil, Chairman: Batipart
Observer: Fédéris Epargne Salariale

Past directorships held during the last 5 financial years

Chairman of the Supervisory Board: Korian SA
Member of the Supervisory Board: SAPREM, Prévoyance Ré
Chairman of the Executive Board: Korian SA
Director: Batipart SA, Prévoyance et Réassurance
Chairman: Ingénieurs 2000

3.9.2 Compensation of the management and administrative bodies

Only the following corporate officers have made transactions on Korian shares in 2012:

Corporate officer	Purchases	Price	Sales	Price
Mr. Christian Chautard	10	€13.60	None	None
Batipart SAS*	291,921**	€10.97	5 629 274	13,50 €
Monroe SA*	5,762,768**	€13.44	None	None
Novaé SAS*	5,912***	€10.97	None	None
Prédica	552,346	€10.97	None	None
Malakoff Médéric Assurances (including Malakoff Médéric Prévoyance)	251,317**	€10.97	None	None

**Legal entities controlled by the Ruggieri family.*
***Including 133,494 shares originating in the option for payment of the dividend in shares.*
****Originating in the option for payment of the dividend in shares.*

3.9.3 Transactions made by management and administrative bodies

a) Compensation of management bodies

The following table shows a summary of compensation paid to executive directors for the past two financial years. No directors were granted performance options or shares and none received directors' fees for their management positions.

Recap chart of managing bodies' compensation				
	Financial year ended December 31, 2011		Financial year ended December 31, 2012	
	Amount due	Amount paid	Amount due	Amount paid
Yann Coléou, Chief Executive Officer since April 30, 2012				
Fixed salary	-	-	€291,067	€249,667
Variable compensation*	-	-	€200,000	-
Benefits in kind**	-	-	€1,995	€1,596
TOTAL	-	-	€493,062	€251,263
Christian Chautard, Chairman and Chief Executive Officer from March 21 to April 30, 2012				
Fixed salary	-	-	€28,409	€28,409
Variable compensation*	-	-	-	-
Benefits in kind**	-	-	-	-
TOTAL	-	-	€28,409	€28,409
Jean-Claude Georges-François, Chair of the Executive Board (from December 7, 2011 to March 21, 2012)				
Fixed salary	€23,864	€23,864	€78,220	€78,220
Variable compensation*	-	-	€50,822	€50,822
Benefits in kind**	-	-	-	-
TOTAL	€23,864	€23,864	€129,042	€129,042
Philippe Denormandie, member of the Executive Board until March 21, 2012				
Fixed salary	€180,000	€180,000	€45,000	€45,000
Variable compensation*	€51,840	€51,840	€13,500	€51,840
Exceptional compensation	-	-	-	€23,100
Benefits in kind**	€2,868	€2,868	€717	€717
TOTAL	€234,708	€234,708	€59,217	€120,657
Louis Guyot, member of the Executive Board until March 21, 2012				
Fixed salary	€180,000	€180,000	€45,000	€45,000
Variable compensation*	€51,840	€46,440	€13,500	€51,840
Exceptional compensation	-	€10,000	-	-
Benefits in kind**	€2,556	€2,556	€639	€639
TOTAL	€234,396	€238,996	€59,139	€97,479
François Mercereau, member of the Executive Board until March 21, 2012				
Fixed salary	€220,000	€220,000	€58,750	€58,750
Variable compensation*	€63,360	€63,360	€17,625	€63,360
Benefits in kind**	-	-	-	-
TOTAL	€283,360	€283,360	€76,375	€122,110

**Variable compensation represents 50% of the Chief Executive Officer's fixed salary and, until March 21, 2012, that of the Chairman of the Executive Board, and 30% until March 21, 2012 for the members of the Executive Board, all prorata temporis. As is the case for all of the Group's executives, 40% of the variable compensation is determined based on collective quantitative targets and 60% is based on the achievement of individual targets.*
****Benefits in kind refer to Company vehicles.*

The Group did not grant stock options during the 2012 financial year. The table summarizing stock options granted during previous years is available on page 72 of the 2011 Registration Document filed with the AMF on April 24, 2012 under number D.12-0395.

Furthermore, no stock options were exercised by any of the executive directors during the 2012 financial year.

The table below shows the history of the Group's stock option grants.

Information on stock options	Plan No. 1	Plan No. 2
Date of meeting	June 21, 2007	June 17, 2010
Date of the former Executive Board	08/28/2007	06/30/2010
Total number of shares available to be subscribed to or purchased	138,433	138,433
Of which, the number available to be subscribed to or purchased by corporate officers	138,433	138,433
Starting date for exercise of options	08/28/2007	06/30/2010
Expiry date	From August 28, 2009 and by no later than August 28, 2014	From June 30, 2012 and by no later than June 29, 2015

The table below shows share subscription/purchase options granted to the top 10 employees who are not corporate officers, and options exercised by them.

Total number of shares granted/shares subscribed to or purchased	Weighted average price	Plan No. 1	Plan No. 2
24,000	€30.39	August 28, 2007	–
13,000	€16.83	-	June 30, 2010

The table below shows information required under the AFEP-MEDEF recommendations pertaining to the existence of (i) an employment contract in addition to corporate office, (ii) supplementary retirement plans, (iii) commitments made by the Company corresponding to severance pay or benefits liable to be due in the event of termination or change of positions of executive directors or subsequent to the event and (iv) non-competition indemnities that executive directors receive, if applicable.

Executive Directors	Employment contract	Supplementary pension scheme	Indemnities or benefits due or liable to become due in the event of the termination of or change in their position	Indemnities relating to a non-competition clause
Yann Coléou*	NO	NO	YES	NO
Christian Chautard**	NO	NO	NO	NO
Jean-Claude Georges-François***	NO	NO	NO	YES
Louis Guyot***	YES	NO	NO	YES
Philippe Denormandie***	YES	NO	NO	YES
François Mercereau***	YES	NO	NO	YES

**Chief Executive Officer since April 30, 2012.*

***Chairman and Chief Executive Officer from March 21 to April 30, 2012.*

****Members of the Executive Board until March 21, 2012, the date on which the corporate governance model was changed.*

b) Compensation of directors

At December 31, 2012, directors' fees totaling €158,000 had been paid to the members of the Board of Directors.

The members of the Board and the members of the committees are also entitled to reimbursement, upon production of receipts, of travel expenses incurred in attending Board and committee meetings.

The following table provides details of directors' fees, in euros, for the 2010 and 2011 financial years, based on the rules of procedure (updated on March 21, 2012) approved by the Board of Directors, the breakdown of which is as follows:

- A fixed annual sum:
  - For the Chairman of the Board of Directors: €5,200;
  - For members other than independent members: €2,600;

- For the independent members: €17,000;

- A variable sum based on members' attendance at Board meetings:
  - €600 (double this amount for the Chair) for each actual instance of attendance at Board meetings.

In addition, compensation is allocated to board members who are also members of a specialized committee, as follows:

- An annual fixed amount for the Chairman: 1,200;
- A variable amount for the Chairman and members: €600, based on their attendance at the meetings of the aforementioned specialized committees.

The table below summarizes the directors' fees paid to Company directors for the last two financial years.

Non-executive corporate officers	Directors' fees paid in respect of FY 2011 (N-1)	Directors' fees paid in respect of FY 2012 (N)
Christian Chautard	€8,200	€18,400
Charles Ruggieri	€10,400	€9,200
Jérôme Grivet	€6,200	€5,600
Jean-Jacques Duchamp	€9,200	€10,400
Julien Ruggieri9, permanent representative of Monroe	€7,400	€6,800
Malakoff Médéric Assurances	€6,200	€5,600
MACSF	€2,600	€2,600
ACM Vie	€7,400	€7,400
Jacques Ambonville	€24,200	€23,000
Jean Castex	€23,600	€23,600
Catherine Chouard	€18,800	€20,600
Jean-Paul Thonier	€23,600	€22,400
Jean-Claude Georges-François	€17,200	-
TOTAL	**€165,000**	**€155,600**

The directors' fees paid in 2012 to directors are consistent with the 15th resolution adopted by the Annual Shareholders' Meeting on March 21, 2012, which set the overall sum at €200,000 (as of the financial year in progress).

In addition to the compensation received for the period from March 21 to April 30, 2012 and the directors' fees mentioned in the table above, in 2012 Mr. Christian Chautard received €221,592 in compensation for his term of office as Chairman of the Board of Directors.

Lastly, Mr. Jean-Claude Georges-François, Observer since March 21, 2012,[10] received €133,334 (excl. tax) in 2012 in accordance with a service provider agreement dated March 21, 2012 that was concluded between Korian and SARL JCGF, the consulting firm that he manages. In addition, the latter[11] invoiced Batipart[12] for €87,500 (excl. tax) in 2012 and €233,696 (excl. tax) in 2011 for services.

Mr. Jacques Ambonville, director, is a partner in Hâm Consulting, which has billed Korian for services since September 1, 2008. A new agreement was signed on September 9, 2010 for a term of 12 months in return for a lump-sum fee of €1,500 (excl. tax) per day. This agreement was extended for six months via an amendment dated December 23, 2011. The sum of €1,500 (excl. tax) was thus billed by Hâm Consulting in respect of the 2012 financial year.

On October 14, 2009, an assistance agreement was signed by Batipart and Korian, stipulating the payment of a lump-sum amount of €720,000 (excl. tax) per year (adjustable based on the Syntec index), taking effect retroactively as from January 1, 2009 and renewable by tacit agreement from year to year. The sum of €736,112.32 (excl. VAT) was thus billed by Batipart in respect of the 2011 financial year. The Board meeting held on March 21, 2012 adopted an amendment to the assistance agreement under which Batipart's assignments will be limited to the legal administration of Korian SA, for a

[9] Julien Ruggieri was a permanent representative of Batipart until March 21, 2012, the date on which Batipart ceased to be a member of the Supervisory Board; the company Monroe became a director and he became a permanent representative of the latter.
[10] Jean-Claude Georges-François was Chairman of the Korian Supervisory Board until December 7, 2011, the date on which he became Chairman of Korian's Executive Board.
[11] SARL JCGF Conseil has been the Chairman of Batipart since November 24, 2012.
[12] Batipart was a Korian shareholder until November 23, 2012, the date on which it disposed of its investment in Monroe.

lump sum compensation amounting to €50,000/year (excl. tax). The Board meeting held on December 5, 2012 terminated this agreement, taking effect on November 6, 2012. Based on a shared agreement, the compensation received by Batipart in accordance with this agreement for 2012 was limited to €25,000 (excl. tax).

3.9.4 Conflicts of interest - family ties

Article 1.7 of the Board of Directors' rules of procedure, which were adopted at its meeting held on March 21, 2012, stipulates a procedure for the management of potential conflicts of interest. In order to prevent such conflicts during a Board of Directors and/or Investment Committee meeting, it established an upstream prevention process with respect to the presentation of files pertaining to items on the agenda submitted to the Board or to this committee.

Batipart, of which Charles Ruggieri is a director and main shareholder, Julien Ruggieri is a director and Jean-Claude Georges-François is Chairman and compensated service provider, holds 3% of the share capital and voting rights of Foncière des Régions, in which Predica and ACM Vie also hold significant interests.

Through outsourcing transactions carried out in 2004 and 2005, Foncière des Murs acquired 51 buildings owned or leased by the Korian Group and entered into a partnership agreement with the Korian Group to outsource its real estate assets.

Furthermore, Jean-Claude Georges-François is Chairman of the contingency partnership Fédéris, to which the Malakoff Médéric Group belongs, and Director of Caisse Mutuelle d'Assurance sur la Vie, an entity belonging to the Malakoff Médéric Group.

To the best of the Company's knowledge and on the day this document was prepared, there are no other conflicts of interest between the duties of the members of the management bodies with respect to the Company and their private interests and/or any other duty; in particular:

- No restriction has been accepted by the corporate officers concerning the sale of their interest in Korian's share capital;
- No agreement has been signed by a corporate officer with the major shareholders, clients or suppliers for the purpose of being selected as a member of an administrative, management or supervisory body.

As stated above, the Annual Shareholders' Meeting held on March 21, 2012 decided to adopt governance by a Board of Directors and, accordingly, proceeded with the appointment of directors.

To the best of Korian's knowledge and at the date of this document:

- No family ties exist between members of the Board of Directors, except for Julien Ruggieri, who is the son of Charles Ruggieri;
- None of the members of the Board of Directors has been the subject of a conviction for fraud in the last five years;
- None of the members of the Board of Directors has been associated with a bankruptcy, receivership or liquidation in the last five years;
- None of the members of the Board of Directors has been the subject of any indictment or official public sanction pronounced by statutory or regulatory authorities in the last five years; and
- None of the members of the Board of Directors has been banned by a court of law from acting as member of an administrative, management or supervisory board of a company issuing securities, nor from taking part in the management or business operations of an issuer, in the last five years.

3.9.5 Table of valid and used delegations

Having decided to modify the Company's corporate governance model, the Ordinary and Extraordinary Shareholders' Meeting held on March 21, 2012 renewed all financial delegations to be granted to the Board of Directors, as set out below.

Type	Purpose
1) Delegation of authority to increase share capital with preferential subscription rights maintained **Duration: 26 months** **Use: None**	Delegation of authority to the Board of Directors to increase share capital through the issue of marketable securities granting access to the Company's share capital, with shareholders' preferential subscription rights maintained, up to a maximum total nominal amount of €75 million13for equity securities and €500 million1 for the issue of transferable securities representing debts and granting access to share capital (e.g. bonds convertible into shares). These transferable securities may be the subject of a public offering, in whole or in part.
2) Delegation of authority to increase share capital, with preferential subscription rights waived, by means of a public offering **Duration: 26 months** **Use: None**	Delegation of authority to the Board of Directors to increase share capital through the issue of marketable securities granting access to the Company's share capital, with preferential subscription rights waived, carried out by means of a public offering (on the regulated market) up to a maximum total nominal amount of €75 million1 for equity securities and €500 million1 for the issue of transferable securities representing debts and granting access to share capital. A priority period may be applied, granting existing shareholders priority to subscribe to the aforementioned securities.
3) Delegation of authority to increase share capital, with preferential subscription rights waived, by means of a private placement **Duration: 26 months** **Use: None**	Delegation of authority to the Board of Directors to increase share capital through the issue of marketable securities granting access to the Company's share capital, with preferential subscription rights waived, carried out by means of a private placement (qualified investors or group of investors), up to a maximum total nominal amount of €75 million1 for equity securities and €500 million1 for the issue of transferable securities representing debts and granting access to share capital. A priority period may be applied, granting existing shareholders priority to subscribe to the aforementioned securities.
4) Delegation of authority to increase the number of securities issued as part of capital increases in the event of over-subscription **Duration: 26 months** **Use: None**	Extension capacity to be given to the Board of Directors in order to increase the number of securities offered as part of capital increases referred to in the delegations set out in lines 2, 3 and 4 of this table.
5) Delegation of authority to set the issue price for different issues **Duration: 26 months** **Use: None**	Delegation of authority to the Board of Directors to set the price of issues carried out in application of the delegations referred to in lines 3 and 4: i. For ordinary shares, the issue price shall be below the weighted average share price on Euronext Paris over the last three trading sessions preceding the day on which the price was set, after deducting, if deemed necessary, a maximum discount of 10%; ii. For marketable securities granting access to share capital other than ordinary shares, the issue price shall be such that the sum immediately received by the Company, plus any amount liable to be received subsequently by the Company, will, for each ordinary share issued as a consequence of the issuance of such securities, be at least equal to the amount referred to in (i) above, after correction, if necessary, of this amount to take account of the difference in vesting date. Maximum total nominal amount of capital increase limited to 10% of share capital per year.
6) Delegation of authority to issue marketable securities in consideration for contributions in	Delegation of authority to the Board of Directors to issue marketable securities in consideration for contributions in kind granted to the Company. Remuneration through the issue of Company shares and/or marketable securities

13 Capped at the same amount as the delegations described in lines 2 and 3 of this table.

kind **Duration: 26 months** **Use: None**	granting access to share capital, up to a maximum of 10% of share capital.
7) Delegation of authority to increase share capital by incorporating reserves, profits or other funds **Duration 26 months** **Use: None**	Authorization to the Board of Directors to increase share capital by incorporating into the share capital all or part of the reserves, profits, premiums or other sums whose incorporation is accepted. Nominal amount of capital increases and related thereof: €10 million.
8) Authorization to grant stock options **Duration: 26 months** **Use: None**	Authorization granted to the Board of Directors to issue options conferring the right to subscribe to or purchase ordinary Company shares up to an equity limit not exceeding 1% of the Company's share capital. The purchase or subscription price per share is set by the Board on the day on which the option is granted, but will remain below 80% of the average stock market price over the 20 trading days preceding the day on which the Board decided to grant the options. The terms pertaining to this authorization are described in the 24th resolution.
9) Authorization to grant bonus shares **Duration: 38 months** **Use: None**	Authorization granted to the Board of Directors to award existing or newly-issued bonus shares up to a limit of 0.7% of the Company's share capital on the date of the Board of Directors' decision. The allocation of shares to their beneficiaries shall become final at the end of a minimum vesting period of two years, the minimum required term for shares to be held by beneficiaries being set at two years as from the final allocation of the shares. The terms pertaining to this authorization are described in the 25th resolution.
10) Delegation of authority to carry out capital increases for the benefit of members of a Group savings plan **Duration: 26 months** **Use: None**	Delegation of authority to the Board of Directors to carry out capital increases, of a maximum nominal amount of €1 million, through the issue of shares or financial securities granting access to share capital, for the benefit of members of a Company savings plan (legal obligation). The terms pertaining to this delegation of authority are described in the 26th resolution.
11) Delegation of authority to decide to reduce share capital by canceling treasury shares **Duration: 18 months** **Use: None**	Delegation of authority to the Board of Directors to decide on a reduction of the Company's share capital by canceling treasury shares (held currently or as part of a share buyback program). Reduction limited to 10% of the Company's share capital per two-year period.
12) Share buyback program **Duration: 18 months** **Use: None**	Authorization for a share buyback program, limited to 10% of share capital through stock exchange orders, block purchases and disposals by any means of the acquired shares. The share capital may be reduced through the cancellation of the redeemed shares. Maximum purchase price of less than €30 per share. Buyback limit: 10% of share capital.

CHAPTER 4. CORPORATE GOVERNANCE AND INTERNAL CONTROL

"Dear Shareholders,

In accordance with article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors describes the composition of the said Board in this report, as well as the application of the principle of equal representation of men and women within it, the conditions for preparing and organizing the Board's work, internal control and risk management procedures put in place within the Korian Group, limitations of the Chief Executive Officer's powers, principles for determining the compensation of corporate officers, terms pertaining to shareholder participation in shareholders' meetings as well as publication of the information defined in article L. 225-100-3 of the French Commercial Code."

As a result of the adoption of a new corporate governance model (with a Board of Directors) by the Annual Shareholders' Meeting on March 21, 2012, and the Board of Directors' decision to separate the positions of Chairman of the Board of Directors and Chief Executive Officer, the following developments describe the Company's functioning since that date. Provisions relating to corporate governance and internal control prior to the change in the corporate governance model are listed on pages 164 to 171 of the 2011 Korian Registration Document, which can be consulted on Korian's website (www.groupe-korian.com) and on the AMF website (www.amf-france.org).

In accordance with the French law of July 3, 2008 transposing European Directive 2006/46/EC of June 14, 2006, it was decided that the principles set forth by the AFEP-MEDEF code shall constitute the corporate governance code to which Korian refers for the preparation of this report as provided for in article L. 226-10-1 of the French Commercial Code. The conditions under which the work of the Board of Directors is prepared and organized are defined by law, by the Company's articles of incorporation as well as by the provisions of the Board of Directors and its specialized committees' rules of procedure.

4.1 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

4.1.1. Board of Directors

Article 11 of the Company's articles of incorporation defines and specifies the terms of the Board of Directors' composition and functioning.

a) The Board of Directors' composition

The Korian Board of Directors is comprised of 12 members: Christian Chautard (Chairman), Charles Ruggieri (Vice-Chairman), Jérôme Grivet, Jean-Jacques Duchamp, Monroe, represented by Julien Ruggieri, Malakoff Médéric Assurances, represented by Hugues du Jeu,[14] ACM Vie, represented by Pierre Bieber, MACSF Epargne Retraite, represented by Marcel Kahn, Jacques Ambonville, Jean Castex and Jean-Paul Thonier, as well as Catherine Chouard.

The Board of Directors is assisted in its work by an Observer, Mr. Jean-Claude Georges-François.

A summary of the careers of the Korian Board of Directors members' careers as well as the Observer in office at December 31, 2012 (including, in particular, their terms of office and the number of Korian shares held by each) is presented in paragraph 3.9.1 of this Registration Document.

No member of the Board of Directors is over age 70, and the Board does not include any member elected by Company employees. However, two representatives from the Works Council attend the Board of Directors meetings.

The members of the Korian Board of Directors are appointed for a five-year term, and their terms of office expire at the end of the Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2016 (held in 2017). The Company therefore does not comply with the AFEP-MEDEF's recommendations relating to the duration and staggering of terms of office. The Board of Directors will endeavor to encourage staggering of the directors' terms of office during the next appointment/renewal proposals meeting in order to ensure that the duration of the terms of office comply with AFEP-MEDEF recommendations and that the transition between new and renewed directors occurs smoothly.

In accordance with the provisions of French Law No. 2011-103 pertaining to the equal representation of women and men on the Board of Directors and Supervisory Board and professional equality, including the provisions taking effect mostly in 2017 regarding listed companies, the composition of the Board of Directors complies with the principle of equal representation mentioned above, since it contains one female member, Catherine Chouard.

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[14] Since September 11, 2012, the position of permanent representative of Malakoff Médéric Assurances on the Korian Board of Directors has been held by Hugues du Jeu, in replacement of Guillaume Sarkozy.

The Observer is appointed for a three-year term, and his term of office will expire at the end of the Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2014 (held in 2015).

b) The role and assignments of the Board of Directors

The Board of Directors determines the Company's business strategies and strives to ensure that they are implemented. It examines any matter affecting the efficient running of the Company and addresses any matters concerning it. To this end, it carries out all verifications it deems necessary throughout the year and may obtain from the Chief Executive Officer the documents it deems useful for performing its duties. As a general rule, this supervision may under no circumstances give rise to the performance of management actions carried out directly or indirectly by the Board of Directors or its members.

On March 21, 2012, the Board of Directors adopted rules of procedure specifying both the operating procedure of the Board and the rules of good conduct that must be followed by its members, with the goal of ensuring greater transparency and better corporate governance. In setting forth operating rules for the Board, the rules of procedure are also intended to ensure the successful completion of its control tasks in accordance with generally accepted practice. These rules include:

- The duties of members and the rules of professional conduct they are required to follow, particularly with respect to the ownership of shares, the transparency of transactions on Company shares, their duties of loyalty, diligence, confidentiality and disclosure, their duties as insiders and the prevention of conflicts of interest;
- The frequency of meetings and their arrangements, particularly with respect to telecommunication and videoconferencing facilities;
- The powers of the Board of Directors;
- The operating rules of committees.

The Board of Directors shall convene as often as necessary and at least once per quarter. The directors are called to meetings by any means, even via first-class mail. Board of Directors meetings are held at the registered office or at any other place specified in the notice of meeting. Meetings are chaired by the Chairman of the Board of Directors or, in the absence thereof, by the Vice-Chairman.

In order to facilitate Board of Directors meetings and thus enhance their efficiency, the rules of procedure also stipulate that Board of Directors meetings may, under certain conditions, use telecommunication and videoconferencing facilities to allow one or more members to attend, with the exception of meetings relating to:

- The appointment, removal and compensation of the Chief Executive Officer or Deputy Chief Executive Officers;
- The election, removal or compensation of the Chairman or Vice-Chairman of the Board of Directors;
- The preparation of the annual and consolidated financial statements and the management report;
- The review of the annual budget.

Throughout the 2012 financial year, the Board of Directors met five times and carried out all of the work incumbent upon it in respect of its assignments, namely the review and approval of the 2011 annual and consolidated financial statements, the review of the annual and consolidated financial statements at June 30, 2012, and scrutiny of changes in governance, strategy and development.

Members' participation rate for Board meetings during the 2012 financial year was 82%.

Meetings are held and proceedings conducted in accordance with the rules of quorum and majority provided for by law. In the event of a tied vote, the Chairman shall have the casting vote.

The minutes of the Board of Directors meetings are taken and retained under the conditions defined by the regulatory provisions in effect. Copies or extracts are certified as required by law.

c) Independence of Board of Directors members

The AFEP-MEDEF code of corporate governance for listed companies recommends that independent directors account for at least one-third of the Board for controlled listed companies. Independence criteria used by the Board of Directors, as listed below, are in line with the provisions of the aforementioned Code on the subject:

- He/she must not be an employee or corporate officer of the Company, an employee or director of a shareholder holding control of the Company, alone or in concert, within the meaning of article 233-3 of the French Commercial Code, or of companies that it consolidates, and has not been so for the last five years;
- He/she must not be a corporate officer of a company in which the Company holds, directly or indirectly, a directorship, or in which a designated employee serves as a corporate officer of the Company (currently or having been for the last five years);
- He/she must not be a customer, supplier, merchant banker, significant finance banker for the Company or a company of the group, or for which the Company represents a significant portion of the business;
- He/she must not have any close family ties with a corporate officer;
- He/she must not have been a legal or contractual auditor of the Company for the last 5 years;

- He/she must not have been a member of the Board of the Company for more than 12 years starting from the date on which his/her term of office was conferred upon him/her.

In addition, in the event that a director holds 10% or more of share capital or voting rights of the Company or represents a legal entity holding such an amount, the Board shall rule on independent status while taking the composition of the Company's share capital and potential conflicts of interest into consideration.

Following the debate on the independence of directors, which took place during the Appointments and Compensation Committee meeting held on November 29, 2012, on December 5, 2012 the Board of Directors examined its members' statuses regarding the above-mentioned independence criteria, and, after discussion, deemed that Catherine Chouard, Jacques Ambonville, Jean Castex and Jean-Paul Thonier could be considered independent members. None of these four directors holds more than 10% of the Company's share capital or voting rights.

4.1.2. The specialized committees

The Board of Directors meeting held on march 21, 2012 decided to retain the four specialized committees (Investment Committee, Appointments and Compensation Committee, Audit Committee and Ethics and Risk Committee) that existed before the change of corporate governance model and to renew the appointments of the existing members (it being specified that the Board proposed that Catherine Chouard join the Appointments and Compensation Committee).

The members of these committees are chosen by the Board via a simple majority of the board members' votes (except for the Ethics and Risk Management Committee, which comprises two external members).

a) The Investment Committee

The Investment Committee is composed of Charles Ruggieri (Chairman), Jacques Ambonville, Christian Chautard, Jean-Jacques Duchamp and Hugues du Jeu.[15]

The committee is responsible for reviewing and issuing an opinion on any investment greater than €5 million before any decision by the Chief Executive Officer and/or Board of Directors.

It met four times in 2012 and carried out all of the work incumbent upon it with regard to its assignments, namely deliberating upon various development projects.

b) The Appointments and Compensation Committee

The Appointments and Compensation Committee is composed of Christian Chautard (Chairperson), Catherine Chouard, Pierre Bieber and Jean Castex. Since the committee does not have any corporate officers and is primarily composed of independent members, it complies with AFEP-MEDEF recommendations.

It is responsible for making proposals for independent-director candidates and members of the Audit Committee and Investment Committee, issuing opinions on chief executive officer appointments and, where applicable, deputy chief executive officer appointments, making proposals to the Board concerning the compensation paid to corporate officers, the chief executive officer and, where applicable, the deputy chief executive officers, and making proposals to the Board regarding stock option plans, the granting of free shares or other benefit plans for Korian Group employees and their rules and implementation.

It met four times in 2012 and conducted all of the work incumbent upon it regarding its assignments, namely review of the Company's new governance model, an appointment proposal for Chief Executive Officer as well as reflecting on the Group's salary policy.

c) The Audit Committee

The Audit Committee is chaired by Jean-Jacques Duchamp (Deputy Chief Executive Officer of Crédit Agricole Assurance) and is composed of Jacques Ambonville and Julien Ruggieri. Consisting of one independent member, its composition does not comply with AFEP-MEDEF recommendations.

It is responsible for examining the accounting methods and terms for evaluating the Group's assets, projects regarding the Company's corporate and consolidated financial statements before they are submitted to the Board, proposals for appointing the Company's statutory auditors as well as agreements made between the Company and the persons holding direct or indirect interest in the Company, preparing the Board's decisions with regard to monitoring the internal audit and ensuring management control and transparency of information that will be provided to shareholders and the market, as well as reviewing levels of risk and procedures to protect against it. The Audit Committee reports to the Board on its work, gives any opinions or suggestions it deems appropriate and provides information on those points requiring a Board decision.

[15] On October 31, 2012, Hugues du Jeu succeeded Guillaume Sarkozy as permanent representative of Malakoff Médéric Assurances on the Investment Committee.

It met twice in 2012 and carried out all of the work incumbent upon it in respect of its assignments, namely reviewing events from the financial year, reviewing the individual and consolidated financial statements at December 31, 2011 as well as the individual and consolidated financial statements at June 30, 2012.

d) The Ethics and Risk Committee

The Ethics and Risk Committee is composed of Jean-Paul Thonier (Chairman), Jean Castex, Pierre Bieber, Christian Chautard, Brice Leibundgut and Thomas Colin. Consisting of two independent members, its composition complies with AFEP-MEDEF recommendations.

It is responsible for evaluating procedures existing within the Korian Group to protect against risks and for making proposals to the Board on the implementation of specific risk prevention and complaint follow-up procedures.

It met twice and performed all of the work incumbent upon it in respect of its assignments, namely monitoring of risk mapping, claims and incidents, the consequences of corporate social and environmental transparency obligations for Korian and the review of ethics and risk management for Korian's foreign subsidiaries.

