ORPEA

LA VIE CONTINUE AVEC NOUS

2010 REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This registration document was filed with the Autorité des Marchés Financiers on 8 June 2011 in accordance with Article 212-13 of the General Regulations.

This document may not be used in the context of any financial operation unless completed by a transaction summary ("*note d'opération*") in respect of which the AMF has granted a visa.

It has been prepared by the issuer and its signatories therefore assume responsibility for its contents.

In accordance with Article 28 of European Commission Regulation (EC) n° 809/2004, this registration document incorporates by reference the French language 2008 registration document filed on 8 July 2009 under n° R. 09 - 061 for 2008 (including the 2008 annual financial report and its addendum on pages 70 to 263) and the 2009 registration document filed on 13 July 2010 under n° D.10-0625 (including the update filed on 6 December 2010 under n° D.10-0625-A01).

The aforementioned registration documents are available on the AMF and Orpea websites, or on request from the Company's registered office (Orpea - 3 rue Bellini - 92806 Puteaux Cedex).

This English translation of the Registration Document is a free translation of the original which was prepared in French, submitted to and registered with the Autorité des marchés financiers (AMF) on 8 June 2011 under number D.11-0549 in accordance with Article 212-13 of the AMF General Regulations. It is not a binding document. In the event of any ambiguity or conflict between corresponding statements or items contained in this English translation and the original French version, the relevant statements or items of the French version shall prevail. The auditor's reports apply to the French version of the Management Report and the financial statements.

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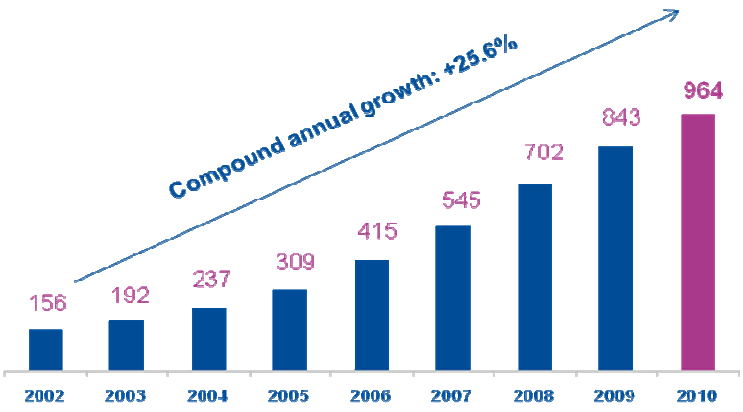
CHAPTER I: KEY FIGURES & SELECTED FINANCIAL INFORMATION

1. SALES

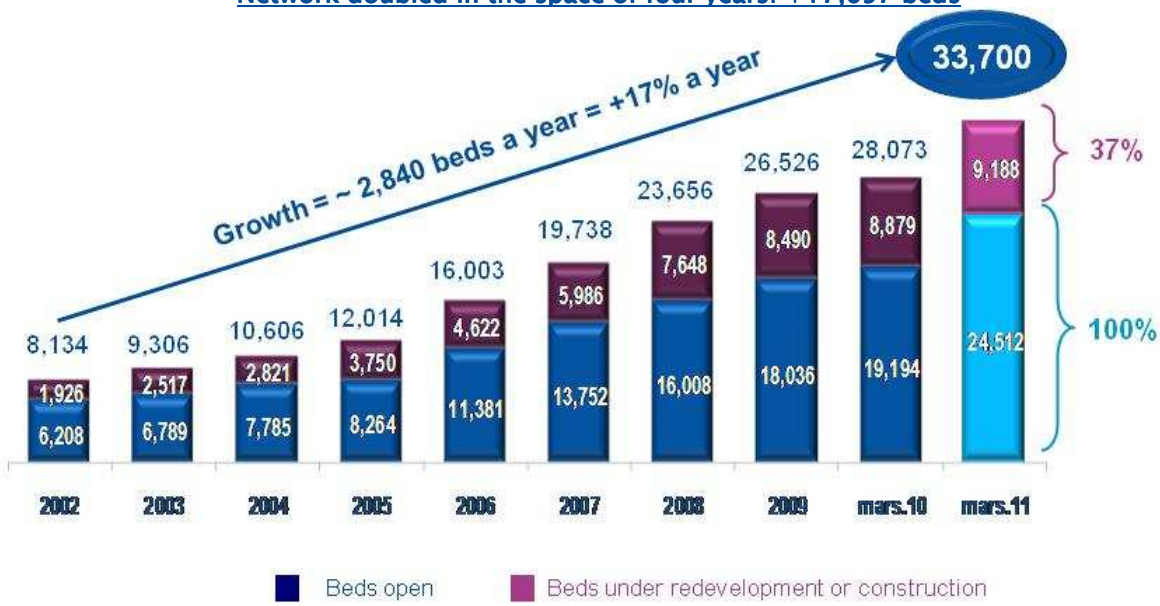
In €m	2010	2009	% chg
France	846.6 88%	739.2 87%	+14.5%
International	117.6 12%	104.1 12%	+13.0%
Belgium	55.8	47.8	
Spain	29.9	28.7	
Italy*	17.1	17.9	
Switzerland	14.8	9.7	
Total	964.2	843.3	+14.3%



2. EXPANSION OF THE ORPEA NETWORK

2.1 – NUMBER OF BEDS IN THE ORPEA NETWORK

Network doubled in the space of four years: +17,697 beds



2.2 – SUMMARY OF BEDS IN OPERATION, UNDER REDEVELOPMENT AND UNDER CONSTRUCTION BY GEOGRAPHICAL AREA OVER THE LAST THREE YEARS:

						Beds *		
	Number of facilities *	Number of beds *	2010 sales	% of 2010 sales		O/w beds in operation excl. beds under redevelopment	O/w beds under redevelopment	O/w beds under construction
France	**302**	**27,014**	**846.6**	**87.8%**		**19,588**	**2,859**	**4,567**
Spain	16	1,776	29.9	**3.1%**		1,776	0	0
Belgium	32	3,523	55.8	**5.8%**		2,190	491	842
Italy	12	1,222	17.1	**1.8%**		883	0	339
Switzerland	2	165	14.8	**1.5%**		75	0	90
TOTAL	**364**	**33,700**	**964.2**	**100.0%**		**24,512**	**3,350**	**5,838**
						Beds **		
	Number of facilities **	Number of beds **	2009 sales	% of 2009 sales		O/w beds in operation excl. beds under redevelopment	O/w beds under redevelopment	O/w beds under construction
France	**252**	**22,892**	**739.2**	**87.7%**		**15,497**	**2,854**	**4,541**
Spain	16	1,776	28.7	3.4%		1,776	0	0
Belgium	19	2,090	47.8	5.7%		1,230	442	418
Italy	11	1,150	18.0	2.1%		616	66	468
Switzerland	2	165	9.6	1.1%		75	0	90
TOTAL	**300**	**28,073**	**843.3**	**100.0%**		**19,194**	**3,362**	**5,517**
						Beds ***		
	Number of facilities ***	Number of beds ***	2008 sales	% of 2008 sales		O/w beds in operation excl. beds under redevelopment	O/w beds under redevelopment	O/w beds under construction
France	**219**	**19,958**	**613.1**	**87.3%**		**13,700**	**2,774**	**3,484**
Spain	16	1,776	27.2	3.9%		1,776	0	0
Belgium	19	2,090	38.6	5.5%		1,071	442	577
Italy	11	1,120	15.4	2.2%		636	66	418
Switzerland	1	75	8.0	1.1%		48	27	0
TOTAL	**266**	**25,019**	**702.3**	**100.0%**		**17,231**	**3,309**	**4,479**

** figures as of March 2011* *** figures as of March 2010* **** figures as of March 2009*

3. SELECTED FINANCIAL INFORMATION

Consolidated figures in millions of euros

	31.12.2010	31.12.2009	31.12.2008
Sales	964.2	843.3	702.3
EBITDAR [1]	236.1	205.6	169.3
EBITDA[2]	172.3	151.4	124.8
Recurring Operating Profit	129.8	115.4	94.9
Operating profit	151.1	134.5	106.9
Net financial cost	(52.7)	(45.7)	(42.7)
Tax	(30.9)	(29.8)	(16.1)
Consolidated net income	66.3	61.2	48.4
Net profit (Group share)	66.3	61.1	48.4

	31.12.2010	31.12.2009	31.12.2008
Cash flow	137.2	107.8	113.3
Cash flow from operations	135.6	127.0	100.2
Cash flow from investing activities	(296.7)	(258.2)	(375.1)
Cash flow from financing activities	302.3	213.0	273.6
Change in cash and cash equivalents	141.2	81.7	(1.3)
Cash and cash equivalents, end of period	276.5	135.4	53.6

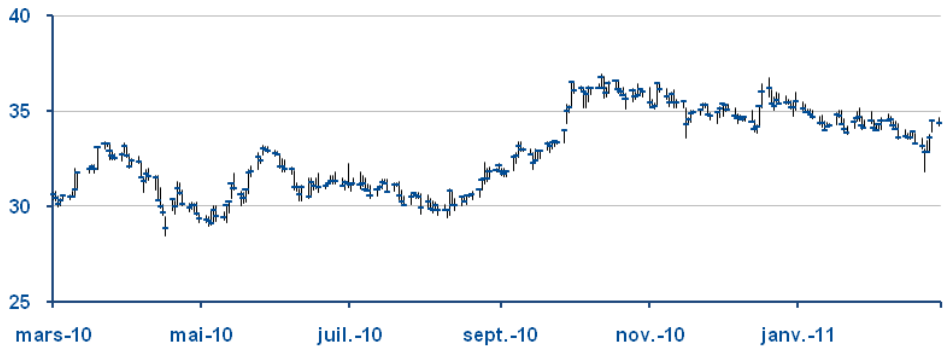
	31.12.2010	31.12.2009	31.12.2008
Shareholders' equity	895	642	541
Current financial liabilities	509	340	250
Non-current financial liabilities	1,459	1,180	1,034
- Cash and cash equivalents	(277)	(135)	(54)
Net debt	**1,691**	**1,385**	**1,230**
Goodwill	431	204	179
Intangible assets	835	775	610
Property, plant and equipment	1,910	1,662	1,479
TOTAL ASSETS	**3,880**	**3,061**	**2,572**

[1] Recurring EBITDAR = **recurring EBITDA before rents,** including provisions relating to "external charges" and "staff costs"

[2] Recurring EBITDA = **recurring EBITDA,** including provisions relating to "external charges" and "staff costs"

4. STOCK MARKET DATA

Year-on-year share price performance:



Indices: Compartment A of Eurolist by Euronext Paris Member of the Mid 60, SBF 120 and DSS

Stock market data (12 months):

- Average daily trading volume: 56,511 shares
- Share price: €34.37
- 12-month high: €36.94
- 12-month low: €28.45
- Turnover: 35% in 12 months
- Market capitalisation: €1,456m
- No. of shares: 42,352,795

Figures as of 22 March 2011

CHAPTER II / ABOUT THE ORPEA GROUP

1 – PRINCIPAL INFORMATION ABOUT THE COMPANY

1.1. – NAME AND REGISTERED OFFICE

The company's name is Orpea.

Its registered office is at 115 rue de la Santé, 75013 Paris.

1.2– DATE OF INCORPORATION AND LENGTH OF LIFE

The company was incorporated on 22 May 1995 as a *société à responsibilité limitée* and converted into a *société anonyme* on 3 February 1996.

It has a life of 99 years as of its date of registration.

1.3– LEGAL FORM

Société anonyme with a Board of Directors, governed by the French Commercial Code and its enforcement instruments.

1.4– CORPORATE PURPOSE

In accordance with article 2 of the articles of association, the Company's corporate purpose is:

- Creating, developing, acquiring, managing and operating, directly or indirectly, all types of medical care facilities, medical and social care facilities and residential facilities for the elderly, all types of residential facilities for disabled people of any age, and all hotel, hotel-related and leisure accommodation facilities;
- Providing technical, commercial, administrative and financial assistance to all companies whose business activity is directly or indirectly related to the foregoing;
- Acquiring and subscribing to equity instruments in all existing or future companies and creating and managing all financial investments;
- Secondarily, purchasing, enhancing the value of, exchanging and selling, after division and/or works where applicable, the property asset owned by the company at 2 rue Horace Choiseul, Vitry Chatillon (Essonne).

More generally, conducting all commercial, industrial, financial, real and non-real property transactions that are directly or indirectly related to or likely to facilitate the development of the foregoing activities.

1.5- FINANCIAL YEAR

The financial year begins on 1 January and ends on 31 December.

1.6- TRADE AND COMPANIES REGISTRY

The Company is entered in the Register of Trades and Companies of Paris under n° B 401 251 566.

Its APE code is 741G.

1.7 – INSPECTION OF DOCUMENTS

The articles of association, minutes and other corporate documents are available for inspection at the company's head office at 3 rue Bellini, 92806 Puteaux cedex.

1.8 – APPROPRIATION AND ALLOCATION OF PROFITS

After deduction of any prior year losses, at least one twentieth of the year's net profit is transferred to the statutory reserve, until such time as it has reached a sum equal to one tenth of the company's share capital, and again at any time should it fall back below that minimum requirement for any reason.

The balance, plus any retained earnings from prior years, constitutes the profit available for distribution.

The shareholders have sole discretion over its allocation and may resolve to allocate all or part of it to retained earnings, to one or more general or special reserve accounts, or to the shareholders as a dividend. The shareholders may also resolve to distribute sums from other reserves to which they are entitled, either to pay or supplement the dividend or as an exceptional distribution; in this case, their resolution shall expressly indicate which reserve accounts are to be used.

However no distribution may be made if it would cause the company's net equity to fall below the amount of its share capital plus any non-distributable reserves.

Any losses, after approval of the financial statements by the general meeting of shareholders, are recorded on a special balance sheet account and deducted from net profits in future years until extinguished.

1.9 – GENERAL MEETINGS OF SHAREHOLDERS

Calling of meetings

General meetings of shareholders are called by the Board of Directors. Failing that, a general meeting may also be called by:

- the Statutory Auditors;
- a representative appointed by court-order at the request of anyone with a vested interest for urgent matters, or one or more shareholders together owning at least 5% of the share capital, or an association of shareholders that meets the conditions set out in article L. 225-120;
- the liquidators;

- those shareholders holding a majority of the share capital or voting rights after a public cash or share exchange offer or the sale of a controlling block.

A notice of meeting is published in a legal gazette in the *département* where the registered office is situated and, should the company become authorised to make direct public offerings, in the *Bulletin des Annonces Légales Obligatoires*, at least 35 days before the date of the meeting. Shareholders may table proposed resolutions within the timeframe set out by law.
The person calling the meeting is responsible for preparing the agenda to be considered and the resolutions to be put to the general meeting.
However, the Board of Directors is required to add to the agenda any proposed resolutions tabled by the shareholders in accordance with the provisions of the law.
General meetings take place at the registered office or at any other place in the same or a neighbouring *département*.

Composition of general meetings

All shareholders have the right to attend ordinary and extraordinary general meetings and to take part in the vote, either in person or by proxy, in accordance with the provisions of article L. 225-106 of the French Commercial Code, provided that they - or their registered intermediary for non-residents - are shareholders of record no later than midnight CET, three business days before the date of the meeting, as evidenced by:

- in the case of registered shares, registration on the shareholders' register kept by the Company;
- in the case of bearer shares, registration on an account with an authorised intermediary who is required to issue a certificate in accordance with the provisions of the law.

Shareholders may appoint a proxy or vote by mail in accordance with the provisions of the law. Proxy and mail voting forms are prepared and made available to shareholders in accordance with the provisions of the law.
Each share entitles the holder to one vote, except for those shares carrying double voting rights. The right to vote is vested in the beneficial interest owner for ordinary general meetings and the legal interest owner for extraordinary general meetings. However, the legal interest owner has the right to attend all general meetings.
In the absence of the Chairman of the Board of Directors, general meetings are chaired by the Deputy Chairman or a director duly empowered for the purpose by the Board of Directors. Failing that, the meeting elects its own Chairman.
Minutes of meetings and drawn up and copies are certified and delivered in accordance with the provisions of the law.

Double voting rights

Double voting rights are granted to all fully-paid shares that have been registered in the name of the same shareholder for at least two years, in accordance with and within the limitations of article L. 225-123 of the French Commercial Code.

In the event of a capital increase by way of capitalisation of reserves, profits or share premiums, double voting rights are conferred on the bonus shares issued to shareholders in respect of shares already entitled to double voting rights.

At 31 December 2010, 17,600,494 Orpea shares had double voting rights, representing 41.56% of share capital and 58.71% of total voting rights within the meaning of article L. 233-8 II of the French Commercial Code and article 223-11 et seq. of the AMF General Regulations.

Notifiable interests

All shareholders must comply with the legal notification requirements set out in articles L. 233-7 and L. 233-9 of the French Commercial Code and article 223-11 et seq. of the AMF General Regulations.

Failure to comply with the notification requirements will result in the shares that should have been notified being disqualified for voting purposes at all general meetings held for a period of two years after the date on which the requisite notification is finally made.

Similarly, the voting rights attached to shares which have not been duly and properly notified may not be exercised by the defaulting shareholder in person or by proxy.

It is specified that the Company's articles of association do not set out a notification threshold.