4.1.3. Executive Management

Article 12 of the Company's articles of incorporation defines and specifies the terms regarding the designation and functioning of Executive Management, under the conditions provided for by law. Therefore, in addition to the method of exercising executive management, the Board of Directors also announces the appointment (and removal, where applicable) of the Chief Executive Officer.

Following the adoption of the Board of Directors' corporate governance model by the Annual Shareholders' Meeting on March 21, 2012, the Board of Directors held a meeting immediately thereafter and opted to separate the positions of Chairman of the Board of Directors and Chief Executive Officer. In accordance with the decision during the Board of Directors meeting on March 21, 2012, this dissociation of positions went into effect on April 30, 2012[16], the date on which Yann Coléou assumed the position of Chief Executive Officer.

Yann Coléou does not hold a work contract within the Company or within any other Group company.

The Chief Executive Officer is granted the widest possible powers to act in all circumstances on behalf of the Company, except where the law expressly attributes powers to General Shareholders' Meetings and the Board of Directors, and within the corporate purpose.

The Chief Executive Officer represents the Company in dealing with third parties. The Company shall be bound even by actions of the CEO that do not fall within the corporate purpose, unless it proves that the third party was aware that the action exceeded the corporate purpose or could not have been unaware of it in view of the circumstances; disclosure of the Articles of Incorporation alone shall not in itself be sufficient proof thereof.

4.1.4. Principles according to which the compensation paid to corporate officers was calculated

As the Company has formally adhered to the AFEP-MEDEF recommendations on the compensation paid to executive directors of listed companies, the method used to determine this compensation takes into account the principles used in the said recommendations.

The principles and rules approved by the Board of Director for determining the compensation of the Chief Executive Officer are described in section 3.9.3 of this registration document.

Furthermore, in accordance with Article 13 of Korian's Articles of Incorporation, the shareholders' meeting of March 21, 2012 allocated a total gross amount of €200,000 to the Board of Directors in respect of directors' fees for the current year and subsequent years, until decided otherwise by the meeting. Further details of this are provided in section 3.9.3 of this registration document.

Finally, directors and committee members are entitled to reimbursement, on production of receipts, of travel expenses incurred in attending Board and committee meetings.

4.1.5. Procedures relating to the participation of shareholders in shareholders' meetings

Article 15 of the Company's Articles of Incorporation describes the procedures relating to the participation of shareholders in shareholders' meetings.

The participation of shareholders in Shareholders' Meetings is also governed by existing legal and regulatory provisions applying to companies whose shares are traded on a regulated market.

[16] From March 21, 2012 to April 30, 2012, Mr. Christian Chautard, Chairman of the Board of Directors, combined the positions of Chairman of the Board of Directors and Chief Executive Officer.

At the end of each shareholders' meeting, the Company publishes a report on its website, including the results of the vote on each of the resolutions put before the shareholders.

4.1.6. Publication of information provided for in article L. 225-100-3 of the French Commercial Code

Information pertaining to the Company's share capital structure, its risk management and elements liable to have an impact in the event of a public offer on Korian are presented in the Company's management report.

4.1.7. Internal control procedures within the Korian Group

a) Definition and objectives of internal control

Internal control is the ongoing, comprehensive process implemented within the Group to ensure that our risks are controlled and also that accounting and financial regulations and the Group's procedures are properly applied.

More specifically, the purpose of internal control is to:

- ensure that the Group's risks are prevented and controlled;
- ensure compliance with laws and regulations;
- ensure the reliability and accuracy of the accounting and financial information;
- ensure that the Group's assets are protected;
- ensure that the objectives set are achieved;
- detect and prevent fraud and irregularities.

Our internal control process is intended to provide reasonable assurance, not an absolute guarantee, that our objectives will be achieved.

b) The internal control environment

Internal control is based on a centralized structure with a policy of delegating responsibilities to operational and functional departments. In particular, we:

- ensure that the Group's strategy and operational objectives are clearly communicated;
- define the professional activity of each person as effectively as possible, for example by communicating "best practices";
- monitor the skills of our employees and ensure that they have the means necessary to carry out their work. To do so, the Human Resources Department has implemented assessment, regular monitoring and training procedures.

c) Internal control scope of application

The internal control process is applied to the parent company, Korian, and to all of the subsidiary companies falling within the scope of consolidation, thus comprising "the Group".

However, it should be noted that some consolidated facilities are not managed directly by Korian (the facilities of the Italian group Segesta and those of the German group Phönix are respectively managed by local management teams).

In order to ensure control of operations carried out, monitoring processes have been implemented, which we discuss in detail in sections 4.7.5 and 4.7.6 below.

d) Internal control bodies at Korian

Internal control is a process implemented by the Board of Directors, the Chair and Executive Management, the Operations and Functional Divisions and Departments and the Group's employees.

The main bodies involved in managing the internal control process in France are the following.

The Board of Directors

By supervising the Executive Management's management of the company on an ongoing basis, the Board of Directors is Korian's most important internal control body.

The Chairman of the Board of Directors works closely with the Chief Executive Officer and is involved in drawing up the Company's strategic plan with a view to facilitating communication and understanding between Management and the Board.

Executive Management

Executive Management defines the outline of the internal control process and ensures the application of its implementation. It is the main body responsible for internal control.

The Operations Department in France

It is responsible, within the French subsidiaries, for applying Group procedures and ensuring compliance with budgets.

The Finance Department in France

It is responsible for the quality of the Group's accounting and financial information. In order to make its activities as efficient as possible, its own internal departments are specialized by activity:

- for each nursing home and healthcare activity, one team is responsible for facility accounting and another for management control;
- within the parent company Korian SA, an accounting team is also responsible for determining the Group's taxable income arising from tax consolidation and monitoring changes in French tax regulations. One management controller is dedicated to the activities of "offshore" companies, one team of management controllers is specifically dedicated to the activities of the Real Estate Department and one specialized team is in charge of consolidation operations.

The Internal Control Department

It is responsible for monitoring the implementation of internal control processes within the Group in accordance with the AMF's "simplified frame of reference (small caps and mid-caps)".

The Quality Department

This department plays a key role in operational internal control as it is closely involved in our risk management policy and the quality approach within our facilities and registered offices.

Its tasks consist mainly of:

- ensuring the implementation of the quality-based management policy;
- providing methodological assistance to facility management teams with implementing and monitoring their quality processes and risk management;
- monitoring regulatory and documentary developments pertaining to quality, risk management and changes in the certification procedures of the HAS (French National Authority for Health) for healthcare facilities and the assessment procedures of the ANESM (French agency for the assessment of the quality of social and medical-social facilities and services) for healthcare and medical-social facilities;
- contributing to the development of training, process monitoring, information gathering and assessment tools, management charts and procedures and protocols;
- helping centralize facilities' risk analyses within a database, which should allow for the emergence of new risks to be detected;
- carrying out audits (Vigikor tool) to supplement assessments, performing risk analyses and monitoring Group policies.

This department is comprised of quality managers, each of whom is responsible for one region. The regional quality managers have a working relationship with the regional directors and facility directors.

They carry out their work in full coordination with the operational functions, according to the plan drawn up with them. This department reports to the Medical Department, which itself reports to the Operations Department in France. This new hierarchy will strengthen the links and working relationships between the support departments and operational functions.

The Regulatory Department

This department's main role is to:

- assist and provide technical support to facilities in their relations with public authorities (Conseil Général, DDASS, regional hospital agencies);
- monitor the contractual targets set either under tripartite agreements for nursing homes or multi-year contracts of objectives and means ("CPOMS") for healthcare facilities.

Until December 31, 2012, this department reported directly to the Development and Services Department, and on a dotted-line basis to the Operations Department in France.

The Information Systems Division

The Korian Group uses a number of IT tools and information systems for managing records and data relating to its residents and patients, for its requirements in terms of accounting, management control, consolidation and tax consolidation monitoring and for managing its human resources, organizing its commercial activities and sending data to social security authorities.

These systems are widely used in the day-to-day management of the Group's activities. In this way, the Information Systems Division (ISD) also plays a key role in internal control. It reports to the Finance Department in France.

For subsidiaries in Italy and in Germany

Our foreign subsidiaries have a centralized organizational structure similar to that which exists in France. They have the same departments (Executive Management, Finance Department, Regulatory Department and Information Systems Division) which apply, in line with local regulations, the general policy defined by the Executive Board in France.

e) Internal control processes with respect to accounting and financial information

The Korian Group is structured in such a way as to accelerate and ensure the reliability of its financial information production process.

The internal control function within the Group

The Internal Control department's main role is to:

- Identify major risks and report them to Executive Management;
- Propose the implementation and improvement of risk management processes;
- Ensure compliance with internal control procedures;
- Carry out audits in order to verify the efficiency of the Group's risk management processes.

In 2011, the Internal Control department created a map of all of the Group's risks, which is considered a fundamental management tool in our risk prevention and control process.

The Internal Control department is responsible for updating this map and associated action plans.

Organization of accounting and financial functions

Accounts production for operations located in France is structured around three units:

- One located near Besançon (mostly nursing homes);
- Another located near Toulouse (mostly healthcare facilities);
- And another located at the registered office in Paris, in charge of Korian SA.

These units, whose procedures are harmonized, each fall under the responsibility of an accounts director or manager reporting to the Chief Financial Officer in France, who in turn reports to Executive Management.

For the only French subsidiary that has not been centralized, accounts are kept within the facility itself. An independent certified accountant reviews the accounts at the end of each accounting period.

For foreign subsidiaries, accounts are centralized at the local parent company (Segesta in Milan for Italy and Phönix in Füssen for Germany) and are inspected regularly by Executive Management and the Finance department in France.

A monthly reporting process, with key indicators identical to those applied to French subsidiaries, is in place for Italy and Germany.

The Group also has a management control team, under the responsibility of the Finance department in France, whose primary tasks are to:

- Ensure the consistency of the financial information produced;
- Help operational staff and Executive Management to manage facilities and the Group.

Monitoring and control of operational management

Operational reporting and the budgetary process help enhance the internal control procedures relating to the processing of accounting and financial information. With the participation of the facility directors, they are conducted by the Group's management controllers, who provide technical support and methodological assistance for the financial management of operations.

- Budgets

Every year, the Finance department in France prepares operating budgets for each facility, in liaison with the operational departments and in accordance with directives from Executive Management. Using the same IT tool for all operating budgets facilitates comparisons by region and by activity sector.

These budgets are then consolidated at the Group budget level, which includes those of the functional departments.

A similar process is followed within our foreign subsidiaries.

- Reporting

The Finance department in France produces a monthly report, which is drawn up by the management control team and sent to each facility director, the regional directors, the Operations department in France and Executive Management.

This reporting pays particular attention to such significant financial items as revenues, occupancy rates, average accommodation prices, changes in significant expenses (personnel expenses, for example, in euros and number of FTE staff), changes in accounts receivable, monitoring of investments made (the latter being reviewed by a dedicated management control team in charge of monitoring commitments) and more.

This report is also subject to budgetary control, with significant deviations being analyzed and explained. Management charts are then produced, summarizing the essential information in order to encourage management responsiveness.

All of these reports are consolidated on a monthly basis.

The entire reporting process allows Executive Management to ascertain the Group's activity level and to request the implementation of corrective measures, if necessary.

Regarding our foreign subsidiaries, their budget and reporting processes are very similar to the French processes we have just described.

Financial statements and auditing

The Group publishes half-year financial information on June 30 (consolidated) and full-year financial information on December 31 (individual and consolidated).

The Finance department in France prepares the individual financial statements for all of the Group's French companies:

- Either directly through its three accounting units, which centralize the majority of the Group's accounts;
- Or indirectly:
  - For the one not centralized, using a local certified accountant;
  - For its foreign subsidiaries, using local accounting teams.

The Finance department in France also prepares the consolidated financial statements. The published consolidated financial statements are prepared using a consolidation software application structured according to a section-based plan common to all consolidated entities, including foreign subsidiaries.

As part of its activities, the Audit Committee helps review the financial statements and accounting methods used.

Management of debt and cash

The Group has established banking and bond-related lines of credit:

- A syndicated credit facility for the Group's general requirements, taken out with a pool of banks;
- Bilateral debt lines, intended in particular to finance the real estate held by the Group;
- A bond issued to investors.

The syndicated credit agreement implemented in 2010 was subject to the prior authorization of the former Supervisory Board, which gave its approval to the former Executive Board to take out the loan.

The bond issued at the end of 2012 was subject to the prior authorization of the Board of Directors.

Moreover, the Company negotiates mortgage and non-mortgage debt facilities to finance its development plan within the limits set by the syndicated credit facility.

The way in which these various finance lines are used is left to the discretion of Executive Management, to finance growth operations approved by the Investment Committee.

Our subsidiaries Segesta and Phönix also occasionally use loans taken out in their respective countries. The purpose of these loans is to finance general requirements, and growth operations in particular. All new loans must receive prior approval from Executive Management and the Group's Chief Financial Officer.

Finally, in France, the Group has a cash pool arranged with its main banks. Centralized cash management is thus simplified and ensures better control over our financial flows. For the Group's foreign subsidiaries, cash is managed by each country's Finance department.

Internal control procedures relating to off-balance-sheet commitments

Off-balance-sheet commitments are liable to be undertaken as part of the Group's external growth operations. With this in mind, all acquisitions of facilities are subject to the prior approval of the Development Committee (a dedicated committee under the Management Committee) and the Investment Committee (a specialized committee under the Supervisory Board) for investments exceeding €5 million. It should also be noted that, for foreign subsidiaries, no investment or debt transactions may be carried out without the approval of Korian. Development projects, meanwhile, follow the same procedure as in France and must be submitted for the approval of the Investment Committee.

All off-balance-sheet commitments are thus subject to prior communication and authorization by the management and supervisory bodies, followed up by regular monitoring.

Internal control relating to information systems

An efficient information systems structure, to which we devote substantial resources, is essential in order to ensure the relevance and reliability of published accounting and financial information. To this end, we have continued to roll out processes to guarantee the security of our information system.

Finally, to ensure that we operate according to our needs, we either replace our applications or regularly adapt our existing ones.

These changes ensure better management and enhanced security for our information flows.

f) Operational and risk-management internal control processes

Prevention of insurable risks

We have taken out insurance policies with leading companies in order to cover:

- Risks of property damage and operating losses;
- Risks of financial consequences arising from any liability the Group's French companies may incur through their operations in France.

Our policy is to adjust the coverage limits to fit the reinstatement or replacement value of the insured assets or, in terms of third-party liability, to the estimate of our own risks and of risks that may be reasonably expected in our line of business. This policy is similar for our foreign subsidiaries.

The third-party liability policy for executives in France also covers Italy and Germany.

Quality policy and preventing risks relating to activity and safety

In order to take account of the risks inherent in our activity, we have continued our quality-based management approach for our facilities, promoting patient and resident care under optimum quality and safety conditions.

This approach, led by the facility management teams, lies at the heart of our process improvement and operational failure management procedures.

Within the Group's French facilities, COVIRIS (Vigilance and Risk Management Committees) quickly deal with any detrimental situation by organizing overall risk management.

Similarly, each healthcare facility has named contact people for each type of vigilance necessary (pharmacovigilance, materials vigilance, vigilance with regard to infections, identity vigilance and, where applicable, hemovigiliance). Vigilance is coordinated either by the COMEDIMS (the medication and sterile medical devices committee) under the guise of the CME (facility medical committee) or of the COPIL-COVIRIS (the quality and risk management supervision committee).

Moreover, all of our French healthcare facilities are committed to the certification procedure carried out by the French National Authority for Health (HAS), the purpose of which is to assess the overall functioning and practices of the facility as well as its performance.

It seeks to ensure the safety and quality of the care given to patients and to promote an ongoing quality development policy.

In a similar vein, a medical-social facility internal assessment procedure was launched in 2011 in some 10 facilities, in accordance with the recommendations of the ANESM. In 2012, the rollout of internal assessments took place for some 20 facilities that were authorized by the social security agency before 2002.

These internal assessments must eventually, in one or two years, be followed up with external assessments carried out by bodies certified by the ANESM. The results of these assessments will determine license renewals.

In 2012, a certified body was chosen to conduct a test during the first quarter of 2013 on some 10 facilities that participated in the internal assessment test in 2011. The goal was to confirm the choice of a single body and homogeneous methodology for all medical-social facilities.

The Quality department provides methodological assistance to the facilities and models the Group's quality approach. In order to fulfill these tasks, the quality managers work in cooperation with all staff and pay regular visits to the facilities in order to:

- Train directors and their teams;
- Help implement Korian projects;
- Enhance assessment procedures through the establishment of quality indicators;
- Conduct audits (using the Vigikor tool, which facilitates the identification of areas for vigilance and the analysis of risks specific to each site, in order to clarify and guide management of the facilities).

Moreover, we have taken special measures to prevent risks related to care activities.

To this end, the Quality department participated in the creation of documents (in 2012, themed infomeds on medical information, the medication policy, the pertinence of hospitalizations in healthcare facilities and the Commission on Geriatric Coordination in nursing homes. Updates are also published (Clean Hands mission and Korum-Aide on using online libraries).

A Korian best practices guide was published in order to make them more accessible to professionals. The digital version of this guide is updated regularly.

Where hygiene and medication policies are concerned, the old provisions have been enhanced by creating a systematic annual self-assessment for each facility, supplemented with key recommendations, procedures and protocols.

A medication booklet for correct usage with the elderly has also been published. It is designed to better take into account iatrogenic risk when giving prescriptions to elderly subjects, and is part of the actions Korian undertakes to improve care in facilities. The content was researched and validated by various Korian doctors and pharmacists as well as several university teams.

The emergency response plans ("plan bleu" for nursing homes and "plan blanc" for healthcare facilities), which comprise influenza epidemic protection plans and PCAs, are added to the Group's crisis management procedure.

The Group thus supports its facility directors by:

- Implementing their facility's quality and risk prevention process;
- Assessing their practices.

Special attention is also paid to compliance with regulations relating to ERPs. A maintenance and safety team working under the Real Estate department ensures compliance with regulatory, quality and safety standards applying to infrastructures.

In addition, active vigilance is put into practice with regard to professional risks. The operational human resources managers, who report to the Human Resources department, have implemented a shared policy, the DUERP (Professional Risk Evaluation Document), in order to ensure that risks are regularly monitored.

These items form part of the risk prevention policy.

Ethics of care

The "user" (i.e. the patient/resident), his/her care plan, the coordination of his/her care, his/her satisfaction and the information he/she receives are the central focus of the Group. Respect for the individual and his/her dignity, wishes and rights are cornerstones of the care provided by our facilities.

This is reflected in the promotion of therapeutic plans (for healthcare facilities) and personalized plans (for nursing homes). Our teams ensure that users are fully involved in drawing up and implementing these plans so as to provide services that are better adapted to users' expectations and requirements.

This policy is part of our ongoing commitment to ensuring positive treatment in order to better manage risks by promoting prevention. This deliberate policy in the field of ethics and positive treatment is coordinated jointly by:

- The Development and Services department until December 31, 2012;
- The Medical Policy department (headed by Dr. François Bertin-Hugault);
- The Ethical Development department (headed by Dr. Claude Malhuret, former President of Médecins sans Frontières and former French Secretary of State for Human Rights).

The prevention of mistreatment is subject to a series of measures in terms of training, procedure implementation, internal and external control and follow-up on claims and complaints. A special management unit, headed by Dr. Claude Malhuret, was created in order to help facilities deal with these issues. It has an IT tool that is used to consolidate, track and deal with such events.

An assessment of this system and tools was launched at the end of 2012.

The staff in our facilities receive regular training on ethics and the prevention of mistreatment, prepared and delivered in conjunction with the main French association for the prevention of mistreatment, the ALMA.

The training in positive treatment given at our facilities employs the BEST program, which comprises two modules:

- The first focuses on residents' knowledge;
- The second is aimed at helping teams to work together and think through complex situations (in particular, behavioral disorders and issues surrounding death). The training specifications guide is developed with the management team, with the goal of encouraging the review of and teamwork with respect to these complex situations.

Moreover, we work in partnership with benchmark ethical centers:

- The French national network for the review of ethical issues involving Alzheimer's disease (EREMA);
- The ethical center of the AP-HP (public hospital system of Paris) for studying problems relating to elderly people residing in institutions;
- The Bourgogne-Franche Comté ethical network, working under the Dijon CHU (university hospital) as part of a research partnership.

We are also continuing the partnership with the SFGG in order to deploy tools for the MobiQual program, whose goal is to improve practices in nursing homes, healthcare facilities and the home.

For nursing homes, it is an element of the renewal of tripartite agreements and allows doctors to draw up procedures for the EPPs.

The main objective of this partnership is to improve the care given to residents in our facilities.

Lastly, in order to provide an overall vision of the Group's operations, processes for reporting to the Operations department in France are in place; each facility director is obliged to report any atypical event liable to have an impact on the safety of users, the sustainability of the facility or the Group's image or assets (the procedure for reporting serious adverse events).

To sum up, the existence of the Ethics and Risks Committee, the creation of the nursing home charter and our wide range of training programs developed by a dedicated team are all in place to ensure the day-to-day application of the Group's ethical principles.

Paris, Wednesday, March 27, 2013

Christian Chautard

Chairman of the Board of Directors

4.2 STATUTORY AUDITORS' REPORT ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders,

In our capacity as Korian's statutory auditors and in accordance with the provisions of article L.225-235 of the French Commercial Code, we hereby submit our report on the report prepared by the Chairman of the Board of Directors of your

Company pursuant to the provisions of article L.225-37 of the French Commercial Code for the year ended December 31, 2012.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report detailing the internal control and risk management procedures implemented within the Company and containing the other disclosures required by article L. 225-37 of the French Commercial Code, particularly with respect to corporate governance measures.

It is our responsibility:

- To report our observations on the information contained in the Chairman's report concerning the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- To attest that this report includes the other disclosures required by article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the accuracy of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The aforementioned professional standards require that we implement the necessary procedures to assess the accuracy 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 accounting and financial information. These procedures involve:

- 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 existing documentation;
- Obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- Determining if any significant deficiencies in the internal control procedures relating to the preparation and processing of accounting and financial information we noted during the course of our assignment have been properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report as to the information concerning 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 of the Chairman of the Board of Directors, prepared in accordance with the provisions of article L. 225-37 of the French Commercial Code.

Other information

We hereby certify that the report of the Chairman of the Board of Directors includes the other disclosures required by article L. 225-37 of the French Commercial Code.

Paris-La-Défense and Courbevoie, April 23, 2012

The statutory auditors

Ernst & Young et Autres	Mazars
Benoît Gillet	Isabelle Sapet

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

5.1 CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

Presentation of the consolidated balance sheet

ASSETS			
In thousands of euros	Notes	**12.31.2012**	**12.31.2011**
Goodwill	4	666,795	687,593
Intangible fixed assets	5	657,910	684,026
Property, plant and equipment	6	386,808	404,760
Long-term financial assets	7	20,159	17,576
Investments in associates	8	3	1,545
Deferred tax assets	26	42,833	35,280
Non-current assets		**1,774,508**	**1,830,779**
Inventories	9	2,993	3,034
Trade receivables and related accounts	10	77,939	91,532
Other receivables & current assets	11	120,749	118,826
Financial derivative assets	16	36	133
Cash and cash equivalents	12	162,722	41,158
Current assets		**364,439**	**254,683**
Assets held for sale		92,939	3,540
Total assets		**2,231,886**	**2,089,002**

SHAREHOLDERS' EQUITY AND LIABILITIES			
In thousands of euros	Notes	**12.31.2012**	**12.31.2011**
Share capital		170,204	163,594
Premiums		284,949	277,097
Reserves and consolidated income		259,675	262,064
Shareholders' equity (Group share)		**714,828**	**702,754**
Non-controlling interests		20,516	20,025
Total shareholders' equity		**735,343**	**722,779**
Provisions for pensions	18	19,438	19,549
Deferred taxes	26	239,684	245,927
Other provisions	19	8,882	7,262
Net borrowings and financial debt	17	665,201	622,628
Non-current liabilities		**933,204**	**895,366**
Provisions at less than one year	19	5,039	2,064
Accounts payable and related accounts	20	123,812	114,486
Other payables and accruals	20	296,428	269,183
Borrowings less than a year old and bank overdrafts	17	59,541	37,443
Financial derivative liabilities	16	52,369	44,760
Current liabilities		**537,188**	**467,937**
Liabilities held for sale		26,150	2,919
Total liabilities		**2,231,886**	**2,089,002**

Presentation of the consolidated income statement

COMPREHENSIVE INCOME			
In thousands of euros	Notes	**12.31.2012**	**12.31.2011**
Revenues		**1,108,357**	**1,014,806**
Other income		0	295
Operating revenues		**1,108,357**	**1,015,100**
Purchases consumed		70,604	64,086
Personnel expenses	22	531,153	480,332
External expenses	23	325,367	308,573
Taxes and duties		44,240	40,224
Amortization and provisions		44,686	37,062
Gains and losses on acquisitions and disposals of consolidated entities	24	-40	-3,206
Other operating income and expenses	24	-5,571	-2,243
Operating income		**86,696**	**79,374**
Financial expenses		-31,862	-32,349
Financial income		97	359
Cost of gross financial debt	25	**-31,765**	**-31,990**
Revenue from cash and cash equivalents		40	106
Cost of net financial debt	25	**-31,725**	**-31,883**
Other financial expenses		-3,077	-2,389
Other financial income		652	1,120

Pre-tax income		**52,547**	**46,222**
Income tax	26	-26,781	-20,493
Income from consolidated companies		**25,766**	**25,729**
Group share of income from equity affiliates		-14	-158
Net income from continuing operations		**25,752**	**25,571**
Net income after tax from activities suspended, sold or in the process of being sold		0	-767
Net income		**25,752**	**24,804**
Share of non-controlling interests		2,577	3,135
Group share		**23,175**	**21,669**

Net income, Group share/share from continuing operations (in €)	15	0.70	0.65
Net income, Group share/share from discontinued operations (in €)	15	0.00	-0.02
Net income, Group share/diluted share from continuing operations (in €)	15	0.69	0.65
Net income, Group share/diluted share from discontinued operations (in €)	15	0.00	-0.02

Net income (Group share)	**23,175**	**21,669**
Impact of IAS39 (Financial instruments: Recognition and Measurement) after tax	-4,942	-8,941
Other changes after tax		
Total gains and losses recognized directly in shareholders' equity (Group share)	**-4,942**	**-8,941**
Net income and gains and losses recognized directly in equity (Group share)	18,234	12,728
Net income and gains and losses recognized directly in equity (minority share)	2,577	3,135

Consolidated cash-flow statement

CONSOLIDATED CASH-FLOW STATEMENT (in thousands of euros)	12.31.2012	12.31.2011
Total net income	**25,752**	**24,804**
Net income from discontinued operations	0	-767
Net income from continuing operations	25,752	25,571
Of which tax expense	-26,781	-20,493
Net depreciation, amortization and provisions	48,470	31,778
Deferred taxes	-1,597	-1,189
Interest cost on pension obligations	585	584
Fair value income from financial liabilities (SWAP)	166	504
Capital gains on the sale of assets	-14,571	2,241
Valuation according to IFRS 2 (equity warrants and group savings plans)	0	32
Elimination of the share of income from equity affiliates	14	158
Merger premium costs	0	0
Cash flow after cost of net financial debt	**58,819**	**58,913**
Elimination of acquisition costs of securities	340	3,182
Elimination of net financial interest paid	31,725	31,887
Cash flow before cost of net financial debt	**90,883**	**93,982**
Change in inventories	-89	105
Change in trade receivables	8,713	3,869

Change in trade payables	11,855	9,193
Change in income tax payable	3,358	-4,776
Change in other items	11,601	-3,918
Change in working capital requirement	**35,439**	**4,472**
Net cash flow generated by operating activities	**126,322**	**98,454**
Net cash flow generated by operating activities - discontinued operations	0	308
Net cash flow generated by operating activities - continuing operations	126,322	98,146
Impact of changes in the scope of consolidation on acquisitions	-21,699	-82,564
Impact of changes in the scope of consolidation on disposals	8,149	17,319
Total capital expenditure	-72,972	-78,998
Other financial investment expenditure	-1,856	-3,553
Proceeds from disposals of fixed assets (excluding securities)	57,430	39,900
Net cash flow related to investment activities	**-30,947**	**-107,895**
Net cash flow related to investment activities - discontinued operations	0	56
Net cash flow related to investment activities - continuing operations	-30,947	-107,952
Net cash flow	**95,375**	**-9,441**

CONSOLIDATED CASH-FLOW STATEMENT (continued)	12.31.2012	12.31.2011
Capital increase of minority interests	15,012	8,167
Treasury shares charged to shareholders' equity	-1,236	89
Increase in financial liabilities	131,548	100,455
Repayment of financial liabilities	-66,871	-55,481
Net financial interest paid	-31,725	-31,887
Dividends paid to shareholders of the parent company	-19,545	-19,430
Dividends paid to minority shareholders of consolidated companies	-160	0
Dividends to be paid	0	0
Net cash flow related to financing activities	**27,023**	**1,913**
Net cash flow related to financing activities - discontinued operations	0	-909
Net cash flow related to financing activities - continuing operations	27,023	2,822
Change in cash position	**122,398**	**-7,528**
Opening cash position	35,412	42,941
Closing cash position	157,809	35,412
Statement of receivables	135,573	20,261
Cash assets	27,313	22,003
Bank overdrafts	-5,077	-6,852
Cash	**157,809**	**35,411**

Changes in consolidated shareholders' equity

In thousands of euros	Share capital	Premiums	Charged directly to shareholders' equity	Reserves and consolidated income	Shareholders' equity (Group share)	Non-controlling interests	Total shareholders' equity
At December 31, 2010	**161,000**	**271,524**	**-22,479**	**291,349**	**701,395**	**16,923**	**718,317**
Dividend distribution				-19,294	**-19,294**	-94	**-19,388**
Capital increase	2,593	5,574			**8,167**		**8,167**
Share-based payment			32		**32**		**32**
Business combinations			-286		**-286**	-14	**-300**
Other changes			-76		**76**	76	**0**
Treasury shares			89		**89**		**89**
Income for the 2011 financial year				21,669	**21,669**	3,135	**24,804**
Financial instruments Recognition and measurement net of tax			-8,941		**-8,941**		**-8,941**
Comprehensive income			*-8,941*		***12,728***	*3,135*	***15,863***
At December 31, 2011	**163,594**	**277,097**	**-31,661**	**293,725**	**702,754**	**20,025**	**722,780**
Dividend distribution				-19,546	**-19,546**	-165	**-19,711**
Capital increase	6,610	7,852			**14,462**	550	**15,012**
Share-based payment			4		**4**		**4**
Business combinations			299		**299**	-2,471	**-2,171**
Treasury shares			-1,380		**-1,380**		**-1,380**
Income for the 2012 financial year				23,175	**23,175**	2,577	**25,752**
Financial instruments Recognition and measurement net of tax			-4,942		**-4,942**		**-4,942**
Comprehensive income			*-4,942*		***18,234***	*2,577*	***20,810***
At December 31, 2012	**170,204**	**284,949**	**-37,679**	**297,354**	**714,828**	**20,516**	**735,345**

There are no rights, privileges or restrictions attached to the shares comprising the share capital.

There are also no shares reserved for issuance under options or contracts for the sale of shares.

The dividends allocated by the parent company to its shareholders during the period totaled €19,546,000, which is €0.60 per share.

During the Annual Shareholders' Meeting on June 21, 2012, Korian proposed to keep the €0.60 per share dividend along with an option of taking share-based payment or cash. The goal of this measure was to give the shareholders more flexibility.

This option was taken by 76% of shareholders. The new shares created totaled 1,322,067, thus representing a €6,610,000 capital increase.

Korian's share capital is therefore composed of 34,040,828 shares and amounts to €170,204,000.

CONTENTS

These consolidated financial statements, approved by the Board of Directors on March 27, 2013, will be submitted for the approval of the Annual General Shareholders' Meeting.

The Korian Group offers and develops an extensive range of dependent care services through its nursing homes, its SSRs (follow-up care and rehabilitation clinics) and psychiatric clinics, spread throughout France. Korian has continued to grow in Europe and now has two platforms in Italy and Germany.

At Monday, December 31, 2012, the Korian Group was comprised of 243 consolidated legal entities.

The Korian Group manages this portfolio of facilities by focusing on increased medical care in its retirement homes and enhanced specialization where its healthcare facilities are concerned.

Note 1 - Accounting principles

Declaration of compliance

The consolidated financial statements have been prepared in accordance with the international accounting standards and interpretations issued by the IASB (International Accounting Standards Board) and adopted by the European Union at the balance-sheet date. These standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretations, available from the EU website:

http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

The consolidated financial statements comprise the financial statements of Korian SA and the subsidiaries that it controls for the period between January 1 and December 31, 2012.

The consolidated financial statements follow the same accounting rules and methods as those adopted for the consolidated financial statements prepared at December 31, 2011, with the exception of amendments to the IFRS and interpretations that are mandatory with effect from January 1, 2012. These specifically concern:

- Amendment to IFRS 7 - Financial instruments: Disclosures - Transfers of financial assets that do not have an impact on the consolidated financial statements. The impact of the application of this amendment is presented in note 14.

The Group did not opt for early application of the following legislation, which was published by the ASB but not yet approved by the European Union, to the consolidated financial statements at December 31, 2012:

- Financial instruments: Classification and measurement of financial assets (IFRS 9)
- Consolidated financial statements (IFRS 10)
- Joint arrangements (IFRS 11)
- Disclosure of interests in other entities
- Fair-value measurement (IFRS 13)
- Separate financial statements (IAS 27 revised)
- Investments in associates and joint ventures (IAS 28 revised)
- Presentation of items of other comprehensive income (Amendments to IAS 1)
- Amendment to IAS 12 - Income tax - Deferred tax: Recovery of underlying assets
- Amendment to IFRS 7 - Disclosures - Offsetting financial assets and financial liabilities
- Amendment to IAS 32 - Offsetting financial assets and financial liabilities
- Amendment to IAS 19 - Employee benefits: the application of this amendment will lead to recognizing actuarial differences that have not been recognized via the corridor method in other elements of comprehensive income. Actuarial differences that have not been recognized at December 31, 2012 amounted to €4.4 million.

The process by which Korian determines the potential impact of the application of the other standards and interpretations on the Group's consolidated financial statements is in progress.

Presentation of financial statements

The Group's consolidated financial statements are prepared based on historic cost, with the exception of the following assets and liabilities, which are recognized at fair value:

- Investments held for trading;
- Investments available for sale;
- Financial derivatives.

Current assets and liabilities are:

- Assets and liabilities held for consumption or sale as part of the normal operating cycle;
- Cash, cash equivalents and bank overdrafts;
- Assets and liabilities held mainly for trading purposes.

All other assets and liabilities are non-current.

The consolidated financial statements are declared in thousands of euros.

Consolidation principles

The Korian Group's consolidated financial statements include the financial statements of Korian SA and its subsidiaries for the period between January 1 and December 31, 2012.

Critical accounting estimates and judgments

For the preparation of the consolidated financial statements, the Group applies estimates and judgments that are regularly updated and based on historical data and other factors, such as forecasts of future events considered reasonable in view of the circumstances.

For items for which assumptions and estimates are applied, a procedure for testing the sensitivity of the book values to the main assumptions is included in the relevant appendix notes.

The main estimates and judgments made by the Group to prepare the financial statements relate to the following:

- The value in use of intangible and tangible fixed assets is based on the Company's internal valuations from the medium-term business plan; the main assumptions used in this valuation (medium-term growth rate, discount rate, margin rate and perpetuity growth rate) are estimated by the Group;
- The book values of the assets are reviewed at least once per year and when events or circumstances indicate that they may have been impaired. Such events and circumstances may include material adverse changes of a lasting nature affecting either the economic environment or the assumptions and objectives used at the balance sheet date;
- The analysis of external and internal indicators revealed no signs of impairment;
- An analysis of each of the leases is conducted. Leases are classified as operating leases where there is no basis for considering that "almost all the risks and rewards of ownership of the leased asset are transferred to the lessee" or that the Group thus acts as an owner with regard to the leased assets;
- Under these conditions, commercial leases have been classified as operating leases and leasing contracts have been classified as finance leases;
- Debts related to commitments to buy non-controlling interests are stated according to information or situations existing on the date on which the financial statements were prepared (medium-term business plan), which may prove to be different from the actual figures.

1.1 Subsidiaries

Subsidiaries are companies controlled by the Group. A subsidiary is controlled when the Group holds the direct or indirect power to determine the company's operating and financial policies with a view to deriving benefits therefrom. In general, controlled companies are those in which Korian SA holds a direct or indirect interest of more than 50% of the voting rights.

The financial statements of subsidiaries are fully consolidated with effect from the date on which the Company acquired 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. Shareholders' equity and income are divided between the Group's share and that of the minority shareholders.

1.2 Joint ventures

Joint ventures are companies in which the Group exercises joint control, generally pursuant to a contractual agreement.

The financial statements of joint ventures are consolidated via the proportional method. Consolidation under the proportional method is an accounting method whereby the co-owner's share of each asset, liability, income and expense of the jointly controlled entity is combined, line-by-line, with the same items in the co-owner's financial statements.

The financial statements are consolidated with effect from the date when the Company acquires effective control until such time as control is lost.

1.3 Associates

Associates are companies over which the Group has significant influence in terms of operating and financial policy, without holding control. They are generally companies in which the Group holds at least 20% of the voting rights.

The Group's investments in associates are consolidated using the equity method. The financial statements of associates are retained in the consolidated financial statements with effect from the date when significant influence began until the date when such influence is lost.

The balance-sheet value of investments 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 as from the acquisition date. The income statement reflects the Group's share of the income 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 recognized as follows:

- The identifiable assets acquired and liabilities assumed are recognized at their fair value on the acquisition date;
- Non-controlling interests in the acquired business (non-controlling interests) are recognized either at fair value (i.e. with goodwill allocated to the minority interests: full goodwill method) or at the proportionate share of the fair value of identifiable net assets in the acquired entity (i.e. with no goodwill allocated to minority interests: partial goodwill method). This option is available on a case-by-case basis for each business combination;
- Acquisition costs are recognized as an expense when incurred and are recorded under the "Gains and losses on acquisitions and disposals of consolidated entities" heading in the consolidated income statement;
- Any earn-out payments on business combinations are recognized at fair value on the acquisition date. After the acquisition date, earn-out payments are recognized at their fair value at each balance sheet date. After a period of one year following the acquisition date, any change in this fair value will be recorded in income. Within this one-year period, any changes in this fair value explicitly linked to events subsequent to the acquisition date will also be recognized in income. Other changes will be recognized as an offset to goodwill.

However, these provisions do not apply to earn-out payments related to acquisitions prior to January 1, 2010. These earn-out payments are recognized according to the provisions of IFRS 3 (before its revision). Any adjustment to these earn-out payments will therefore be recognized as an offset to goodwill, with no time limit.

At the acquisition date, goodwill corresponds to the difference between:

- The fair value of the transferred asset, plus the amount of non-controlling interests in the acquired company and, where a business combination occurs in several stages, the fair value at the acquisition date of the interest previously held by the buyer in the acquired company, which is adjusted through the income statement; and
- The net balance of identifiable assets acquired and liabilities assumed at the acquisition date and recorded at fair value.

Goodwill is not amortized. In accordance with IAS 36 - Impairment of assets, it is tested for impairment at least once per year, or more frequently if there are any signs of impairment.

The testing procedure is 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 IFRS and the recommendation of the AMF (the French financial markets authority):

- Initially, these commitments are recognized in borrowings at the discounted value of the redemption amount, with an offsetting entry to goodwill;
- Subsequent changes in the value of the commitment are recognized by adjusting shareholders' equity on the grounds that it is a transaction between shareholders.

c) Additional acquisition of securities after exclusive control is attained

When additional securities are acquired in an entity that is already under exclusive control, the difference between the acquisition price of these securities and the proportion of additional consolidated shareholders' equity acquired is recognized as equity attributable to shareholders of the Group's parent company. The consolidated value of the subsidiary's identifiable assets and liabilities, including goodwill, is left unchanged.

In the cash-flow statement, the acquisition of additional securities in an entity that is already controlled is presented under net cash flow related to financing operations.

d) Additional acquisition of securities involving exclusive control of an entity previously under significant influence

The acquisition of exclusive control leads to the recognition of a disposal gain or loss calculated on the entire interest at the transaction date.

The previously held interest is remeasured at fair value through the income statement when exclusive control is acquired.

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 that entity, the difference between the fair value of the sale price of the securities and the proportion of consolidated shareholders' equity that these securities represent at the date of sale is recognized as equity attributable to owners of the Group's parent 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 leads to the recognition of a disposal gain or loss calculated on the entire interest at the transaction date.

Any residual interest retained is therefore remeasured at fair value through the income statement when exclusive control is lost.

For business combinations prior to January 1, 2010, buy-out commitments of non-controlling interests were initially recognized as debts for the discounted value of the redemption amount, with a corresponding entry booked to non-controlling interests and the remainder to goodwill; subsequent changes in the amount of the commitment were recognized by adjusting the amount of goodwill. These arrangements are still applied to subsequent changes in commitments prior to January 1, 2010.

1.6 Currency translation methods

a) Foreign currency transactions

Transactions in foreign currencies are converted into euros based on the exchange rates prevailing on the transaction date.

Balance sheet data are converted at the closing rates and income statement data at the average rate.

At December 31, 2012, there were no foreign currency transactions in the consolidated financial statements.

b) Financial statements in foreign currencies

Assets and liabilities of Group companies expressed in foreign currencies, including goodwill and fair value adjustments on consolidation, are converted into euros at the closing rate prevailing at the balance sheet date. Income and expenses of these companies are converted into euros at the average rate for the year. The resulting conversion differences are recognized directly in shareholders' equity.

At the 2012 balance sheet date, all subsidiaries were located in the eurozone.

1.7 Intangible fixed assets

Valuation of intangible assets

Intangible fixed assets are recorded at their acquisition cost. Operating licenses acquired through business combinations are measured at their fair value on the acquisition date, which is determined based on a multiple of revenue.

They are not subsequently revalued. Most intangible fixed assets are comprised of operating licenses, which are non-depreciable assets with an indefinite term. Where applicable, they may be depreciated if their recoverable value falls below their book value.

In France, although licenses are granted for a period of 15 years and tripartite agreements are signed for a period of five years, no amortization is recognized in the consolidated financial statements. This market position is related to the fact that operating licenses can only truly be withdrawn if the Group does not comply with the conditions stipulated by the supervisory authorities for this type of facility, particularly minimum standards of care, which is verified through a compliance check.

In Italy, national regulations set out minimum structural requirements. Each region incorporates these regulations into its local legislation. Under these regulations, Italian facilities are subject to checks by the supervisory authorities. Italian operating licenses are measured at fair value at the acquisition date, calculated based on a multiple of revenue.

In Germany, there are no administrative licenses for operating facilities, which are mainly subject to technical standards. Operating rights do not as such meet the definition of an identifiable intangible fixed asset. However, prices are set by supervisory authorities and activity growth depends on our relationships with them. The valuation of these rights is therefore included in the amount recognized under goodwill.

1.8 Property, plant and equipment

a) Valuation of tangible assets

Property, plant and equipment are recorded at their acquisition cost. Fixed assets acquired through a business combination are measured at their fair value on the acquisition date. They are not subsequently re-measured.

At each balance sheet date, the accumulated depreciation and any provisions for impairment losses, determined in accordance with IAS 36 - Impairment of assets, are deducted from the acquisition cost.

b) Component-based approach

The main components of a fixed asset whose useful life is shorter than that of the main 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 capitalized, 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-based approach are recognized as expenses 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 and amortization of property, plant and equipment

Depreciation and amortization of property, plant and equipment are calculated using the straight-line method over the useful lives set out below. Land is not depreciated. The useful lives are as follows.

Category	Useful life	Method
Structure	50 years	Straight line
Construction components	Between 7 and 30 years	Straight line
Technical facilities	Between 5 and 15 years	Straight line
Other improvements, fixtures and fittings	Between 3 and 5 years	Straight line
Medical equipment	Between 2 and 10 years	Straight line
Equipment and furniture	Between 2 and 10 years	Straight line
Software	1 year	Straight line
Transportation equipment	5 years	Straight line

f) Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment if there are any indications of impairment.

g) Investment grants

Investment grants are recognized as a reduction of the gross value of the corresponding investment. They are drawn down in line with the depreciation of the investment.

h) Borrowing costs

In accordance with 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 capitalized borrowing rate corresponds to the average cost of Group debt after hedging.

The amount capitalized at December 31, 2012 totaled €1,852,000.

1.9 Leases

Property, plant and equipment acquired under finance leases, which transfer almost all the risks and rewards of ownership of the leased asset to the Group, are recognized as assets on the balance sheet at the value of the leased asset or the discounted value of the minimum lease payments, if this is less. Any corresponding debt is recorded as a financial liability.

Lease payments are apportioned between the financial charge and reduction 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 life in accordance with the Group's rules (see "Depreciation and amortization of property, plant and equipment"). If there are indications of impairment, the assets are tested for impairment in accordance with IAS 36 - Impairment of assets.

Sale-leaseback transactions, which consist of selling an asset and immediately leasing it back under a lease agreement, undergo the following additional treatment: the capital gain is recorded in deferred revenues and tied to future results throughout the term of the agreement.

Leases where almost all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under these leases are recognized as expenses using the straight-line method over the term of the agreement.

1.10 Impairment of property, plant and equipment and intangible fixed assets

The book values of assets are tested in order to identify any potential impairment:

- For non-amortizable intangible assets and goodwill: at each balance sheet date, or more frequently if there are any indicators of impairment;
- For all other assets: as soon as any indicators of impairment are identified.

Indicators of impairment liable to trigger an impairment test include:

- External indicators (market value, significant changes in the Company's environment *etc.*);
- Internal indicators (fall in occupancy rate, regulatory changes, obsolescence of an asset, performance lower than forecast *etc.*).

The test is performed at least once per year for assets with indefinite lives, which are primarily operating licenses and goodwill.

Depending on the type of asset, the impairment test is performed either on cash-generating units (**CGUs –** intangible fixed assets – mainly licenses – and property, plant and equipment, excluding goodwill) or on a group of CGUs (goodwill).

A CGU is defined as a homogeneous group of assets whose continuous use generates cash inflows.

The recoverable value of a CGU is based on its value in use.

The value in use applied by the Group is the value of the future economic benefits expected from the units' use and disposal. It is estimated based on the discounted future cash flows of the CGUs or groups of CGUs.

The cash flows are determined based on economic assumptions and projected operating conditions applied by Group Management, according to the following principles:

- The pre-tax cash flows are taken from the budget drawn up by the Management Control department and approved by the Board of Directors;
- The discount rate is determined based on the average weighted cost of the Group's share capital;
- The average discount rate applied is 7.00% for France and Germany and 8.00% for Italy;
- The terminal value is calculated by totaling discounted cash flows to infinity, determined based on a standardized flow and a perpetuity growth rate. This growth rate is in line with the potential growth of the markets in which the Group operates and its competitive positions therein;
- The average growth rate applied is 2.50%.

First-level test

For both tangible and intangible assets, the CGU is a retirement home or clinic. This breakdown corresponds to the smallest level at which assets can be tested for impairment. The first-level testing procedures aim to ensure that the recoverable value of the CGU is at least equal to its net book value (book value of licenses plus book values of property, plant and equipment).

Second-level test

A second impairment test on goodwill is carried out on a group of CGUs corresponding to the Group's operating segments (nursing homes, healthcare, Italy and Germany). This second-level test seeks to ensure that the recoverable value (the highest of the market value and value in use) for 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, in the event of a shortfall, to the value of the licenses and tangible assets.

1.11 Inventories and works in progress

Inventories are measured at the lower of the cost and net realizable value.

The cost of raw materials, goods and other supplies comprises the purchase price excluding taxes, less discounts, rebates and other payment deductions obtained, plus incidental costs on purchases (transportation, unloading charges, customs duties, buying commissions *etc.*). These inventories are measured using the first in, first out method.

1.12 Trade receivables

Trade and other receivables are recognized at cost, i.e. the original invoice amount less value adjustments.

The impairment risk is measured according to the age of the receivables and a qualitative analysis of the debtors' creditworthiness.

1.13 Financial assets

Financial assets comprise:

- Non-current financial assets: investments in non-consolidated companies, related receivables, loans for construction, guarantees and deposits granted;
- Current financial assets, including short-term financial derivatives and cash and cash equivalents (marketable securities).

a) Initial valuation

Financial assets are initially recognized at fair value, which is generally equal to their acquisition cost.

b) Classification and valuation at balance sheet date

Financial assets (excluding hedging derivatives) are classified in one of the following three categories for the purposes of balance sheet valuation:

Category	Measurement	Recognition of changes in value
Financial assets measured at fair value	Fair value	Income
Loans and receivables	Amortized cost	N/A
Assets available for sale	General principle: fair value Exception: at amortized cost for equity instruments held for which the fair value cannot be reliably estimated (in particular, shares not listed on an active market)	Shareholders' equity

c) Financial assets for which changes in fair value are recognized in income

This asset class includes:

- Assets held for trading purposes, i.e. acquired by the company with the aim of obtaining a short-term profit;
- Derivative instruments not expressly designated as hedging instruments.

Marketable securities (open-ended investment funds, mutual investment funds *etc.*) are measured at fair value as at the balance sheet date, and changes in fair value are recorded under net financial income. Fair values are largely determined with 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 listed on an active market.

In the Korian Group, this category covers related receivables, long-term loans and 1% housing loans (which are immaterial).

The amortized cost of short-term receivables typically corresponds to their face value.

e) Assets available for sale

Non-consolidated equity investments are treated as securities available for sale and are therefore valued at fair value, while unrealized gains and losses are recorded under shareholders' equity, with the exception of unrealized losses considered as long-term, which are recorded on the income statement.

The fair value is the stock market price, where one is available. If no stock market price is available, the Group determines the fair value by employing valuation techniques, according to which it refers to over-the-counter transactions, the discounted cash-flow analysis or the net asset value.

Other assets available for sale are financial assets that have not been classified in one of the other two categories.

f) Cash and cash equivalents

Short-term investments are recognized at market value at each balance sheet date.

Cash and cash equivalents consist of immediately available liquid assets (cash at bank and in hand) and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value (short-term deposits with an initial maturity of less than three months and euro-denominated money market funds [SICAV] classified under the AMF's "short-term money market fund" category).

1.14 Financial derivatives

The Group uses financial derivatives (e.g. swaps and tunnels) to hedge against interest rate risks arising from its variable-rate financing policy.

These financial derivatives are measured at their fair value, which is determined by using valuation models incorporating market parameters at the balance sheet date.

For financial derivatives that are treated as a hedge for accounting purposes:

- If the derivative is classified as a fair value hedge, changes in the value of the derivative and of the hedged portion are recorded under income over the same period;
- If the derivative is classified as a cash-flow hedge, changes in value of the effective portion of the derivative are recognized under shareholders' equity. It is recorded under income when the hedged portion is recorded under income. However, changes in the value of the ineffective portion of the derivative are recorded directly under income.

For derivatives that do not satisfy the qualification criteria for hedge accounting, any profit or loss from changes in fair value is recognized directly under financial income for the period.

The fair value of derivative instruments is recognized in current assets and liabilities.

1.15 Treasury shares

Treasury shares held by the Group are recorded at their acquisition cost as a deduction from shareholders' equity until they are canceled or sold.

Proceeds from the sale of treasury shares are posted directly as an increase to shareholders' equity, so that any gains or losses and impairments do not have an effect on consolidated income.

1.16 Employee benefits

In view of legal obligations and in accordance with current practice, the Group offers supplementary pension plans and other long-term benefits to its employees via defined-contribution schemes.

Under these defined-contribution schemes, the Group has no obligations other than the payment of contributions, which are recorded as expenses for the period. Where applicable, a provision is recorded for contributions unpaid for the period.

1.16.1 France

a) Severance payments

Severance payments are based on the collective agreement applicable in the Group (Convention Collective Unifiée, or C.C.U.) and cover compensation payable to employees who have taken early retirement or reached retirement age.

Severance payments are linked to the defined-benefit scheme.

b) Long-service awards (or anniversary bonuses)

The long-service awards that may be specified under company-wide agreements represent additional bonuses paid to employees who have worked for their company for a given number of years.

c) Supplementary pension schemes

The Group has not granted employees any supplementary pension schemes in addition to the minimum statutory pension.

Pension and post-retirement commitments arising from defined-benefit schemes are the subject of a provision valued on the basis of an actuarial calculation performed at least once per year by an independent actuary. These commitments only relate to severance payments in the event of retirement. The projected units of credit method is applied; under this method, each period of service gives rise to an additional unit of entitlement, and each unit is valued separately to arrive at the obligation owing to employees.

The calculations take account of the specific features of the various schemes and assumptions relating to retirement dates, career development and salary increases, and the probability of employees still working with the Group at retirement age (based on staff turnover, mortality tables *etc.*). The obligation is discounted based on the interest rates of long-term bonds from top-ranking issuers, namely the AA-rated corporate bond rate for a maturity of more than 10 years (source: iBoxx indices).

The obligation is budgeted after deducting any pension scheme assets measured at fair value, if applicable.

Actuarial gains and losses arise from changes in assumptions relating to commitments or the schemes' financial assets. These differences are recognized under income in accordance with the corridor method specified by IAS 19 – Employee benefits, and are amortized over the expected remaining service period of the employees in respect of the portion exceeding 10% of the higher of the following values:

- The present value of the obligation as at the balance sheet date;

- The fair value of the scheme assets as at the balance sheet date.

Expenses net of retirement and similar benefits are included in operating income for the period, except in respect of the discounting expense of the commitments, which is posted to net financial income.

1.16.2 Italy

Under Italian legislation, the Group does not have any material retirement commitments. In accordance with Italian legislation, the Group sets aside provisions for employee obligations relating to an annual employer's contribution to an indemnity fund known as the TFR (Trattamento di Fine Rapporto), which is made every year based on employee compensation paid in the same year and recorded in the balance sheet as a provision for expenses. This sum is released when the employee leaves the company through resignation, redundancy or retirement.

This provision was calculated in accordance with IAS 19.

1.16.3 Germany

Under German legislation, the Group does not have any material retirement commitments.

1.17 Other provisions

A provision is set aside when, at the balance sheet date for the period, the Group has a current legal or implicit obligation and it is probable that the Group will be required to use resources representative of future economic benefits in order to settle this obligation.

Provisions are updated to present value if the impact of time is significant. Increases in the provision due to the passing of time are therefore recorded as a financial expense.

With regard to restructuring, a provision can only be set aside if the restructuring has been announced and there is a detailed plan or restructuring has begun as at the balance sheet date.

A provision is made for disputes (e.g. employee industrial tribunals, tax audits, commercial disputes *etc.*) if the Group has a liability toward a third party at the balance sheet date. The amount of the provision reflects the best estimate of future expenditure.

1.18 Share-based payments

Stock options granted to employees must be measured at their fair value, which must be posted to the income statement for the period when the employee rights are vested. The fair value of the options is generally established by using an adapted valuation model based on assumptions determined by Group Management.

1.19 Interest-bearing loans

Financial assets are initially recognized at fair value, which is generally equal to their acquisition cost. At each balance sheet date, financial liabilities are valued at their amortized cost in accordance with the effective interest rate method.

At each balance sheet date, financial liabilities are valued at their amortized cost in accordance with the effective interest rate method.

Loans are broken down into:

- Current liabilities in respect of the portion payable within 12 months following the balance sheet date;
- Non-current liabilities in respect of the portion payable in more than 12 months.

1.20 Trade and other payables

Trade and other payables are recorded at historical cost (representing the amortized cost).

1.21 Tax

Deferred tax is recorded using the balance sheet liability method in respect of temporary differences existing at the balance sheet date between the tax base of assets and liabilities and their book value, and of tax losses. No deferred tax is recorded for goodwill.

Deferred tax assets are recorded insofar as it is probable that the Group will have sufficient future taxable income to be offset against the unused tax losses.

Most of the Group's deferred taxes arise from the recognition, through business combinations, of operating licenses included within intangible fixed assets.

Deferred tax assets and liabilities are valued at the forecast tax rate applying in the year in which the asset will be realized or the liability will be paid, based on the tax rates (and tax regulations) that have been adopted or virtually adopted as at the balance sheet date.

Deferred tax is calculated separately for each entity. It is offset if the tax is payable to the same tax authority and it relates to the same taxable entity (i.e. a tax group).

Deferred and current taxes are recognized as income or as an expense in the income statement, unless they relate to a transaction or event that is posted directly to shareholders' equity.

Deferred taxes are reported in specific sections of the balance sheet within non-current assets and non-current liabilities.

The tax rate applied in France for corporate income tax purposes and deferred tax is the normal statutory rate plus 3.3%, amounting to a total rate of 34.43%.

The one-off and temporary contribution of 5% of the standard corporate income tax for the years ended December 31, 2011 and until the year ending December 31, 2013 has been applied to income tax expense for 2012.

The tax rates applied abroad are 15.83% for Germany (or 30% depending on the company) and 31.40% for Italy.

The value-added contribution for businesses (*composante assise sur la valeur ajoutée*, or CVAE), introduced by the 2010 Finance Act, has been incorporated into corporate income tax in the consolidated financial statements since the 2010 financial year, as the Group believes that the CVAE fulfilled the criteria of a tax on income in accordance with IAS 12.

1.22 Revenues

Revenues are largely generated from accommodation and care services provided to residents, irrespective of the source of payment.

Revenue is recognized in proportion to the performance of the services.

1.23 Calculation of operating income

The income statement is presented based on the nature of expenses.

Operating income represents the difference between expenses and pre-tax income, other than:

- Financial items;
- Earnings of equity affiliates;
- The Group share of joint ventures with non-consolidated companies; and
- Earnings from discontinued operations or operations in the process of being discontinued.

The "employee profit share" is included under personnel expenses.

1.24 Earnings per share

Net earnings per share are calculated by dividing Group consolidated net income by the weighted average number of shares in circulation during the period.

Diluted earnings per share are calculated under the assumption that all existing dilutive options will be exercised and by applying the share buyback method specified under IAS 33 – Earnings per share.

1.25 Operating segments

The Group has applied IFRS 8 since January 1, 2007.

IFRS 8 requires the disclosure of segment information based on Group components checked and measured by Group Management.

These components (operating segments) are identified according to internal reports that Group Operational Management regularly reviews for decisions to allocate resources to segments and when assessing results.

The operating segments presented correspond to the business divisions whose results are monitored by Group Management. The Group's operating segments are the following:

- France: The medical-social business, consisting largely of EHPADs/retirement homes;

- France: The healthcare business, including follow-up care, rehabilitation, psychiatry and home-care activities;
- Italy;
- Germany.

The indicators shown are those monitored by Group Operational Management, including revenues and EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortization and Rent).

1.26 Discontinued operations and assets held for sale

In accordance with IFRS 5:

- A discontinued operation is a component of an entity that either has been disposed of or is classified as being held for sale, and that, on the one hand, represents a separate major line of business or a geographical area of operations, and, on the other hand, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- Discontinued operations are presented as a single amount on the income statement, accompanied by an analysis of that 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, as well as the related liabilities, are measured at their lowest book value or the estimated sale cost, net of disposal costs.

Note 2 – Changes in scope and impact of acquisitions and disposals made during the year

Scope of consolidation

As at December 31, 2012, the scope of consolidation comprises, in addition to the parent company Korian SA, 239 fully consolidated companies (227 at December 31, 2011), two proportionately consolidated companies (two at December 31, 2011) and one equity affiliate (three at December 31, 2011).

The 2012 financial year was marked by a number of events.