Form and disposal of shares

Shares are either in registered or bearer form, at the choice of the shareholder, notwithstanding any legal or regulatory requirements for shares to be held in bearer form.

Registered and bearer shares can be transferred or converted by means of an account-to-account transfer.

1.10 – SHARE CAPITAL

The share capital at 31 December 2010 was €52,940,993.75 divided into 42,352,795 fully paid shares all of the same class each with a par value of €1.25, including 27,321 treasury shares.

1.11 –AUTHORITIES GRANTED BY THE SHAREHOLDERS TO THE BOARD OF DIRECTORS

The table below summarises the currently valid authorities to increase the share capital granted to the Board of Directors by the shareholders at their general meeting of 26 June 2009, and the use made thereof.

Type of authority	Term	Use during the year
9th resolution – **Rights issues** of shares or securities conferring rights in the share capital.	26 months	No
10th resolution– Issues, **without rights**, of shares or securities conferring rights in the share capital. Priority subscription period at the discretion of the Board of Directors Issues that may be made by way of private placements to qualified investors or a restricted circle of investors (offerings	26 months	Yes: Issue of 4,069,635 bonds with the option of being converted and/or exchanged for new or existing shares (OCEANE), equal to a total nominal amount of €179,999,956.05 (the maximum nominal amount for capital increases resulting from the conversion of bonds is set at €5,087,043.75).

referred to in article L. 411-2 II of the French Monetary and Financial Code as amended by ordinance no. 2009-80 of 22 January 2009). *Issue price: at least equal to the minimum set out in the legislation and regulations prevailing on the date of issue.*		
11th resolution- Issues, **without rights**, of securities as consideration for contributions in kind made to the company, up to a limit of 10% of the share capital. *Issue price set on the basis of a report by the appointed accountants on the valuation of the contributions and the grant of special benefits and their value.*	26 months	Yes: As compensation for the contribution of 100% of Mediter and 49% of Medibelge, a capital increase reserved for the contributing parties (Société de Participation Française and NeoGema) was carried out representing a nominal amount of €4,376,154, by means of the allocation of 3,500,923 new Orpea shares with a par value of €1.25 and an issue premium of €109,403,846.
12th resolution - Issues, **without rights**, of various securities in the event of a public share exchange offer initiated by the Company	26 months	No
13th resolution - Issues, **without rights**, of various securities with the issue price set freely. Issue price set by the Board of Directors on the basis of either (i) the weighted average share price on the day before the price fixing with a maximum discount of 15%, or (ii) an average of the quoted share prices selected from among all or some of the thirty trading days preceding the price fixing with a maximum discount of 10%.	26 months	No
14th resolution - Issues, **without rights**, of shares to a financial institution responsible for underwriting equity instruments (capital increase restricted to a category of persons) Issue price of new ordinary shares set on the basis of the volume weighted average price of the Company's ordinary shares over a period of three trading days immediately preceding their issuance, plus a discount that may not exceed 10%.	18 months	No
17th resolution - Capital increase by capitalisation of share premiums, reserves, profits or other capitalisable sums	26 months	No
18th resolution - Issues of securities carrying rights to the allotment of debt securities and not giving rise to a capital increase	26 months	No

Maximum par value of capital increases that may be made pursuant to the authorities granted

1-1 Blanket limit on authorities to increase the share capital with and without rights (resolutions 9 to 14)

- Par value: €30,000,000
- Par value of debt securities: €400,000,000

Sub-limits: Issues:

- By private placement: 20% of the share capital a year (10th resolution)
- As consideration for contributions in kind: 10% of the share capital (11th resolution)
- In the event of a public share exchange offer initiated by the Company: €10,000,000 par value (12th resolution)
- With issue price set freely: 10% of the share capital a year (13th resolution)
- To a financial institution appointed as underwriters: €2,500,000 par value (14th resolution)
- Greenshoe option (over-allotment option): 15% of the initial issue amount (15th resolution)

1-2 Separate, independent limit:

- For capital increases by capitalisation of reserves (17th resolution): €20,000,000
- For securities not conferring rights in the share capital (18th resolution): €200,000,000

1.12 – MOVEMENTS IN SHARE CAPITAL

Date	Transaction	Par value of shares	Par value of transaction	Share premium	Number of shares issued	Total number of shares	Share capital after the transaction
16/04/02	Issue for cash	2.5	3,906,250	16,093,750	1,562,500	17,930,772	€44,826,930
2004	Exercise of stock options	2.5	505,385		202,154		€45,332,315
2005	Exercise of stock options	2.5	227,527		91,011		€45,559,842
2006	Exercise of stock options	2.5	126,055		50,422	18,274,359	€45,685,897
2007	Exercise of stock options	2.5	204 5950		81,838	18,356,197	€45,890,492
31/07/07	Two for one stock split	1.25				36,712,394	€45,890,492
31 March 2008	Exercise of stock options	1.25	162,350	138,295	129,880	36,842,274	€46,052,842
31 December 2008	Exercise of stock options	1.25	75,622.50	42,079	60,498	36,902,772	€46,128,465
3 July 2009	Exercise of stock options	1.25	14,550		11,640	36,914,412	€46,143,015
13 October 2009	Exercise of stock options	1.25	8,000		6,400	36,920,812	€46,151,015
20 October 2009	Issue for cash	1.25	2,400,000	60,000,000	1,920,000	38,840,812	€48,551,015

31 December 2009	Exercise of stock options	1.25	7,950		6,360	38,847,172	€48,558,965
14 September 2010	Exercise of stock options	1.25	5,875		4,700	38,851,872	€48,564,840
31 December 2010	Contribution in kind by NeoGema and Société de Participation Française	1.25	4,376,155	109,403,846	3,500,923	42,352,795	€52,940,993

1.13 – SHAREHOLDERS

1.13.1 – Orpea's shareholders at 31 May 2011

Shareholder	Number of shares	% of the share capital	Number of voting rights	% of voting rights
JC Marian	*11,506,846*	*27.17%*	*23,013,692*	*39.02%*
Marian family	*535,611*	*1.26%*	*980,208*	*1.66%*
JC Marian and family	**12,042,457**	**28.43%**	**23,993,900**	**40.69%**
Sempré	4,040,924	9.54%	7,960,300	13.50%
NeoGema (owned by Philippe Austruy)	3,500,923	8.27%	3,500,923	5.94%
Treasury shares	18,778	0.04%	0	0
Free float	22,749,713	53.71%	23,517,056	39.88%
Total	**42,352,795**	**100.00%**	**58,953,104**	**100.00%**

On 26 May 2011, Société de Participation Française (SPF) notified the Company that it had fallen below the threshold of 5% of share capital and voting rights in Orpea following the payment of dividends in kind, as voted for at the general shareholders' meeting of 26 May 2011, of all shares held in Orpea in favour of NeoGema (owned by Philippe Austruy).
On the same date, NeoGema notified the Company that it had gone over the threshold of 5% of share capital and voting rights in Orpea.

1.13.2 – Orpea's shareholders at 30 April 2011

Shareholder	Number of shares	% of the share capital	Number of voting rights	% of voting rights
JC Marian	*11,506,846*	*27.17%*	*23,013,692*	*39.02%*
Marian family	*535,611*	*1.26%*	*980,208*	*1.66%*
JC Marian and family	**12,042,457**	**28.43%**	**23,993,900**	**40.69%**
Sempré	**4,040,924**	**9.54%**	**7,960,300**	**13.50%**
SPF	2,842,804	6.71%	2,842,804	4.82%
NeoGema	658,119	1.55%	658,119	1.12%
Philippe Austruy	**3,500,923**	**8.27%**	**3,500,923**	**5.94%**
Treasury shares	20,806	0.05%	0	0
Free float	22,747,685	53.71%	24,517,148	39.88%
Total	**42,352,795**	**100.00%**	**58,972,271**	**100.00%**

On 11 April 2011, Sempré notified the Company that it had fallen below the thresholds of 15% and 10% of share capital and the threshold of 15% of voting rights on 5 April 2011 as a result of the selling of shares off the market (AMF decision no. 211C0427 of 11 April 2011).

1.13.3 – Orpea's shareholders at 31 December 2010

Shareholder	Number of shares	% of the share capital	Number of voting rights	% of voting rights
JC Marian	*11,506,846*	*27.17%*	*23,013,692*	*38.39%*
Marian family	*494,604*	*1.17%*	*989,208*	*1.65%*
JC Marian and family	**12,001,450**	**28.34%**	**24,002,900**	**40.04%**
Sempré	**6,370,536**	**15.04%**	**11,198,912**	**18.68%**
SPF	2,842,804	6.71%	2,842,804	4.74%
NeoGema	658,119	1.55%	658,119	1.10%
Philippe Austruy	**3,500,923**	**8.27%**	**3,500,923**	**5.84%**
Treasury shares	27,321	0.06%	0	0
Free float	20,452,565	48.29%	21,250,554	35.45%
Total	**42,352,795**	**100.00%**	**59,953,289**	**100.00%**

Sempré notified the Company, by way of rectification, that it had fallen below 20% of the voting rights on 1 February 2010, following the increase in the number of voting rights of Orpea SA as published by the Company on 1 February 2010 (AMF decision no. 210C0167 of 17 February 2010). (In its notification of interest dated 4 July 2008 sent to the AMF (AMF decision no. 208C1270 of 4 July 2008), Sempré in liquidation described its ownership structure, indicating that its share capital was wholly-owned by Banque Degroof Luxembourg, itself controlled by Banque Degroof SA. If Sempré's liquidation procedure is closed, the Orpea shares it owns will be allocated to its shareholder, Banque Degroof Luxembourg.

In a letter received on 4 January 2011, Philippe Austruy notified the Company that he had on 31 December 2010 indirectly gone over the thresholds of 5% of share capital and voting rights via NeoGema1 and Société de Participation Française2 (SPF) – companies that he owns – bringing his indirect holding to 3,500,923 Orpea shares representing the same amount of voting rights, or 8.27% of share capital and 5.84% of voting rights in the company. This is the result of his subscribing to the reserved capital increase by means of the issuing of 3,500,923 new Orpea shares in compensation for the contributions made by NeoGema and SPF.

1.13.4 – Orpea's shareholders at 31 December 2009

Shareholder	No. of shares	% of share capital	Number of voting rights	% of voting rights
JC Marian	*11,506,846*	*29.62%*	*22,013,692*	*39.69%*
Marian family	*494,604*	*1.27%*	*989,208*	*1.78%*
JC Marian and family	12,001,450	30.89%	23,002,900	41.47%
Sempré	6,370,536	16.40%	11,198,912	20.19%
Treasury shares	3,812	0.01%	O:	
Public	20,471,374	52.70%	21,267,127	38.34%
Total	**38,847,172**	**100.00%**	**55,468,939**	**100.00%**

1.13.5 – Shareholders' agreement

The Company is not aware of any shareholders' agreement or other agreement relating to its share capital.

1.13.6 – Dividends

Pursuant to article 2277 of the French Civil Code, dividends that are not claimed within five years of their payment date will lapse and become the property of the State.

The table below shows the amount of the dividend per share paid since 2007, as well as the applicable tax regime:

Year	Net dividend received (€)	Distributed income giving entitlement to 40% reduction (€)	Distributed income not giving entitlement to 40% reduction (€)	Total (€)
2007	None			
2008	0.10	0.10	None	0.10
2009	0.15	0.15	None	0.15

1.13.7- Employee shareholders

There is no group savings plan (or similar plan) allowing Orpea to know the exact number of shares held by employees.

However, on 29 June 2006, the Board of Directors agreed to grant 68,430 free shares to employees (currently representing 0.16% of the share capital), with the beneficiaries agreeing to hold the shares until 31 December 2010.

1.14 – INFORMATION LIABLE TO HAVE AN INFLUENCE ON THE OUTCOME OF A PUBLIC OFFER

We provide the following information in accordance with article L. 225-100-3 of the French Commercial Code:

- the Company's capital structure and significant direct or indirect interest in its share capital are described in the management report;
- the articles of association contain no restrictions on voting rights, apart from the disqualification of voting rights attached shares that have not been notified to the company in accordance with the requirements on notifiable interests;
- there are no shareholders' agreements to the Company's knowledge;
- there are no securities conferring special control rights, apart from shares with double voting rights;
- the rules for appointing and removing members of the Board of Directors are those set out by law;
- there are no agreements to pay the corporate officers severance benefits in the event of termination or change of office following a public offer;
- in 2007, the Company obtained a loan of €150 million with a pool of banks comprising ABN, Calyon and Natixis, containing an accelerated repayment clause should the percentage of voting rights held directly or indirectly by the major shareholder (Dr Jean-Claude Marian) fall below 20%.
- The €217 million OBSAAR bond issue made in 2009 and the €180 million OCEANE bond issue made in 2010 contain an accelerated redemption clause at the holders' option in the event of a change of control of the company (change of majority voting rights or more than 40% of voting rights if no other shareholder holds a higher percentage).
- The Group also has various other loans which contain an accelerated repayment clause should the percentage of voting rights held by the major shareholder (Dr Jean-Claude Marian) fall below 10 or 20%.
- All in all, the amount of debt concerned by the clauses at 31 December 2010 was €1,049 million.
- At the annual general meeting of 25 June 2010, the shareholders authorised the Board of Directors to use the share buyback programme in the event of a public offer for the Company's shares.

1.15 – SHARE BUYBACK PROGRAMME

1.15.1 – 2010 share buyback programme

In accordance with the provisions of articles L. 225-209 et seq. of the French Commercial Code, at the annual general meeting of 25 June 2010, the shareholders authorised the Board of Directors to trade in Orpea's own shares for a period of 18 months, within the limits and for the purposes of the share buyback programme: maximum purchase price of €50 per share, while the number of shares to be purchased may not exceed 10% of the Company's share capital.

For the implementation of the share buyback programme, the Company has signed a liquidity contract with Gilbert Dupont. This contract complies with the AMAFI code of conduct approved by the AMF on 1 October 2008. Gilbert Dupont trades in the Company's shares on an arm's length basis and has sole responsibility for investment and divestment decisions, which must comply with the purpose of the contract and ensure its continuity. The sole purpose of the liquidity contract is therefore to make a market in the shares and ensure regular price quotations to avoid swings in share price which are not warranted by market trends. In any event, transactions made under the liquidity contract must not hamper the market's normal operation. Gilbert Dupont also endeavours to respect the principle of proportionality set out in the code of conduct, which requires the resources held on the liquidity account to be commensurate with the purpose of the liquidity contract.

Under the liquidity contract, the Company has:

- bought 1,857,824 shares for a total of €65,510,389 and representing a weighted average value of €35.26 per share;
- sold 1,834,079 shares for a total of €64,656,748 and representing a weighted average value of €35.25 per share.

The Company has not used any derivatives and does not have any open positions.

The Company has not cancelled any shares.

At 31 December 2010, the Company held 27,321 shares directly with a par value of €1.25, representing 0.06% of share capital with a market value of €946,399.44 (based on the share price of 31 December 2010, i.e. €34.64).
These shares were allocated as follows:

- 23,745 bearer shares allocated for the purpose of ensuring liquidity;
- 3,576 registered shares allocated to cover stock option plans or other employee shareholding schemes.

1.15.2- Renewal of the share buyback programme – Description of the share buyback programme in accordance with articles 241-1 et seq. of the AMF General Regulations

This paragraph contains information about the share buyback programme to be presented to the general meeting of shareholders on 30 June 2011.

1) Breakdown of the shares held directly or indirectly by the issuer as at 28 February 2011 by purpose.

Orpea held a total of 20,328 shares directly at 28 February 2011, allocated as follows:

- 16,752 bearer shares under a liquidity contract with Gilbert Dupont for the purpose of ensuring the shares' liquidity;
- 3,576 registered shares allocated to cover stock option plans or other employee shareholding schemes.

The Company has not used any derivatives within the framework of its share buyback programme. No shares have been cancelled.

2) Purpose of the share buyback programme

The purpose of the share buyback programme is:

a) to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the Autorité des Marchés Financiers;

b) allot all or some of the shares purchased to employees and officers of the Company and the Group under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, share award plans or employee share ownership plans;

c) to allot shares upon the exercise of securities giving rights to shares of the Company by way of conversion, exercise, redemption, exchange or otherwise, in accordance with stock market regulations;

d) to cancel the shares under the terms and conditions set out in the French Commercial Code, subject to approval of the annual general meeting;

e) to keep all or some of the shares purchased to tender as payment for future acquisitions or any other transaction authorised under current regulations; or

f) to implement any market practices admitted by law or by the Autorité des Marchés Financiers;

The shares purchased and kept by Orpea will be stripped of their voting rights and will not be entitled to dividend payments.

3) Maximum percentage of share capital, maximum number and characteristics of shares, maximum purchase price

- Maximum percentage of share capital that may be held: 10% of the share capital held on the date of the transaction (i.e. 4,235,279 shares at 31 December 2010) to take account of any capital increases or reductions made during the life of the programme. The number of shares used to calculate the percentage held is the number of shares purchased less any shares sold during the life of the programme for liquidity purposes.
- Maximum purchase price: €50
- Maximum programme amount: €211,763,950
  As Orpea held 20,328 shares directly at 28 February 2011, the maximum number of shares that may be purchased is 4,214,951 or 9.95% of the share capital, representing a maximum amount of €210,747,550.
- Terms and conditions: shares may be purchased, sold, transferred or exchanged by all means on or off the market, including block trades, bearing in mind that the proposed resolution does not limit the amount of the programme that may be used to make block purchases.