Changes in the scope of consolidation in France

- Acquisition on January 5, 2012 of the Reine Mathilde nursing home near Caen, with 74 beds, for a value of €3.7 million and generating €2.01 million in goodwill.
- Acquiring control of three entities of the Seniors Santé group:
  - On January 2, 2012, the Group acquired control of Ollières Gestion and Auguste Gal, the latter of which is now fully consolidated;
  - On March 31, 2012, acquisition of 30% of shares in Vauvenargues Gestion, thus leading to Korian's ownership of a 60% stake and compliance with the clause to purchase the remaining 40%.
- Sale of two nursing homes in December 2012:
  - Korian Mer Iroise in Brest;
  - Korian Demeure Saint-Clair in the Manche region.

Changes in consolidation scope in Italy

- Acquisition of 15% minority interest remaining in Gabbiano;
- Finalization of an agreement concerning an additional 40% investment in Heliopolis shares.

Changes in scope of consolidation in Germany

- Acquisition by Phönix during the first half of the year of two nursing homes in Herolsberg and Köln-Nippes for €1.3 million and €2.2 million, respectively. These acquisitions generated €3.4 million in goodwill;
- During the second half of the year, two additional facilities were acquired in Vermold and Gütersloh in August and December 2012 respectively. The acquisition price amounted to €150,000 and €1,000,000, generating €141,000 and €983,000 in goodwill, respectively;
- Opening of a new facility in Sassenburg in June 2012;

- Sale of Youthcare for €2.1 million;
- Partial disposal (75%) of Mediserv, changing it from being fully-integrated to being an equity affiliate.

Cash effect of acquisitions and disposals of subsidiaries and acquisitions and disposals of joint ventures

Purchase price of subsidiaries [A]	**22,023**
Of which amount paid/received [B]	**22,023**
Debt incurred/repaid [C] = [A] – [B]	**0**
Selling price [D]	**9,871**
Cash acquired [E]	**324**
Cash sold [F]	**1,721**
Impact of change on the scope of consolidation [G] = [E-F-B+D]	**-13,550**

The value of the assets and liabilities, other than cash and cash equivalents, of the subsidiaries acquired during the year breaks down as follows.

In thousands of euros	Total changes in scope	
	Assets	Liabilities
Fixed assets	**17,826**	
Inventories	**57**	
Trade receivables	**-110**	
Other receivables	**507**	
Prepayments and accruals	**120**	
Shareholders' equity		**224**
Provisions for risks and charges		**2,120**
Financial liabilities		**1,766**
Trade payables		**6,381**
Other liabilities		**8,174**
Other accruals		**60**

The impact of acquisitions made during 2012 on revenues and consolidated net income on a full year basis is as follows.

In thousands of euros	Full-year basis	Impact since takeover	Full-year basis	Impact since takeover
	Consolidated revenues	Consolidated revenues	Consolidated net income	Consolidated net income
Vauvenargues	3,283	2,479	-169	-134
Auguste Gal	3,415	3,415	-162	-162
Ollières	2,166	2,166	-830	-830
Reine Mathilde	2,373	2,373	86	86
Total acquisitions	**11,237**	**10,433**	**-1,074**	**-1,039**

The value of the assets and liabilities, other than cash and cash equivalents, of subsidiaries sold during the year breaks down as follows.

In thousands of euros	Total changes in scope	
	Assets	Liabilities
Fixed assets	-7,907	
Inventories	-36	
Trade receivables	-640	
Other receivables	-345	
Prepayments and accruals	-112	
Shareholders' equity		-7,391
Provisions for risks and charges		-68
Financial liabilities		-114
Trade payables		-433
Other liabilities		-2,751
Other accruals		-4

Note 3 – Discontinued operations and assets held for sale

Discontinued operations

None.

Assets held for sale

Due to the decision to research the sale of certain facilities, made during the Board of Directors meeting held on December 5, 2012, the corresponding assets were classified under IFRS 5.

This pertains to:

- All psychiatric facilities in France, regrouped under SSR CGUs: psychiatry is a different business line, with few synergies with the nursing homes and follow-up care and rehabilitation clinics; the psychiatric market is solid, which should allow for the activity to be valuated well compared to other operators in the market;
- Two non-strategic, isolated nursing homes: the Villa Spinale facility in Epinal and Les Tilleuls in Châtellerault. They are subject to an offer from investors, which should unfurl during the first half of 2013. A provision for losses on the sale of Les Tilleuls was included in the 2012 accounts for €2.7 million.

Note 4 – Goodwill

In thousands of euros	12.31.2012	12.31.2011
Gross goodwill at start of period	**687,593**	**643,642**
Changes in consolidation scope	6,503	50,749
Definitive allocation of goodwill	1,981	
Valuation of commitment to purchase minority interests	7,759	2,887
Sales	-3,331	-9,152
Earn-out	0	-533
Gross goodwill at balance sheet date	**700,506**	**687,593**
Impairment brought forward	0	0
Impairment for the year	0	
Impairment at balance sheet date	0	0
Net goodwill at start of period	**687,593**	**643,642**
Assets held for sale	33,711	

Net goodwill at balance sheet date	666,795	687,593

Changes in goodwill

In thousands of euros		Nursing homes	Healthcare	Italy	Germany
Net goodwill at start of period	**687,593**	**299,285**	**174,003**	**109,636**	**104,669**
Changes in consolidation scope	**6,503**	2,011			4,493
Definitive allocation of goodwill	**1,981**	969	-2,030	3,041	
Valuation of commitment to purchase minority interests	**7,759**			7,759	
Sales	**-3,331**	-3,331			
Earn-out					
Impairment for the year					
Assets held for sale	**33,711**	33,711			
Net goodwill at balance sheet date	**666,795**	265,223	171,973	120,436	109,162

Impairment tests were carried out using the method described in note 1.10 – Impairment of property, plant and equipment and intangible fixed assets.

These tests identified no indicators of impairment on these assets, neither on the licenses nor on the goodwill.

Based on a perpetuity growth rate of 2.5%, a discount rate of 8.5% on the Italy CGU reduces the recoverable value of the assets tested to below the net book value.

Based on the discount rates used (see 1.10), a perpetuity growth rate of 1.5% on the Italy CGUs and 1% on the nursing home CGU reduces the recoverable value of the tested assets to below the net book value.

For the Germany CGU and the follow-up care and rehabilitation CGU, no reasonable change in the discount rate or the perpetuity growth rate would reduce the recoverable value of the tested assets to below the net book value.

Note 5 – Intangible fixed assets

In thousands of euros	Licenses	Other	Total
Gross value at start of period	**667,743**	**30,159**	**697,902**
Changes in consolidation scope	15,514	4	15,518
Sales	-4,492	-777	-5,269
Acquisitions		7,599	7,599
Transfers		-168	-168
Assets held for sale	38,939		38,939
Gross value at balance sheet date	**639,827**	**36,817**	**676,644**
Gross Value at start of period	**2**	**13,876**	**13,877**
Changes in consolidation scope		4	4
Sales		-112	-112
Amortization		4,863	4,863
Transfers		102	102
Accumulated amortization at balance sheet date	**2**	**18,733**	**18,734**
Net book value at start of period	**667,743**	**16,283**	**684,026**
Assets held for sale	38,939		38,939
Net book value at balance sheet date	**639,825**	**18,084**	**657,910**

No single license represents a significant amount for the Group.

The number of CGUs for which licenses have been valued is 180, giving an average value of €3,772,000.

The impairment tests performed on the licenses did not identify any impairment on these assets.

Note 6 – Property, plant and equipment

In thousands of euros	Land	Buildings	Plant and machinery	Other	In progress and advance payments	Total
Gross value at start of period	**38,225**	**282,338**	**72,673**	**219,266**	**34,124**	**646,626**
Changes in consolidation scope	0	11	445	3,463	950	**4,869**
Sales	-6,381	-65,774	-2,295	-9,149	-372	**-83,973**
Acquisitions	3,131	11,115	4,696	16,961	59,270	**95,174**
Transfers	563	24,935	-1,894	18,749	-40,541	**1,812**
Assets held for sale	720	13,895	3,285	12,474	391	**30,766**
Gross value at balance sheet date	**34,818**	**238,730**	**70,339**	**236,816**	**53,039**	**633,742**
Gross value at start of period	**195**	**76,390**	**54,896**	**110,386**	**0**	**241,867**
Changes in consolidation scope	0	10	309	1,780		**2,099**
Allocations	8	12,349	5,864	19,273		**37,494**
Sales	-24	-9,783	-2,047	-6,029		**-17,882**
Other	27	583	-1,889	1,354		**76**
Assets held for sale		9,181	2,361	5,178		**16,719**
Accumulated amortization at balance sheet date	**206**	**70,369**	**54,772**	**121,587**	**0**	**246,934**
Net book value at start of period	38,031	205,948	17,778	108,880	34,124	**404,760**
Net book value at balance sheet date	**34,612**	**168,361**	**15,567**	**115,229**	**53,039**	**386,808**

The gross value of property, plant and equipment held under finance leases is €138,465,000 at December 31, 2012, giving a net value of €115,094,000.

Note 7 – Long-term financial assets

- Change

In thousands of euros	Gross value	Impairment	Net value
Value at start of period	**17,783**	**207**	**17,576**
Additions	5,652		5,652
Repayments	-3,733	-1,287	-2,446
Changes in consolidation scope	584	1,287	-703
Other movements	81		81
Value at balance sheet date	**20,366**	**207**	**20,159**

- Analysis

Available-for-sale securities				12.31.2012	12.31.2011
Company	% held	Net Value	Impairment	Net value	Net value
SCI Santé Immo 37	8%	31	30	**0**	
SCI Ymare	10%	137		**137**	137
SCI Le Perreux	22%	61		**61**	61
Ollières Gestion					289
Furtado Gestion	10%	248		**248**	248
Les Combes Gestion	10%	216		**216**	216
Besset Gestion	10%	216		**216**	216
Curanum	5%	5,359		**5,359**	
Other		4		**4**	4
Total available-for-sale securities		**6,272**	**30**	**6,241**	**1,171**

Other non-current financial assets	12.31.2012	12.31.2011
Security deposits	**12,929**	15,411
Loans		
Other long-term securities	**989**	993
Total Other non-current financial assets	**13,918**	**16,404**

Total long-term financial assets	**20,159**	**17,575**

On December 10, 2012, Korian announced, through its wholly-owned subsidiary, Korian Deutschland AG, the launch of a voluntary take-over bid to the shareholders of Curanum, a company whose head office is located in Munich, Germany.

The Curanum group is one of the main retirement home and seniors' residence operators in Germany. At the end of 2012, it had a portfolio of 77 facilities spread out over Germany, totaling 10,150 beds and employing more than 7,000 people.

Its shares are listed on the Frankfurt and Munich stock exchanges.

At December 31, 2012, Korian holds 5% of Curanum's share capital in non-consolidated securities.

Note 8 – Investments in associates and joint ventures

In thousands of euros	Balance sheet value
Value at start of period	**1,545**
Included in scope of consolidation	7
Excluded from scope of consolidation	-1,534
Share of income	-14
Dividends paid	
Reclassifications and other	
Value at balance sheet date	**3**

The main items on the balance sheet and the income statement with respect to equity investments are the following:

In thousands of euros	12.31.2012	12.31.2011
Total assets/liabilities	13	8,687
Revenues	0	5,457
Net income	-13	-1,162

The changes in investments in associates correspond to the takeover of Auguste Gal and Vauvenargues Gestion, the sale of the Tondu clinic and the change in consolidation method for Mediserv.

The main items on the balance sheet and the income statement with respect to proportionately consolidated companies are the following:

In thousands of euros	12.31.2012	12.31.2011
Non-current assets	8,967	9,092
Current assets	4,815	3,017
Total assets	**13,782**	**12,109**
Non-current liabilities	2,134	1,034
Current liabilities	11,648	12,109
Total liabilities	**13,782**	**12,109**
Revenues	14,522	6,960
Net income	368	-179

At December 31, 2012, the Mieux-Vivre holding company in France, in which the Group holds a 50% interest, and Kinetika in Sardinia, Italy, of which it owns 28%, were proportionately consolidated.

Shares from Auguste Gal and Vauvenargues Gestion, previously consolidated via the equity method, are now fully consolidated. These takeovers resulted in the revaluation of previous investments owned that were recorded in income for an immaterial amount.

The Tondu clinic, 30% of which is owned by the Grands Chênes clinic at December 31, 2011, was sold on January 1, 2012.

Note 9 – Inventories

In thousands of euros	12.31.2012	12.31.2011
Gross value	3,126	3,043
Impairment		
Assets held for sale	133	9
Net value	**2,993**	**3,034**

Note 10 – Trade receivables

In thousands of euros	12.31.2012	12.31.2011
Gross value	92,642	103,419
Impairment	-10,607	-11,255
Assets held for sale	4,096	632
Net value	**77,939**	**91,532**

In thousands of euros	Outstanding liabilities not due at 12.31.2012	Outstanding liabilities due at 12.31.2012 by age			Total outstanding liabilities at 12.31.2012
		From 0 to 6 months	From 6 to 12 months	Greater than 12 months	
France					
Trade receivables	10,983	17,603	1,978	5,823	**36,387**
Impairment of trade receivables		-2	-316	-3,006	**-3,323**
Net value of trade receivables - France	**10,983**	**17,601**	**1,662**	**2,818**	**33,064**
Italy					
Trade receivables	20,472	8,634	2,236	14,819	**46,161**
Impairment of trade receivables		-498		-6,224	**-6,722**
Net value of trade receivables - Italy	**20,472**	**8,136**	**2,236**	**8,594**	**39,439**
Germany					
Trade receivables		4,153	680	808	**5,641**
Impairment of trade receivables		-7	-7	-190	**-204**
Net value of trade receivables - Germany		**4,146**	**673**	**617**	**5,437**
Net value of trade receivables	**31,455**	**29,883**	**4,571**	**12,029**	**77,939**

In thousands of euros	Outstanding liabilities not due at 12.31.2011	Outstanding liabilities due at Dec. 31, 2011 by age			Total outstanding liabilities at 12.31.2011
		From 0 to 6 months	From 6 to 12 months	Greater than 12 months	
France					
Trade receivables	9,464	23,585	3,144	6,543	**42,737**
Impairment of trade receivables		-136	-210	-4,153	**-4,500**
Net value of trade receivables - France	**9,464**	**23,449**	**2,934**	**2,390**	**38,237**
Italy					
Trade receivables	26,372	8,664	3,694	16,195	**54,925**
Impairment of trade receivables				-6,465	**-6,465**
Net value of trade receivables - Italy	**26,372**	**8,664**	**3,694**	**9,730**	**48,460**
Germany					
Trade receivables		4,591	454	77	**5,121**
Impairment of trade receivables			-210	-77	**-287**
Net value of trade receivables - Germany	**0**	**4,591**	**244**	**0**	**4,834**
Net value of trade receivables	**35,836**	**36,704**	**6,872**	**12,120**	**91,532**

A portion of the receivables in France and Italy corresponds to receivables from ASLs which traditionally have settlement periods of more than six months, but present no collection risk.

Furthermore, the Group has €26.8 million in security deposits partially covering trade receivables in France. The quantitative and qualitative analysis carried out revealed no significant residual collection risk.

Note 11 – Other receivables and current assets

In thousands of euros	12.31.2012	12.31.2011
Tax receivables	47,153	47,443
Social security receivables	1,563	3,395
Advances and down payments	3,592	3,221
Prepaid expenses	7,278	7,970
Other receivables	61,688	55,757
Assets held for sale	1,882	326
Value of other receivables	**119,393**	**117,460**

The “Other receivables” item is mainly comprised of non-group current accounts (joint venture investors), prepaid expenses and other receivables.

In thousands of euros	12.31.2012	12.31.2011
Loans		
Deposits and guarantees	1,356	1,358
Other long-term financial assets		8
Assets held for sale		
Value of other current financial assets	**1,356**	**1,366**

Total of other current financial assets (net)	**120,749**	**118,826**

Note 12 – Cash and cash equivalents

In thousands of euros	12.31.2012	12.31.2011
Statement of receivables	135,574	20,261
Cash	27,313	22,003
Assets held for sale	164	1,106
Total	**162,722**	**41,158**

Marketable securities comprise term deposits or euro-denominated open-ended investment funds with variable capital (SICAV), classified in the AMF's "short-term money market fund" category. Pursuant to IAS 7, they are highly liquid, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

Note 13 – Categories of financial assets

The table below shows the significance of financial instruments with respect to the Group's consolidated assets.

This table presents a breakdown of financial instruments recognized at fair value according to the valuation method. The various levels of fair value were defined as follows:

- Level 1: quoted prices on an active market;
- Level 2: observable inputs other than quoted prices on an active market (financial models);
- Level 3: unobservable inputs.

						Fair value measurement		
	2012	Financial assets available for sale	Financial assets at fair value through profit or loss	Loans and receivables	Cash-flow hedging derivatives	Level 1: active markets	Level 2: observable inputs	Level 3: Unobservable inputs
NON-CURRENT ASSETS								
Available-for-sale securities	6,241	6,241				5,359		882
Other non-current assets	13,918			13,918				
Long-term financial assets	20,159	6,241		13,918		5,359		882
CURRENT ASSETS								
Trade receivables and related accounts	77,939			77,939				
Other receivables	119,393			119,393				
Deposits and guarantees	1,356			1,356				
Other receivables and current financial assets	120,749			120,749				
Derivative instruments - assets	36				36		36	
Statement of receivables	135,574		135,574			135,574		
Cash	27,149		27,149					
Cash and cash equivalents	162,722		162,722			135,574		

The book value of financial assets represents their fair value.

Note 14 - Transfer and use of financial assets

In accordance with IAS 39, the Group derecognizes financial assets when it does not expect future cash flows from them and transfers almost all of the risks and benefits pertaining to them.

Under factoring contracts, receivables factoring contracts concluded solely in Italy allow for the sale of a portion of its trade receivables from certain subsidiaries to a group of financial institutions, with a transfer of almost all risks and benefits attached to the outstanding amount sold (*factoring prosoluto*).

The sale of receivables by Italian subsidiaries is accomplished according to their par value, less an initial commission of 0.3 to 0.6%, recognized in other expenses, to which financial interest based on the Euribor is added and which is then recorded in financial expenses.

The total amount of receivables factored and removed from assets in 2012 amounted to €81,850,000.

Income from the sale of receivables in 2012 amounted to -€934,000.

Breakdown of receivables sales over the year	2012 financial year	1st quarter 2012	2nd quarter 2012	3rd quarter 2012	4th quarter 2012
Receivables sold	**81,850**	20,196	21,763	19,321	20,571
Receivables collected	**79,787**	18,897	21,113	19,376	20,402
Commissions for management and recovery of receivables sold	**-381**	-94	-101	-90	-96
Related financial expenses	**-554**	-131	-147	-135	-142
Income from sales	**-934**	**-225**	**-248**	**-224**	**-237**
Net cash received	**78,853**	**18,671**	**20,865**	**19,152**	**20,165**

Note 15 – Earnings per share

	12.31.2012	12.31.2011
Net income, Group Share (in thousands of euros)	23,175	21,669
Weighted average number of shares (in thousands)	33,286	33,286
Earnings per share (€)	**0.70**	**0.65**
Net income, Group Share (in thousands of euros)	23,175	21,669
Weighted average number of shares (in thousands)	33,286	33,286
Stock option adjustments	95	95
Average number of shares used for calculation of diluted earnings per share	33,381	33,381
Diluted earnings per share	**0.69**	**0.65**

Note 16 – Hedging instruments

The Korian Group uses financial derivatives to protect itself against changes in interest rates, given that most borrowings are taken out at variable rates.

At December 31, 2012, the market value of the instruments designated as interest rate hedging instruments totaled -€52,333,000 at Korian's expense, the change in value recorded under equity amounted to -€7,540,000 and the impact of the ineffective portion recognized in income was -€148,000.

The table below sets out the items of income, expenses, gains and losses recognized in the income statement and in shareholders' equity in 2012 for each category of financial instrument.

	Impact on shareholders' equity of the change in fair value	Impact of hedging on income	Impact of trading on income
Swaps eligible for hedge accounting	-6,833		
Swaps not eligible for hedge accounting			84
Options eligible for hedge accounting	-707	-148	
Options not eligible for hedge accounting			-102
Total	**-7,540**	**-148**	**-18**

None of Korian's financial instruments that previously qualified for hedge accounting were recycled in profit or loss during the 2012 financial year.

Assets	12.31.2011	Included in scope of consolidation	Excluded from scope of consolidation	Change	12.31.2012
Options	133			-97	36
Interest rate swaps				0	
Total hedging instruments - Assets	**133**			**-97**	**36**
Options					
Interest rate swaps					
Total trading instruments - Assets					
Total financial instruments - Assets	**133**			**-97**	**36**

Liabilities	12.31.2011	Included in scope of consolidation	Excluded from scope of consolidation	Change	12.31.2012
Interest rate swaps	38,584			6,307	44,891
Options	6,176			1,082	7,258
Total hedging instruments - Liabilities	**44,760**			**7,389**	**52,149**
Interest rate swaps				115	115
Options				105	105
Total trading instruments - Liabilities				**220**	**220**
Total financial instruments - Liabilities	**44,760**			**7,609**	**52,369**

Net total	44,627			7,706	52,333

Note 17 - Financial liabilities

- Net debt (current/non-current)

	12.31.2012	12.31.2011
Loans with financial institutions	567,361	529,285
Funding finance leases	96,628	92,262
Employee shareholding	35	66
Other miscellaneous financial debt	1,024	1,015
Liabilities held for sale	-154	0
Long-term financial liabilities	**665,201**	**622,628**
Loans from CT credit institutions	42,102	18,660
Funding CT finance leases	7,826	6,706
Current banking accommodation	5,077	6,852
Other miscellaneous CT financial debt	4,662	5,225
Liabilities held for sale	126	0
Short-term financial debt	**59,541**	**37,443**
Financial liabilities (A)	**724,742**	**660,072**
Statement of receivables	135,574	20,261
Cash assets	27,313	22,003
Assets held for sale	164	1,106
Cash (B)	**162,722**	**41,158**
Net debt (A) - (B)	**562,020**	**618,914**

Breakdown of financial debt by interest-rate category

In thousands of euros	%	12.31.2012	12.31.2011
Fixed rate	5.4%	38,906	6,285
Variable rate	94.6%	685,836	653,787
Total	**100.0%**	**724,742**	**660,072**

Breakdown of financial debt by maturity

In thousands of euros	12.31.2012	12.31.2011
Less than one year	54,590	24,801
One to five years	542,421	553,580
More than five years	127,731	81,691
Total	**724,742**	**660,072**

Breakdown of future interest linked to financial liabilities by maturity (flows projected based on interest rates at December 31, 2011)

In thousands of euros	12.31.2012	12.31.2011
Less than one year	24,674	20,906
One to five years	46,201	70,022
More than five years	9,212	17,503
Total	**80,086**	**108,431**

Change in loans

	12.31.2011	New loans	Loan repayments	Changes in the scope of consolidation	Other	12.31.2012	Current	Non-current
Loans	**646,913**	127,321	-61,712	1,279	115	**713,916**	49,916	663,988
Employee shareholding	**66**		-31			**35**		35
Other loans and related liabilities	**6,240**	3,678	-4,267		35	**5,686**	4,662	1,024
Other financial liabilities								
Liabilities held for sale					-28	**-28**	126	-154
Total loans	**653,219**	**130,999**	**-66,011**	**1,279**	**178**	**719,665**	**54,464**	**665,201**
Of which non-current	**622,628**	126,051	-49,968	891	-34,401	**665,201**		
Of which current	**30,591**	4,948	-16,042	388	34,579	**54,464**		

- Change in debt as at Monday, December 31, 2012

At December 31, 2012, net debt reached €562 million, a moderate €57 million decrease compared to 2011. This debt reduction is due to the generation of cash flow by the business and by the asset disposals that mostly took place in December 2012.

Debt is broken down as follows:

- A €500-million syndicated loan that matures in five years (July 23, 2015), comprising two tranches: one €380-million refinancing loan, which was drawn in its entirety to refinance the previous syndicated loan, and a renewable credit line for €120 million. At December 31, 2012, Korian has €35 million available in renewable credit;
- €171 million in mortgage debt. This debt is mainly comprised of leases with long maturities (10-12 years);
- €42 million in medium-term credit;
- A bond issued in December 2012 to private investors for €37.5 million.

In addition, the Group has net €158 million in cash.

In order to finance its growth, Korian has significant room to maneuver. In fact, the syndicated credit facility permits the Group to use bilateral debt up to the following limits:

- €110 million in non-mortgage debt;
- €450 million in mortgage debt.

At December 31, 2012, Korian complied with its covenants, with a debt ratio (net debt – mortgage debt) / (consolidated EBITDA – 7%* mortgage debt) of 3.1x, a much lower level in case of fixed default at 5.0x.

- Breakdown of financial expense sensitivity

The table below shows the sensitivity of financial expense to a one-point change in the variable interest rate at the balance sheet date of 0.19%.

Euribor three-month reference rate

In thousands of euros	0.19%	1.19%
Impact on financial expense before hedging	24,674	32,843
Impact on financial expense after hedging	37,713	42,108

Note 18 – Provisions for pensions and other benefits

	12.31.2012	12.31.2011
Provisions for pensions - France	-11,533	-10,280
Provisions for pensions - other countries	-9,175	-9,269
Assets held for sale	1,271	
Total	**-19,438**	**-19,549**

Change in pension commitments - France	12.31.2012	12.31.2011
Commitments at the start of the period	**-11,596**	**-10,321**
Acquisitions	-96	-47
Sales	86	330
Cost of services rendered (normal cost)	-1,227	-1,103
Interest cost	-534	-494
Actuarial losses and gains	-2,765	255
Benefits paid	551	787
Change in scope		-1,002
Other changes		0
Commitments at closing	**-15,581**	**-11,596**
Reconciliation of commitments with the provision		
Net commitments	-15,581	-11,596
Balance of unrecognized actuarial (gains)/losses	3,875	1,181
Other	173	135
Provision at the balance sheet date	**-11,533**	**-10,280**
Breakdown of the pension expense for the year - France		
Cost of services rendered (normal cost)	-1,227	-1,103
Interest cost	-534	-494
Amortization of actuarial (gains)losses	-55	-157
Other	38	36
Pension expense	**-1,779**	**-1,718**
Change in provision - France		
Provision at the start of the period	**-10,280**	**-8,683**
Expense for the year	-1,779	-1,718
Pensions or contributions paid by the employer	551	787
Change in scope of consolidation	-26	-707
Other		42
Provision at the balance sheet date	**-11,533**	**-10,280**
Key actuarial assumptions applied		
Discount rate	2.90%	4.70%
Increase in salaries	3.00%	3.00%
Mortality table	INSEE H/F 06-08	INSEE H/F 06-08
Retirement age – executives	63 years old	65 years old
Retirement age – non executives	62 years old	65 years old
Retirement procedure	voluntary	voluntary

Change in pension commitments – International	12.31.2012	12.31.2011
Commitments at the start of the period	**-9,813**	**-4,949**
Acquisitions		
Sales		
Cost of services rendered (normal cost)	-156	-110
Interest cost	-381	-398
Actuarial gains and losses	-107	-482
Pensions paid out	825	1,268
Change in scope of consolidation		-5,142
Other changes	-87	
Commitments at the balance sheet date	**-9,719**	**-9,813**
Reconciliation of commitments with the provision – International		
Net commitments	-9,719	-9,813
Balance of unrecognized actuarial (gains)/losses	544	544
Other		
Provision at the balance sheet date	**-9,175**	**-9,269**
Breakdown of pension expense for the year – International		
Cost of services rendered (normal cost)	-156	-110
Interest cost	-381	-398
Amortization of actuarial (gains)/losses	-107	-482
Other		
Pension expense	**-645**	**-989**
Change in provision – International		
Provision at the start if the period	**-9,422**	**-4,482**
Expense for the year	-645	-989
Pensions or contributions paid by the employer	825	1,268
Change in scope of consolidation		-5,142
Other	67	-77
Provision at the balance sheet date	**-9,175**	**-9,422**
Key actuarial assumptions applied		
Discount rate	4.00%	4.00%
Increase in salaries	2.50%	2.50%
Inflation rate	2.00%	2.00%
Mortality table (Italy)	ISTAT M/F 2009	ISTAT M/F 2008
Retirement age	65 years old	65 years old
Retirement procedure	voluntary	voluntary

- Other information

- Sensitivity of France’s commitment as at Monday, December 31, 2012 to a change in the discount rate:
  - 2.40%: €15,990,000
  - 2.90%: €15,305,000
  - 3.40%: €14,669,000
- The median age of employees on permanent contracts in France is 42.06 years.
- The commitment at Monday, December 31, 2012 represents approximately 6% of the yearly wage bill for employees on permanent contracts.
- Fair value measurement of assets at December 31, 2012

Fair value at 12.31.2011	**836**
Expected return on assets	38
Benefits paid out in 2012	
Actuarial gains / (losses)	
Contributions paid by the employer	
Other	
Fair value of assets at 12.31.2012	**874**

Note 19 – Other provisions

- Non-current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at the start of the period	**1,687**	**865**	**4,710**	**7,263**
Allocations	40	1,387	1,948	3,376
Used	-559	-455	-2,634	-3,648
Write-backs		-29	-49	-78
Changes in the scope of consolidation	138	25	1,954	2,117
Reclassifications		110	28	139
Liabilities held for sale		106	181	287
Balance at the balance sheet date	**1,306**	**1,797**	**5,777**	**8,882**

Provisions for anniversary bonuses, recognized within non-current provisions (employee-related disputes), amounted to €465,000 as at December 31, 2012.

- Current provisions

In thousands of euros	Tax	Social	Other	Total
Balance at the start of the period	**66**	**759**	**1,239**	**2,064**
Allocations	106	2,162	3,856	6,124
Used	-54	-247	-122	-423
Write-backs		-34	-4	-38
Changes in the scope of consolidation				0
Reclassifications	-11	11	9	9
Liabilities held for sale		23	2,675	2,698
Balance at the balance sheet date	**107**	**2,629**	**2,302**	**5,039**

- Main risks and disputes

  Risks relating to operating disputes ("Other" column)

  Provisions for operating disputes mainly relate to care allocations.