4) Life of programme

The share buyback programme may be implemented for a period of 18 months from the annual general meeting of 30 June 2011.

2- CORPORATE GOVERNANCE:

This paragraph constitutes the first part of the Chairman's report on corporate governance and internal control and risk management procedures as required by article L. 225-37 of the French Commercial Code (hereinafter referred to as the "Chairman's Report").

Information relating to shareholders' participation in the annual general meeting is provided in section "*1.1.9 - General meetings of shareholders*". Information liable to have an influence in the event of a public offer is provided in section "*1.1.14 - Information liable to have an influence on the outcome of a public offer*".

On the basis of the AFEP-MEDEF Corporate Governance Code for listed companies, Orpea is continuing with its review of changes to its corporate governance. The Board of Directors therefore decided on 15 February 2011 to separate the offices of Chairman and Chief Executive Officer, and on the occasion of the renewal of directors' terms of office at the general meeting to approve the financial statements for the year ended 31 December 2010, it will be proposed that the Board of Directors be enlarged and the term of office of directors be reduced from six years to four years.

2.1- ADMINISTRATIVE AND MANAGEMENT BODIES

2.1.1- Board of Directors

Under the Articles of Association, the Board of Directors may have no less than three and no more than eighteen members, serving for a term of six years. Each director must own at least one registered share.

► **Powers of the Board of Directors**

The Board of Directors is responsible for defining the company's broad strategic objectives and overseeing their implementation. Subject to those powers expressly vested in the collective body of shareholders and within the limits of the company's corporate objects, the Board of Directors considers and settles all matters involving the proper functioning of the company through the passing of resolutions.

It also carries out any verifications or controls it deems appropriate. Directors receive all the information they need to fulfil their role and duties and may ask for sight of any documents they deem useful.

The Board of Directors elects a Chairman, who must be a physical person, and has the title of Chairman of the Board of Directors. The Chairman of the Board may stand for re-election. The Chairman is appointed for a term that may not exceed his term of office as director

► Members of the Board of Directors

The Company is currently run by a Board of Directors with four members.

First name – Name	Age	Term ends	Number of Orpea shares held *
Dr. Jean-Claude Marian	72	2011 general meeting	11,506,846
Yves Le Masne	48	2012 general meeting	26,930
Brigitte Michel	53	2011 general meeting	50,008
Alexandre Malbasa	52	2011 general meeting	2

To the company's knowledge, there are no potential conflicts of interest between the duties of the directors towards the Orpea Group and their private interests. There are no family relationships between the directors and corporate officers. To the company's knowledge, there are no shareholders' agreements or other agreements relating to the share capital. The directors do not own shares in any of the Group's subsidiaries other than the qualifying shares they may be required to own by virtue of their office (fewer than 10 qualifying shares depending on the articles of association).

► Board practices

Holding Board meetings

The Board meets as often as required in the interests of the Company. Meetings are called by the Chairman of the Board by any means.

A notice of meeting is generally sent out at least eight days before the date of the meeting. When required by events affecting the Company, a Board meeting may be called verbally and take place immediately if all directors agree, in the interests of simplicity and speed. In this respect, meetings may take place by conference call or videoconference, under certain conditions.

When it has not met for more than two months, at least one-third of Board members may ask the Chairman to call a meeting to consider a specific agenda. The Chief Executive Officer can also ask the Chairman to call a Board meeting to consider a specific agenda. The Chairman is bound by the demands put forward to him.

The meeting takes place Company's head office or at any place indicated in the notice convening the meeting.

A quorum is reached when at least half of the Board members are present. A director may be represented by another director who has been granted special powers.

Unless chosen otherwise by executive management, decisions are made by the majority of directors present or represented. The Chairman has the deciding vote.

Members of the executive management team may attend Board meetings at the request of the Chairman.

Minutes of meetings are prepared and copies or extracts of decisions are delivered and certified in accordance with legal requirements.

Board's work in 2010

During 2010, the Board of Directors met seven times. It considered and took decisions on all items tabled on the agenda of its meetings, in accordance with the provisions of the law and regulations applicable in France.

This included in particular:

- Review and approval of the company and consolidated financial statements for the year ended 31 December 2009;
- Proposed appropriation of income for the year;
- Approval of the Chairman's special report (article L. 225-37 of the French Commercial Code);
- Authorisations of guarantees (within the framework of financing/refinancing/substitutions of guarantees);
- Implementation of the share buyback programme as authorised by the general shareholders' meeting of 25 June 2010;
- Allocation of directors' fees;
- Approval of the interim financial statements for the period ended 30 June 2010;
- Proposed issue by Orpea of bonds convertible and/or exchangeable for new or existing shares (OCEANE);
- Review of the acquisition by means of a contribution in kind and approval of the corresponding proposed contribution agreement of 100% of shares and voting rights in Mediter and 49% of shares and voting rights in Medibelge by NeoGema and Société de Participation Française ('SPF') to Orpea; approval of the valuation of and compensation for this contribution; implementation of powers delegated to the Board of Directors by the general shareholders' meeting of 26 June 2009 with a view to increasing Orpea's share capital as a result of this contribution; noting the definitive carrying out of the capital increase.

2.1.3 Board committees

For the purpose of its work, the Board of Directors may ask managers of the Company or outside experts to carry out technical studies.

The Board of Directors is continuing with its plan to create an Audit Committee. At the general meeting of shareholders to approve the financial statements for the year ended 2010, it shall propose the appointment of a director with expertise in accounting and finance. Under the ordinance of 8 December 2008, the Company is required to create an Audit Committee by 1 September 2012.

To date, the Board does not have any specialised committees. However, to deal with issues essential to implementing the Group's strategy, Executive Management has established various management committees to assist it, including the Group Executive Committee, the Operations Committee, the Works and Safety Committee and Business Development Committee. These committees comprised the following members during 2010:

► **Group Executive Committee**

Committee members are the Chairman and Chief Executive Officer, the Chief Operating Officer and the Head of Group Operations (who is an employee).

It meets at least once a month and more if required by events affecting the Group or the business sector. It assists the Board of Directors in defining the Group's strategy.

►Operations Committee

The Operations Committee is chaired by the Head of Group Operations and other members are the Regional and Division Directors (all of whom are Group employees). It meets monthly and is responsible for monitoring the performance of all Group facilities and for implementing action plans.

The heads of the central support functions attend committee meetings when required by the agenda content.

►Works and Safety Committee

The Works and Safety Committee meets monthly and comprises the Chairman and Chief Executive Officer and the Head of Property Development, Works and Maintenance and Business Development (all of whom are Group employees). The architects in charge of the projects in progress may also be invited to committee meetings depending on the agenda content.

The committee reviews all new construction and redevelopment projects in progress and makes the decisions required to ensure that construction work runs smoothly and safely.

►Business Development Committee

The Business Development Committee is responsible for all projects to build or acquire new facilities.

It meets monthly and comprises members of the Group Executive Committee, the Business Development Department, the Head of Legal Affairs, the Division Directors and the managers of the Pricing and Relations with Health Authorities departments (all of whom are Group employees). External consultants appointed to conduct certain research may also be invited to attend meetings.

2.1.2- Chairman and Chief Executive Officer:

On 15 February 2011, the Board of Directors decided to separate the offices of Chairman and Chief Executive Officer, with Jean-Claude Marian continuing to act as Chairman of the Board of Directors and Yves Le Masne appointed Chief Executive Officer.

►Role and powers of the Chairman and the Chief Executive Officer

The **Chairman** of the Board represents the Board of Directors, organises and manages its work and reports thereon to the shareholders. He is responsible for ensuring that the Company's governing bodies function correctly and, more particularly, that the directors are capable of fulfilling their duties.

Working in close collaboration with Executive Management, he may represent the Group in its high-level relations with the supervisory authorities and the Group's major partners both nationally and internationally. He is involved in setting out the main tenets of the Group's strategy, particularly with regard to acquisitions.

The **Chief Executive Officer** has the widest powers to act in the name of the Company at all times and in all circumstances. He exercises his powers within the limits of the Company's corporate object and subject to those powers expressly conferred by law on the collective body of shareholders or the Board of Directors.

►Restrictions to the powers of the Chief Executive Officer imposed by the Board of Directors

On 15 February 2011, the Board of Directors specified the restrictions placed upon the powers applicable to the Chief Executive Officer.

The Chief Executive Officer must obtain authorisation from the Board of Directors for (i) investments, acquisitions, divestments/disposals of any assets and/or equity investments, and (ii) for borrowings of more than €100 million (per loan).
He is expressly authorised for a period of one year to give guarantees, endorsements or other collateral in the Company's up to a total of €75 million or €30 million per transaction.

2.2 DIRECTORS' AND EXECUTIVE COMPENSATION

During 2010, Jean-Claude Marian served as Chairman of the Board of Directors and Chief Executive Officer, and Yves Le Masne as Chief Operating Officer.

In respect of 2010, compensation paid to Jean-Claude Marian comprised solely fixed compensation, with no variable compensation, stock options or directors' fees. Compensation paid to Yves Le Masne comprised fixed compensation, benefits, variable compensation and directors' fees, with no stock options.

No commitment has been made to either the Chairman and Chief Executive Officer or the Chief Operating Officer in respect of termination benefits or non-compete benefits.

They have no specific supplemental pension entitlements (article 39 regulations).

Mr Le Masne is covered by the Group's various health, death and disability policies (article 83). Since 2009, he has been covered by unemployment insurance, the premiums for which are paid by the Company.

Dr Marian is covered by the death and disability policy.

No stock options, share awards or performance shares were granted to the directors or corporate officers in 2010.

More generally, none of the directors hold any options giving them the right to subscribe for shares of the Company or have any entitlement to severance benefits in the event of termination or change of office.

Yves Le Masne is covered by an unemployment insurance policy, the premiums for which have been paid by the Company since 2009. The premiums amounted to €3,698 in 2010.

Summary of compensation paid to the directors in 2010:

These amounts include compensation received by the corporate officers from companies controlled by Orpea within the meaning of article L. 233-16 of the French Commercial Code.

Summary of compensation paid to Jean-Claude Marian

	2010		2009	
Dr Jean-Claude Marian, Chairman and Chief Executive Officer	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	448,630	448,630	448,630	448,630
Variable compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits	-		-	

Summary of compensation paid to Yves le Masne

	2010		2009	
Yves Le Masne, Chief Operating Officer	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	623,215	623,215	623,215	623,215
Variable compensation	300,000	300,000	300,000	200 0000
Directors' fees	25,000	25,000	25,000	25,000
Benefits	Company car		Company car	

Summary of compensation paid to Brigitte Michel

	2010		2009	
Brigitte Michel	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	–	–	–	–
Variable compensation	–	–	–	–
Directors' fees	25,000	25,000	25,000	25,000
Professional fees	0	0	0	0
Benefits	None		None	

Summary of compensation paid to Alexandre Malbasa

	2010		2009	
Alexandre Malbasa	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	–	–	–	–
Variable compensation	–	–	–	–
Directors' fees	25,000	25,000	25,000	25,000
Professional fees	60,408	60,408	116,375	116,375
Benefits	None		None	

Director	Employment contract		Supplementary pension plan		Severance benefits		Non-compete benefits	
	Yes	No	Yes	No	Yes	No	Yes	No
Dr Marian *Chairman and Chief Executive Officer* Date appointed: 2005 AGM Term ends: 2011 AGM		X		X		X		X
Yves Le Masne *Chief Operating Officer* Date appointed: 2006 AGM Term ends: 2012 AGM	X			X		X		X
Brigitte Michel *Director* Date appointed: 2005 AGM Term ends: 2011 AGM		X		X		X		X
Alexandre Malbasa *Director* Date appointed: 2005 AGM Term ends: 2011 AGM		X		X		X		X

2.3- REGULATED RELATED-PARTY AGREEMENTS AND COMMITMENTS

See Chapter VI - section 2 "Statutory auditors' special report on regulated related-party agreements and commitments".

2.4- CHAIRMAN'S REPORT (ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE)

Chairman's Report

on internal control (article L. 225-37 of the French Commercial Code).

I- Corporate governance

The Company's corporate governance is discussed in Chapter II - Section 2 of the registration document.

II- Internal control and risk management procedures implemented by the Company

The Board of Directors permanently displays its firm and clear commitment to maintaining and improving effective internal control and risk management procedures, based on solid ethics, an appropriate organisational structure and clearly defined responsibilities, as well as an active approach to anticipating and managing the risks associated with the Group's activities.

1. Internal control definitions and objectives

Internal control procedures apply to the Company and its consolidated subsidiaries ("the Group") and are rolled out immediately at all newly acquired facilities with the aim of helping to achieve the following objectives:

- Successful implementation of the strategy determined by Executive Management;
- Observance of laws and regulations applicable to the Group's facilities;
- Identification, assessment and management of risks;
- Valuation of the Company's portfolio and maintaining its assets;
- The reliability of the Group's financial and accounting information.

Internal control procedures should also enable the Group to continue to expand and improve its financial and operating performance in a control environment suited to its business activities.

As with any control system, it cannot ensure with absolute certainty that these objectives will be achieved, but aims primarily to create optimum conditions for achieving these objectives.

2. Background to the Orpea Group's internal control system

The Group's Executive Management ensures that its directives are clearly communicated to employees and that its strategy is clear to everyone, so that all employees understand their duties and the framework within which they must be performed.

2.1. The Group's values

Orpea's development is based on a set of values relating primarily to its core business line of care services, in the wider sense of the term. These values include listening to and respecting people, trust, responsibility and a professional conscience.

These values relate to a business line that is based primarily on interpersonal relations and the relationship of trust built up between Orpea and its employees on one hand and its residents and their families on the other.

Considering that our business consists essentially of managing imperfections on a daily basis, the criticisms indicated in satisfaction questionnaires are also possible ways for the Group to improve. This continuing will to improve is therefore firmly anchored into our values.

2.2. Charters

In order to unite employees around Orpea's values, an Ethics Charter has been drawn up for the Group as a whole and made available to all employees.

On the basis of this charter and the values they wish to make a priority, the staff at each facility define their own charter of commitments.

In order to offer residents and patients at Orpea facilities the best care possible, the Group has very demanding standards concerning the quality and skill of its staff both at the time of recruitment and later on, offering a highly developed internal training policy. Employees undergo regular training to raise their awareness of professional best practices and enable them to acquire the knowledge needed to move into management positions. The Group favours internal recruitment. This training is provided either as conventional training programmes using video materials developed specifically by and for the Group - covering areas such as "fall prevention", "handling patients", "wellbeing" and "nutrition" - or through e-learning modules for in-house software training such as pharmacy management, schedule management and payroll.

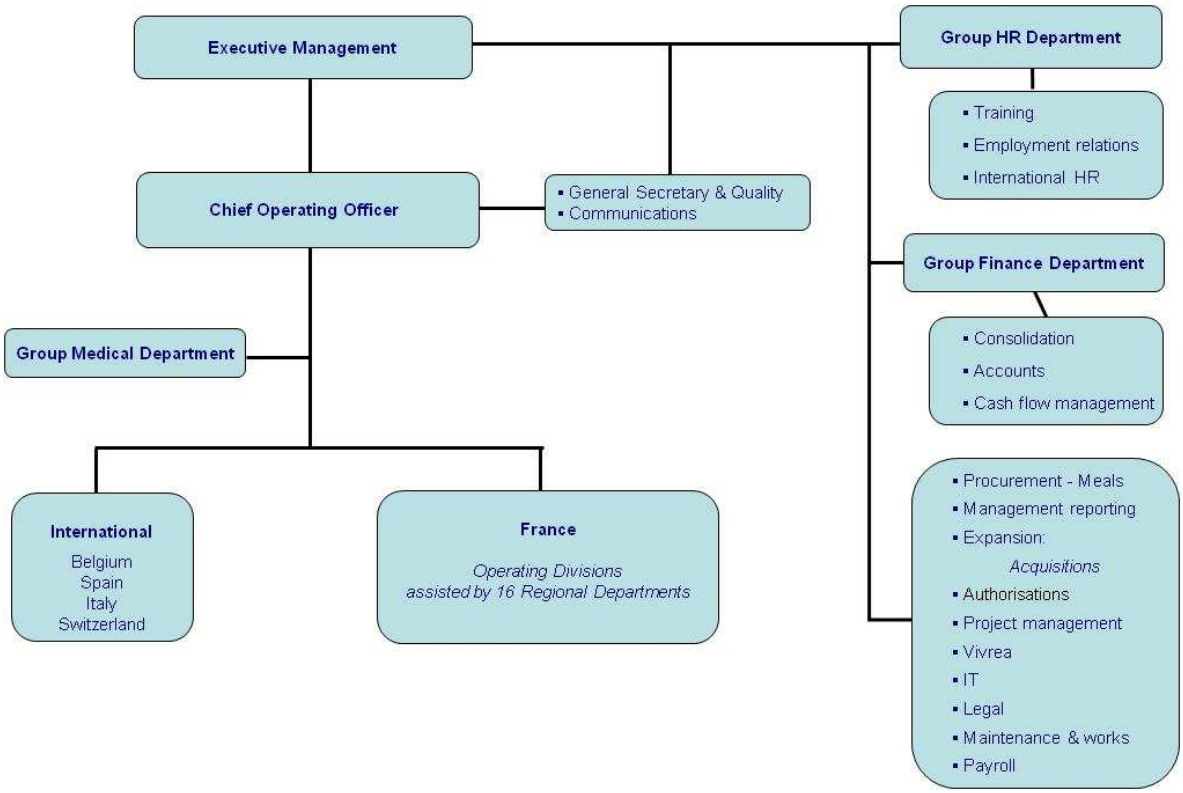
2.3. Other references

Orpea also has a legal team specialising primarily in healthcare law, regulations for post-acute and psychiatric care facilities and nursing homes, commercial law and property law. This team informs Executive Management, Regional and Divisional Departments, the Quality Department and the Medical Department on a real-time basis of changes in regulations, which are then passed on to the Group's internal procedures, with a view to ensuring optimal management of the Group's activities.

3. Organisation of internal control relating to the Group's activities

3.1. A centralised organisational structure to ensure effective control of the Group's operations

The Group's organisational structure centralises all administrative duties at the level of the administrative head office, thereby encouraging facility and or regional/division directors to focus their efforts on serving residents and patients.



The Group also has operations committees that meet every month, bringing together the Chief Operating Officer, Regional Directors and Division Directors. The managers of central departments and the heads of the Quality and Medical departments also attend these committee meetings depending on the agenda. These committees review all issues relating to the life of the Group, and discuss in particular current plans of action, plans of action to be implemented, budgets, quality and the training plan. They also review the Group's commercial performance and main expenses.

Decisions made within the operations committees are systematically conveyed and their implementation explained during monthly meetings with the Division Director, Regional Directors and Operating Directors.

This organisational structure favours:

- economies of scale thanks to the pooling of administrative management costs;
- responsiveness as a result of being able to obtain appropriate solutions by contacting the person suited to the type of problem encountered;
- standardisation, improvement and harmonious dissemination of Group procedures.

It therefore helps to optimise the way in which the Group's facilities are run.

The Group's IT system is adapted to its current organisational targets and has been designed in order to be changing and to adapt to the Group's development. The IT applications specific to its activities are designed in-house by the IT department, in certain cases with the help of external service providers in order to meet the Group's specific requirements and benefit from regular updates.
These applications are protected in order to ensure that stored data is kept. Emergency procedures allow for business continuity, which is essential for a Group whose facilities are in operation 24 hours a day, seven days a week. A hotline is open seven days a week. An on-site and remote back-up system is managed by dedicated staff, who in turn are managed by an external company.

3.2. Internal dissemination of information

The procedures manual covering all procedures (care services, health and safety, meals, accounting and administrative) and protocols covering a variety of themes (such as care services, health and safety, meals and administration) is given to each operating director on taking up their position. These procedures explain and describe in detail how a process should be carried out. Some procedures instigate a validation process so that decisions are made at the appropriate level, with the necessary and relevant information, and so that their implementation is closely verified. These procedures are improved on a regular basis and disseminated via the Group's intranet site. Updates are systematically sent to operating directors by post with a request for confirmation that they have been received and successfully implemented at each facility. In addition to describing in detail how each process should be carried out, this creates a validation process so that decisions are made at the appropriate level, with full awareness of the relevant information required, and that their implementation is closely monitored.

Before taking up his or her duties, the operating director receives integration training in two stages: theoretical training concerning care, residential and administrative procedures, and immersion training at one of the Group's sites during which the Group director works in tandem with the existing director and is involved in all of the facility's activities.

A number of IT and monitoring tools are also accessible at Group level in order to facilitate their everyday duties and ensure that these duties are performed in strict accordance with Group procedures.

For example, daily, weekly and monthly reporting tables have been created for the reporting of indicators relating to the level of activity, as well as monthly quality indicators. These tables are completed by the facilities and sent to the Regional or Division Director, as well as to the Quality Department. They allow for monitoring of each facility's progress in achieving quantitative and qualitative targets relating to specific areas. Each facility's performance is therefore assessed and communicated on a regular basis, and information obtained from these assessments allows facilities that have been unable to achieve the targets set to implement corrective measures immediately.

The indicators on which these assessments are based can be consulted in real time thanks to the Group's intranet site, which allows for all information to be consolidated twice a day.

In addition, information obtained from self-diagnosis questionnaires and satisfaction questionnaires of residents and their families, charters and standards, as well as information relating to the directives of the various departments, contribute to the general information of the Group and its employees.

4. Risk management

The Orpea Group's internal control system forms part of an ongoing process of identifying, assessing and managing risk factors that may prevent it from achieving its targets and with a view to improving its performance. This process is implemented on both a retrospective and a forward-looking basis.

These risks are identified and looked at more specifically in section 5 of the Management Report.

4.1. Bodies for the identification, assessment and management of risks relating to the Group's activities

The Group has adopted an organisational structure designed to ensure optimal management of the risks and opportunities specific to its business activities. The parties involved in internal control – operating and central teams – look after procedures in their respective area of responsibility and thereby contribute to risk management.

4.1.1. The Board of Directors and the Executive Committee.

Orpea's Executive Committee consists of the Group's Chairman (Dr Jean-Claude Marian), the Chief Executive Officer (Yves Le Masne), who centralises financial control in the wider sense (management, accounting and financial control) and the Chief Operating Officer (Jean-Claude Brdenk), who as Chairman of the Executive Committee centralises control on an operating level.

The committee meets regularly in order to make quick decisions relating to the implementation of the Group's strategy and the arbitrage operations required between the various departments.

It reports on internal control procedures to the Board of Directors, which, on the basis of its prerogatives, may carry out any checks and verifications it deems necessary.

4.1.2. Operational internal audit

4.1.2.a. Objectives

An ongoing Group internal audit aims to allow for:

- the identification and assessment of risks;
- the implementation of corrective measures;
- the development of procedures and document templates in relation to these corrective measures and determining processes for the Group as a whole to secure its operations.

4.1.2.b. Parties involved

Control of operations, observance of procedures and internal control is the responsibility of:

– each operating director, who in collaboration with heads of department – including the coordinating doctor, coordinating nurse, head chef and head of maintenance – performs a quarterly self-assessment of their facility. On the basis of this assessment, the regional departments are responsible for performing quarterly audits of the facilities in their region, primarily to ensure that care of residents

and patients is correctly provided on a continual basis and that this care meets the requirements of the Quality policy set out by Executive Management and the Quality Department;

- each Quality Department, which carries out a specific internal audit of operations on a permanent basis, using information collected by means of satisfaction surveys and various kinds of assessments planned throughout the year or random checks. This information is then processed in order to be used in defining the Group's Quality policy;

- the Works Department, which performs audits of the buildings in which the Group's facilities operate;

- operational auditors, who analyse the economic indicators for the performance of the Group's facilities.

4.2. Identification, assessment and management of risks relating to post-acute and psychiatric care facilities and nursing homes

The identification, assessment and management of risks relating specifically to post-acute and psychiatric care facilities and nursing homes is based primarily on information collected at facilities either by facility directors or by the Quality Department.

According to the procedure for management of risks relating to the Group's activities implemented within the framework of this retrospective approach to risk identification and management, all of the Group's facility directors are required to inform the Regional Director systematically and immediately of any unusual events, including complaints from residents, patients and their families or technical issues at facilities. The Regional Director then informs the Division Director and the Chief Operating Officer, who are then responsible for ensuring the implementation and monitoring of corrective plans of action and taking measures to avoid the occurrence of unusual events of this kind, in accordance with the risk management objectives describe above, and for informing the supervisory authorities.

A risk register is also compiled by each facility that also describes the corrective measures to be taken with immediate effect. For this register to constitute a practical tool, each facility has to implement the preventive measures recommended in the register in order of priority.

A business continuity plan has also been drawn up for each facility in the event of a major crisis affecting its operations, such as H1N1 flu or epidemics in general, severe bad weather preventing access to the facility and industrial action. The purpose of the business continuing plan is to describe all of the measures to be taken during this period.

There is also a "*Plan Bleu*" (nursing homes) or a "*Plan Blanc*" (post-acute and psychiatric care facilities), which lists all of the human, material and logistical resources to be implemented in the event of a public health crisis and provides for the creation of a crisis unit. These plans are communicated to the supervisory and health authorities and allow for information about the resources available in order to best manage a public health crisis at the level of the *département* and the region as a whole.

5. Internal control procedures relating to the preparation and treatment of financial and accounting information

- The structure of the Finance Department

Composition of the Finance Department

Financial and accounting information is centralised and treated by the Group's Administrative and Finance Department, based in France at the head office in Puteaux.

During 2010, the Finance Department was the full responsibility of the Chief Operating Officer, who also carried out the duties of Chief Financial Officer.

Since the Board of Directors' decision of 15 February 2011 to separate the offices of Chairman and Chief Executive Officer, the Chief Executive Officer has been in charge of investor relations financial communications and all corporate finance transactions, with the Chief Financial Officer in charge of organising and coordinating the Group's accounting procedures, conventional financing and cash flow management.

The Finance Department is also divided up into dedicated units which – under the leadership of the Chief Financial Officer – look after accounting and finance procedures in the areas of accounting, consolidation, cash management and financial services.

In terms of accounting procedures, the Accounts Department is headed in France by an accounts manager and a deputy accounts manager, and in other countries by an accounts manager in each country. In France, the accounts department consists of two divisions: one dedicated to patients and residents and another dedicated to suppliers.
The process for producing the Group's consolidated financial statements has changed. In the light of the Group's expansion, a plan is to be implemented in 2011 that should help in particular to reduce the time it takes to produce the Group's consolidated financial statements.
This process is now the responsibility of the Group's Head of Accounting, who in turn reports to the Chief Financial Officer.

The management reporting team is in charge of drawing up and monitoring budgets, under the responsibility of the Chief Executive Officer and in collaboration with the Chief Operating Officer, Division Directors, and the Works Department for the investment aspect.

Economic and financial performance monitoring tools

The reporting system for the various economic indicators allows for continuous and uniform monitoring of the development of the performance of each of the Group's facilities and ensuring that they correspond to the targets set.

The occupancy rate, sales and operating expenses for all facilities are monitored in real-time thanks to an intranet system, which allows for all data to be consolidated twice a day.

A budget control document is put together each month to allow for monitoring of sales growth and operating expenses. This therefore allows for monthly analysis of financial information relating to operations. This information is given to the Chief Operating Officer and to Division and Regional

Directors during operations committee meetings, at which plans of action are drawn up if necessary with the heads of technical head office departments (medical, social affairs, procurement, catering and works).

Meetings are also organised each month in each region to implement these plans of action with the directors of the facilities concerned, thereby resolving any discrepancies.

Cash flow management

Cash flow management is fully centralised at the administrative head office for each country in which Orpea operates. The Group's facilities do not issue any payments and the head office is responsible for dealing with payment of all supplier invoices.

Signatory authority for payment orders is limited to just a few people in management positions. Single and/or joint signatures may be required depending on the maximum amounts and the signatory.

The Group's cash flows are also monitored on a daily basis in order to identify any unusual transactions.
Information is centralised automatically every night by reporting bank information for the previous day, which is integrated into a cash flow software package.

- **Process for the preparation of accounting and financial information**

Preparation of the financial statements

The Finance Department prepares the Group's consolidated financial statements on the basis of:

1. French companies' financial statements prepared by the accounts department;
2. foreign companies' financial statements prepared by the various accounts departments in each of the countries of origin, production of which is the responsibility of each accounts officer and supervised by the Chief Financial Officer.

Investor relations

Investor relations is the direct responsibility of Executive Management.

The public is informed of the full-year and half-year financial statements after they are approved by the Board of Directors.

A timetable for the dissemination of the Group's financial information is therefore drawn up each year and made available to the public, mainly via the Company's website.

Twice a year, Executive Management presents the Group's results to the financial community.

Statutory Auditors

The Statutory Auditors perform the following in respect of the accounting and financial information of the Company and its consolidated subsidiaries:

- a limited review at the end of the first half of the year;
- an audit at the end of the financial year.

A representation letter co-signed by the Chairman, the Chief Executive Officer and the Chief Financial Officer, who attest to the quality, reliability and exhaustiveness of the financial information provided, is sent to the Statutory Auditors twice a year.

After a review of the preparation of all of the financial statements, the Statutory Auditors certify the financial statements, attesting that the annual and consolidated financial statements are accurate and consistent and give a true and fair view of the Company's position.

2.5– STATUTORY AUDITORS' REPORT ON THE CHAIRMAN'S REPORT

This is a free translation into English of the statutory auditors' report on the Chairman's report issued in the French language and is provided solely for the convenience of English speaking readers.
The statutory auditors' report includes information specifically required by French law in such reports.
The statutory auditors' report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

ORPEA

Société Anonyme

115, rue de la Santé
75013 Paris

Statutory Auditors' Report
prepared in accordance with article
L. 225-235 of the French Commercial Code (*Code de Commerce*)
on the Chairman's report

Year ended 31 December 2010

Burband Klinger & Associés
140, rue du Faubourg Saint-Honoré
75008 Paris

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine

Dear Shareholders,

As statutory auditors to Orpea SA and in accordance with the provisions of article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of the Board of Directors for the year ended 31 December 2010 in accordance with the provisions of article L. 225-37 of the French Commercial Code.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on the internal control and risk management procedures implemented by the Company and to provide the other information required by article L. 225-37 of the French Commercial Code on matters relating to corporate governance.

Our role is to:

- report on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and

- confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with the professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information underlying the information presented in the Chairman's report, and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we may have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information provided about the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with article L. 225-37 of the French Commercial Code.

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, 7 June 2011

The Statutory Auditors

Burband Klinger & Associés

Frédéric Burband

Deloitte & Associés

Henri Lejetté

CHAPTER III: THE ORPEA GROUP'S ACTIVITIES

The Orpea Group's purpose and business is to offer global dependency care in the form of long-term care (nursing homes), post-acute and rehabilitation care and psychiatric care facilities.
With an ageing population and longer life expectancies, this global care provision responds to the needs of an ever-changing sector, characterised by the desire to create complementary care industries. The creation of the Regional Health Agencies (Agences Régionales de Santé or ARS) in France, as the single control and regulatory authority for primary healthcare services, post-acute and psychiatric care and medical and social care facilities, making it France's main health authority, perfectly illustrates this desire to coordinate all healthcare operators and professionals in order to implement a general regional healthcare policy, ensuring better access to care services and making life easier for patients.
The Orpea Group has firmly established its position in this evolving environment and the care services it offers meet the expectations of the supervisory authorities and its residents and patients. It has therefore become a key player in dependency care in Europe.

1. ORPEA'S EXPERTISE: GLOBAL DEPENDENCY CARE

The Orpea Group's business has been built up around different forms of dependency care: loss of autonomy due to ageing and care for people with health conditions.

The legal definition of dependency care in France was set out by the law of 20 July 2001, which led to introduction of the APA (*Aide Personnalisée à l'Autonomie*) or Personal Autonomy Allowance. This benefit is paid to *"people who, notwithstanding the care they may receive, need aid to perform basic everyday tasks or whose condition requires regular supervision".*

People applying for the APA allowance are classified according to six levels of loss of independence, whether physical or mental, as set out in the AGGIR scale, based on the observation of everyday activities or tasks actually performed or not by the person concerned. Only those who fall into the first four groups are entitled to the APA allowance.

Major dependency corresponds to:

- **level GIR 1** for people confined to bed or an armchair with severely altered mental, bodily, locomotive or social functions, needing essential and continuous presence of caregivers;
- **and level GIR 2** for people confined to bed or an armchair whose mental functions are not totally altered, in need of care for most everyday activities or people with altered mental functions but still able to move. They are able to move around the home but are unable or only partially able to wash and dress themselves.

Partial dependency corresponds to:

- **level GIR 3** for people with preserved mental autonomy, partially able to move, but needing assistance every day and several times a day for their bodily autonomy. They are unable or only

partially able to wash and dress themselves. In addition, they require help from another person to go to the toilet;

and level GIR 4 for people unable to stand up, lie down or sit by themselves, but who are able to move around at home when standing, sometimes requiring help to go to the toilet and get dressed. Most of the people in this group are able to feed themselves. This group also comprises people with no locomotion problems but requiring help with bodily activities and meals.

People aged over 60 whose level of dependency means that they are no longer able to remain in their own home are looked after by long-term care facilities or "EHPAD" (*Etablissements d'Hébergement pour Personnes Agées Dépendantes*) in France, more commonly known as "medical nursing homes".

In cases of so-called temporary dependency as a result of an acute attack or chronic illness, accident or post-surgical trauma, a stay at a post-acute and rehabilitation care facility or "SSR" (*Soins de Suite et de Réadaptation*) is needed to regain their independence.
The term "SSR" in France has replaced the highly evocative term of "medium-stay" facility, as the average period of hospitalisation is around 30 days, or even "convalescence centre". Post-acute and rehabilitation care facilities can be classified using two approaches:

1. Multi-disciplinary post-acute care clinics ("*Soins de Suite Polyvalents*"): these clinics receive all kinds of patient for medical reasons after a hospital stay for an acute medical or surgical condition, or those referred from home by a doctor.