  Allocations received under tripartite agreements are included in revenues.

  The amending decree of April 7, 2006 provided the possibility, when filing use-of-funds statements, of assigning surpluses to care allocations to the compensation reserve, thus showing income for the Company.

  Korian recognizes all income from use-of-funds statements under revenues and records a provision of surpluses to cover the risk of having the public authorities allocate the funds differently.

  The amount of the allocation for the year totaled -€287,000 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 December 31, 2012.

Employee-related disputes

The provisions recorded cover employee industrial tribunals and termination benefits. No single dispute on its own represents a significant amount.

Note 20 – Other payables and accruals

Trade payables and related accounts	12.31.2012	12.31.2011
Trade payables	126,994	114,635
Liabilities held for sale	3,182	149
Total	123,812	114,486

Other payables and accruals	12.31.2012	12.31.2011
Residents' deposits	26,812	30,914
Commitment to purchase minority interests	15,856	21,424
Fixed asset payables	20,236	10,002
Advances and down payments made on orders	916	876
Tax liabilities	58,403	52,444
Social security liabilities	94,653	90,012
Dividends payable	7	5
Other liabilities	42,068	19,572
Deferred income	44,608	46,704
Liabilities held for sale	7,130	2,770
Total	296,428	269,183

Note 21 – Categories of financial liabilities

The table below demonstrates the significance of financial instruments with respect to the Group's consolidated liabilities.

This table presents a breakdown of financial instruments recognized at fair value according to the valuation method. The various levels of fair value were defined as follows:

- level 1: quoted prices on an active market;
- level 2: observable inputs other than a quoted price on an active market (financial models);
- level 3: unobservable inputs.

	2012	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss		Cash flow hedging derivatives	Fair value valuation		
			Fair value hedging derivatives	Derivatives not eligible for hedge accounting		Level 1: active markets	Level 2: observable inputs	Level 3: unobservable inputs
NON-CURRENT LIABILITIES								
Loans with financial institutions	567,515	567,515						
Finance lease liabilities	96,628	96,628						
Employee shareholding	35	35,						
Other sundry financial liabilities	1,024	1,024						
Borrowings and financial liabilities	665,201	665,201						
CURRENT LIABILITIES								
Loans with financial institutions	42,102	42,102						
Finance lease liabilities	7,826	7,826						
Current bank borrowings	4,951	4,951						
Other sundry financial liabilities	4,662	4,662						
Borrowings due in less than one year and bank overdrafts	59,541	59,541						
Derivative instruments - liabilities	52,369	52,369	70	220	52,079		52,369	
Trade payables and related accounts	123,812	123,812						
Commitment to purchase minority interests	21,415	21,415						
Residents' deposits	26,812	26,812						
Other payables	248,202	248,202						
Other payables and accruals	296,428	296,428						

Note 22 – Personnel expenses

In thousands of euros	12.31.2012	12.31.2011
Wages and salaries	378,973	338,103
Social security charges	145,094	134,250
Employee shareholding	5,516	4,058
Other personnel expenses	1,571	5,606
Personnel expenses from discontinued operations		1,686
Personnel expenses	**531,153**	**480,332**

Note 23 – External expenses

External expenses amounted to €325,367,000 in 2012 and include property and equipment leasing charges of €137,705,000. External expenses amounted to €308,573,000 in 2011 and included property and equipment leasing charges of €125,405,000.

Within the context of the Italian scope, external expenses amounted to €109,555,000. This amount includes salary expenses invoiced by cooperatives.

Note 24 - Gains and losses on acquisitions and disposals of consolidated entities and other operating income and expenses

In thousands of euros	12.31.2012	12.31.2011
Acquisition costs of securities	-340	-3,182
Gains and losses on disposals of consolidated entities	300	-24
Gains and losses on acquisitions and disposals of consolidated entities	**-40**	**-3,206**

In thousands of euros	12.31.2012	12.31.2011
Gains and losses from disposals of premises	6,861	1,070
Share of capital gain on lease back	3,810	3,799
Capital gains or losses on disposals of non-current assets	-670	-1,900
Impact of bonus shares and stock options	-4	-32
Other operating expenses	-19,559	-9,311
Other operating income	3,991	3,820
Operating income from discontinued operations		-311
Total income (expenses)	**-5,572**	**-2,243**

Other operating expenses primarily include:

- reorganization and restructuring costs for €7.4 million;
- a loss from the sale of les Tilleuls, for which a provision of €2.7 million was recognized.

Note 25 – Net financial income excluding discontinued operations

In thousands of euros	12.31.2012	12.31.2011
Interest expense and other	-31,765	-31,990
Cost of gross debt	**-31,765**	**-31,990**
Gains or losses on disposals of investment securities	40	106
Cost of net debt	**-31,725**	**-31,883**
Discounting of retirement commitments	-585	-584
Dividends received from non-consolidated companies	43	59
Other income from investments	54	28
Other financial expenses	-2,319	-1,117
Fair value of financial instruments, ineffective portion	-148	-546
Fair value of financial instruments, trading impact	-18	0
Other financial income	337	912
Other charges for financial provisions	-7	-143
Other reversals of financial provisions	219	120
Financial income	**-34,149**	**-33,153**

Note 26 – Income tax

- Analysis of the tax expense

In thousands of euros	12.31.2012	12.31.2011
Current tax	-27,097	-21,816
Deferred taxes	316	1,360
Tax expense from discontinued operations		38
Corporate income tax expense (income)	**-26,781**	**-20,493**

In accordance with IFRS regulations, the tax amount at December 31, 2012 includes an expense of €8,068,000, corresponding to the calculation of the value-added contribution for businesses (*composante assise sur la valeur ajoutée*, or CVAE).

- Reconciliation between the actual tax expense and the theoretical tax expense

In thousands of euros	12.31.2012	12.31.2011
Net income (Group share)	23,175	22,436
Minority interests	2,577	3,135
Income from equity affiliates	14	158
Tax expense	26,781	20,493
Income before tax	**52,547**	**46,222**
Theoretical tax rate	34,43%	34,43%
Theoretical tax expense	**18,092**	**15,914**
Permanent differences	-353	-3,280
Impact of non-deductible financial costs	1,330	
Non-activated tax losses for the year		-175
Use of non-activated tax losses	116	103
Adjustment to prior year deferred taxes	-331	-265
Tax expense at reduced rate	413	60
Foreign companies' tax	193	558
Impact of CVAE net of tax in France	5,290	5,554
Impact of IRAP in Italy	2,029	1,705
Impact of one-off contribution	286	379
Difference between parent company / subsidiary tax rates	-285	-59
Actual tax expense	**26,781**	**20,493**
Effective tax rate	50.97%	44.34%

- Permanent differences

In thousands of euros	12.31.2012	12.31.2011
Other non-deductible and non-taxable income and expenses	-424	-1,686
Share of costs and expenses	150	111
Annual flat-rate tax and other adjustments	-79	0
Total	**-353**	**-1,575**

- Net change in deferred taxes

In thousands of euros	12.31.2012	12.31.2011
Balance at the start of the period	**210,647**	**192,222**
Expense (income)	-316	-1,360
Changes in the scope of consolidation	2,069	24,311
Charge to shareholders' equity	-2,598	-4,696
Other changes	-1,341	170
Assets and liabilities held for sale	11,610	1
Balance at the balance sheet date	**196,851**	**210,647**

- Breakdown of deferred taxes

In thousands of euros	12.31.2012	12.31.2011
Intangible fixed assets	217,685	213,591
Property, plant and equipment	13,666	12,710
Temporary CVAE differences	6,850	6,982
Financial instruments	-18,077	-15,415
Tax loss carryforwards	-6,415	-4,899
Pension provisions	-4,226	-3,342
Other provisions		
Other temporary differences	-4,712	-3,591,
Other assets / liabilities	3,690	4,613
Assets and liabilities held for sale	11,610	1
Total	**196,851**	**210,647**

Note 27 - Related-party transactions

- Administrative Services and Development Assistance Agreement

  Batipart Group and Korian Group have signed a service agreement, the purpose of which has been limited, by an amendment dated March 21, 2012, effective retroactively from January 1, 2012, to the legal administration of Korian SA, in return for the payment of a fixed sum of €50,000.

  The Board of Directors meeting held on December 5, 2012 terminated this agreement, with effect from November 6, 2012. Based on a shared agreement, the compensation received by Batipart under this agreement for 2012 was limited to €25,000.

- Compensation paid to administrative and management bodies

  Compensation paid to the administrative bodies

  The compensation for members of the administrative bodies for 2012 was as follows:

  - 2012 fixed compensation: €222,000.

  Compensation paid to the management bodies

  The compensation for members of the management bodies for 2012 was as follows:

  - 2012 fixed compensation: €505,000;
  - variable compensation: €241,000 (2011 bonus paid in 2012);
  - company car: €3,000.

  The amount of pension commitments provisioned for the benefit of the Chief Executive Officer amounted to €2,000.

  Directors' fees paid to members of the Board of Directors and other committees for 2012 amounted to €158,000.

Furthermore, the members of the Board and the committees are entitled to reimbursement, on production of receipts, of travel expenses incurred in order to attend board and committee meetings.

Note 28 - Commitments and contingent liabilities

- Disputes

To the best knowledge of the Company and its legal advisors, there is no dispute for which provisions have not been made and that is liable to have a significant impact on the Group's business, earnings or financial position.

- *Droit individuel à la formation* (French individual right to training – "DIF")

Pursuant to the provisions of Law No. 2004-391 of May 4, 2004 relating to professional training, permanent employees of the Group's French companies are individually entitled to 20 hours of training per year, which may be accumulated over a period of six years. At the end of this six-year period, and if some or all of the entitlement has not been used, the DIF is capped at 120 hours.

Number of hours accrued by employees as at December 31, 2012 (balance of the number of hours as at December 31 less hours already taken): 763,839 hours.

Note 29 - Commitments under leases

- Finance leases

In thousands of euros	12.31.2012	12.31.2011
Net book value of assets held under finance leases	115,094	108,373
Leasing commitments by maturity:		
less than one year	7,826	6,706
more than one year	33,563	30,624
more than five years	63,065	61,638
Total commitments	104,453	98,968
Discounting	29,930	28,736
Total present value of commitments	**74,524**	**70,232**

- Operating leases

In thousands of euros	12.31.2012	12.31.2011
Minimum non-cancelable lease payments due		
in less than one year	121,905	121,287
in between one and five years	453,218	431,733
in more than five years	628,108	564,181
Total undiscounted commitments	**1,203,232**	**1,117,200**

Note 30 – Share-based payments

- Bonus share plan

The bonus share plan implemented by the former Executive Board on August 28, 2007 expired on August 28, 2010.

In accordance with the plan, 95,957 shares were issued to its beneficiaries on August 28, 2010.

The shares are subject to a lock-up period of two years following the acquisition date.

Following the vesting of these shares, the company's share capital was increased in 2010 by a nominal amount of €479,785 through the issue of 95,957 new shares, each with a par value of €5.

- Purchase options

  Alongside this decision, the Executive Board received the approval of the extraordinary shareholders' meetings of June 21, 2007 and June 17, 2010 to grant Group employees and/or executives options conferring the right to subscribe to or purchase ordinary shares of the company, within the limit of 138,433 ordinary shares.

  The vesting period is two years (vested at August 28, 2009 and at the latest August 28, 2014 for the 2007 plan - maximum term of five years for the 2010 plan) and the shares are subject to a lock-up period of two years following the acquisition date.

  The valuation methods and criteria are identical to those of the bonus share plan described above.

	2012		2011	
	Options	Weighted average exercise price (euros)	Options	Weighted average exercise price (euros)
Options remaining at January 1	**94,000**		**101,442**	
Options granted				
Options exercised				
Options canceled and expired	17,000		7,442	
Options remaining at December 31	**77,000**		**94,000**	
Options exercisable at December 31	**77,000**		**94,000**	
Share price on the option exercise date				
Share price on the option grant date (granted during the year)				
Fair value of options granted during the year				
Impact on shareholders' equity (in thousands of euros)				

The fair value of options is calculated on the grant date using the Black & Scholes model. Subsequent changes in the fair value of the instrument are not taken into consideration.

The employer matching contribution implemented in 2006 for employees acquiring Korian shares was continued in 2012.

Fair value of options granted	2012	2011
Expected dividend yield	1.00%	1.00%
Expected volatility of the share	15.00%	15.00%
Risk-free interest rate	4.00%	4.00%
Expected option life (in years)	1	1

Note 31 – Operating segments

Operating segments at 12.31.2012	Total of all activities	Nursing homes	Healthcare	Italy	Germany
Revenues	**1,108,357**	**493,170**	**268,789**	**189,645**	**156,752**
EBITDAR*	**276,780**	**135,542**	**52,555**	**44,731**	**43,953**
	25.0%	27.5%	19.6%	23.6%	28.0%

Transfer from EBITDAR to operating income at December 31, 2012:

EBITDAR (excluding discontinued operations)	276,780
Head office EBITDAR	-2,083
External rents (excluding discontinued operations)	137,705
Depreciation, amortization and provisions	44,686
Gains and losses on disposals of consolidated entities	-40
Other operating income and expenses	-5,571
EBIT (operating income)	86,696

Operating segments at 12.31.2011	Total of all activities	Nursing homes	Healthcare	Italy	Germany
Revenues	**1,014,806**	**462,987**	**249,801**	**163,501**	**138,517**
EBITDAR*	**247,881** 24.4%	**126,877** 27.4%	**48,472** 19.4%	**36,337** 22.2%	**36,195** 26.1%

Transfer from EBITDAR to operating income at December 31, 2011:

EBITDAR (excluding discontinued operations)	247 881
Head office EBITDAR	-790
External rents (excluding discontinued operations)	125 205
Depreciation, amortization and provisions	37 062
Gains and losses on disposals of consolidated entities	-3 206
Other operating income and expenses	-2 243
EBIT (operating income)	79 374

** EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortization and Rent) = Gross operating surplus before rental expenses*

Note 32 - Dividends agreed and paid

	Per share (in euros)	Total (in thousands of euros)
Dividends paid in 2011 (2011 financial year)	0.60	5,083
Dividends proposed at the annual general meeting (2012 financial year)	0.60	20,481*

**Amount for all existing shares at December 31, 2012, including treasury shares.*

Note 33 – Statutory Auditors' fees

Pursuant to decree No. 2008-1487 of December 30, 2008, the table below sets out the Statutory Auditors' fees for 2012 for all of the Group's companies.

	MAZARS				ERNST & YOUNG			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2012	2011	2012	2011	2012	2011	2012	2011
Statutory Audit								
Certification, review of individual and consolidatedfinancial statements:								
Issuer	252	252	19%	18%	252	252	37%	27%
Fully consolidated companies	1,105	1,182	81%	82%	423	422	63%	45%
Other work and services directly related to the work of the statutory auditors						258		*28%*
Sub-total	*1,357*	*1,434*	*100%*	*100%*	*674*	*932*	*100%*	*100%*
Other services								
Sub-total								
Total	**1,357**	**1,434**	**100%**	**100%**	**674**	**932**	**100%**	**100%**

Note 34 - Post-balance sheet events

Since January 1, 2013, Korian has completed the following transactions:

- on December 10, 2012, Korian Deutschland AG, a newly created company that is wholly-owned by Korian SA, informed Curanum AG of its decision to launch a takeover bid for the Curanum Group. The takeover bid was made based on a price of €2.5 million. Korian submitted its documents pertaining to the offer to BaFin (the German Federal Financial Supervisory Authority) as required by law, and published its takeover bid on January 21, 2013. The initial subscription period was completed on March 4 and led to 78% of the securities being contributed to or acquired by Korian. The securities were formally settled and delivered on March 12. The Curanum Group is the second largest operator in the lucrative private market for retirement homes in Germany with 10,150 beds spread out over 77 facilities. As at the end of 2012, it had 7,124 employees and is mainly active in the states of North Rhine-Westphalia, Hesse and Bavaria. In 2012, it posted €289 million in revenues for an EBITDAR of €88.1 million (30.5%) and EBITDA of €32.2 million. Curanum is listed on the Frankfurt stock exchange and is owned by several financial investors, including Triton and Audley Capital. It has been led by Walther Wever since 2010. The Supervisory Board and the Executive Board of Curanum AG have indicated that such an operation made sense from a strategic standpoint. Curanum AG has thus been consolidated in Korian's accounts since March 1, 2013;
- increase from 60 to 100% on the two remaining operating companies of Seniors Santé.

Note 35 - List of Group companies

Corporate name	12.31.12 % control	12.31.12 % interest	12.31.11 % control	12.31.11 % interest	Method	Head office
KORIAN SA	100.00%	100.00%	100.00%	100.00%	Parent Co.	32 rue Guersant, F- 75017 Paris
Medidep Foncier	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN VILLA JANIN	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SOCIETE IMMOBILIERE JANIN	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN SANTE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
ABILONE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SCI KORIAN IMMOBILIER	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
JONGKIND	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SANTE-MARKETING ET STRATEGIE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LA MOULINIERE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F-25870 DEVECEY
CHATEAU DE OUEZY	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
KORIAN PARTENAIRE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SCI LA SOURCE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
PRIVATEL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
HOLDING HOSPITALIERE DE TOURAINE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KOVEST 37	100.00%	100.00%	0.00%	0.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
SOGESCO - SOCIETE DE GESTION ET CONSEILS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LE NORD COTENTIN	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CENTRE WILLIAM HARVEY	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
HOLDING AUSTRUY BUREL	99.16%	99.16%	99.16%	99.16%	FC	Allée de Roncevaux, F- 31240 L'UNION
SOCIETE DE PARTICIPATION CLINIQUE JEANNE D'ARC	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
PB EXPANSION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
REACTI MALT	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
HOLDING MIEUX VIVRE	50.00%	50.00%	50.00%	50.00%	PC	109, av Renoir, F-06520 MAGAGNOSC

Corporate name	12.31.12 % control	12.31.12 % interest	12.31.11 % control	12.31.11 % interest	Method	Head office
SOGEMARE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
AUGUSTE GAL GESTION	100.00%	100.00%	0.00%	0.00%	FC	Zone Industrielle, F- 25870 DEVECEY
MOUGINS GESTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
OLLIERES GESTION	100.00%	100.00%	0.00%	0.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN LE CLOS MYRAMIS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LA BASTIDE DE LA TOURNE	99.92%	99.92%	99.92%	99.92%	FC	Zone Industrielle, F- 25870 DEVECEY
LE CHÂTEAU	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SARL RESIDENCE FRONTENAC	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN LE BASTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LES LUBERONS	99.90%	99.90%	99.90%	99.90%	FC	Zone Industrielle, F- 25870 DEVECEY
RESIDENCE PERIER	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
PERIER RETRAITE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
VAUVENARGUES GESTION	100.00%	100.00%	0.00%	0.00%	FC	Zone Industrielle, F- 25870 DEVECEY
VEPEZA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LA REINE MATHILDE	100.00%	100.00%	0.00%	0.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LA NORMANDIE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
RESIDENCE LES AJONCS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN JARDIN DE L'ANDELLE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
L'ERMITAGE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN NYMPHEAS BLEUS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN VILLA EVORA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN LA ROSERAIE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN MAS DE LAUZE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SCI BADERA	62.00%	62.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
ALSACE SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY

Corporate name	12.31.12 % control	12.31.12 % interest	12.31.11 % control	12.31.11 % interest	Method	Head office
KORIAN VILLA ORTIS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
VILLA BONTEMPS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
DOMAINE DE LA BRANEYRE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
RESIDENCES DU CANAL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SOCIETE D'EXPLOITATION HOME SAINT GABRIEL	99.16%	99.16%	99.16%	99.16%	FC	Zone Industrielle, F- 25870 DEVECEY
LES ISSAMBRES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LE RAYON D'OR	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
ACCUEIL MEUNIERES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LES AMARANTES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
CHAMTOU	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SOCIETE GERONTOLOGIQUE DU CENTRE OUEST - SGCO	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SOCIETE HOSPITALIERE DE TOURAINE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN VILLA D'ALBON	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
ORION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
POULIGUEN GESTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
POULIGUEN	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
CHATEAU DU MARIAU	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SCI LE TEILLEUL	60.00%	60.00%	0.00%	0.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN LE DIAMANT	100.00%	100.00%	0.00%	0.00%	FC	Zone Industrielle, F- 25870 DEVECEY
COMPAGNIE FONCIERE VERMEILLE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
BELLECOMBE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
KORIAN LES ARCADES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
RESIDENCE MAGENTA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
VILLA SAINT DOMINIQUE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LE CLOS CLEMENT 77 - RESIDENCE DU BOIS CLEMENT	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY

Corporate name	12.31.12 % control	12.31.12 % interest	12.31.11 % control	12.31.11 % interest	Method	Head office
KORIAN BRUNE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN LES LILAS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SAINT CYR GESTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
L'AUBIER DE CYBELE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F-25870 DEVECEY
L'AUBIER DE CYBELE GESTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
REANOTEL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN LA MAGDELEINE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN FLORIAN CARNOT	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
MEUDON-TYBILLES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F-25870 DEVECEY
VILLA RENAISSANCE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LES LIERRES GESTION	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F-25870 DEVECEY
KORIAN VILLA ST HILAIRE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
RESIDENCE LES ACACIAS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
L'AIR DU TEMPS RESIDENCES STRASBOURG ROBERTSAU	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LES HAUTS D'ANDILLY	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
ATRIA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LES BEGONIAS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LA REINE BLANCHE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LES BLES D'OR	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LES TEMPS BLEUS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
CARLOUP SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LE CASTELLI	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LES FONTAINES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
ISERE SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F-25870 DEVECEY
A LA VILLA KREISSER	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY

Corporate name	12.31.12 % control	12.31.12 % interest	12.31.11 % control	12.31.11 % interest	Method	Head office
LAFFITTE SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
S.C.I. LE MAIL IMMOBILIER	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LE MAIL SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
MASSENET SANTE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
MEDOTELS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
RESIDENCE FREDERIC MISTRAL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN CLOS DES VIGNES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN VILLA PAPYRI	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN VILLA D'AZON	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN PIERRE LHOMME	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN LES CASSISSINES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN VILLA SPINALE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN L'ASTREE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN LA FONTANIERE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
GEM VIE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SOCIETE D'ETUDES ET DE REALISATIONS POUR LE NOUVEL AGE SERENA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN AU FIL DU TEMPS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN PLAISANCE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN SAVERNE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN VAL DES SOURCES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN VILL'ALIZE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN L'ESCONDA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LE PETIT CASTEL	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
PEROU	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LES PINS BLEUS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY

Corporate name	12.31.12 % control	12.31.12 % interest	12.31.11 % control	12.31.11 % interest	Method	Head office
RESIDENCE DE PONTLIEUE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
HOMERE HOTELLERIE MEDICALISEE RETRAITE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LA SAISON DOREE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SAINT FRANCOIS DE SALES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
LES TILLEULS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SARL VILLANDIERES NIMES	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
CLINIQUE DE SOINS DE SUITE ET READAPTATION CHATEAU DE GLETEINS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F-31240 L'UNION
LA PINEDE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F-31240 L'UNION
CHATEAU DE LA VERNEDE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux 31240 L'UNION
LES DEUX TOURS MAISON DE CONVALESCENCE SPECIALISEE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
KORIAN LES OLIVIERS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CENTRE DE READAPTATION FONCTIONNELLE DE CAEN	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CLINIQUE CARDIOLOGIQUE DE GASVILLE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CENTRE DE REPOS ET DE CONVALESCENCE L'AQUITANIA	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CLINIQUE DE MEDECINE PHYSIQUE ET DE READAPTATION FONCTIONNELLE “LES GRANDS CHENES”	100.00%	100.00%	100.00%	100.00%	FC	40-52 rue Stéhélin, F- 33200 BORDEAUX
LES FLOTS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
MAISON DE REPOS SPECIALISEE SOCIETE DU CHATEAU CHAVASSE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
LATITUDE	100.00%	100.00%	100.00%	100.00%	FC	40-52 rue Stéhélin, F- 33200 BORDEAUX
PS3	100.00%	100.00%	100.00%	100.00%	FC	40-52 rue Stéhélin, F- 33200 BORDEAUX
IMMO 2	100.00%	100.00%	100.00%	100.00%	FC	40-52 rue Stéhélin, F- 33200 BORDEAUX
LE BELVEDERE	100.00%	100.00%	100.00%	100.00%	FC	Quartier de l'Océan, F- 40530 LABENNE
CLINIQUE MAYLIS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CENTRE MEDICAL INFANTILE MONTPRIBAT	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CENTRE DE REEDUCATION FONCTIONNELLE DE SIOUVILLE	99.83%	99.83%	99.83%	99.83%	FC	Allée de Roncevaux, F- 31240 L'UNION

Corporate name	12.31.12 % control	12.31.12 % interest	12.31.11 % control	12.31.11 % interest	Method	Head office
CLINIQUE NAPOLEON	100.00%	100.00%	100.00%	100.00%	FC	Allée de Christus, F- 40990 SAINT PAUL LES DAX
SCI NAPOLEON	100.00%	100.00%	100.00%	100.00%	FC	Allée de Christus, F- 40990 SAINT PAUL LES DAX
CENTRE DE REEDUCATION FONCTIONNELLE DE SIOUVILLE	99.83%	99.83%	99.83%	99.83%	FC	Allée de Roncevaux, F- 31240 L'UNION
LE BREVENT	98.47%	98.47%	98.47%	98.47%	FC	Allée de Roncevaux, F- 31240 L'UNION
LE MONT BLANC	99.16%	99.16%	99.16%	99.16%	FC	Allée de Roncevaux 31240 L'UNION
CLINIQUE DU CANAL DE L'OURCQ	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CLINIQUE MEDICALE D'YMARE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CLINIQUE PSYCHIATRIQUE DU PAYS DE SEINE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
KORIAN LA GUYONNE	99.90%	99.90%	99.90%	99.90%	FC	Allée de Roncevaux, F- 31240 L'UNION
HAD YVELINES SUD	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
SOCIETE NOUVELLE DE LA CLINIQUE DU MESNIL	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F-31240 L'UNION
CENTRE DE SOINS DE SUITE DE SARTROUVILLE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CENTRE DE PNEUMOLOGIE ET DE REEDUCATION RESPIRATOIRE DE LA SAINTE BAUME "C.P.R.R."	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
OREGON	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
SOCIETE D'EXPLOITATION DE LA CLINIQUE MEDICALE DE SAINT COME A JUVISY	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CLINIQUE DE SACLAS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
SOCIETE CLINIQUE DE SOINS DE SUITE DE NOISY LE SEC	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CLINIQUE DE LIVRY SULLY	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CLINIQUE JEANNE D'ARC	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
SOCIETE D'EXPLOITATION DE LA CLINIQUE DU PERREUX	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
NEWCO BEZONS	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
CLINIQUE DE CONVALESCENCE DU CHATEAU DE CLAVETTE	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
SERIENCE SOINS DE SUITE ET DE READAPTATION	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION

Corporate name	12.31.12 % control	12.31.12 % interest	12.31.11 % control	12.31.11 % interest	Method	Head office
SARL DE BIOUX SANTE	100.00%	100.00%	100.00%	100.00%	FC	Rue du 8 mai 1945, F-71850 CHARNAY LES MACON
THALATTA	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, F- 31240 L'UNION
LA PETITE MADELEINE	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
RESIDENCE LES AINES DU LAURAGAIS	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
GRAND'MAISON	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
KORIAN PASTORIA	100.00%	100.00%	100.00%	100.00%	FC	Zone Industrielle, F- 25870 DEVECEY
SOCIETE DE GESTION DE CLINIQUES DU DOMAINE DE VONTES	100.00%	100.00%	100.00%	100.00%	FC	Allée de Roncevaux, FR- 31240 L'UNION
PHÖNIX Seniorenzentren Beteiligungsgesellschaft mbH	100.00%	100.00%	100.00%	100.00%	FC	Reichskanzler-Müller-Straße 21 D-68165 Mannheim
KORIAN DEUTSCHLAND	100.00%	100.00%	0.00%	0.00%	FC	Reichskanzler-Müller-Straße 21 D-68165 Mannheim
SEGESTA	100.00%	100.00%	100.00%	100.00%	FC	Viale Cassala 16 I-20143 Milano

5.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Dear Shareholders,

In accordance with the terms of our appointment by your Annual Shareholders' Meetings, we hereby submit to you our report on the financial year ended December 31, 2012, on:

- the audit of the consolidated financial statements of the Korian Group, as attached to this report;
- the basis for our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. It is our role, based on our audit, to express an opinion on these financial statements.

I - Opinion on the consolidated financial statements

We have 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 that the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the accounting principles used, the accounting estimates made and the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We hereby certify that the consolidated financial statements, in accordance with International Financial Reporting Standards as adopted in the European Union, give a true and fair view of the assets, financial position and income of all of the persons and entities included within the scope of consolidation.

II - Basis for our assessments

In accordance with the provisions of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- Your group carries out impairment tests on the value of intangible fixed assets and property, plant and equipment, as described in Note 1.10 to the financial statements. We have reviewed the implementation methods of these impairment tests and we are satisfied that sufficient provisions were made.
- Note 1.5 to the financial statements describes the accounting treatment adopted for put options granted to minority shareholders of certain consolidated subsidiaries in the absence of any specific provisions on this topic under IFRS as adopted in the European Union. We are satisfied that this accounting treatment was applied correctly and we have assessed the approaches taken by your company to assess debt and goodwill based on the information currently available.
- Note 1.7 to the financial statements describes the method used to determine the fair value of licenses in France and Italy. We are satisfied that these methods were correctly applied to acquisitions made during the year.
- Note 1.14 to the financial statements indicates that your group uses derivative instruments recognized at their fair value. In order to determine this fair value, your group uses valuation techniques based on market parameters. We have analyzed the data and assumptions used to make these estimates and reviewed the calculations carried out by experts and the documentation available for financial derivatives classified as cash flow hedges.

The assessments were performed as part of our audit of the consolidated financial statements, taken as a whole, and thus contributed to the formation of our opinion expressed in the first part of this report.

III – Specific verification

In accordance with professional standards applicable in France and as required by law, we also verified the information pertaining to the Group presented in the management report.

We have no observations to make as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La-Défense and Courbevoie, April 23, 2012

The Statutory Auditors

Ernst & Young et Autres	Mazars
Benoît Gillet	Isabelle Sapet

CHAPTER 6. ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31, 2012

6.1 ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31, 2012

Individual accounting documents

(unless otherwise indicated, all monetary data is expressed in thousands of euros/€k).

Balance sheet

ASSETS	12.31.2012	12.31.2011
Intangible fixed assets	309,917	309,800
Property, plant and equipment	3,485	2,858
Long-term financial assets	578,896	543,014
Of which equity interests	578,270	542,381
Total fixed assets	**892,298**	**855,672**
Advances and down payments made on orders	13	125
Trade receivables	3,263	3,608
Other receivables	370,310	402,298
Cash assets	9,412	723
Marketable securities	131,569	16,925
Prepaid expenses	865	750
Total current assets	**515,432**	**424,429**
Total assets	**1,407,730**	**1,280,101**

LIABILITIES	12.31.2012	12.31.2011
Share capital	170,204	163,594
Share premiums	284,949	277,097
Legal reserve	16,359	16,100
Retained earnings	18,874	29,593
Other reserves	128,516	128,516
Income	24,888	9,086
Regulated provisions	4,621	3,936
Net position	**648,411**	**627,922**
Provisions for risks and charges	2,004	903
Other bond issues	37,648	-
Loans with financial institutions	525,111	490,741
Borrowings and other liabilities	175,714	148,460
Trade payables	4,838	4,361
Social and tax liabilities	12,198	7,292
Fixed asset payables	1,156	337
Other payables	158	85
Total trade payables	**756,823**	**651,276**
Deferred income	492	
Total liabilities	**1,407,730**	**1,280,101**

Income statement

	12.31.2012	12.31.2011
Operating income		
Goods sold		
Revenues	**36,031**	**32,418**
Capitalized production	1,107	814
Operating subsidy	8	9
Reversals of provisions and transfers of expenses	539	2,016
Other income	10	-
Total	**37,695**	**35,257**
Operating expenses		
Goods purchased		
Other external purchases and expenses	16,360	14,165
Taxes and duties	1,519	1,655
Salaries	18,012	16,616
Social security charges	8,166	7,630
Allocations		
- **depreciation and amortization of assets**	3,836	2,829
- **on current assets**		
- **provisions for risks and charges**	1,170	52
Other expenses	387	365
Total	**49,450**	**43,312**
Operating income	**-11,755**	**-,8,055**
Financial income	59,644	36,020
Financial expenses	31,328	30,733
Financial income	**28,316**	**5,287**
Current income	**16,561**	**-2,768**
Non-recurring income	813	13
Non-recurring expenses	3,529	4,051
Non-recurring income	**-2,716**	**-4,038**
Income tax	-11,043	-15,892
Net income	**24,888**	**9,086**

Notes to the individual financial statements at December 31, 2012

Accounting rules and methods

The individual financial statements have been prepared in accordance with basic accounting principles:

- prudence;
- consistency of accounting methods from one period to the next;
- separation of accounting periods;
- going concern principle;

and in accordance with general guidelines for the preparation and presentation of individual financial statements taken from the French General Accounting Plan 1999.

The basic method chosen for valuing items recorded in the financial statements is the historical cost method.

Main methods used

- Intangible fixed assets

Assets are recognized at their acquisition cost, which consists of a purchase price plus all directly associated costs. Software licenses are capitalized and amortized over a period of five years. Software acquired is capitalized and amortized over a period of three years, whereas standalone software (developed internally) is capitalized and amortized over a period of five years.

The technical loss arising from Korian's merger with Medidep in 2006 (initial value €317 million) was capitalized in account 20700000 "Goodwill" and allocated off the balance sheet pro rata on the basis of the value of the associated equity investments.

The value in use of the goodwill is reviewed annually.

The need to recognize an impairment is assessed by comparing the book value of the goodwill against its value in use.

The book value of the goodwill and investments is compared against their value in use. This value in use is equal to the share of equity plus net discounted cash flow (DCF).

When an impairment is recognized, a provision for impairment is made for the goodwill in order to adjust its book value to its value in use. This value in use is determined by combining the facilities of each activity existing on the merger date.

- Property, plant and equipment

Assets are recognized at their acquisition cost, which consists of a purchase price plus all directly associated costs.

The amortization calculated according to the straight-line method, using standardized rates throughout the Group, is determined by reference to the following useful lives:

- building fixtures (depending on the component) .... 7 to 50 years
- industrial equipment .... 5 years
- furniture and office equipment........ 10 years
- IT hardware .... 3 years
- transportation equipment .... 5 years

- Shareholdings and other long-term securities

Investments are valued at acquisition cost. If this value is greater than the value in use, a provision for impairment is recorded for the difference.

The value in use is the share of equity accounted for by the investments, adjusted to reflect the benefits of these companies for the Group and future net discounted cash flows (DCF). These cash flows are defined according to the following principles:

- cash flows (pre-tax) derive from the medium-term business plan approved by the Board of Directors;
- the discount rate of 7% is determined according to the average weighted cost of the Group's capital;
- the terminal value is calculated by totaling discounted cash flows to infinity, determined on the basis of a flow and a perpetuity normative flow and a growth rate of 2.5%. This growth rate is in line with the potential growth of the markets in which the Group operates and its competitive positions therein;

- Receivables

Receivables are valued at their nominal value. A provision for impairment is made, where necessary, to take account of collection difficulties that have arisen or may arise.

This item takes Group current account receivables into consideration, the payment of which is calculated based on daily scales at the rate of 3.39%, i.e. the tax-deductible rate.

- Marketable securities

Marketable securities are valued at their acquisition cost or market value, whichever is lower. Treasury shares held to regulate the share price are recognized at their acquisition cost. A provision for impairment is recorded where the market value is lower than the acquisition cost.

- Cash

Cash is comprised of bank balances.

In the last quarter of 2007, a direct cash pooling agreement was signed by Korian and most of the Group's French companies, making Korian the Group's central treasury. This cash pool covers seven banks.

- Currency risk

All financial flows are concentrated in the eurozone.

- Interest rate risk

Korian's borrowing is primarily variable-rate and hedged by derivatives.

- Borrowing costs

Borrowing costs are recognized in external expenses in 2012, according to the type of expense. These expenses were recognized as financial expenses until 2011.

Highlights of the year

- Korian SA capital increase

When dividends were paid out in 2012, shareholders able to choose between receiving the payment in cash or in new shares, at the issue price of €10.97. This operation increased Korian SA's share capital by the nominal amount of €6,610,335 through the issue of 1,322,067 shares on July 24, 2012.

Following this decision, Korian SA's share capital rose to €170,204,140, divided into 34,040,828 fully paid-up shares, all of the same category and each with a par value of €5.

- Acquisitions

Korian acquired additional investments in companies belonging to the Seniors Santé group, for a total of €6.8 million. Korian SA wholly owns Mougins Gestion, Saint Cyr Gestion and Pouliguen and 60% of Vauvenargues Gestion.

Additionally, following the non-repayment of debt by Beaulieu Patrimoine, Korian SA pledged 90% of the shares of Ollières Gestion and 70% of the shares of Auguste Gal, which brought the holding up to 100%. The appraised value of these shares has not yet been determined.

- Creations

As part of a partnership with Caisse des Dépôts et Consignations, Korian participated in the formation of SCI le Teilleul, contributing €1,650,000, i.e. 60% of the capital.

With the goal of emphasizing its growth in Germany, Korian created a German subsidiary, Korian Deutschland AG, for €50,000 in shares.

- Disposal

Korian SA sold its shares in Demeure St Clair. This transaction generated a capital gain of €161,000.

- Bond issue

On December 3, 2012, Korian subscribed to a bond issue for €37,500,000, maturing on December 5, 2018.

- Governance

The Annual Shareholders' Meeting held on March 21, 2012 decided to adopt a Board of Directors governance model and, accordingly, proceeded with the appointment of directors. The composition of the Company's new Board of Directors is largely identical to that of its Supervisory Board approved at the end of the 2011 financial year. It is thus comprised of the following 12 members: Christian Chautard; Charles Ruggieri; Jérôme Grivet; Jean-Jacques Duchamp; Monroe SA, represented by Julien Ruggieri; Malakoff Médéric Assurances, represented by Hugues du Jeu[17]; MACSF Epargne Retraite, represented by Marcel Kahn; ACM Vie SA, represented by Pierre Bieber, Jacques Ambonville; Jean Castex; Catherine Chouard; Jean-Paul Thonier.

The Board of Directors, which met after the aforementioned shareholders' meeting, also opted to separate the positions of Chairman of the Board of Directors and Chief Executive Officer. In accordance with the decision taken by the Board of Directors on March 21, 2012, this separation of functions came into effect on April 30, 2012[18], the date on which Mr. Yann Coléou assumed the role of Chief Executive Officer.

The Annual Shareholders' Meeting held on March 21, 2012 also decided, as part of the implementation of the new corporate governance model, to appoint Jean-Claude Georges-François as an observer.

[17] Since September 11, 2012, the position of permanent representative of Malakoff Médéric Assurances on the Korian Board of Directors has been carried out by Mr. Hugues du Jeu in replacement of Mr. Guillaume Sarkozy.

[18] As from March 21, 2012, Mr. Christian Chautard, Chairman of the Board of Directors, combined the positions of Chairman of the Board of Directors and Chief Executive Officer.

Main balance sheet items and income statement

- Assets and amortization

Assets	12.31.2011	Acquisitions	Disposals	12.31.2012
Licenses, patents and similar rights	13,864	4,320		18,184
Intangible fixed assets in progress	2,238	669	2,201	706
Goodwill (technical merger loss)	315,060			315,060
General facilities	1,239	281	37	1,483
Transportation equipment	-			-
Office equipment	6,153	1,541	10	7,684
Property, plant and equipment in progress	-			-
Down payments on assets	-			-
Equity interests and related receivables	547,265	37,438	1,419	583,284
Other long-term financial assets	633	33	40	626
Total	**886,452**	**44,282**	**3,707**	**927,027**

Amortization	12.31.2011	Allocations	Write-backs	12.31.2012
Licenses, patents and similar rights	5,822	2,675		8,497
General facilities	406	102	7	501
Transportation equipment	-			-
Office equipment	4,128	1,059	5	5,182
Total	**10,356**	**3,836**	**12**	**14,180**

Provisions	12.31.2011	Allocations	Write-backs	12.31.2012
On equity investments	4,884	344	214	5,014
On technical loss	15,540	-	4	15,536
On loans	-		-	-
Total	**20,424**	**344**	**344**	**20,550**

Amortizations were recognized under operating expenses. The adjustments to the provisions for loans and equity interests were recognized under financial income.

The adjustments to the provisions for the technical loss were recognized under non-recurring income and expenses.

The “other fixed assets in progress” item corresponds to capitalized production and service provider costs for the development of internal software packages.

- Equity investments

Korian SA is the parent company of the Korian Group. It holds shares in the companies listed in the table below (amounts in €).

Name	No. of shares held	No. of shares of the subsidiary	% interest	Gross value of shares	Net value of shares	Share capital	Net income for FY	Net financial position excl. capital	Dividends received	Group loans and advances
AUBIER DE CYBELE	3,900	3,900	100.00%	13,019,688	13,019,688	414,000	342,415	1,198,105	0	0
AUGUSTE GAL GESTION	50,020	50,020	100.00%	1,117,733	1,117,733	938,200	-223,883	-2,138,281	0	1,386,338
HHT	2,520	2,520	100.00%	1,551,438	1,551,438	40,320	95,165	121,081	168,000	4,359,264
KORIAN BROCÉLIANDE	3,700	3,700	100.00%	1,237,000	1,237,000	37,000	-88,685	-73,396	0	404,944
KORIAN BRUNE	500	500	100.00%	1,522,641	1,522,641	38,500	937,696	3,925,638	600,000	0
KORIAN C.3.S	3,700	3,700	100.00%	37,000	37,000	37,000	400,509	814,700	150,000	397,492
KORIAN CANAL de l'OURCQ	3,700	3,700	100.00%	37,000	37,000	37,000	-500,643	-6,037,212	0	9,897,602
KORIAN CHAMPGAULT	4,000	4,000	100.00%	7,348,043	7,348,043	152,000	3,460,780	4,454,761	5,700,000	0
KORIAN DEUTCHLAND	50,000	50,000	100.00%	50,000	50,000	50,000	0	0	0	5,410,874
KORIAN FLORIAN CARNOT	8,500	8,500	100.00%	1,447,554	1,447,554	136,000	620,676	2,337,842	400,000	0
KORIAN GLETEINS	6,250	6,250	100.00%	4,817,375	4,817,375	100,000	171,473	493,348	180,000	0
KORIAN GRAND MAISON	2,500	2,500	100.00%	706,990	706,990	38,112	200,965	366,882	0	0
KORIAN IMMOBILIER	200	200	100.00%	3,203	3,203	3,049	675,876	-138,566	0	29,145,938
KORIAN JARDIN de L'ANDELLE	500	500	100.00%	2,434,204	2,434,204	37,000	108,551	148,492	0	2,889
KORIAN JONCS MARINS	2,500	2,500	100.00%	38,127	38,127	38,112	559,149	1,913,530	400,000	0
KORIAN LA LILARDIERE	3,020	3,020	100.00%	9,415,884	9,415,884	298,980	117,622	426,503	500,000	2,174,362

KORIAN LA MAGDELEINE	382	382	100.00%	38,200	38,200	38,200	243,747	499,450	306,000	0
KORIAN LA MARE Ô DANS	2,200	2,200	100.00%	5,395,662	5,395,662	38,570	-230,041	236,628	0	892,857
KORIAN LA MARETTE	1,000	1,000	100.00%	2,016,779	2,016,779	701,000	1,059,554	3,987,687	650,000	0
KORIAN LA PINÈDE	250	250	100.00%	38,115	38,115	38,250	21,590	286,530	125,000	10,657
KORIAN LA ROSERAIE	504	504	100.00%	1,746,420	1,746,420	40,320	-45,579	185,044	100,000	0
KORIAN LE BOIS CLEMENT	2,500	2,500	100.00%	304,898	304,898	38,112	186,181	531,893	100,000	0
KORIAN LE JARDIN	2,500	2,500	100.00%	2,588,097	2,588,097	40,000	-137,451	-178,232	0	2,162,412
KORIAN LE MARIAU	300	300	100.00%	1,356,725	1,356,725	45,735	-195,111	15,349	145,000	0
KORIAN LE PONT	6,966	6,966	100.00%	213,582	213,582	111,456	290,344	1,348,614	250,000	0
KORIAN LE RAYON D'OR	2,500	2,500	100.00%	620,000	620,000	38,076	154,175	446,815	50,000	0
KORIAN L'ERMITAGE	1,000	1,000	100.00%	1,143,368	1,143,368	38,112	153,150	26,413	0	0
KORIAN LES AMARANTES	4,000	4,000	100.00%	3,804,490	3,804,490	446,291	412,075	496,189	216,825	0
KORIAN LES ARCADES	504	504	100.00%	2,326,040	2,326,040	40,320	586,621	2,512,022	400,000	0
KORIAN LES DEUX TOURS	250	250	100.00%	2,058,062	2,058,062	38,250	99,785	722,554	0	384,121
KORIAN LES HORIZONS	1,700	1,700	100.00%	1,454,248	1,454,248	42,500	304,512	-192,378	0	857,079
KORIAN LES ISSAMBRES	63,282	63,282	100.00%	2,495,000	2,495,000	964,728	344,297	993,898	200,000	0
KORIAN LES LILAS	504	504	100.00%	2,036,555	2,036,555	40,320	628,697	2,590,146	300,000	0

KORIAN LES NOES	382	382	100.00%	38,200	38,200	38,200	120,993	500,731	100,000	669,531
KORIAN LES OLIVIERS	1,000	1,000	100.00%	4,608,437	4,608,437	304,898	140,769	4,062,666	180,000	0
KORIAN LES TROIS SAPINS	500	500	100.00%	377,000	377,000	37,000	81,391	361,209	155,000	0
KORIAN MAGENTA	500	500	100.00%	1,524,490	1,524,490	40,000	1,027,926	3,610,534	200,000	0
KORIAN MARISOL	2,500	2,500	100.00%	5,596,000	4,977,620	38,200	139,634	674,909	176,000	1,077,996
KORIAN MAYLIS	10,50 0	10,500	100.00%	1,648,500	1,648,500	483,000	79,890	132,551	150,000	0
KORIAN MONTPRIBAT	2,505	2,505	100.00%	5,640,614	5,640,614	38,188	281,137	-465,730	0	2,036,610
KORIAN PARC DE GASVILLE	2,500	2,500	100.00%	4,079,378	4,079,378	37,500	-98,858	-680,776	0	1,149,963
KORIAN PARTENAIRE	500	500	100.00%	5,000	5,000	5,000	-9,987	-20,040	0	12,416
KORIAN PAYS DE SEINE	4,000	4,000	100.00%	1,030,924	1,030,924	40,000	490,498	2,148,344	200,000	0
KORIAN ROGER SALENGRO	2,500	2,500	100.00%	38,112	38,112	38,112	418,396	915,853	200,000	336,203
KORIAN SANTE	4,000	4,000	100.00%	8,000,920	8,000,920	60,980	-1,634,286	-2,017,388	0	32,238,200
KORIAN SULLY	3,500	3,500	100.00%	3,685	3,685	140,000	339,214	2,325,971	250,000	0
KORIAN VILLA EVORA	504	504	100.00%	1,890,266	1,890,266	40,320	341,331	544,902	0	0
KORIAN VILLA JANIN	100	100	100.00%	855,892	855,892	7,500	-217,794	-155,703	0	34,357
KORIAN VILLA ORTIS	5,000	5,000	100.00%	1,710,000	1,710,000	76,225	140,950	266,170	70,000	0
KORIAN WILLIAM HARVEY	4,000	4,000	100.00%	3,048,980	3,048,980	308,000	665,713	4,746,320	300,000	0

KORIAN YVELINES SUD	3,700	3,700	100.00%	37,000	37,000	37,000	547,930	834,497	1,035,000	0
KOVEST 37	100	100	100.00%	1,000	1,000	1,000	0	0	0	0
LA MOULINIERE	100	100	100.00%	1,996,919	372,315	76,225	-41,224	296,090	0	0
LA NORMANDIE	2,500	2,500	100.00%	584,388	584,388	38,112	-30,115	-782,978	0	0
LE POULIGUEN	1,000	1,000	100.00%	8,834,928	8,834,928	528,000	159,683	1,835,588	0	2,359,759
MEDIDEP FONCIER	500	500	100.00%	7,500	7,500	7,500	1,440,047	2,064,979	1,400,000	0
MEDOTELS	73,763	73,763	100.00%	149,254,402	149,254,402	1,124,886	25,190,166	138,902,396	23,000,000	76,611,524
MOUGINS GESTION	25,000	25,000	100.00%	5,908,228	5,908,228	600,000	280,927	-248,119	0	345,391
NORD COTENTIN	15,000	15,000	100.00%	10,637,761	10,637,761	915,000	495,650	600,305	200,000	0
OLLIERES GESTION	20,000	20,000	100.00%	306,901	306,901	218,000	-1,321,323	-2,579,897	0	3,161,386
PHONIX	5	5	100.00%	136,354,144	136,354,144	5,000,000	782,813	44,433,477	0	0
SA PRIVATEL	23,400	23,400	100.00%	7,419,922	7,419,922	356,731	690,783	730,832	113,000	13,268,517
ST CYR GESTION	76,004	76,004	100.00%	2,233,644	2,233,644	2,147,040	298,037	-1,293,120	0	164,438
STE PARTICIPAT° JEANNE D'ARC	30,000	30,000	100.00%	7,499,348	7,499,348	457,347	5,661,443	68,961	5,580,000	761,986
VILLA RENAISSANCE	2,500	2,500	100.00%	2,348,889	2,348,889	40,000	-2,791	-175,146	0	1,143,614
KORIAN LA BASTIDE	2,498	2,500	99.92%	5,013,014	5,013,014	38,112	278,231	1,265,251	150,000	0
KORIAN LA GUYONNE	999	1,000	99.90%	1,871,235	1,871,235	40,000	156,597	621,751	99,900	3,234

HOLDING AB	20,017	20,177	99.21%	3,967,395	3,967,395	403,540	474,600	6,114,449	496,035	0
LE BREVENT	2,506	2,545	98.47%	2,672,383	0	190,875	4,165	129,161	0	0
SEGESTA	2,471,786	2,618,412	94.40%	108,721,745	108,721,745	2,618,412	-3,643,501	20,056,791	0	57,559,318
KORIAN L'AQUITANIA	639	1,000	63.90%	765,490	765,490	40,000	-34,189	134,276	0	0
LIERRES GESTION	7,200	12,000	60.00%	3,056,722	3,056,722	448,000	-64,854	-632,433	0	1,091,258
SCI TEILLEUL	1,650,000	2,750,000	60.00%	825,003	825,003	2,750,000	995	995	0	0
VAUVENARGUES GESTION	12	20	60.00%	320,358	320,358	79,200	-227,501	-1,401,984	0	0
KORIAN LES LUBERONS	589	1,000	58.90%	1,962,821	1,962,821	76,225	148,873	415,968	49,476	0
MIEUX VIVRE	15,000	30,000	50.00%	15,516	0	40,200	-210,348	-4,061,062	0	2,006,769
KORIAN LE CLOS MYRAMIS	249	500	49.80%	862,447	862,447	7,622	146,715	413,033	69,720	289,512
SHT (Touraine hospital corporation)	1,306	2,800	46.64%	2,737,664	2,737,664	42,000	-265,302	46,239	0	608,990
SCI DU PERREUX			22.15%	60,980	60,980	NC	NC	NC	40,919	0
BESSET GESTION	300	3,000	10.00%	215,856	215,856	30,020	NC	NC	0	0
FURTADO GESTION	2	20	10.00%	248,200	248,200	2,500	NC	NC	0	0
LES COMBES GESTION	2	20	10.00%	216,000	216,000	2,500	NC	NC	0	0
KORIAN NYMPHÉAS BLEUS	350	5,000	7.00%	183,975	183,975	165,500	264,870	491,349	7,000	0
KORIAN LA MENARDIERE	129	2,500	5.16%	27,128	27,128	38,112	391,406	628,500	20,021	0

KORIAN JEANNE D'ARC	740	18,500	4.00%	286,544	286,544	1,130,000	1,367,855	2,447,851	240,004	0
KORIAN L'ESTRAN	70	6,000	1.17%	538,180	454,273	96,000	535,781	3,269,216	3,500	0
KORIAN LE MONT BLANC	30	60,000	0.05%	1,906	1,906	960,000	732,009	-4,650,712	0	7,069,092

- Accounts receivable and due dates

Statement of receivables	Total	Less than one year	More than one year
Loans and receivables associated with equity interests	58	2	56
Other long-term financial assets	568	-	568
Other trade receivables	3,263	3,263	-
Personnel and related accounts	1	1	-
Social Security and other welfare agencies	35	35	
Government and local authorities			
Income tax		-	-
Value-added tax	411	411	-
Miscellaneous	767	737	-
Group and partners	363,792	363,792	-
Sundry debtors	5,304	5,304	-
Prepaid expenses	865	865	
Total	**375,064**	**374,440**	**624**

- Marketable securities

Cash on hand and in bank accounts was measured at its nominal value.

Korian SA holds marketable securities and term deposits (excluding treasury shares) valued according to the FIFO method, in the amount of €129,526,000.

Korian SA has treasury shares that are valued according to the weighted average price method. The change in the shares was as follows.

In €	Number	Amount
Stock at 12/31/2011	**52,672**	**806,875**
2012 purchases	66,638	835,162
2012 sales	67,264	846,466
2012 net profit/loss		-124,749
Stock at 12/31/2012	**52,046**	**670,822**

Korian has implemented a share buyback program. At December 31, 2012, this represented 115,076 shares for a total purchase cost of €1,372,514.

- Prepaid expenses

This item breaks down as follows.

Expenses	2012	2011
Maintenance	136	220
Equipment leases	7	6
Insurance	-	11
Development cost	102	-
Seminar	163	-
Advertising	389	452
Documentation	23	7
Training	28	45
Other	17	8
Total	**865**	**749**

- Deferred income

Deferred income amounted to €492,000 and relates to the invoicing of royalties.

- Accrued income and expenses

Type of item	Income	Expenses
Accrued interest on loans		1,064
Accrued interest on bonds		148
Accrued interest on swaps		2,453
Accrued trade payables		911
Accrued group trade payables		8
Payables, accrued assets	7	
Unbilled receivables from non-Group customers	1,979	
Unbilled receivables from Group customers		
Accrued personnel-related costs		3,577
Social security charges on accrued personnel-related costs		1,770
Statement of accrued income and expenses	767	688
Accrued interest on current accounts	12,994	5,228
Accrued bank interest	4	18
Total	**15,751**	**15,865**

- Changes in shareholders' equity

Changes in shareholders' equity	In thousands of euros
Balance brought forward	**627,922**
Capital increase	6,610
Share and merger premiums	7,852
Legal reserve	259
Retained earnings	-10,719
Distributed net income for 2011	-9,086
Net income for FY 2012	24,888
Regulated provisions	685
Balance carried forward	**648,411**

Regulated provisions correspond to special depreciation allowances on the acquisition costs of securities. In 2012, they generated a non-recurring expense of €685,000.

When dividends were paid out in 2012, shareholders able to choose between receiving the payment in cash or in new shares, at the issue price of €10.97. This operation increased Korian SA's share capital by the nominal amount of €6,610,335 through the issue of 1,322,067 shares on July 24, 2012.

Following this decision, Korian SA's share capital rose to €170,204,140, divided into 34,040,828 fully paid-up shares, all of the same category and each with a par value of €5.

Breakdown of Korian's shareholders at December 31, 2012

Shareholders	Number of shares	% of share capital	% of voting rights
Prédica	10,651,094	31.29%	31.29%
Monroe, Novaé	8,317,548	24.43%	24.43%
Groupe Malakoff Médéric	4,846,249	14.24%	14.24%
MACSF Group	3,320,806	9.76%	9.76%
ACM Vie	3,265,627	9.59%	9.59%
Floating	3,639,504	10.69%	10.69%
Total	**34,040,828**	**100.00%**	**100.00%**

- Provisions for risks and charges

Provisions for risks and charges and their changes break down as follows.

In thousands of euros	12.31.2011	Allocations	Write-backs Used	Write-backs Not used	12.31.2012
Provisions for risks and charges					
Other provisions for risks and charges	679			58	621
Salary advance not repaid	-				-
Provision for wage disputes	224	1,170	58	22	1,314
Provision for loss	-	68			68
Provision for restructuring	-				-
Provision for tax	-				-
Total	**903**	**1,238**	**58**	**80**	**2,003**

The “Other provisions for risks and charges” item primarily corresponds to a provision of €679,000 recorded in 2007 following the VAT reassessment that was paid in April 2007 and is disputed by Korian. A reimbursement of €58,000 was obtained; however, the dispute is still on-going.

The provision for wage disputes primarily corresponds to wage restructuring costs.

- Financial liabilities

Amounts owed to financial institutions

	2012	2011
Bank overdrafts	343	567
Total	**343**	**567**
Bank loans		
- due in less than one year	43,254	-
- due in more than one year	480,431	490,000
Accrued interest	1,083	174
Total bank loans	**524,768**	**490,174**
Total bank debt	**525,111**	**490,741**

Change in the Group’s debt as at December 31, 2012

At December 31, 2012, the Group’s net debt reached €562 million, a significant decrease of €57 million in comparison to 2011. This debt reduction is due to the generation of cash flow by business activities and by the asset disposals that mostly took place in December 2012.

The Group’s debt breaks down as follows:

- a €500 million syndicated credit facility that matures in 5 years (July 23, 2015) comprised of 2 installments: one €380 million refinancing loan which was drawn in its entirety to refinance the previous syndicated loan, and a renewable line of credit in the amount of €120 million. At December 31, 2012, Korian has €35 million available in renewable credit;
- €171 million in real estate debt. This debt is mainly comprised of leases with long maturities (10 to 12 years);
- €42 million in medium-term credit;
- a bond issued in December 2012 to private investors for €37.5 million.

In addition, the Group has net cash of €158 million.

In order to finance its growth, Korian has significant room to maneuver. In fact, the syndicated credit facility allows the Group to use bilateral debt within the following limits:

- €110 million in non-real estate debt;
- €450 million in real estate debt.

As at December 31, 2012, Korian is meeting its covenants with a debt ratio (Net Debt - Real Estate Debt) / (Consolidated EBITDA – 7%* Real Estate Debt) of 3.1x, i.e. below the default level of 5.0x.

- Debt maturity schedule

Statement of debts	Total	Due within one year	Due in one to five years	Due in more than five years
Other bond issues	37,648	148	37,500	
Borrowings, debts due within one year	361	361		-
Borrowings, debts due in more than one year	524,749	44,318	478,335	2,096
Borrowing, sundry financial liabilities	2,511	2,453		58
Trade payables and related accounts	4,838	4,838		-
Personnel and related accounts	3,582	3,582		-
Social Security and other welfare agencies	3,380	3,380		-
Statement: Corporate income tax	607	607		-
Statement: VAT	3,941	3,941		-
Statement: Other taxes	688	688		-
Fixed asset payables	1,156	1,156		-
Group and partners	173,203	173,203		-
Other payables	159	159		-
Deferred income	492	492		-
Total	**757,315**	**239,326**	**515,835**	**2,154**

- Details of the balance sheet concerning associated undertakings

Batipart Group and Korian Group have signed a service agreement, the purpose of which has been limited, by an amendment dated March 21, 2012, effective retroactively from January 1, 2012, to the legal administration of Korian SA, in return for the payment of a fixed sum of €50,000. Administrative Services and Development Assistance under which Batipart provides administrative and personnel management services, financial management and development assistance to Korian and its subsidiaries.