2. Specialist post-acute care clinics ("*Soins de Suite Spécialisés*"): these clinics look after patients whose condition requires specific medical monitoring:

- *treatment of musculoskeletal conditions;*
- *treatment of nervous system conditions;*
- *treatment of cardiovascular conditions;*
- *treatment of respiratory conditions;*
- *treatment of conditions of the digestive, metabolic and endocrine systems;*
- *treatment of onco-hematological conditions;*
- *treatment of burns;*
- *treatment of addictions;*
- *treatment of elderly people with multiple pathologies, who are dependent or at risk of dependency.*

The Orpea Group operates both multi-disciplinary and specialist post-acute and rehabilitation care facilities.

Maintaining or regaining one's independence and returning to social and professional life are the main aims of a stay in a post-acute and rehabilitation care facility. In accordance with the French government decree of 31 December 1997 concerning the organisation of healthcare services, post-acute and rehabilitation care services need to implement the following five functions:

- limiting physical disability;
- restoring somatic and psychological functions;
- educating the patient and their family and friends to prevent future problems;
- continuation and monitoring of care and treatment;
- preparation for discharge and returning to normal life.

This category includes psychiatric clinics, for which the average length of stay is also around 30 days.

2. ORPEA: HIGH QUALITY CARE SERVICES BUILT UP METHODICALLY OVER 23 YEARS

The Orpea Group has been built up methodically, as a result of which it is now able to offer high quality global dependency care, making it one of the leading names in France and other countries in a fast-growing sector:

The network of facilities providing global dependency care in Europe comprises:

- nursing homes: EHPAD in France and their equivalents in Belgium, Italy and Spain;
- multi-disciplinary and specialist post-acute and rehabilitation care facilities in France, and soon in Switzerland;
- general psychiatric clinics in France and Switzerland.

2.1 - HISTORY AND DEVELOPMENT OF THE COMPANY:

The Orpea Group began to develop its global dependency care offering in France in 1989.

1989: The Orpea Group is founded by current Chairman Dr Jean-Claude Marian.

1989 - 1995: The Group expands through the creation of 46 facilities, representing 4,600 nursing home beds.

1995: **Consolidation and structuring of its organisation**: Following a period of brisk expansion, the Orpea Group reorganises itself in order to optimise its management costs. An administrative head office is created in the Paris region to organise and control the Orpea Group's accounting, financial and employee-related matters. Standardised management methods are introduced at all of the Group's sites and the initial stages of a systematic and lasting quality-led approach are formally laid out.

1999: **Development of a medium-term care offering**: Orpea focuses on the creation and acquisition of post-acute and rehabilitation care and psychiatric care clinics.

2002: IPO: On 16 April 2002, Orpea is successfully floated on the Second Marché of Euronext Paris. This logical and decisive stage in the Group's history enables it to establish its reputation in France and Europe. Opening up its share capital provides leverage for Orpea, allowing it to:

- ensure strong growth and step up its capacity for expansion;
- create new facilities in order to enlarge its offering of global dependency care services;
- keep up with the growth of the sector while also developing its quality targets.

2004: Expansion into Europe: Orpea opens its first two facilities in Italy, in partnership with Italian mutual insurance company Reale Mutua, which owns the buildings. Orpea begins to expand into Europe, while continuing to focus on its core business of creating and managing post-acute and psychiatric care and medical and social facilities.

2005: Stepping up its expansion: as a result of acquisitions and new authorisations, the Group increases its potential by 1,966 beds at 22 sites.

2006: Further international expansion: acquisitions of facilities in Switzerland (psychiatric clinic in Nyon, by Lake Geneva), Belgium (geriatric complex in the centre of Brussels) and Spain (Grupo Care, one of the market leaders in dependency care in Spain with 15 facilities representing 1,504 beds).

2007: Orpea is eligible for the **Deferred Settlement Service** (DSS), improving the stock's liquidity.
Its international expansion strategy has paid off: for the first time, 10% of consolidated sales are generated outside France, representing an increase of over 85%.

2008-2009: Orpea structures its presence in Europe by creating functional head offices in Belgium and Italy, and rolling out its quality policy at all of its facilities in Europe in order to replicate the French management model.

2010: Orpea carries out the largest acquisition in its history, with the strategic acquisition of Mediter – which notably owns a majority stake in the Mieux Vivre Group – and the acquisition of a 49% stake in Medibelge, representing a total of 4,866 beds at 57 facilities.

In March 2011, the Orpea Group had 33,700 beds at 364 sites in Europe, including 27,862 beds in operation – a year-on-year increase of 24% – and 5,838 under construction

France
27,014 beds
302 facilities

Beds in operation: 22,447
Beds under redev.: 2,859
Beds under constr.: 4,567

Belgium
3,523 beds
32 facilities

Beds in operation: 2,681
Beds under redev.: 491
Beds under constr.: 842

Spain
1,776 beds
16 facilities

Beds in operation: 1,776
Beds under redev.: 0
Beds under constr.: 0

Italy
1,222 beds
12 facilities

Beds in operation: 883
Beds under redev: 0
Beds under constr.: 339

Switzerland
165 beds
2 facilities

Beds in operation: 75
Beds under redev.: 0
Beds under constr.: 90

td

2.2 – ORPEA: A PAN-EUROPEAN GROUP:

Thanks to the expertise acquired in France, Orpea is able to offer structured and innovative care services with the same goal in each country in which it operates, to offer high quality care services for the elderly.

The Orpea Group also operates facilities in neighbouring European countries where the sector operates and is regulated in a very similar way to in France, namely Spain, Italy and Switzerland.

2.2.1 - France

The Orpea Group has a network of 302 facilities and 27,014 beds (including 2,589 beds under redevelopment and 4,567 under construction), comprising:

- Long-term care facilities;
- Post-acute and rehabilitation care facilities;
- Psychiatric clinics.

The Orpea Group's facilities are spread across large part of France, with coverage allowing it to be present in *départements* with high population densities and therefore greater demand, with facilities located in or close to major cities.

2.2.2- Belgium:

Orpea's network consists of:

- serviced residences for autonomous elderly people;
- rest homes for able-bodied and semi-able-bodied elderly people;
- rest and care homes for dependent and confused elderly people.

Since 2006, the Group has continued to expand in these countries and now owns 3,523 authorised beds at 32 sites, with 491 beds currently under redevelopment and 842 under construction.
Orpea Belgium SA's general aim is to become a leading operator in the rest and care homes sector, drawing on the Group's expertise, particularly in safety, staff training, caring for people with Alzheimer's and high quality residential services.

2.2.3- Spain:

Grupo Care, a subsidiary of the Orpea Group, is a well-known brand with a strong reputation in the country. In 2008, it was voted "best retirement homes group in Spain" for the quality of its services and care by "*Negocios y Gestion Residencial*", a Jubilo group publication, receiving particular praise for its high quality management team, with an efficient working methodology and appropriate procedures to organise staff's daily work.
The Group currently has 16 facilities and 1,776 beds located all over Spain, with strategic locations such as Madrid, Seville and Valencia.
Benefiting from Orpea's expertise in the specific care of people with Alzheimer's disease, some of Grupo Care's facilities have created protected units specifically for sufferers of the disease.

2.2.4- Italy:

The Orpea Group has a network of 1,222 beds, of which 339 are under construction, at 12 facilities.
The Orpea Group operates in two regions in Italy: Piedmont and the Marches. This is even more significant given that regulatory conditions and the organisation of the Italian market are completely decentralised.
All of the Orpea Group's Italian facilities offer a particularly high level of medical services, with different statuses:

- flexible residential facilities (RAF); temporary or permanent stays for semi-able-bodied people with different specialist units: convalescence, stabilised psychiatric patients, care for mental and physical disabilities;
- assisted residential facilities (RSA): equivalents of long-term care facilities with specialist units for the care of dependent elderly people with slight rehabilitation requirements, Alzheimer's patients and patients in comas;

- protected residential facilities (RP).

All of these facilities have been developed by Orpea, unlike in Belgium and Spain, where a number of sites are the result of acquisitions.

2.2.5- Switzerland:

The Orpea Group has two facilities representing 165 beds: a well-known psychiatric clinic in Nyon, which has 150 years' experience in treating mental health disorders, and authorisation to create 90 beds in a post-acute and rehabilitation care facility on the same site.

3. ORPEA: RENOWNED EXPERTISE AND DEVELOPMENT FUELLED BY GROWING NEEDS

It is proven that as they advance in age, the elderly lose their autonomy at a quicker rate. The number of elderly people living at home therefore decreases with age, resulting in an increase in care requirements with the need for temporary stays at post-acute and rehabilitation care facilities or placements at long-term care facilities.

3.1 – CONSIDERABLE NEEDS FUELLED BY THE AGEING OF THE POPULATION IN FRANCE

As France's "*Solidarité Grand Age*" ("Solidarity with the Aged") plan for the protection of the elderly stated, **"we are undergoing a revolution: that of longevity"**.

Progress in medicine and improved living standards have resulted in longer life expectancy, which affects the level of dependency of nursing home residents, as the prevalence of dependency increases with age.

Life expectancy has continued to increase in France over the last few years, to 77.8 years for men and 84.5 years for women. Over the last 10 years, the increase in life expectancy has been due to the decline in mortality between the age of 70 and 90. The number of centenarians has risen, with 15,000 living in France at 1 January 2010, 13 times more than in 1970. The French population is therefore continuing to age and people aged 65 or over now make up 16.8% of the population.

(Source: INSEE Première – n°1318 + 1319 – October 2010 + n°1332 – January 2011)

In its forecasts for 2060, INSEE expects the ageing of the French population to accelerate. According to the central scenario, the number of people aged 60 or over is expected to rise by 10.4 million between 2007 and 2060, giving a total of 23.6 million people aged 60 or over in 2060 (an increase of 80%). The increase is likely to be even more marked among the oldest members of the population, with the number of over 75s rising from 5.2 million in 2007 to 11.9 million in 2060, while the number of over 85s is expected to increase from 1.3 million to 5.4 million. The number of centenarians is expected to reach 200,000 people.

This ageing of the population is inevitable, in the sense that it is already implied by the current age structure of the population, i.e. the people who will be 60 in 2060 have already all been born.

(Source: INSEE Première – n°1319 + n°1320 – October 2010)

The ageing of the population results in an increase in the number of dependent elderly people requiring help or care.

According to INSEE's "Disability, incapacity and dependency" studies of 1998 and 1999, more than 40% of dependent elderly people are aged 85 or over. Dependency begins to increase rapidly from the age

of 80, reaching a critical threshold at the age of 85. People with the greatest dependency needs – i.e. those with severe mental and physical deficiencies – are therefore mostly in the 85 and over age group. Of other people who are mentally dependent but less physically dependent, most fall into the 60-74 age group.

The number of elderly people living in nursing homes therefore rose by 2% between 2003 and the end of 2007, with around 657,000 residents in total.
The percentage of elderly people living in nursing homes inevitably increases with age, representing 10% of people aged 75 or over, and rising to 24% of people aged over 85. As demonstrated by the INSEE Première n°1319 study, the majority of people living at home are able-bodied or assisted.

Lastly, growth in the number of people aged over 75 has already had a significant impact on the total number of long-term care beds per person in France. The number of beds per person has decreased considerably in 10 years, falling from 166 places for 1,000 people aged over 75 in 1996 to 140 per 1,000 at the end of 2003 and 127 per 1,000 at the end of 2007.
This is mainly because of the much more rapid growth of the population aged over 75 – which increased by 14% between 2004 and the start of 2008 – than the number of places created at care homes
(Source: DREES "Etudes et Résultats" N° 689 – May 2009).

These major trends explain the need to create new long-term care facility places. In response, the French government has launched a number of ministerial programmes aiming to develop solutions to provide care and accommodation for dependent elderly people, such as the Solidarity with the Aged Plan and the Alzheimer's Plan.

3.2 – THE CONSEQUENCES OF THE AGEING OF THE POPULATION: MEDICAL NEEDS AND GROWING SPECIALISATION OF FACILITIES

3.2.1- Long-term care facilities –

The profile of elderly people entering long-term care facilities has changed considerably over the last few years.

The average age of entering a nursing home was 84 years and 2 months at the end of 2007, compared with 81 years and 10 months in 1994. In this respect, it can be noted that residents aged 95 and over make up a growing proportion of the population living in nursing homes, accounting for 10% of residents at the end of 2007, 2 percentage points more than in 2003.
(Sources: DREES "Etudes et Résultats" n°689 – May 2009 and n°699 – August 2009).

People are therefore entering nursing homes later and later in life, while becoming increasingly dependent, with 84% of residents classified as level GIR 1 to 4 compared with 75% in 2005.

At the same time, there has been an increase in the number of older people affected by senile dementia.

Alzheimer's disease is the most common cause of dementia in the elderly, accounting for over 70% of cases of dementia in France. It is also the main reason for entering a nursing home. Today, 50-70% of people living in nursing homes for the elderly in France present signs of early or confirmed dementia.
The PAQUID study assesses the prevalence in France of Alzheimer's disease and related syndromes with age. While 5% of people aged over 65 are affected, the disease affects 25% of people aged over 80.

On the basis of this study and taking account of INSEE figures concerning the French population in 2009, the number of people suffering from Alzheimer's disease or related problems in France can be estimated at 865,000.

This number will increase with the ageing of the population. According to a report compiled in 2005 for the French Parliament Public Health Assessment Committee (OPEPS), the number of new cases of dementia each year can be estimated at over 225,000. Therefore, the number of people aged over 75 suffering from dementia in France is likely to exceed 1.1 million in 2020 and 2 million in 2040.

Residents entering facilities at an ever later age has resulted in a higher rate of dependency. This situation requires medical services to be offered by long-term care facilities, primarily by means of the presence of a multi-disciplinary care team.

The "revolution" relating to longevity has therefore changed the sector in terms of increasing the range of medical services provided.

With the signature of tripartite agreements, the proportion of beds with medical services in France has increased. The number of beds with medical services at nursing homes rose from 313,136 at the end of 2004 to 514,635 at the end of 2007.
(Source: Mensuel des Maisons de Retraite n°108, February 2008 + DREES Etudes & Résultats n°689 - May 2009).

This provision of medical services has entailed heavy investment, particularly in terms of medical equipment and recruiting qualified care staff.
The sector, and above all residents, has benefited from improvement particularly in terms of quality of care.

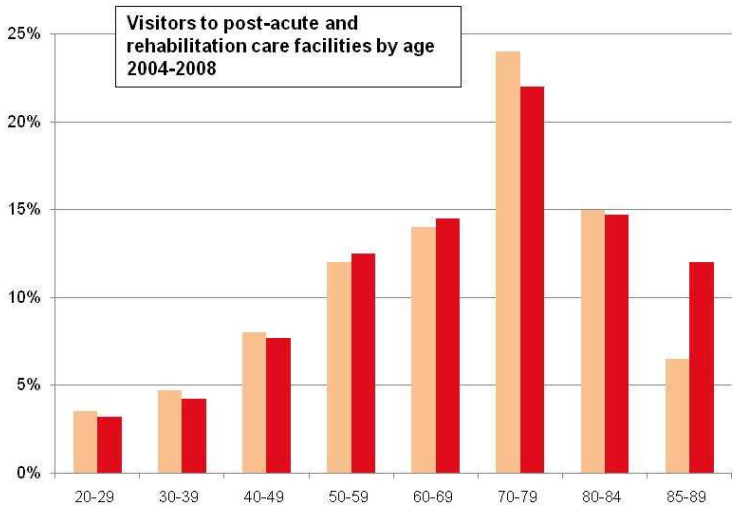
It should be stressed that the most dependent elderly people are cared for primarily at private for-profit facilities:

Breakdown of residents by GIR group			
Legal status	**GIR 1-2**	**GIR 3-4**	**GIR 5-6**
Private for-profit sector	54%	32%	14%
Associations	41%	32%	27%
Public sector	35%	41%	24%

(Source: DREES, Etudes et Résultats n°379 and n°380 "Les établissements pour personnes âgées en 2003" ("Facilities for the elderly in 2003"), February/March 2005)

3.2.2- Post-acute and rehabilitation care facilities -

The profile of patients at post-acute and rehabilitation care facilities has also changed.
The proportion of patients aged 85 to 89 admitted to post-acute and rehabilitation care facilities rose sharply between 2004 and 2008, with around 50% of patients aged 70 or over in 2008.



In addition to the phenomenon of the ageing of the population, the length of acute care stays is decreasing steadily due to changes in medical and surgical practices, in particular anaesthesia and surgical techniques, resulting in patients being admitted with greater dependency needs.

This trend has been accentuated with the introduction of the "T2A" diagnosis-related group payment system in France, given that medical-surgical clinics, for which greater productivity is a key factor, will send their patients to post-acute and rehabilitation care clinics more quickly.

Post-acute and rehabilitation care facilities have therefore taken the place of medical-surgical clinics in France, which have an average stay of 5.9 days (or even 4.8 days in the private sector) compared with an average of around 33.1 days at post-acute and rehabilitation care facilities *(Source: DREES "Etudes & Résultats" n°618 and n°691, SAE data 2006-2007).*
Short-stay facilities have therefore had to review their upstream activities and in particular to negotiate agreements with post-acute and rehabilitation care facilities in order to be able to obtain beds for the patients quickly.

Consequently, due to growing care needs and an increasingly close relationship to acute care services provided at medical, surgical and obstetric clinics, post-acute and rehabilitation care clinics offer complex rehabilitation treatments provided by multi-disciplinary medical, paramedical and social care teams.
Post-acute and rehabilitation care facilities are therefore becoming increasingly specialised depending on the pathologies they care for.

4. ORPEA: A KEY PLAYER IN A PROTECTED ENVIRONMENT

The dependency sector in France is governed by a strict regulatory framework that constitutes a real barrier to market newcomers.

4.1 – A BUSINESS CONTROLLED BY A "NUMERUS CLAUSUS" IN FRANCE

On the basis of its expertise and its ability to meet the expectations of planning authorities for the healthcare and medico-social sector, Orpea has decided to establish its presence in countries with a regulated and secured dependency care market.

4.1.1- A regulated system for authorising the operation of long-term care facilities –

FRANCE:

Healthcare and medical and social care facilities in France are controlled and governed by a single supervisory authority, the Regional Health Agencies (*Agences Régionales de Santé* or ARS).

The introduction of the Regional Health Agencies on 1 April 2010 created a new local organisational structure covering all care services – from healthcare to medical and social care – on a regional level, thereby taking over the responsibilities of the Regional Hospital Agencies (*Agences Régionales d'Hospitalisation*), DRASS, DDASS, URCAM and CRAM.
The role of the Regional Health Agencies is to draw up the Regional Health Project (PRS), which determines a regional healthcare policy, implementing the priorities and objectives of national healthcare policy on a regional scale.

In order to operate, long-term care facilities need to obtain authorisation to operate, which is granted for a period of 15 years by joint decree of the head of the Local Authority (*Conseil Général*) and the local *Préfet* for the funding of the national health system.
This system was set out by the law of 2 January 2002 concerning medical and social care institutions, amended by the HPST hospital reform bill of 21 July 2009.

This authorisation system concerns both requests to create new long-term care facilities and requests for extensions – i.e. increasing the authorised capacity – **and conversions** – i.e. changing the category of beneficiaries.
In any case, these requests need to fall within the framework of the needs and objectives analysed and listed by the supervisory authorities, using their programming tools:

- **PRIAC** sets regional and interdepartmental priorities for financing the creation, extension and conversion of nursing home places over a three-year period. Each year, on the basis of PRIAC's analysis of each region, the CNSA is able to negotiate the national health spending target (ONDAM) and then allocate national health system credits and government credits by setting regional and departmental budgets. The aim is to help to balance out the provision of medical and social care services across the country.
- **Departmental "Gerontological Frameworks" ("*Schémas Gérontologiques*")** are drawn up over a five-year period by the *Conseil Général* and submitted to the local *Préfet* for approval, defining the priorities that must be taken into account by operators when planning new facilities. These priorities concern regional needs in terms of facilities, as well as the type of facilities that should be favoured, such as specific units for confused elderly people and dedicated

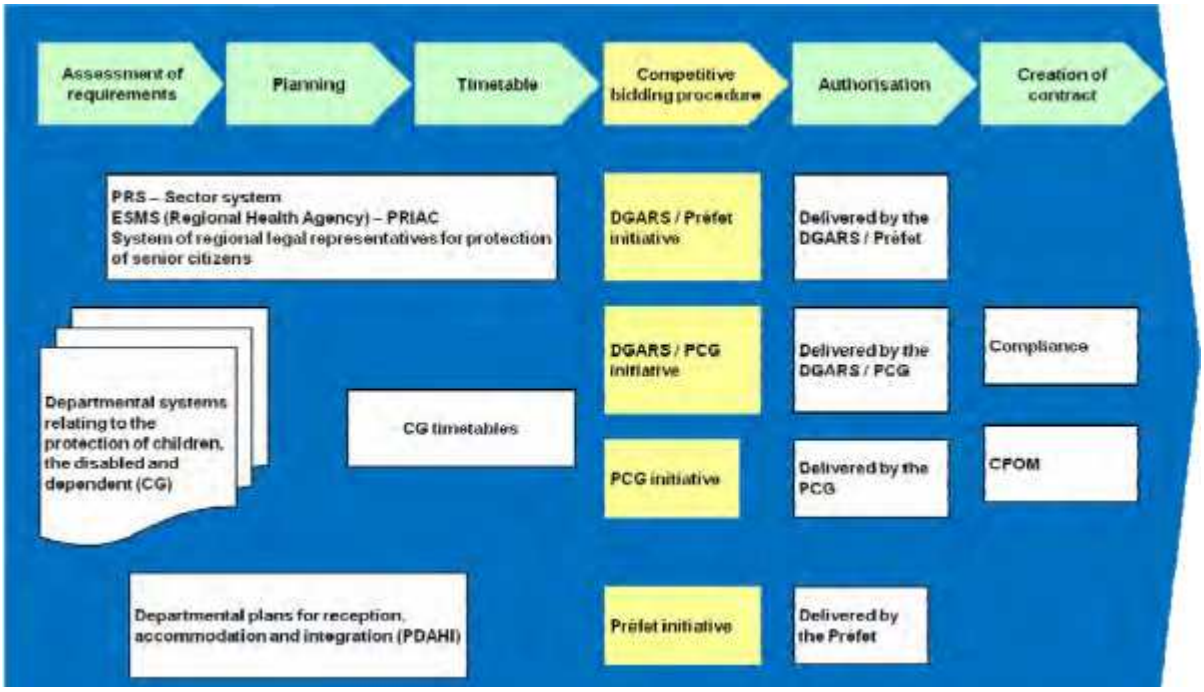
temporary beds. Some *départements* go even further, also drawing up specifications concerning in particular protected units for confused elderly people, with capacity of 12-14 beds, architectural characteristics and an average care staff ratio.

These requests to create new facilities or extend existing facilities must comply with strict procedures. The HPST hospital reform bill reformed the authorisation procedure by making widespread the **competitive bidding procedure** for the creation, conversion and extension of medical and social care facilities, including long-term care facilities for the elderly. This procedure was specified by the decree of 26 July 2010, which was published in the *Journal Officiel* of 27 July 2010 and came into effect on 1 August 2010.

One of the components of the Regional Health Project drawn up by the Regional Health Agencies is the medical and social care regional organisation system (SROMS), which plans and initiates necessary changes to facilities and services to care for dependent elderly people.
The relevant authorities establish their priorities on the basis of:

- the needs defined in Regional Health Projects and various departmental plans (including SROMS and PRIAC);
- as well as available funding.

These priorities are then factored into specifications setting out and specifying the needs to be met and the framework of projects.
The new competitive bidding procedure should allow for more rapid funding of authorised facilities and the implementation of projects more suited to regional requirements.



Source: CNSA guidelines for the implementation of the competitive bidding authorisation procedure and drawing up specifications - 3 September 2010

The main stages of the competitive bidding procedure are:

1) Publication by the Regional Health Agency **of the SROMS plan**

2) **Publication of a timetable for competitive bids**, describing the requirement for facilities or services in each region.

In principle, the strategic regional plan will not be published until the summer or even early autumn of 2011. While waiting for regional healthcare plans to be drawn up – with a target of 2011 – competitive bidding procedures will be launched on the basis of PRIAC regional and interdepartmental priorities, in connection with departmental systems. During this transitional period, a number of authorisations have been and could still be granted in 2010 on the basis of applications under review from 2009-10.

3) **Launch of a competitive bidding procedure** with specifications drawn up jointly by the *Conseil Général* and the Regional Health Agency:

Announcement of the competitive bidding procedure is published in the administrative notices of the Regional Health Agency and the *Conseil Général*. It also states the selection criteria and grading methods, the deadline for receiving applications and details of how replies should be sent.
The specifications to be met by the applicant shall state the following:
- capacity in terms of the number of beds and places;
- location;
- description of the main characteristics and architectural or environmental requirements;
- funding and costs: operating costs, means of funding and the projected amount of costs to be paid by residents and patients;
- whether or not it is eligible for social security support.

4) **Applicant's response** (within a deadline of at least 60 days and no more than 90 days)

5) **Instruction procedure**: appointment of an instructing officer at the Regional Health Agency and the *Conseil Général*:

The instructing officer will be in charge of helping applicants to submit their proposal and giving the selection committee "a justified report on each proposal".

6) **Opinion of the selection committee**

All proposals will then be reviewed and ranked by a committee on the basis of pre-defined criteria and requirements set out in the specifications.
The committee then ranks proposals, gives an opinion on each and eliminates those that do not meet the requirements set out in the specifications.

7) **The relevant authorities – namely the *Conseil Général* and the Regional Health Agency – have a maximum of six months from the deadline for submitting applications to grant authorisation.**

Their decision is based on the presentation report prepared by the selection committee. However, the authorities do not have to abide by the committee's opinion, which is provided only on a consultative basis.
The President of the *Conseil Général* and the head of the Regional Health Agency jointly sign the authorisation papers for the selected candidate. Authorisations are given to long-term care facilities for a period of 15 years.

Once authorisation has been obtained and implemented, a visit to ensure compliance with requirements and a visit by the local Social Security committee must be carried out before a long-term care facility can be opened to the public.
The operator needs to request a compliance visit from the *Conseil Général* and the *Délégation Territoriale* (local representative of the national health system) two months before the planned opening date, in order to check that the facility is organised in accordance with the terms of the authorisation

granted and that it meets the technical requirements provided by law in terms of how its operations are organised. This visit should be scheduled by the authorities at least three weeks before opening.

After this visit, the authorities compile a report that is sent to the operator within two weeks, allowing it to open the facility. If the authorities believe that the facility does not meet the required standards, the operator is informed in writing of the changes that need to be made within a set time frame, after which another visit is carried out.
The facility will also have to request a visit to its kitchens by the veterinary services department.

When a licence is renewed after the 15-year term, the facility also undergoes an internal and external assessment of its compliance with best practice procedures, references and recommendations.
The results of the external assessment carried out by an independent organisation dictate the terms and conditions of licence renewal. The external assessment mainly covers operations and the quality of services provided.

BELGIUM:

In Belgium, long-term care facilities are called "*Maison de Repos et de Soins*" (MRS) and administrative authorisation to operate such facilities is called the "*agrément*".

On the basis of a five-yearly federal funding plan, each region has a quota of long-term care beds.
This regional autonomy enables each region to define its own standards in addition to federal criteria.

Due to these quotas and in order to obtain authorisation, operators need to file an application with the regional health authority. Like in France, this is followed by an inspection to check that the facility meets the required standards in terms of architecture, safety, care staff and care plans. The inspection report is submitted to a committee that decides on the allocation of beds until the quota is used up. One of the main allocation criteria, in addition to meeting standards, concerns the level of requirements for long-term care beds as identified by the regional authorities, with a standard of 63 beds per 1,000 people aged over 75.

Authorisation is granted for a period of six years, which is then renewed on the basis of an inspection by the health authorities, which may refuse to renew authorisation if there is a significant breach of standards. Authorisation may be partially refused - for example if a room is no longer up to standard.
Authorisation can be withdrawn by the health authorities if there is a serious fault, for example charges of maltreatment.

The regional health authorities also validate the facility's accommodation contract and internal regulations.

ITALY:

There are different kinds of facilities in Italy:

- assisted residential facilities ("*Residenza Sanitaria Assistita*" or RSA), which offer the highest level of medical services;
- flexible residential facilities ("*Residenza Assistenziale Flessibile*" or RAF), offering temporary or permanent stays for semi-able-bodied people with different specialist units: convalescence, stabilised psychiatric patients, care for mental and physical disabilities;
- protected residential facilities ("*Résidence Protégée*" or RP), equivalent to long-term care facilities.

The same facility can hold several forms of authorisation and therefore have RSA, RAF and RP beds at the same time.

Italy's authorisations systems were initially defined on a national level. These national regulations set out the minimum structural and organisational requirements for nursing homes. For example, a facility must have no more than 120 beds.

Then, on the basis of this national regulatory framework, each region then has to adopt its own procedures and define its own requirements. While each region has adopted national requirements, their own procedures are inevitably more restrictive than national requirements. For example, in Piedmont, each accommodation unit constitutes a fully autonomous "*nucleo*", comprising a maximum of 20 beds, and with its own facilities such as a restaurant and health centre.
The authorisation system is therefore planned by each region and then implemented by the local health authority (ASL).

Facilities are monitored primarily by the health authorities by means of surprise checks.

SPAIN:

The Spanish government has given the 17 autonomous regions the power to authorise the creation of nursing homes, and more generally all personal assistance services.
The Spanish market is therefore based on a decentralised model, in which the government sets out the main healthcare policies in order to ensure standardisation between regions, while also establishing the principle of the right to dependency care – as laid out formally for the first time in the new Spanish Dependency Law.

Regional administrative authorisation is needed to run a nursing home. Like in France, authorisation is granted following a review of the application presenting the proposal and a site visit to ensure compliance with minimum quality and safety standards.

During the life of the facility, inspections are conducted to monitor and assess that the facility is operating correctly and meets the required standards, particularly in terms of care staff.

4.1.2- Authorisation system for post-acute and rehabilitation care facilities in France

Like long-term care facilities, clinics need to obtain authorisation to operate. Authorisation is given for a period of five years.
The creation, extension and operation of short-term care facilities is also governed by complex regulations designed to regulate hospital capacity with the dual aim of cost control and quality of care provision.

The government order of 4 September 2003 simplified the authorisations system considerably, introducing an authorisation for each type of activity – rather than for a certain number of beds or places – which is now recognised according to the number of days for full hospitalisation and the number of places for day hospitalisation.

All authorisation holders also sign a five-year renewable multi-year objectives and resources contract or CPOM (*Contrat Pluriannuel d'Objectifs et de Moyens*) with their ARS (Regional Health Agency).

The CPOM defines facilities' strategic direction on the basis of healthcare organisation plans, describing the changes the facility needs to make in its activities and cooperation measures. Above all, it sets quantified targets for the healthcare activities and facilities for which the authorisation was granted.
The CPOM also defines objectives in terms of quality and safety of care services, specifies the timetable for the certification procedure and the financial terms concerning exclusively private healthcare facilities subject to the national financial target (OQN), such as the Orpea Group's post-acute and psychiatric care facilities.

Lastly, renewal of an authorisation is subject to the results of an assessment report sent to the Regional Health Agency 14 months before the expiry date. If the results are satisfactory, the authorisation is renewed automatically without further formality. However, if the results are not satisfactory, the Regional Health Agency's executive committee will issue an injunction, stating the reasons. This is sent to the party holding the authorisation, which then has to present a request for renewal in accordance with the usual process.

4.2 – CONTROLLED PRICING

4.2.1– Long-term care facilities –

FRANCE:

In France, each long-term care facility has to draw up and sign a five-year tripartite agreement with the head of the *Conseil Général* and the relevant authority for establishing care prices – the head of the Regional Hospital Agency – in accordance with decrees and order of 26 April 1999 and decree of 4 May 2001 concerning reforms to the pricing of long-term care facilities.

The resources allocated to long-term care facilities are therefore determined for the duration of the tripartite agreement. However, the level of dependency of residents at each facility is to be assessed each year within the framework of the tripartite agreement in order to adjust the number of care staff on a regular basis with a view to improving care services for the most dependent.

The pricing of long-term care facilities breaks down into three components:

- ***the accommodation fee***, covering all general administration services, residency, meals, cleaning and social activities at the facility that are not related to people's level of dependency.
  The accommodation fee is payable in full by the resident (or the *Conseil Général* if the facility has beds approved for social security support). The revaluation of accommodation fees is controlled, as the French Finance Ministry determines the percentage change on 1 January of each year for residents in attendance at the facility on 1 January.

- ***the dependency allowance***, which comprises all support and supervisory services required to carry out essential everyday tasks, not related to the care services the elderly person may receive. These services correspond to additional residential costs related directly to the residents' level of dependency, whether this concerns relationship services, activities and help with everyday and social tasks, or residential services and various supplies contributing directly to providing dependency care.
  The dependency allowance is funded by the APA allowance, which covers part of the cost depending on the elderly person's level of dependency and resources.

- ***the medical care allowance***, which covers paramedical services needed for the care of residents' somatic and psychological conditions, as well as paramedical services corresponding to care services relating to residents' level of dependency. This fee is charged on a daily basis partly or in full (depending on the option selected by the long-term care facility). If the facility opts for the full per diem rate, this includes medical services.
  The care services fee is funded by the national health system (*Assurance Maladie*), paid directly to the facility on a monthly basis in the form of a lump sum.

It should be specified that dependency and care fees at a long-term care facility are administered and controlled. The full amount allocated must be spent.

A decree reforming the pricing of care services and dependency care is due to be published in 2011 (initially expected in 2010). The 2009 French Budget (*Loi de Finance*) redefined the respective responsibilities of the government and the national health department in funding long-term care facilities. Within this framework, changes are expected in the breakdown of spending between care services and dependency care fees. However, the scope of fees should remain unchanged in principle.

It is planned that medicines will be included in long-term care facilities' medical care allowance, which are currently not covered (see Article 64 of the 2009 French Budget). No such decrees have been published as yet and consultations are continuing, which could result in a proposal by March 2013.

BELGIUM:

- *Determining accommodation fees*

Accommodation fees are set by first of all sending a request to the Pricing Department of the Belgian Ministry for Economic Affairs, which has 60 days to make a decision. If no response is given within this time, this is deemed to be an acceptance.
Following a ministerial decree of 12 August 2005, long-term care facilities cannot apply for a rate increase without first submitting a request, providing quantitative justification of the requested increase.
By special dispensation, a facility can notify the Ministry for Economic Affairs of the increase in accommodation fees if the increase is not in excess of the consumer price index. Also by special dispensation, notification must be given in the case of "new products and services" defined according to strict categories. The Ministry for Economic Affairs has 10 days to react and validate this notification.