The Board of Directors meeting of December 5, 2012 terminated this agreement, with effect from November 6, 2012. Under a shared agreement, the compensation received by Batipart under this agreement for 2012 was limited to €25,000. Batipart's compensation for its assistance services to Korian and its subsidiaries was set at €25,000 for the 2012 financial year.

- Revenues

Revenues are generated exclusively in France and break down as follows.

	2012	2011
Royalty from nursing homes	17,920	18,029
Royalty from healthcare facilities	5,583	5,318
Invoicing of project management assistance subsidiaries	2,083	790
Invoicing of accounting services	144	144
Rebilled personnel expenses	1,068	
Rebilled expenses	669	
Service agreement	8,300	7,921
Rebilled property leases	264	216
Total	**36,031**	**32,418**

In order to comply with the recommendations of the CNC (the French accounting regulation committee), the invoices for expenses incurred on behalf of subsidiaries were recognized in 2012 under revenues and no longer under transfers of expenses. In 2011, these invoices represented €1,432,000.

- Transferred operating expenses

The total amount was €402,000.

It pertains partially to reimbursements of training costs in the amount of €130,000 and the reimbursement of sick pay and benefits in kind for €272,000.

- Operating expenses

The most significant items under external purchases and expenses break down as follows.

Type of expense	2012	2011
Purchases to be rebilled	709	651
Subcontracting	537	474
Property leases	2,055	2,045
Equipment leases	711	594
External personnel	413	424
Administrative fees	5,294	3,916
Travel expenses	1,237	1,380
Telecommunications	910	906
Banking services	1,144	126
Recruitment costs	62	210
Other expenses	3,288	3,439
Total	**16,360**	**14,165**

Until 2011, financial fees as well as commissions related to loans were recognized under financial expenses. In order to comply with the CNC's recommendations, these expenses were recognized under operating expenses in 2012. The amount for 2012 totaled €1,595,000, versus €725,000 in 2011. It includes €1,049,000 in loan set-up costs.

Taxes, duties and similar payments

This item breaks down as follows.

Type of expense	2012	2011
Taxes and duties on compensation	703	810
Business tax/corporate property contribution	381	402
Real estate tax	110	122
Non-recoverable VAT	84	76
Vehicle tax	69	76
Organic	80	75
Other taxes	93	94
Total	**1,520**	**1,655**

Salaries and social security charges

This item breaks down as follows.

Type of expense	2012	2011
Wages and salaries	18,012	16,616
Social security	8,166	7,630

charges		
Total	**26,178**	**24,246**

- Non-recurring income and expenses

This item breaks down as follows.

Type of expense	Income	Expenses
Disposals of long-term financial assets	674	513
Disposals of property, plant and equipment	7	35
Impairment for technical loss	4	
Research tax credit fees		40
Special depreciation allowances		685
Abandoned projects		1,194
Governance restructuring		245
Non-recurring income	128	
Sundry non-recurring expenses		817
Total	**813**	**3,529**

- Off-balance sheet commitments

Commitments given

- Joint and several guarantees for rental payments

Since the creation of Korian, the leases entered into by the subsidiaries of Korian SA have been secured by a surety or a rental guarantee by Korian SA.

Moreover, under the leaseback transactions carried out since December 2009, Korian has stood surety for leasing commitments.

- Litigation

To the best knowledge and belief of the Company and its legal advisors, there is no litigation that has not been covered and that is liable to have a material impact on the company's business, earnings or financial position.

- *Droit individuel à la formation* (French individual right to training – "DIF")

Pursuant to the provisions of Law No. 2004-391 of May 4, 2004 relating to professional training, permanent employees of the Group's French companies are individually entitled to 20 hours of training per year, which may be accumulated over a period of six years. At the end of this six-year period, and if some or all of the entitlement has not been used, the DIF is capped at 120 hours.

The cumulative number of hours for all company staff at December 31, 2012 was 25,081.51 hours.

- Pension commitments

An estimate of the current value of the company's pension commitments to all of its staff has been made:

- Calculation method chosen: Projected unit of credit;
- Female mortality table: INSEE 06/08 F;
- Male mortality table: INSEE 06/08 H;
- Discount rate: 2.90%;
- Collective bargaining agreement: CCU (collective agreement);
- Agreed retirement age: 63 years of age;
- Retirement conditions: at the request of the employee.

The amount of retirement allowances, which totaled €360,000 at December 31, 2012, was not provisioned in the individual financial statements.

- Financial derivatives (fair value) in millions of euros

The Company uses financial derivatives (e.g. swaps and tunnels) to hedge against the interest rate risk arising from its variable-rate financing policy.

These instruments are not recognized in the financial statements of Korian SA, but are presented below at their fair value under liabilities.

In € millions	Amount	Number
Swap	44.8	8
Tunnel	6.7	1
Cap	0.9	1

- Asset and liability guarantees received

In accordance with the Group's practices over the past five years, Korian has liability guarantees on all of its acquisitions.

- Asset and liability guarantees given

In relation to its disposals of non-Group companies, Korian SA granted liability guarantees in relation to taxes, parafiscal tax, social security contributions and customs duties 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.

- Repurchase commitments

Korian has made the following repurchase commitments:

- In Italy, the repurchase of a 5.60% minority interest in Segesta, no later than 30 days after the approval of the 2016 financial statements.
- In relation to shareholdings acquired in subsidiaries of the Seniors Santé group, Korian SA has signed repurchase commitments at the initiative of the seller:
  - Block 1: purchase of the remaining 40% in the three months following the approval of the 2012 financial statements;
  - Block 3: purchase of an additional 20% when approval is obtained from the safety commission.

- Share-based payments

The bonus share plan implemented by the Executive Board on August 28, 2007 expired on August 28, 2010.

In accordance with the plan, 95,957 shares were issued to its beneficiaries on August 28, 2010.

The shares are subject to a lock-up period of two years following the acquisition date.

Following the vesting of these shares, the Company's share capital was increased in 2010 by a nominal amount of €479,785 through the issue of 95,957 new shares, each with a par value of €5.

Purchase options

Alongside this decision, the Executive Board received the approval of the extraordinary shareholders' meetings of June 21, 2007 and June 17, 2010 to grant Group employees and/or executives options conferring the right to subscribe to or purchase ordinary shares of the company, within the limit of 138,433 ordinary shares.

The vesting period is two years (vested at August 28, 2009 and at the latest August 28, 2014 for the 2007 plan - maximum term of five years for the 2010 plan) and the shares are subject to a lock-up period of two years following the acquisition date.

The valuation methods and criteria are identical to those of the bonus share plan described above.

	2012		2011	
	Options	Weighted average exercise price (euros)	Options	Weighted average exercise price (euros)
Options remaining at January 1	**94,000**		**101,442**	
Options granted				
Options exercised				
Options canceled and expired	17,000		7,442	
Options remaining at December 31	77,000		94,000	-
Options exercisable at December 31	**77,000**		**94,000**	-
Share price on the option exercise date				-
Share price on the option grant date (granted during the year)				-

Fair value of options granted during the year	-
Impact on shareholders' equity (in thousands of euros)	-

The fair value of options is calculated on the grant date using the Black & Scholes model. Subsequent changes in the fair value of the instrument are not taken into consideration.

The employer matching contribution implemented in 2006 for employees acquiring Korian shares was continued in 2012.

Fair value of options granted

Year ended December 31	2012	2011
Expected dividend yield	1.00%	1.00%
Expected volatility of the share	15.00%	15.00%
Risk-free interest rate	4.00%	4.00%
Estimated option life (in years)	1	1

- Other information

Average workforce

The average workforce over the year was 326 employees. It breaks down as follows.

Breakdown of workforce	2012	2011
Executives	213	203
Employees	113	124
Total	**326**	**327**

- Compensation paid to the management bodies

The compensation of the management bodies for 2012 was as follows:

- 2012 fixed compensation:.............................€505,000;
- Variable compensation: ....€241,000 (2011 bonus paid in 2012);
- Company car allowance: ....€3,000.

- Compensation paid to the administrative bodies

The compensation of the administrative bodies for 2012 was as follows:

- 2012 fixed compensation:............................€222,000.

The Board of Directors' rules of procedure, adopted on March 21, 2012, define the breakdown of directors' fees in the following manner:

- a fixed annual sum:
  - for the Chairman of the Board of Directors: €5,200;
  - for the members, other than the independent members: €2,600;
  - for the independent members: €17,000;
- a variable amount based on the attendance of members at Board meetings:
  - €600 (double for the Chairman) for each attendance at a Board meeting.

In addition, directors' fees are allocated to members of the Board who are also members of a specialized committee. These fees break down as follows:

- a fixed annual sum for the Chairman: €1,200;
- a variable amount for the members: €600.

Directors' fees paid to members of the Board of Directors and other committees in respect of the 2012 financial year amounted to €158,000.

Furthermore, the members of the Board and committee members are entitled to reimbursement, on production of receipts, of travel expenses incurred in attending Board and committee meetings.

- Tax consolidation

In the absence of a tax consolidation agreement, the tax charge is borne by the subsidiaries, as is the case in the absence of tax consolidation. The tax savings made by the Group, arising from tax losses and adjustments, tax assets and tax credits, are retained by the parent company Korian SA and treated as an immediate gain for the financial year.

For the financial year in which the subsidiaries return to profitability, the parent company Korian SA will thus incur a tax expense.

In 2012, the consolidation group of which Korian SA is the parent company was comprised of 108 companies (including Korian SA).

If no tax consolidation agreement had applied, the Group's tax expense for 2012 would have been €16,785,000.

The application of the tax consolidation regime generated a tax profit of €10,830,000, which was recorded at the parent company level. The Group's current taxable income thus amounted to €17,248,000 and the capital gain at the special rate of 0% was €7,527,000, giving a total tax expense of €6,201,000, including €287,000 in respect of the temporary exceptional contribution of 5%.

The Group recorded total research tax credits of €186,000 for the 2012 financial year.

In addition, as the Group benefits from tax credits on apprenticeship expenses and profit-sharing, the tax payable for the 2012 financial year amounted to €5,955,000.

At December 31, 2012, Korian SA's balance of tax loss carryforwards came to €344,672, which breaks down as follows:

- broader tax base following the purchase of the Réactimalt group €71,559;
- broader tax base following the Médidep-Korian merger .... €273,113.

Breakdown of tax

	Before tax	Tax	After tax
Current income	16,561	0	16,561
Non-recurring income	-2,716	0	-2,716
Tax consolidation impact + tax credit		11,043	11,043
Accounting profit or loss	13,845	11,043	24,888

Increases and breaks in future tax liabilities

Increases

- Reallocation to the subsidiaries of their deficits €54,307,203
- **i.e. a future tax expense of €19,579,721**

Breaks

- Organic.. €79,543
- Tax loss carryforwards (broader tax bases).. €344,672
- **i.e. a future tax break of... €141,405**

- Post-balance sheet events

Equity investments

In 2013, Korian SA purchased additional shares from Beaulieu Patrimoine (formerly Séniors Santé) and consequently wholly owns the following companies:

- Les Lierres Gestion;
- Vauvenargues Gestion.

In order to further its development in Germany, Korian SA increased the capital of Korian Deutschland AG by €101,000,000.

6.2. STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Dear Shareholders,

In accordance with the terms of our appointment by your Annual Shareholders' Meetings, we hereby submit to you our report on the financial year ended December 31, 2012, on:

- the audit of the annual financial statements of Korian, as attached to this report;
- the basis for our assessments;
- the specific verifications and information required by law.

The annual financial statements have been approved by the Board of Directors. It is our role, based on our audit, to express an opinion on these financial statements.

I. Opinion on the annual financial statements

We have 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 that the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes evaluating the accounting principles used, the accounting estimates made and the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We hereby certify that the annual financial statements, in accordance with French accounting rules and principles, give a true and fair view of the profit or loss from operations for the year under review, as well as the financial position and assets of the company at the end of the year.

II. Basis for our assessments

In accordance with the provisions of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- The note concerning "Main methods used, shareholdings and other long-term securities" presents the accounting rules and methods applicable to valuing equity investments. We have verified the appropriateness of these accounting methods and we are satisfied that they were applied correctly.

- The note concerning “Main methods used, intangible fixed assets” presents the accounting rules and methods applicable to valuing goodwill. We have verified the appropriateness of these accounting methods and we are satisfied that they were applied correctly.

The assessments were performed as part of our audit of the annual financial statements, taken as a whole, and thus contributed to the formation of our opinion expressed in the first part of this report.

III. Specific verifications and information

In accordance with professional standards applicable in France, we also carried out the specific verifications required by law.

We have no matters to report as to the fair presentation and consistency with the annual financial statements of the information given in the Management Report of the Board of Directors and in the documents sent to the shareholders regarding the financial position and annual financial statements.

In accordance with the information provided pursuant to Article L. 225-102-1 of the French Commercial Code relating to compensation and benefits paid to corporate officers as well as the commitments granted in their favor, we verified their consistency with the financial statements and the data used to prepare these financial statements and, where necessary, with information gathered by your company from companies controlling your company or controlled by it. Based on this work, we hereby certify that this information is true and accurate.

In accordance with French law, we verified that the required information concerning the purchase of shareholdings and controlling interests and the names of the principal holders of share capital and voting rights has been properly disclosed in the Management Report.

Courbevoie and Paris-La-Défense, April 23, 2013

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Isabelle Sapet	Benoît Gillet

6.3. STATUTORY AUDITORS’ REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

Dear Shareholders,

In our capacity as Statutory Auditors of your company, we hereby submit our report on regulated agreements and commitments.

It is our responsibility to present to you, based on the information provided to us, the terms and conditions of the agreements and commitments of which we were notified or of which we became aware during our assignment. It is not our role to determine whether they are beneficial or appropriate nor to ascertain whether any other regulated agreements or commitments exist. It is your responsibility, under the terms of Article R. 225-31 of the French Commercial Code, to assess the benefits arising from these agreements and commitments prior to their approval.

In addition, we are required to present to you the information required under Article R. 225-31 of the French Commercial Code relating to the application during the past financial year of agreements and commitments already approved by the Annual Shareholders’ Meeting, if any.

We implemented the procedures we deemed necessary in accordance with the professional guidance issued by the French national institute of auditors (“Compagnie Nationale des Commissaires aux Comptes”) pertaining to this assignment. These procedures consisted of verifying that the information provided to us was in agreement with the underlying documentation from which it was extracted.

Agreements and commitments submitted for the approval of the Annual Shareholders’ Meeting

Agreements and commitments authorized during the past financial year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments, which were subject to the prior approval of your Board of Directors.

- Commitment to Mr. Yann Coléou, Chief Executive Officer

On March 21, 2012, your Board of Directors awarded compensation which could be paid to Mr. Yann Coléou as the Chief Executive Officer of your company, in the event of him being dismissed or if his term of office is not renewed after a period of five years set by your company.

- Theoretical amount of the compensation

It is equal to twelve months of gross compensation plus 25% for each year present within the company, subject to a cap of twenty-four months of compensation. This allowance will be calculated based on gross fixed and variable compensation received for the last twelve months prior to his departure, or in the event of his departure during the first year, based on the average gross compensation received during his term of office.

- Performance criteria

If the departure occurs in the twelve months after he assumed his position, the compensation will only be paid if the following conditions are met:

- the cumulative EBITDA recorded between the date he assumed his position and the end of the month prior to his departure amounts to a minimum of 90% of the 2011 cumulative EBITDA over the same period. The fulfillment of this criterion entitles him to 70% of the compensation;
- the average occupancy rate for all of the French facilities recorded between the date he assumed his position and the end of the month prior to his departure amounts to at least 100% of the 2011 occupancy rate in French facilities over the same period. The fulfillment of this criterion entitles him to 30% of the compensation.

If the departure occurs more than twelve months after he assumed his position, the compensation will only be paid if the following conditions are met:

- the cumulative EBITDA recorded over the twelve months prior to his departure amounts to the annual EBITDA recorded on December 31 of the year prior to his departure date, and at least €123.1 million. The fulfillment of this criterion entitles him to 70% of the compensation;
- the average occupancy rate in French facilities during the last twelve months prior to his departure amounts to at least 95.6%. The fulfillment of this criterion entitles him to 30% of the compensation.

- Agreement with the shareholders

Legal assistance agreement between Batipart and your company concluded on March 21, 2012 with retroactive effect from January 1, 2012, which was terminated on November 6, 2012. This agreement terminated the administrative services agreement concluded on 14 October 2009 between the same parties with retroactive effect from December 31, 2011.

The amount paid by your company in respect of this agreement was €25,000 excluding taxes as at December 31, 2012.

Agreements and commitments already approved by the Annual Shareholders' Meeting

Agreements and commitments approved in previous years which continued to apply during the past financial year

In accordance with Article R. 225-30 of the French Commercial Code, we were informed that the following agreements and commitments, which were already approved by Annual Shareholders' Meetings in previous financial years, continued to apply during the past financial year:

- Commercial leases granted by companies within the Foncière des Murs Group to some of your company's subsidiaries and a rental guarantee granted by your company to companies within the Foncière des Murs Group as collateral against the aforementioned leases, on June 29, 2007; operations authorized by the Supervisory Board meeting of June 21, 2007, renewed in part by an agreement on December 22, 2010 and authorized in advance by the Supervisory Board meeting of December 8, 2010.
- Employment contract between your company and François Mercereau, member of the Executive Board until March 21, 2012, dated December 4, 2006, which ceased to be a regulated agreement on March 21, 2012. With respect to the financial year ended December 31, 2012, the sum of €122,109.99 was paid to François Mercereau.

- Employment contract between your company and Philippe Denormandie, member of the Executive Board until March 21, 2012, dated June 1, 2007, which ceased to be a regulated agreement on March 21, 2012. With respect to the financial year ended December 31, 2012, the sum of €120,657 was paid to Philippe Denormandie.
- Employment contract between your company and Louis Guyot, member of the Executive Board until March 21, 2012, dated March 29, 2010, which ceased to be a regulated agreement on March 21, 2012. With respect to the financial year ended December 31, 2012, the sum of €97,479 was paid to Louis Guyot.
- Service agreement between your company and S.A.S Ham Consulting – Director concerned: Jacques Ambonville. This agreement was concluded on September 9, 2010 with effect from September 1, 2010, and extended by an amendment dated December 23, 2011, until January 31, 2012. The expenses recorded in respect of this agreement for the one-month period from January 1 to January 31, 2012 amounted to €1,500 excluding taxes.

Courbevoie and Paris-La-Défense, April 23, 2013

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Isabelle Sapet	Benoît Gillet

CHAPTER 7. INFORMATION ON THE COMPANY AND THE CAPITAL

7.1 CHARTER AND ARTICLES OF INCORPORATION

The following paragraphs describe the rights, benefits and restrictions attached to each existing class of shares. In this respect, Korian's Articles of Incorporation do not contain any clauses relating to shares which are required to modify shareholders' rights, carry out a change in control or change the share capital.

2.3.1 Korian's corporate purpose

Article 3 of Korian's Articles of Incorporation states that the company's corporate purpose consists of "*all management, management consultancy and ownership activities relating to companies specializing in the healthcare sector, specifically in nursing homes for dependent elderly people, follow-up care and rehabilitation facilities, psychiatric clinics, home care for dependent elderly people and, more generally, dependent care; and, more generally, the acquisition of interests, by any means, in all existing or future companies, businesses or enterprises, and all financial, commercial, industrial, real estate 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 favor the development of the company's assets.*"

2.3.2 Management and supervisory bodies

As a result of the adoption by the Extraordinary Shareholders' Meeting of March 21, 2012 of the decision to modify the company's corporate governance to a Board of Directors model, the information below describes the company's operating procedures since that date. The company's operating procedures prior to March 21, 2012 are described on pages 208 to 2015 of the company's 2010 registration document, which can be viewed on Korian's website (**www.groupe-korian.com**) and on the website of the French financial markets authority, the AMF (**www.amf-france.org**).

The Articles of Incorporation contain the following clauses pertaining to the Board of Directors and the Executive Management, as well as their compensation:

- **Article 11. Board of Directors**

"The Company is governed by a Board of Directors comprised of a minimum of six (6) members and a maximum of fifteen (15) members, subject to the exceptions provided for by law in the event of a merger".

11.1 Appointment - Dismissal - Resignation of members of the Board of Directors

11.1.1 Appointment

"The members of the Board of Directors, who are individuals or legal entities, shall be 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 Shareholders' Meeting.

Appointment to the position of member of the Board of Directors shall be subject to conditions laid down by law relating to the holding of multiple directorships. An individual cannot 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 regulations in force. Any director who is found to be in breach of 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 automatically considered to have resigned from his or her directorship within the Company.

At least two thirds of the members of the Board of Directors must be less than 70 years of age.

Where this proportion is not reached, the situation must be resolved no later than the end of the next Ordinary Shareholders' Meeting. 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 Shareholders' Meeting, which shall proceed with the required new appointment(s). Compulsory retirement shall apply to the oldest director or directors on the day the limit is exceeded.

Appointment to the position of member of the Board of Directors shall be subject to the aforementioned individual or legal entity holding a minimum of one (1) share in the Company. If at the time of appointment a director does not own the required number of shares or if during his or her term the director ceases to own this number, the director shall be considered to have automatically resigned if he or she does not acquire the necessary shares within a period of three (3) months.

When a legal entity is appointed as a member of the Board of Directors, it shall be required to nominate a permanent representative, who shall be subject to the same conditions and obligations and shall incur the same civil and criminal liability as if he or she were a member of the Board in a personal capacity, without prejudice to the joint liability of the legal entity that he or she represents. Permanent representatives shall be subject to the same age conditions as individuals who are members of the Board of Directors.

When a legal entity dismisses their representative, it shall be required to provide a replacement at the same time. The office of the permanent representative nominated by a legal entity appointed to the Board of Directors shall be conferred upon the individual for the duration of the term of the legal entity. If the legal entity dismisses its permanent representative, it shall be 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 shall apply in the event of the permanent representative's death or resignation.

The appointment and termination of the office of the permanent representative shall be governed by the same disclosure formalities as if he or she were a member of the Board of Administration in a personal capacity.

In the event that the percentage of share capital held by employees of the Company and its subsidiaries represents more than three hundredths (3%) of the Company's share capital, one member of the Board of Directors shall be appointed from the employee shareholders or employee members of the Supervisory Board of a company employee shareholding plan ("fonds commun de placement d'entreprise") holding shares in the Company, under the conditions stipulated by Article L. 225-23 of the French Commercial Code."

11.1.2 Term of office - Reappointment

"Directors shall be appointed by the Ordinary Shareholders' Meeting for a term of five (5) years.

The term of office of a director shall expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the past year, held during the year in which the term of office expires.

On the expiration 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 shall be 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, shall be subject to ratification by the next Ordinary Shareholders' Meeting. Failing ratification, the decisions made and acts carried out previously by the Board of Directors shall nevertheless remain valid.

A director appointed to replace another shall only hold the position for the remainder of his or her predecessor's term of office.

Where the Board of Directors neglects to make the required appointments or if the Shareholders' Meeting is not convened, any interested party may petition for the appointment of an authorized representative responsible for convening a Shareholders' Meeting in order to make new appointments or ratify the appointments in question. This representative shall be 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 shall immediately convene an Ordinary Shareholders' 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 Shareholders' Meeting at any time, without prior notice or compensation. The Ordinary Shareholders' Meeting shall not be required to justify its decision."

11.1.5 Observers

"The Board of Directors may be assisted in its work by up to three observers appointed by the Ordinary Shareholders' 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 shall attend meetings of the Board of Directors without voting rights and provide general advice to the directors, who shall not be required to follow their opinions or recommendations. They shall be bound by the same confidentiality obligations as directors and may be dismissed at any time by the Ordinary Shareholders' Meeting."

11.2 Organization and deliberations of the Board of Directors

11.2.1 Chair - Vice-Chair

"The Board of Directors shall elect a Chair from among its members, who must be an individual under the age of 75.

The term of office of the Chair shall be five (5) years but may not, under any circumstances, exceed the term of his or her term of office as a director. The Chair may be re-elected.

The Chair represents the Board of Directors. He or she shall organize and direct the work of the Board, report thereon to Shareholders' Meetings and implement its decisions. He or she shall ensure the proper functioning of the Company's bodies and that its directors are able to fulfill their duties.

The Chair of the Board of Directors shall draw up a report on the conditions under which the work of the Board of Directors is prepared and organized, the internal control procedures implemented by the Company and the restrictions placed on the powers of the Chief Executive Officer by the Board of Directors, if any.

The Chair of the Board of Directors shall be required to respond, under the terms and conditions set by law and regulations, to requests for information from the statutory auditors in respect of any matter liable to jeopardize the continued operation of the company. If these requests are not satisfied, or if the responses are not satisfactory, the Chair shall, on the invitation of the statutory auditors, have the Board of Directors examine the matters in question.

The Chair shall be obliged to reply to any written questions submitted to him or her by shareholders, in accordance with legal provisions, with respect to any matters liable to jeopardize the continued operation of the company.

The Board of Directors determines the compensation of the Chair.

The Chair may be dismissed by the Board of Directors at any time. The dismissed Chair shall retain his or her position as director.

The Board of Directors shall elect a Vice-Chair from among its members, who must be an individual under the age of 75. The term of office of the Vice-Chair shall be five (5) years but may not, under any circumstances, exceed the term of his or her appointment as a director. The Vice-Chair may be re-elected. The Vice-Chair may be dismissed by the Board of Directors at any time. The dismissed Vice-Chair shall retain his or her position as director.

The Vice-Chairman's sole responsibility shall be to chair meetings of the Board of Directors and to organize and direct its work in the absence or incapacity of the Chair."

11.2.2 Secretary

"The Board of Directors shall select a secretary, from among its members or from outside, 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 Chair shall convene the Board of Directors as often as necessary and at least once per quarter.

The meetings of the Board of Directors shall be held either at the company's registered office or in any other location specified by the Chair.

The Chair shall notify the directors by any means, including by letter, fax or e-mail, of the date of the next meeting of the Board of Directors, at least fifteen (15) working days in advance. The notice informing the members of the Board of Directors of the meeting, accompanied by any and all documents required to ensure that the directors are kept fully informed, shall be sent by any means, including by letter, fax or e-mail, five (5) working days in advance, or sooner if the meeting is deemed urgent. Regular meetings to be held on specific dates shall be arranged 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 the date, time or location stated for a meeting remain unchanged.

If the Board of Directors has not met for more than two (2) months, directors representing at least one third (1/3) of the members of the Board may request the Chair to convene a meeting of the Board of Directors on a specific agenda.

The Chief Executive Officer may also ask the Chair to convene a meeting of the Board of Directors on a specific agenda.

Meetings of the Board of Directors may be held using videoconferencing facilities, in accordance with the terms and conditions provided for by the law, its implementing decree and the rules of procedure of the Board of Directors. Meetings may also use telecommunications facilities to identify directors and allow them to take part, in accordance with the terms and conditions provided for by the law, its implementing decree 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 shall be 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 Chair shall have the casting vote.

The participation of directors via videoconference or telecommunication shall be taken into consideration when calculating the quorum and the majority, with the exception of participation relative to the following decisions, for which these facilities may not be used: preparation of the annual financial statements and the management report and preparation of the consolidated financial statements and the Group management report if this is not included in the first report."

11.2.5 Representation - Chair - 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 meeting.

Each member of the Board of Directors may receive only one proxy per meeting, received pursuant to the previous paragraph. These provisions shall apply to the permanent representative of any legal entity that is a member of the Board of Directors.

Meetings shall be opened and chaired by the Chair of the Board of Directors, or the Vice-Chair in the absence or incapacity of the Chair.

In the absence or incapacity of the Chair, and the Vice-Chair as the case may be, the Board of Directors shall nominate a member from among those present to 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 shall be kept, signed by the members of the Board of Directors in attendance and specifying the names of the directors present, deemed to be present or represented pursuant to Article L. 225-37 of the French Commercial Code. The register shall specify the names of the directors who took part in the meeting via videoconference or telecommunication.

The minutes shall be compiled and kept under the conditions set out by the regulatory provisions in force. Copies and excerpts from the meeting minutes shall be validly certified by the Chair of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officers or a duly authorized representative.

When the company is being liquidated, these copies and excerpts shall be validly certified by a single liquidator."

11.3 Powers of the Board of Directors

"The Board of Directors shall exercise its powers collectively. To this end, each director shall receive, in a timely manner, all useful information pertaining to the decisions to be taken. In addition, each director shall be entitled to request all information necessary to be kept fully informed of the Company's business operations.

In relation to its general powers, it shall determine the Company's business strategy and monitor its implementation. Within the scope of the Company's corporate purpose, and subject to the authority expressly granted by the law to shareholders' meetings, the Board of Directors shall examine any and all issues relating to the proper functioning of the Company and address any matters concerning it.

The Board of Directors shall thus make decisions concerning:

(i) the approval of the Company's strategic business plan and subsequent amendments;

(ii) the approval of the annual budget;

(iii) the appointment and dismissal of the Chair and Vice-Chair of the Board of Directors;

(iv) the appointment and dismissal of the Chief Executive Officer ("CEO") and Deputy Chief Executive Officers;

(v) the submission of resolutions to the Company's Annual Shareholders' Meeting;

(vi) the implementation of authorizations granted by the Annual Shareholders' Meeting relating to the issue of securities granting access to share capital, the issue of share subscription or purchase options or the award of bonus shares or other Company share plans benefiting employees of the Company or its subsidiaries;

(vii) the pledging of collateral, sureties, endorsements and guarantees;

(viii) the disposal of real estate properties;

(ix) the full or partial sale of equity investments;

(x) the raising of loans;

(xi) the acquisition of assets (such as companies specializing in the healthcare sector or equity investments), with an enterprise value exceeding €[5] million.

The Board of Directors shall perform the checks and verifications it deems necessary.

The relocation of the head office within the same "department" (French administrative region) or to a neighboring department may be decided by the Board of Directors, subject to ratification by the next Ordinary Shareholders' Meeting.

In its relations with third parties, the Company shall be bound even by actions of the Board of Directors that do not fall within its corporate purpose, unless it proves that the third party was aware that the action exceeded the scope of the corporate purpose or could not have been unaware of it in view of the circumstances; disclosure of the Articles of Incorporation alone shall not in itself be sufficient proof thereof. Any limitations on the powers of the Board of Directors shall not be binding on third parties.

The Board of Directors may decide to create committees answerable to it, for which it determines the members and remits and which perform their tasks under its responsibility, provided that the aforementioned remits do not delegate to a committee the powers conferred on the Board of Directors itself by the law or the Articles of Incorporation, or result in a reduction or limitation of the powers of the CEO.

The Board of Directors may delegate to the CEO, or, in agreement with the CEO, to one or more Deputy Executive Officers, the authority to carry out or postpone a share issue.

The Board of Directors may delegate to the CEO, or, in agreement with the CEO, to one or more Deputy CEOs, the authority to enable the Company to purchase its own shares under the terms and conditions provided for by law.

The Board of Directors may grant one or more of its members all special authorizations for one or more given purposes.

The Board of Directors shall draw up rules of procedure which shall resolve, in addition to the present Articles of Incorporation, issues relating to its meetings and deliberations and any internal limitations on the powers of the CEO and Deputy CEOs.

The provisions of Articles L. 225-38 et seq. of the French Commercial Code shall apply to agreements entered into, directly or through an intermediary, between the Company and its CEO, one of its Deputy CEOs or one of its directors, and to agreements entered into between the Company and one of its shareholders holding more than 10% of the voting rights or the company controlling a corporate shareholder, within the meaning of Article L. 233-3 of the French Commercial Code, holding more than 10% of the voting rights.

The same shall apply to:

(i) agreements in which a director, the CEO, a Deputy CEO, a shareholder holding more than 10% of the voting rights or the Company controlling that shareholder has an indirect interest;

(ii) agreements between the Company and another company, if one of the directors, the CEO or one of the Deputy CEOs of the Company is an owner, partner with unlimited liability, manager, director, CEO or member of the Executive Board or Supervisory Board of the other company, or, more generally, responsible for the management of this company;

(iii) commitments undertaken, in favor of the Chair, the CEO or the Deputy CEOs, by the Company itself or by any other company that controls it or that is controlled by within the meaning of Article L. 233-16 of the French Commercial Code, with respect to compensation, indemnities or benefits payable or likely to be payable in connection with or following the termination or change of duties;

(iv) commitments of the same type stipulated in the employment contract binding the Chair, the CEO or the Deputy CEO to the Company itself or to any other company that controls it or that is controlled by it within the meaning of Article L. 233-16 of the French Commercial Code.

It shall be prohibited for directors of the Company, other than legal entities, under any form whatsoever, to contract loans from the Company, to obtain an overdraft on a current account or otherwise from the Company, or to make the Company endorse or guarantee their commitments towards third parties, except where provided for under Article L. 225-43 of the French Commercial Code and with respect to loans granted to directors elected by employees, pursuant to Article L. 313-1 of the French Construction and Housing Code.

The same restriction shall apply to the CEO, Deputy CEOs and permanent representatives of legal entities on the Board of Directors. It shall also apply to spouses, ancestors and descendants of the persons referred to in this paragraph, and to any intermediaries."

- **Article 12. Executive Management**

12.1 Selection of procedures for exercising executive management

"The executive management of the Company shall be the responsibility of either the Chair of the Board of Directors or a third party individual who may or may not be a director. This individual shall be appointed by the Board of Directors and bear the title of Chief Executive Officer ("CEO").

The procedures for exercising the executive management of the Company shall be chosen by the Board of Directors at its meeting held to appoint the Chair. This decision shall be taken by a majority vote of the directors present or represented. The shareholders and third parties shall be notified in accordance with regulatory requirements.

The choice of the procedures for exercising the executive management of the Company may be reviewed at any time."

12.2 Appointment - Dismissal - Resignation of the CEO

"No person shall hold the office of CEO - 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 CEO shall be appointed by the Board of Directors, which shall set his or her compensation and, where applicable, the internal limitations on his or her powers. The CEO shall not be over the age of 65. The CEO shall be considered to have automatically resigned after the first meeting of the Board of Directors following his or her 65th birthday.

The term of office of the CEO shall be five (5) years. The CEO may be re-elected.

The CEO 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 CEO combines his or her functions with those of Chair of the Board of Directors."

12.3 Powers of the CEO

"Subject to the authority expressly granted by the law to shareholders' meetings, and the powers of the Board of Directors and within the limit of the Company's corporate purpose, the CEO shall be vested with the broadest powers to act on behalf of the company in all circumstances.

The CEO shall be responsible for the executive management of the Company and for representing it in relations with third parties. The Company shall be bound even by actions of the CEO that do not fall within the corporate purpose, unless it proves that the third party was aware that the action exceeded the scope of the corporate purpose or could not have been unaware of it in view of the circumstances; disclosure of the Articles of Incorporation alone shall not in itself be sufficient proof thereof.

Any limitations on the powers of the CEO shall not be binding on third parties.

By way of exception to the information given in the previous paragraph, commitments in the form of sureties, endorsements or guarantees intended to guarantee obligations contracted by third parties may not be given on behalf *of the Company without authorization from the Board of Directors to its CEO, who may delegate the powers invested in him or her."*

12.4 Deputy Chief Executive Officers

"At the proposal of the CEO, the Board of Directors may appoint one or more individuals responsible for assisting the CEO and holding the title of Deputy CEO. They shall not exceed five (5) in number.

Deputy CEOs shall be appointed for five (5) years by the Board of Directors, which shall set their compensation and, where applicable, the internal limitations on their powers other than those already stipulated by these Articles of Incorporation. The term of office of a Deputy CEO shall not, however, exceed that of the CEO. Deputy CEOs may be re-elected.

No person shall hold the office of Deputy CEO - 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.

A Deputy CEO shall not be over the age of 65. A Deputy CEO shall be considered to have automatically resigned after the first meeting of the Board of Directors following his or her 65th birthday.

In the absence or incapacity of the CEO, the Deputy CEO(s) shall, unless decided otherwise by the Board of Directors, retain their duties and remits until the appointment of a new CEO.

Deputy CEOs may, on the proposal of the CEO, 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.

Each Deputy CEO shall be vested, in relation to third parties, with the same powers as the CEO and shall be responsible for the general management of the Company and for representing it in relations with third parties.

The Company shall be bound even by actions of a Deputy CEO that do not fall within the corporate purpose, unless it proves that the third party was aware that the action exceeded the scope of the corporate purpose or could not have been unaware of it in view of the circumstances; disclosure of the Articles of Incorporation alone shall not in itself be sufficient proof thereof.

Any limitations on the powers of a Deputy CEO shall not be binding on third parties."

- **Article 13. Compensation paid to members of the Board of Directors and the Executive Management**

"The Ordinary Shareholders' Meeting may allocate to directors, in compensation of their activity, by way of directors' fees, an annual fixed sum that the Shareholders' Meeting determines, without being bound by previous decisions. This sum shall be recorded in the financial statements under operating expenses.

The Board of Directors shall freely distribute among its members the total amounts allocated to them in the form of directors' 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 duties or mandates assigned to its members; this compensation, which shall also be recorded under operating expenses, shall be subject to the special procedure applicable to regulated agreements.

No compensation, whether permanent or temporary, other than that referred to above, shall be paid to directors. However, the Board of Directors may authorize the reimbursement of travel costs and expenses incurred by its members in the Company's interest.

The number of members of the Board of Directors bound to the Company by an employment contract shall not exceed one third of its serving members. However, employee-elected directors shall not be taken into consideration when determining this number.

The compensation paid to the Chair of the Board of Directors, the CEO and the Deputy CEO(s) shall be set by the Board of Directors under the terms and conditions stipulated in these Articles of Incorporation; 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 favor of the Chair, the CEO or the Deputy CEOs, 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 shall be subject to the approval procedure for specific agreements, referred to in Article 11.3 above."

2.3.3 Rights attached to each share

Article 7 of Korian's Articles of Incorporation stipulates that:

"Shares may be held in registered or bearer form at the discretion of the shareholder.

However, any shareholder 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 (an "Interested Shareholder") shall be required to 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 of the shares that they hold in their own name.

Any Interested Shareholder who fails to comply with this requirement, at the latest on the third working day prior to any Company Shareholders' Meeting, shall have its voting rights, held directly or via entities it controls within the meaning of Article L. 233-3 of the French Commercial Code, capped, at the relevant Shareholders' Meeting, at one tenth of the number of shares held by them respectively. This Interested Shareholder shall have returned to it all voting rights attached to the shares it holds, directly or via entities it controls within the meaning of Article L. 233-3 of the French Commercial Code, at the next Shareholders' Meeting, provided that the situation is resolved by registering all of the shares it holds, directly or via entities it controls, within the meaning of Article L. 233-3 of the French Commercial Code, in registered form, at the latest on the third (3rd) working day prior to the aforementioned Shareholders' Meeting.

The shares shall be registered in the accounts of their owner in accordance with the terms and conditions provided by law.

The Company shall be authorized to invoke at any time the provisions of Articles L. 228-2 et seq. of the French Commercial Code with respect to the identification of holders of securities that grant immediate or future voting rights at the Company's Shareholders' Meetings."

Article 9 of Korian's Articles of Incorporation stipulates that:

"Each share shall confer 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 shall always be treated equally as regards tax liabilities. Consequently, all taxes and duties that may, for any reason, as a result of the repayment of the principal amount of these shares, become payable for certain shares only, either during the Company's existence or on its liquidation, shall 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 or dividend shares shall be proportional to the percentage of the share capital that they represent. With the same par value, each share shall entitle the holder to the same number of votes, with a minimum of one vote.

The subscription right attached to shares shall belong to the beneficial owner.

Ownership of a share shall automatically assume acceptance of the Company's Articles of Incorporation and the decisions of the Company's Shareholders' Meetings and the Board of Directors acting as delegated by the Shareholders' 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 required number of shares shall not entitle their holders to any right against the Company, it being the responsibility of the shareholder in such a case to personally seek to group together the necessary number of shares."

2.3.4 Convening and conditions for admission to Annual and Extraordinary Shareholders' Meetings

Article 15.1 of Korian's Articles of Incorporation stipulates that:

"Shareholders' Meetings shall be convened under the terms and conditions provided for by law.

Meetings shall be held at the registered office or at any other place specified in the notice of meeting.

All shareholders shall be entitled to attend Shareholders' Meetings and to take part in deliberations, personally or by proxy, by providing 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.

Meetings shall be chaired by the Chair of the Board of Directors or, in his or her absence, by the Vice-Chair 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 shall elect a Chair 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.

A secretary shall be appointed, who may be chosen from outside the shareholders.

An attendance sheet is kept under the conditions provided for by law. Copies and excerpts from the meeting minutes shall be validly certified by the Chair of the Board of Directors, a member of the Board of Directors or the Meeting Secretary."

2.3.5 Declarations made when thresholds are crossed

Article 8 of Korian's Articles of Incorporation stipulates that:

"The shares shall be freely transferable.

Any individual or legal entity acting alone or in concert with others who acquires or relinquishes, directly or indirectly, at least one two-hundredth (0.5%) of the share capital or voting rights of the Company, or a multiple of this percentage, shall be required to notify the Company by registered letter with acknowledgment of receipt, addressed to the Company's registered office, within four (4) days of each threshold being crossed, and to state the number of shares and voting rights held, together with the number of shares held giving future access to the share capital and the number of voting rights attached to them. Investment fund management companies shall be required to provide this information for all shares in the Company held by the funds they manage.

If they are not disclosed in accordance with the conditions set forth above, any shares in excess of the fraction that should have been disclosed shall be deprived of voting rights in all shareholders' meetings for a period of two years following the date on which proper disclosure is made.

This penalty shall only be applied at the request of one or more shareholders holding at least one two-hundredth (0.5%) of the Company's share capital, with such a request being included in the minutes of the Annual Shareholders' Meeting."

7.2 DISTRIBUTION OF THE SHARE CAPITAL

At December 31, 2012, Korian's share capital was divided into 34,040,828 shares, each with a par value of €5.

Each share carries an entitlement to one vote at Annual Shareholders' Meetings. No double voting rights exist.

The change in the distribution of the Company's share capital between December 31, 2010 and December 31, 2012 is presented in the table below:

	December 31, 2012			December 31, 2011			December 31, 2010		
Shareholders	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
PREDICA	10,651,094	31.29%	31.29%	10,098,749	30.87%	30.87%	10,098,749	31.4%	31.4%
Batipart, Monroe, Novaé	8,317,548	24.43%	24.43%	7,886,221	24.10%	24.10%	7,598,2343	23.6%	23.6%
ACM VIE	3,265,627	9.59%	9.59%	3,265,627	9.98%	9.98%	3,265,627	10.1%	10.1%
Malakoff Médéric Group	4,846,249	14.24%	14.24%	4,594,932	14.04%	14.04%	4,427,133	13.7%	13.7%
MACSF	3,320,806	9.76%	9.76%	3,320,806	10.15%	10.15%	3,320,806	10.3%	10.3%
Floating	3,639,503	10.69%	10.69%	3,352,426	10.86%	10.86%	3,489,569	10.8%	10.8%
Total	34,040,828	100%	100%	32,200,118	100%	100%	31,372,627	100%	100%

To the best of the Company's knowledge, no shareholder holds more than 5% of the share capital or voting rights.

It should further be noted that, in addition to the legal and regulatory obligations to report the crossing of thresholds, any individual or legal entity acting alone or in concert with others who directly or indirectly holds or comes to hold a number of shares representing 0.5% of the share capital or voting rights is required to notify the company, by registered letter with acknowledgment of receipt, within four 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 which may be 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 disclosed in accordance with the conditions set forth above, any shares in excess of the fraction that should have been disclosed shall be deprived of voting rights in all shareholders' meetings for a period of two years 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, with such a request being included in the minutes of the Annual Shareholders' Meeting.

Moreover, the Group's company employee shareholding plan (*fonds commun de placement d'entreprise* or FCPE) held 100,854 Korian shares at December 31, 2012.

The disclosures made in 2012 by Korian's shareholders in relation to thresholds being crossed are available on the AMF's website (www.amf-france.org).

A shareholders' agreement signed by Batipart and Médéric Assurances on September 15, 2008, has been disclosed to the AMF (AMF notice No. 208C1778 of September 30, 2008). Two amendments were made to this agreement on November 17, 2008 and published by the AMF (AMF notice No. 208C2139 of December 2, 2008).

CHAPTER 8. PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

8.1 PERSON RESPONSIBLE FOR THE INFORMATION PROVIDED

Person responsible for the Registration Document: Mr. Yann Coléou, Chief Executive Officer.

8.2 DECLARATION OF THE PERSON RESPONSIBLE

"I hereby confirm, having taken every reasonable measure in this regard, that, to the best of my knowledge, the information contained in this Registration Document is true and contains no material omission that might alter the meaning of this information.

I also confirm 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 progress 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 obtained from the statutory auditors an assignment completion letter ("lettre de fin de travaux"), in which they state that they have verified information relating to the financial position and the financial statements given in this Registration Document, and have reviewed this document in full."

Paris, April 24, 2013

Mr. Yann Coléou

Chief Executive Officer

8.3 ENTITY RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

Statutory Auditors

Name	Date first appointed / renewed	Date appointment ends
Mazars **Tour Exaltis** **61, rue Henri Regnault** **92400 La Courbevoie**	June 30, 2009	December 31, 2014
Ernst & Young et Autres **Tour First** **1, place des Saisons** **92037 Paris La Défense**	June 23, 2011	December 31, 2016

Alternate Statutory Auditors

Name	Date first appointed / renewed	Date appointment ends
Alternative to Mazars: **Cyrille Brouard** **Exaltis** **61, rue Henri Regnault** **92400 Courbevoie**	June 30, 2009	December 31, 2014
Alternative to Ernst & Young: **Cabinet Auditex** **Tour Ernst & Young,** **Faubourg de l'Arche,** **92037 Paris La Défense Cedex**	June 23, 2011	December 31, 2016

CHAPTER 9. HISTORICAL FINANCIAL INFORMATION AND PUBLICLY AVAILABLE DOCUMENTS

9.1 HISTORICAL FINANCIAL INFORMATION

Pursuant to Article 28 of the European Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in this Registration Document:

- the key figures given on page 3, and the consolidated financial statements and corresponding statutory auditors' reports as presented on pages 88 through 140 of the Registration Document for the 2011 financial year, filed with the AMF on April 24, 2012, under No. D.12-0395.
- the key figures given on page 3, and the consolidated financial statements and corresponding statutory auditors' reports as presented on pages 77 through 135 of the Registration Document for the 2010 financial year, filed with the AMF on April 28, 2011, under No. D.11-0383.

9.2 PUBLICLY AVAILABLE DOCUMENTS

Copies of this document are available free of charge from the Company as well as on the AMF's website (http://amf-france.org).

During the Registration Document's period of validity, electronic copies of the Company's Charter and Articles of Incorporation as well as its corporate and consolidated financial statements can be consulted online (http://www.groupe-korian.com/finance2). Press releases are also available on the Company's website.

Legal and financial documents pertaining to the Company that must be made available to shareholders in accordance with regulations in force can be consulted at the Company's registered office.

CHAPTER 10. GLOSSARY

The table below contains a definition of the terms and acronyms specific to the healthcare and medical-social sectors that are used in this Registration Document.

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 care services in each healthcare region, per healthcare activity. They replace the former OQOS (see below).
Allô maltraitance (ALMA)	The leading association for the prevention of maltreatment of elderly people in France.
Asbestos technical report (DTA)	A file compiled by the owners putting communal residential buildings up for sale which were built before the date that asbestos was banned from use in the construction sector (July 1, 1997). It contains the result of the research for the potential presence of asbestos in the communal areas of the buildings, where materials containing asbestos are evaluated, their condition 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.
Azienda sanitaria locale (ASL)	In the Italian healthcare system, a regional public authority which manages all of the healthcare operators in the same budget, from hospitals to home care.
Building open to the public (ERP)	Public or private places open to customers or users, which are subject to specific regulations, as opposed to public or private places exclusively for employees (regular employees or state employees) which are, themselves, protected by regulations pertaining to health and safety at work.
Business Continuity Plan (PCA)	The PCA is both the name of a concept, a procedure and the document which allows a group (government, local authority, institution, corporation, hospital, *etc.*) to operate even in the event of a change, whether in degraded mode or in a major crisis.
Call for the improvement of the quality of professional practices (MOBIQUAL)	A national action plan whose goal is to support the improvement of the quality of professional practices, of providing care for and taking care of disabled 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.
Collective food poisoning (CFP)	CFP is characterized 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.
Committee for the Campaign Against Nosocomial Infections (CLIN)	Each hospital facility has a CLIN that is responsible for defining the prevention policy for nosocomial infections and coordinating the implementation of this policy. It is composed of various categories of staff, including medical professional representatives (physicians and pharmacists), para-medical professionals (care or medical-technical), administrative representatives, including the director, and a representative of the users.
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 based on standardized 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).
Computerized patient file (DPI)	In the clinics, a computerized file grouping together 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.
Computerized resident file (DRI)	In the nursing homes, a computerized 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.
Construction Cost Index (ICC)	An index that measures, each quarter, the change in the price of new buildings used mainly for residential purposes. It relates to the price, including VAT, paid by the project managers to the construction companies. It relates exclusively 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.
Coordination Center of the Campaign Against Nosocomial Infections (CCLIN)	An expertise and consulting authority responsible for participating in the implementation of the national program to combat nosocomial infection control in each inter-region, by raising awareness in healthcare facilities.
Department of Ethics, Medical Policy and Quality (DEMQ)	A department within the Group that develops a facility's medical policy, after consulting the facility's medical board, and submits it to the relevant authorities. It manages several processes (cross-entity programs, clinic itineraries, *etc.*) aiming to improve the clinic's organization and facilitate the patients' trajectories.
Department of Medical and Social Affairs (DDASS)	Under the authority of the department's prefect, the DDASS are responsible for implementing healthcare, medical-social, and social policies in the department, as defined by the public authorities. Therefore, they: – implement integration, insertion, solidarity and social development policies; – undertake promotion and prevention actions in terms of public health and health safety;. – are in charge of the public authority and audits of healthcare 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); – audit the documents of the local and regional authorities.
Departmental Directorate for the Protection of Populations (DDPP)	An organization which groups together veterinary services and competition regulation, consumption control and fraud prevention services. Its primary purpose is to implement public protection policies.
Domestic hot water (DHW)	Water necessary for the hygiene needs of the individual in his/her home and workplace.
Electrical Failure Risk Analysis Document (DARDE)	A document which identifies the risks of power failure, analyzes 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.
Evaluation of professional practices (EPP)	An analysis of professional practices with respect to recommendations and according to a method developed or approved by the HAS, which includes the implementation and monitoring of improvement actions.
Facility Medical Committee (CME)	In France, this committee is established as an authority that includes representatives from the medical, pharmaceutical and dental community in each healthcare facility.
Feedback order (RETEX order)	An order on quality management and medicinal treatment in healthcare facilities.
Follow-up care and rehabilitation clinics	Clinics in which patients are hospitalized over the medium to long-term

(SSR clinics)	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.
French accreditation committee (COFRAC)	An organization whose purpose is to provide accreditation to private organizations or laboratories dependent upon the public authority.
French federation of not-for-profit private hospitals and healthcare facilities (FEHAP)	A benchmark federation in the not-for-profit healthcare, social and medical-social sectors, which groups together over 3,200 healthcare facilities and care services.
French individual right to training (DIF)	A system intended to allow employees who have a certain level of seniority in the company to receive professional training taken either during or outside of working hours.
French National Authority for Health (HAS)	A public, scientific and independent organization, tasked with improving medical quality in France.
French Private Hospitals Federation (FHP)	An organization which brings together close to 1,250 private healthcare facilities in France, organized into regional unions and unions by specialty. It consults with the public authorities on major issues that involve the future of the healthcare system.
French Society of Geriatrics and Gerontology (SFGG)	A scientific association created in 1961, which studies all of the issues relating to gerontology and geriatric medicine, that is to say human aging and senescence, old age and longevity. It promotes research and work, regularly focuses on knowledge acquired in all of the disciplines concerned and helps to disseminate it.
Gerontological Coordination Committee (CCG)	A pillar of efficient inter-disciplinary and inter-professional coordination, this authority is a place for exchange, dialog, training and project monitoring for a nursing home.
Hazard analysis critical control point (HACCP)	A method for identifying and analyzing critical points in the catering process.
Hospital, patients, health, territories law, or “HPST”	A law dated July 21, 2009 (accompanied by an amending decree dated July 26, 2010) whose purpose is to implement graded and high-quality care services, accessible to all, that satisfies all healthcare needs.
Infectious medical waste associated with healthcare activities (IMW)	IMW is waste from healthcare activities which could present infectious, chemical, toxic, radioactive risks and which must be controlled in order to protect the hospitalized patients, the healthcare staff, the agents responsible for removing the waste and the environment.
Information Systems Division (ISD)	A Group department which establishes and approves large changes in the Group’s information system and necessary technological changes, assesses and recommends investments, and audits efficiency and risk management associated with the information system.
Iso-Resource Group (GIR)	A national indicator developed to ascertain a person’s level of dependence. It classifies individuals into six “iso-resource” groups, according to their level of dependence.
Medical-surgical-obstetric (MCO)	Used to define facilities providing acute care.
Medication and Sterile Medical Devices Committee (COMEDIMS)	An authority whose purpose is to help define the facility’s medication and sterile medical devices policy and to combat iatrogenic illnesses due to medications or medical devices. It draws up the list of medications and medical devices recommended for use in the facility and issues recommendations on the medications and use of medical devices through assessments carried out by the care teams.
***Medizinischer Dienst der Kranlenversicherung* (MDK)**	In the German healthcare system, a regional health insurance service which regulates care services and controls the quality of care at the facility level.
Multi-resistant bacteria (MRB)	Bacteria that has become resistant to a large number of antibiotics. They are no more virulent than other bacteria, even if it is more difficult to treat the infections they cause.

Multi-year contract of objectives and means (CPOM)	A contract through which a healthcare facility commits, to the public authorities for a multi-year period, to an action plan based on its positioning in regional 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.
National health insurance spending target (ONDAM)	A provisional amount established annually for *Assurance Maladie* health insurance spending in France.
National quantified objective (OQN)	Defined each year at the national level, this objective relates to activities which are carried out by private healthcare facilities. This objective is made up of the annual amount of charges pertaining to hospital fees for care dispensed within the context of these activities during the year and supported by the mandatory health insurance plans and takes into account, in particular, facility openings and closures. The content of this objective is defined by decree.
Nursing home for dependent elderly people (EHPAD)	A medical facility, authorized by the French government to receive dependent elderly people, which has a care team responsible for providing the required care to each resident according to their personal situation.
Operational hygiene teams (EOH)	A team composed in particular of medical or pharmaceutical personnel and nurses, whose primary tasks are writing and implementing an annual action plan for combating nosocomial infections and an annual activity report that assesses the degree to which the targets set have been achieved, identifying, analyzing 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.
Patto di Salute	In the Italian healthcare system, this document officially organizes the transfer of the MCO's regional budgets towards medium and long-term stays, with detailed targets of bed closures by region.
Personalized living allowance (APA)	An allowance granted to dependent people over 60 years of age who require help to perform activities of daily living.
Pflegeheime	A German term for nursing homes.
Pflegekasse	A branch of German Social Security that ensures the financing of dependent care.
Positive treatment, ethics, care for all (BEST)	Method of care combining comforting gestures and soothing words to improve the care and quality of daily life of people affected by illness. This method is taught to Korian staff as part of their specific training, and has been developed and in place since January 2011.
Prior authorization agreement (MSAP)	A procedure consisting of making the admission of a patient to the hospital contingent upon prior authorization from the medical service arm of *Assurance Maladie* (social security health insurance) for rehabilitation care currently given on an outpatient basis by private masseur-physiotherapists.
Professional Risk Evaluation Document (DUERP)	Mandatory document for all companies, regardless of their workforce and business sector. This document is prepared by the employer. It lists the risks that exist within the company and must be updated annually and each time a change is made to the working conditions. This document must be made available to the CHSCT (Health, Safety and Working Conditions Committee), staff representatives, company employees and during work inspections.
Quantified care supply objectives (OQOS)	Objectives which frame the range of care services in each healthcare region, by healthcare activity, including alternatives to hospitalization, and by heavy equipment. They are developed in the CPOM. This

	notion disappeared, to be replaced by the IPA.
Regional health agency (ARS)	A public administrative body of the French government responsible for implementing health policy in a region.
Regional healthcare organization plans (SROS-PRS)	Outline plans designed to comprehensively organize, qualitatively and quantitatively, public health, by seeking to respond to both patients' needs and healthcare planning requirements at the regional and sometimes departmental level.
Regional quality managers (RQR)	These employees assist the facilities in defining and drafting the management policy as well as planning their quality objectives. They are responsible for the quality policy.
Regional strategic healthcare plans (PSRS)	A project which determines multi-year objectives to be achieved as part of actions led by the ARS in its areas of authority, as well as measures to attain them.
Registered nurse (IDE)	A nurse who plans, organizes and dispenses care on his or her own initiative (supportive care, continuity of care) or on prescription (IV drip, antibiotic treatment, injection, *etc.*).
Rent review index (IRL)	An index published each quarter by the INSEE which serves as a basis for rent reviews regulated by the law of July 6, 1989.
***Residenze Sanitarie per Anziani* (RSA)**	An Italian term for nursing homes.
Serious adverse events (SAE)	Events likely to cause malfunctions or that undermine the principle of positive treatment. They are qualified as "serious" from the moment when they cause hospitalization or when they lead to prolonged hospitalization, an inability to leave the unit or vital risk.
Socio-professional category (CSP)	Statistical nomenclature that classifies occupations.
Steering committee / Healthcare risk management and supervision committee (COPIL/COVIRIS)	A committee that coordinates all of the existing risk management systems, identifies risks in theory and in retrospect and analyzes them, defines action priorities and monitors their implementation, assesses their efficiency and raises awareness among the facility's professionals.
The French agency for the assessment of the quality of social and medical-social facilities and services (ANSEM)	An organization whose purpose is to develop a culture of positive treatment within facilities and services that care for vulnerable people (particularly the elderly). Within this context, the ANSEM provides facilities with activity and quality of service directives, assesses their implementation and sends the results of the assessments to public authorities.
The French national network for the examination of ethical issues surrounding Alzheimer's disease (EREMA)	An organization which falls under the 2008-2012 Alzheimer plan adopted by the President of the French Republic. It aims to implement a policy from the ground upwards, making available to those concerned the documents demonstrating shared thoughts on the prevention and treatment of Alzheimer's disease as well as care for people suffering from it.
The National Heatwave Plan (PNC) and the Departmental Heatwave Management Plan (PGCD)	In order to prevent health risks, each year, the Ministry of Social Affairs and Health prepares a heatwave plan. As part of this, monitoring is stepped-up each year between June 1 and August 31. 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.
Unified collective agreement (CCU)	An agreement pertaining to working conditions and social guarantees, signed between the employee representatives and employers' organizations.
User Relations and Dependent Care Quality Committee (CRUQ-PC)	An authority whose main purpose is to monitor respect for users' rights and facilitate their processes so that they can express their difficulties.
Validation of prior experience (VAE)	A system that allows a person to obtain all or part of a certification (diploma, professional credentials or certificates of professional qualification) based on employee or contractor experience (retailer,

	employee of a retailer, freelancer, farmer or craftsman, *etc.*) and/or unpaid experience (union, associative) and/or volunteer experience. This experience, in line with the certification sought, is approved by a board of examiners.

CHAPTER 11. REGISTRATION DOCUMENT TABLE OF CONCORDANCE

The following table of concordance identifies the main information required under Annex I of European Regulation No. 809/2004 and refers to the corresponding pages of this document.

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