- *Funding of care services*

In a system similar to the French Social Security system, long-term care facilities in Belgium are funded by the Institut National d'Assurance Maladie-Invalidité (INAMI) on the basis of the number of residents and their level of dependence.
The level of dependence is set by the INAMI according to the KATZ scale - similar to the AGGIR scale in France. Gradings of O and A, B, C, Cd from the least dependent to the most dependent are given by a nurse and sent to the INAMI within 48 hours. This grading must be validated by a coordinating doctor within six months of the resident entering the facility. Care staff standards are defined on the basis of the KATZ grid.
The aim of INAMI funding is to cover the cost of these required staff standards. Funding therefore consists of two amounts:

- a fixed per diem rate for each long-term care facility, which varies according to the number of days and level of dependency identified at the facility over a set period;
- an additional amount known as the "*troisième volet*", which subsidises a portion of staff engaged on top of INAMI standards.

These amounts are paid on a quarterly basis in the form of a provision, with later payments when the INAMI has the necessary data and is able to finalise its calculations.
The INAMI has the right to inspect facilities for compliance with standards and can impose financial penalties if they fail to do so.

ITALY:

Each region is autonomous. For example, the Marches region calculates the level of dependence of each resident and gives the facility a care services allocation. In other regions, the ASL gives the future resident a "Votcher" granting access to an accredited facility depending on available accredited places.

However, political awareness is starting to grow on a national and regional level of the shortage of RSA facilities in Italy, which has resulted in the reallocation of public healthcare spending from hospitals to specialist residential facilities.

SPAIN:

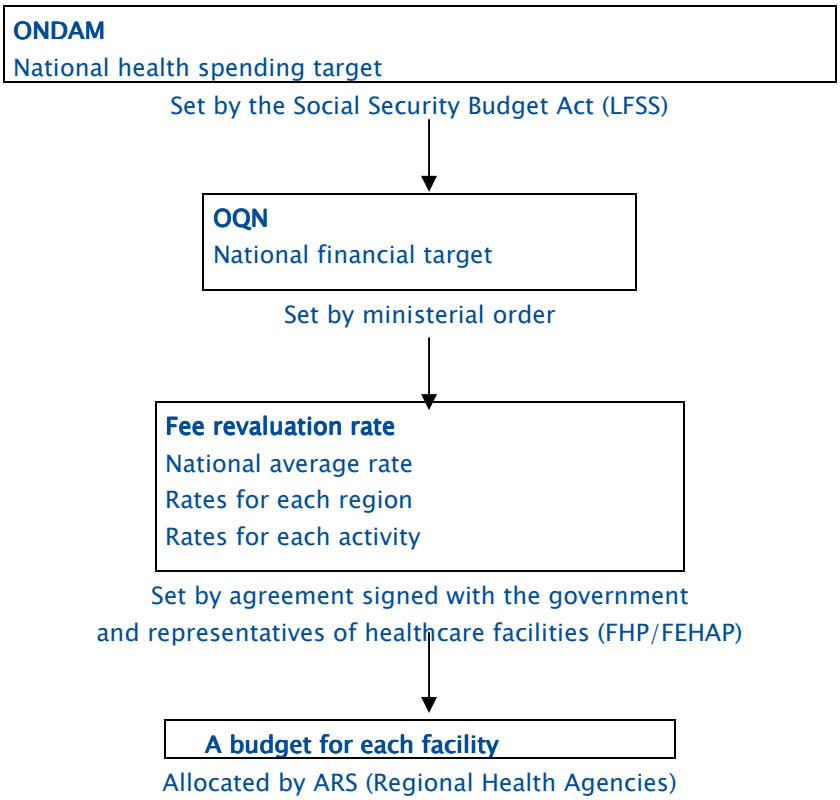
Accommodation and care fees are freely determined in Spain and are paid in full by the resident.
In some cases, nursing homes and the relevant regional authorities sign agreements with the main aim of "reserving" a number of beds for dependent people requesting help or full or partial provision of services. These people generally live within the region concerned. Under these agreements, rates are set in advance and cannot be increased by private centres beyond what is agreed with the regional authorities. These may be by mutual agreement with a given centre, but in most cases they are the result of winning calls for tenders launched by the authorities, in which a number of operators compete. Sometimes, the aid resulting from these agreements is due even if the "reserved" beds are not occupied. In other cases, the aid allocated to centres is only paid according to the occupancy rate of these beds by beneficiaries.

4.2.2- The pricing system for post-acute and rehabilitation care and psychiatric care facilities in France -

Prices for post-acute and rehabilitation care and psychiatric care facilities are set by the Social Security department. They are set out in targets and resources contracts signed by post-acute and psychiatric care facilities, whether public or private, with Regional Health Agencies.
On the basis of this pricing system, for each patient looked after, Social Security pays a per diem rate, as well as other fees if applicable, on the basis of prices determined and set by the supervisory authority.
Each year, the Social Security Budget Act (LFSS) draws up a national health spending target (ONDAM), allowing the government to determine - particularly for post-acute and rehabilitation care and psychiatric care facilities - a national financial target (OQN) representing the annual spending budget for the private hospital sector covered by Social Security.
Negotiations are held each year between the government and the Fédération de l'Hospitalisation Privée (FHP) to determine:

- the national average change in service fees;
- and the average change in fees in each region.

Each Regional Health Agency is allocated a regional budget, allowing its director to determine the change in fees for each facility in the region.
In accordance with Article L. 162-22-4 of the French Social Security Code, Regional Health Agencies can adjust the change in facilities' fees each year up to the limit set out in the national agreement, subject to the terms of an agreement with at least one of the regional organisations that has signed up to the national agreement.
The regional agreement determines the general rules for adjusting fees on the basis of figures from France's DRG-based information system (PMSI), as well as other criteria that may be taken into account, on the basis of SROS targets, the decisions made by the regional healthcare conference or the target for improving the quality of care services.



The Regional Health Agencies also set rates for new facilities, or new activities authorised for an existing facility, on the basis of average regional rates.
However, in the case of newly created services through the regulatory process, new rates are set by the national agreement between the government and the facilities federations.

Furthermore, in addition to the per diem rate paid by Social Security, facilities can receive additional payments relating to residential services such as private rooms, television and telephone. These additional charges are paid directly by the patient, who requests reimbursement of all or part of the cost from their top-up mutual insurance company.

The future for post-acute and rehabilitation care and psychiatric care facilities: the new diagnosis-related group payment system (T2A)

France's diagnosis-related group payment system, "T2A" or "*Tarification à l'Activité*", was introduced by the Social Security Budget Act for 2004.

The T2A system created a new means of financing for healthcare facilities. Instead of charging per diem rates or on the basis of services for private clinics, the T2A system aims to standardise means of financing in the public and private sectors.
There are three categories of rates under the T2A system:

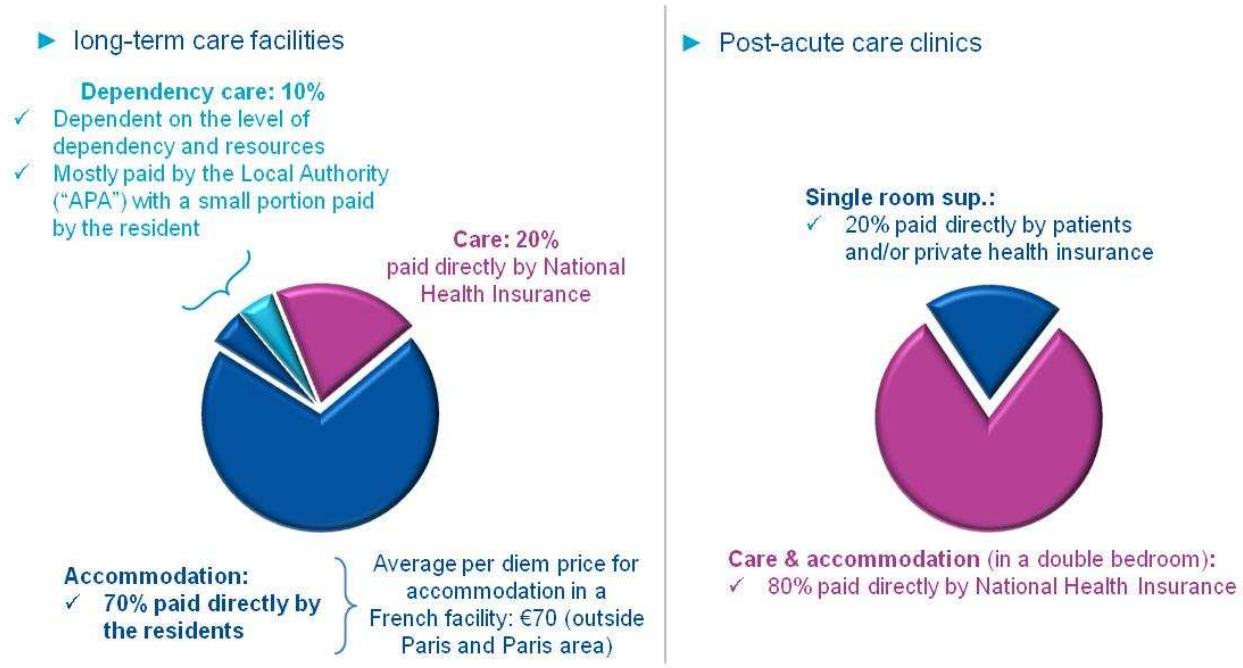
- A per diem rate by type of stay: determined on the basis of *Groupements Homogènes de Séjour* or GHS (Homogeneous Group of Stays), this is an all-inclusive tariff set for each pathology or specific treatment, covering all direct and associated costs of a service, such as medicines and medical devices.

- Non-GHS: treatments financed on a single service basis, such as home hospitalisation, external medical consultations, emergency consultations and organ transplants.

- Some particularly expensive medicines and medical devices (implants) are still financed by means of a specific tariff if they are on a restricted list.

Since 1 March 2005, the T2A system has applied to facilities with medical, surgical and obstetric (MCO) authorisation, as well as home hospitalisation services. It therefore does not currently apply to post-acute and psychiatric care facilities, but is planned to come into effect for these activities by late 2012/early 2013.

- **Summary of per diem rates for facilities in France:**



5. ORPEA'S GLOBAL DEPENDENCY CARE OFFERING: INNOVATIVE ACCOMMODATION SERVICES AND A WIDE RANGE OF CARE SERVICES AT ALL STAGES OF DEPENDENCY

5.1 – THE ORPEA GROUP'S CARE FACILITIES FOR THE ELDERLY

The Orpea Group's care facilities for the elderly in France, Belgium, Italy and Spain offer the following services:

- care and support services tailored to each resident (for example, there is a specialist unit for sufferers of Alzheimer's-type conditions at most facilities);
- logistical and residential services, such as accommodation, meals, laundry, room cleaning and various entertainment activities.

On the basis of the Group's procedures, each facility draws up its own care plan suited to its residents. This care plan, conveyed by all staff, combines quality of life and quality of care on a daily basis, offering professional care ensuring the safety and well-being of residents.

5.1.1– Various residential services –

The Orpea Group offers a variety of residential services. In addition to long stays, complementary residential options are available, primarily in France, for people living at home, in the form of temporary accommodation or day visits.
An elderly person may have to stay at one of the Group's residences temporarily, for example if:

- their spouse and/or children are exhausted and need some time to rest;
- their spouse is hospitalised and can no longer ensure continuity of care with other people involved;
- the elderly person has recently come out of hospital and the family believes that it is too soon for them to return home; in this case, a temporary stay allows for the return home to be organised with the various peopled involved.

Day visits allow an elderly person living at home to benefit, once or several times a week, from activities encouraging neurosensory and physical stimulation, as well as social activities and opportunities to meet others.
The aim of these solutions is to provide relief for family caregivers.

In all of the countries in which the Group operates, Orpea also offers protected units intended specifically for people suffering from Alzheimer's disease and related pathologies.
Alzheimer's disease is a neurodegenerative disorder that gradually leads to the loss of cognitive functions, resulting in dementia of various stages after a pre-dementia stage.
The Orpea Group is involved in particular in caring for confused people, offering an autonomous unit with 12 to 16 beds within its facilities.
The architecture and natural layout of these so-called "protected" units intended specifically for Alzheimer's patients is an active component of its care offering. They need to allow people with behavioural disorders to live and cohabit without restrictions and in full safety in a specially adapted area, while respecting the dignity and well-being of residents as well as their friends and family and the carers who work there.
The layout of these protected units is defined by the Orpea Group's medical department by observing the problems affecting Alzheimer's patients and on the basis of the following guidelines:

- for the patient: freedom to walk around without restriction, accessibility, spontaneous orientation to living areas and bedroom, permanent passive and non-directed supervision etc.;

- for families: reassurance that their relative is able to develop in a calm atmosphere; finding a place for people to listen to them, and sharing intimate family moments;
- for staff: a completely calm and user-friendly working environment; dedicated areas for agitated residents, as well as quieter areas for therapeutic activities.

Equipment (furniture, well-being area, multi-sensory stimulation area etc.) and specific procedures (in particular in terms of staff training) have also been implemented to respond to the requirements of providing this particular kind of care.
The aim of these protected units is to maintain and stimulate an interactive life that is as undisrupted as possible, as well as ensuring the safety of confused residents.
Partnerships have been established with the authorities and healthcare professionals in order to cover all aspects of providing dependency care for these residents as far as possible.

5.1.2- Care services

Receiving dependent elderly people at nursing homes requires strictly organised care services, comprising aid and support several times a day to help residents perform everyday tasks, as well as more technical nursing care as required by their state of health.
These care services contribute to the quality of life offered at long-term care facilities, respecting each person's desires and habits, within the framework of individual care plans.

Multi-disciplinary teams, who pay close attention to residents' well-being and are united by values essential to professional best practices, dispense the care services prescribed by the doctors treating the residents.
Paramedical teams are headed by a coordinating doctor and nurse, and consist of nurses, care assistants, medico-psychological assistants and - depending on the facility - a psychologist and/or a physical therapist and/or an occupational therapist.
The services of other professionals such as physiotherapists and speech therapists are also provided as necessary.

Care is optimised by applying medical and paramedical monitoring procedures developed by the Group's medical department and recognised across the entire Orpea network.
A uniform way of organising work with specific supports, comprising procedures and protocols developed by the medical department with staff on the ground, ensures a high quality of care and control thereof.
All therapies and procedures are traced, allowing for optimisation of care and safety. Regular analysis of care services and logistical support provided by permanent supervision by the medical department also ensure safety and on-the-ground support.

In addition, continuous training of staff in all areas of geriatric care ensures a constant effort to improve the quality of care.
In addition to the technical aspects of care services, the ethics and meaning of care provided and support are permanently reviewed by the Group with staff.

All of the Group's facilities offer evolving care services, allowing for support at all stages of dependency.
A personalised care plan is drawn up for each resident in collaboration with their doctor.

A number of residences also offer:
- rehabilitation sessions or "gentle" physical activities in the physiotherapy room;
- relaxation sessions in the spa bath or in the Snoezelen multi-sensory stimulation area.

These sessions are organised by specially trained staff, in order to stimulate residents' abilities and therefore maintain their level of autonomy.

5.1.3- Care plans

Each of the Group's facilities draws up its own care plan suited to its residents.

Staff endeavour to create a pleasant and welcoming living environment by organising activities each day. A coordinated programme of events is arranged by a qualified professional with two main aims:

- **occupational**, relating to or socio-cultural activities (dressmaking, shows, days out etc.): Orpea's priority is to make all of its facilities real places for living in order to enable residents to rebuild their ties with the local community;
- **therapeutic**, with workshops on keeping up physical and intellectual capabilities (press review, gentle gymnastics, visual arts etc.).

Family and friends are also invited to take part in the life of the facility in order to maintain family ties and encourage intergenerational relations.

Lastly, Orpea endeavours to make its facilities places of contact by involving them in community life, in order to develop a rich and dynamic social life to ensure the well-being of the elderly people at its facilities.
This includes the organisation of activities with children from nearby schools, as well as with local associations.

5.2 – THE ORPEA GROUP'S POST-ACUTE AND REHABILITATION CARE CLINICS

The Orpea Group's post-acute and rehabilitation care facilities – which are currently all located in France – are adapted to ensure adequate care of more "severe" patients, requiring medical resources and technical platforms corresponding to more significant pathologies.

Orpea has successfully achieved this positioning by:

- offering high quality care and services (high quality residential services and cutting-edge technical equipment with spa baths, occupational therapy, physiotherapy etc.), thereby allowing it to form effective partnerships with specialist centres and well known hospitals;
- specialising in major issues, allowing it to provide care solutions most suited to patients' needs and responding to the needs of the healthcare environment in accordance with regional public healthcare plans.

In general, the Group's post-acute and rehabilitation care clinics offer multi-disciplinary hospitalisation services, including:

1- Multi-disciplinary post-acute and rehabilitation care, looking after patients after a simple surgical procedure or medical condition requiring rehabilitation. While the majority of patients are elderly, these units are open to patients of all ages and can manage the post-acute care of a wide variety of pathologies. The dependency of patients passing through these units therefore relates to a pathology that has been treated or is in the process of treatment.

The aims are to provide follow-up care and rehabilitation, and to prepare the patient to return home and possibly to prepare for a stay at a care facility, or providing the means for them to return home.
Specific resources are provided, with multi-disciplinary staff with specific training, including physiotherapists and occupational therapists, rehabilitation treatment in suitable premises, and an accessible and pleasant architectural environment. A social support worker further enhances the team.

2- Physical medicine and physical therapy: these services are intended to provide active care of post-surgical trauma or orthopaedic patients, or of patients with degenerative neurological or vascular conditions. Patients with a disability may be fitted with a temporary or permanent prosthesis.
In accordance with the specifications, the aims are to:

- offer a high level of physical therapy with medico-technical support;
- provide the necessary complementary care services, such as occupational therapy, psychology and support services;
- teach patients the compensation techniques and adaptations they need.

To do this, the Group's clinics have technical platforms of a high level, including in particular spa baths, with a permanent organisational structure and high quality medical monitoring. Prostheses and the necessary compensation devices are fitted and adjusted in a specific studio.

3- Orthopaedic and trauma rehabilitation services are smaller units providing rehabilitation of patients who do not require very active care but who need to return to their previous physical condition, such as rehabilitation after total hip replacement.

4- Haematology and oncology post-acute and rehabilitation care units look after cancer patients of all kinds who have completed or are in the process of their essential treatment, such as inter-treatment intervals of chemotherapy with management of haematological complications or infections or respite periods between radiotherapy sessions. They also provide continuation of clinical, psychological and rehabilitation care of cancer patients. Lastly, these units provide support while waiting for a place at a palliative care unit.
The resources provided are high-quality medical and paramedical supervision, permanent 24-hour medical support and specific medical skills, with partnerships with the prescribing medical specialists allowing for continuity of care.

5- Geriatric post-acute and rehabilitation care units look after elderly dependent patients with multiple pathologies with a view to returning home. The gerontological assessment allows for targeted care, particularly of cognitive issues, or care of patients suffering from Alzheimer's disease and related disorders. To do this, the Group has not only implemented a specific organisational structure for its care services, but also provides continuous training of its staff in order to offer specific and high quality care.
The aim in caring for elderly patients with multiple pathologies resulting in multiple dependencies is to provide rehabilitation, continuation of care, reassessment and ranking of diagnostics avoiding concomitant harsh treatments, draw up a personal and social care plan, and look after patients with degenerative conditions such as Alzheimer's and dementia, of whom there are now many requiring specific care resources.
Resources comprise specialist adapted premises with staff specially trained in geriatric care, with physiotherapy, occupational therapy, physical therapy and activities within suitable architectural surroundings in the form of protected units with care given in closed units, allowing for the management of disoriented patients wandering off.
These units are characterised by:

- a specific care structure adapted to the patient's needs;
- therapeutic care and workshops adapted to patients' remaining abilities and reassessed as their physical disability develops.

This is provided in a carefully thought-out architectural environment adapted for disabilities and therapeutic resources.
These premises are optimal for looking after people with associated pathologies in addition to their cognitive pathology, who require an organised structure to help them prepare for the future with the most challenging care requirements.

6- Other specialist services are provided at the Group's clinics:

• *care of chronic neurovegetative states* or minimally conscious states, allowing patients with very severe neurological after-effects to benefit from continuous high-level care, both of the patients themselves and their families in a delicate and difficult situation.
These units provide long-term care of patients with brain injuries that are deemed irreversible and requiring daily assistance.
They aim to provide the necessary stimulation and rehabilitation care for highly dependent patients, to continue to provide high-quality assistance by focusing on family relationships, and to offer rehabilitation care with supervision by neurologists and physiotherapists.
Patients benefit from large rooms with individual care resources, looked after by trained, pro-active and motivated staff. The team includes specialist doctors who provide permanent medical care, as well as a high standard of psychological supervision.

• *multi-functional medical services,* for short stays for diagnosis and treatment. These multi-functional units cover general pathology but are generally strongly focused on geriatric care. The definition of these units is caring for patients for a short period for acute pathologies requiring diagnosis and appropriate treatment.
These units aim to provide acute care ahead of emergency services and general practitioners, provide high quality care in accordance with protocols and best practices, provide preparatory care for example to enter a post-acute and rehabilitation care facility, and improve care services by participating in care networks on key issues such as oncology, renal failure and Alzheimer's.
The resources provided are medical units with access to complementary examinations, with a permanent care structure with constant medical presence, available and trained staff, and access to current and known medical treatments.

The Group has continued with its approach to specialise its post-acute and rehabilitation care clinics, particularly within the framework of authorisation renewals in 2010.
The pace of development of post-acute and rehabilitation care facilities and the trend towards specialisation are in anticipation of the introduction of the T2A payment system in France, allowing for the provision of units that comply with the PMSI classification system as major clinical categories, with a parallel valuation.

In parallel with the specialisation of its care services, the Orpea Group has also developed daily hospital services to respond to patients' desire to receive rehabilitation during the day at clinics and return home in the evening.

5.3 – THE ORPEA GROUP'S PSYCHIATRIC CLINICS

The Group's psychiatric facilities receive patients with acute mental pathologies requiring care over an average stay of 30 days (ranging from one to six months depending on the pathology), such as depression, obsessive compulsive disorders (OCD), eating disorders, multiform neuroses and psychoses.

The Orpea Group invites each of these clinics to develop a centre of knowledge, which has enabled a number of its facilities to develop real expertise, for example:

- **Clinique Lyon Lumière (Meyzieu 69):**
  - *The Geriatric Psychiatry unit* receives 40 elderly patients with psychiatric pathologies specific to ageing. Care is provided by two geriatric psychiatrists, a geriatrician, a neuropsychologist, a neurologist and an enhanced paramedical team.
  - *The Cognitive Behavioural Therapy unit* offers care for obsessive compulsive disorders (OCD). This department was the object of a report on OCD at the clinic broadcast in the "*Jour Après Jour*" programme on France 2 on Tuesday 20 February 2007, as well as in "*Tellement vrai*" on 14 May 2009.
  - *The Sleep Disorders unit* which opened in 2010 and offers investigation and treatment of sleep disorders.

- **Clinique d'Orgemont (Argenteuil 95):**
  - The Collaboration Unit receives patients in hospital on voluntary or compulsory basis within the framework of a close collaboration with the Centre Hospitalier d'Argenteuil, for which it operates 20 inter-departmental beds. This public private partnership is exemplary and unique in France.

- **Clinique Villa des Pages (Le Vésinet 78):**
  - *The Young Adults Unit* receives patients aged between 16 and 25, mainly with behavioural disorders as far as self-injury. It is part of the behavioural disorders network for the Paris region. It also looks after patients with eating disorders. This unit is recognised and part of the national network for eating disorders.

- **Clinique Villa Montsouris (Paris 75):**
  - *The Eating Disorders Unit* works in close collaboration with the specialist department at Hôpital Sainte Anne and is a member of the eating disorders network for the Paris region.

- **Clinique des Orchidées (Andilly 95):**
  - *The Bipolar Disorders Unit* is due to open in the near future and will be part of the bipolar network for the Paris region.

- **Clinique de l'Ermitage (Montmorency 95):**
  - *The Alcoholism Unit* provides specific care for alcohol dependence.

- **Clinique de la Lironde (Saint Clément de Rivière 34):**
  - *The Adolescents Unit* receives young patients mainly with behavioural disorders as far as self-injury. It is a member of the networks for the Languedoc Roussillon region.

- **Clinique La Métairie (Nyon – Switzerland)**

  The clinic, a private institution with a long track record in hospital treatment for psychological disorders, specialises in caring for eating disorders, addictions (alcohol and nicotine), post-traumatic stress and burnout.

  Five specialist units spread across an attractive landscaped seven-hectare site are able to receive anyone requiring medical supervision and agreeing to play an active role in their own care.

This expertise is renowned not only among the healthcare professionals of the region, on which the clinics depend, but also among the supervisory authorities, with which the Group has established or is to establish appropriate funding for its resources.

In order to refine and enhance the relevance of the care services offered at its psychiatric clinics, the Group has created a self-financed research unit, which organises clinical research currently focusing on epidemiology, allowing it to put together an extensive study and publish its results in professional reviews. This research unit serves each of the Group's facilities and allows each care worker to propose studies, for which it facilitates implementation. Various agreements have been and will be established with the CNRS (National Centre for Scientific Research), INSERM (National Institute for Health and Medical Research) and universities.

The passing on of expertise is also shared within the Group's various internal collegiate bodies, such as the *Collège des Présidents de Conférence Médical d'Etablissement* (College of Presidents of Private Clinics), the *Collège des Cadres de Santé* (College of Healthcare Managers) and the *Collège des Psychologues* (College of Psychologists), which published its first review, "*Paroles*", in January 2007 (the fifth edition was published in January 2011 and it will now be published by a professional publishing house - érès - attesting to the quality of the College's work and writing).
These colleges provide a forum for sharing information and professional practices, allowing each facility to benefit from the experience of other facilities and thereby improve their care provisions fully independently

6. THE ORPEA GROUP'S ORGANISATIONAL STRUCTURE: AN OPTIMISED AND EFFICIENT ORGANISATIONAL STRUCTURE IN FRANCE AND EUROPE

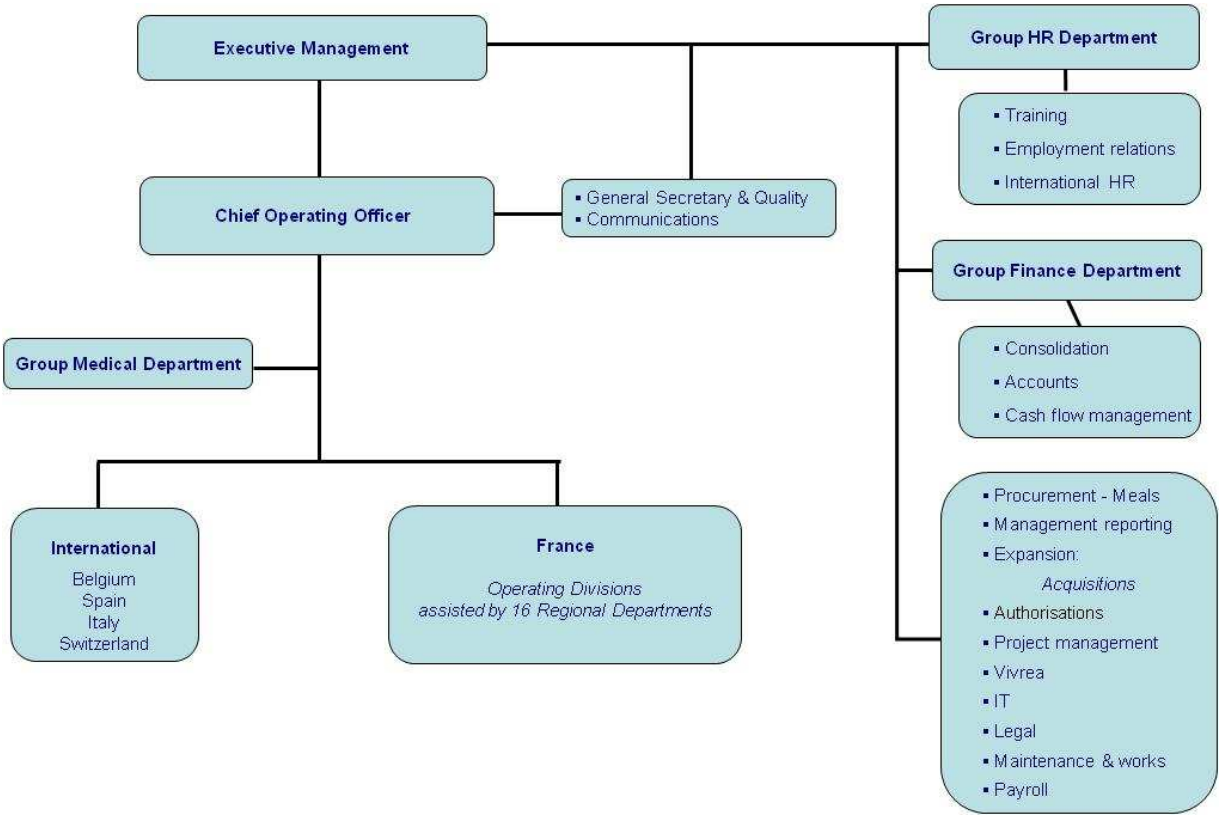
6.1 - AN ORGANISATIONAL STRUCTURE SUPPORTING THE QUALITY OF THE GROUP'S SERVICES

Thanks to a highly structured head office, facility directors are relieved of administrative duties and can therefore focus the majority of their efforts on helping residents and patients.
This centralised system allows for the pooling of costs and optimisation of how facilities are run.

The head office also plays a supportive role, using the most up-to-date methods to devise and disseminate its various procedures and allowing directors and staff to focus their skills on residents and patients.

The Group's organisational structure is based on two main principles:

- centralisation of all general departments at the head office;
- an operating organisational structured suited to the responsiveness requirements of its business lines, as well as the Group's management reporting and quality monitoring demands.



The Orpea Group also develops IT applications in order to have management and operating tools that correspond to its actual needs. Within this framework, the Group has invested in research and development to adapt its "Hospital Manager" IT system, needed for the management of its clinics.
Hospital Manager is an integrated solution for looking after patients' administrative and medical information. Its various modules – including invoicing, PMSI, prescriptions, pharmacy and medical records – allow it to address the problems relating to dispensation of drugs and regulatory changes, such as the T2A payment system. The notions of "multi-facilities" and multi-disciplinarity (medical, surgical and obstetric/psychiatric/post-acute and rehabilitation care) were fundamental in the design of this system, allowing for the creation of a single database – Oracle – facilitating checks, extractions of information and medical and financial analysis.
Since the project was launched several years ago, the Orpea Group has made a significant contribution to ensuring that Hospital Manager meets users' demands and that it is intuitive to use, facilitating the roll-out among its 4,000 users.

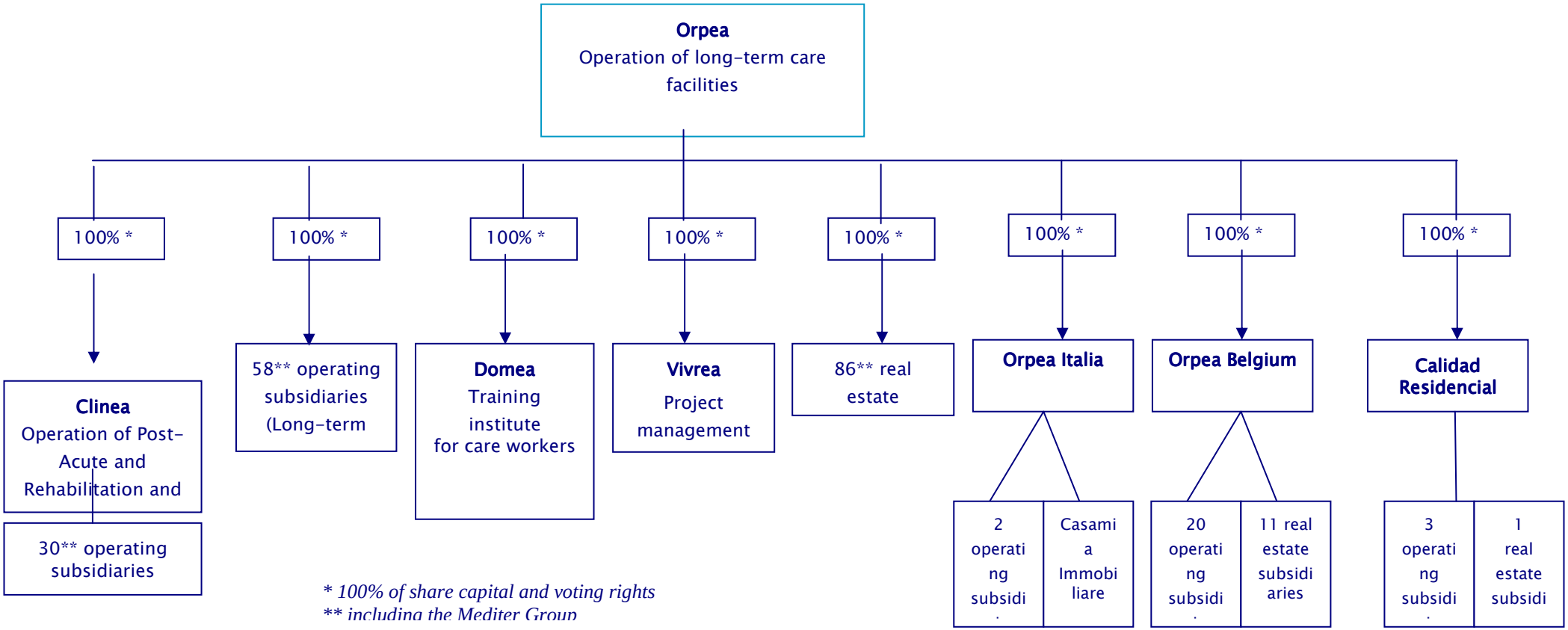
6.2 – LEGAL ORGANISATIONAL STRUCTURE

In order to simplify its legal organisational structure and streamline its costs, mainly administrative and accounting costs, in 2010, the Group carried out complete transfers of the assets and liabilities of its wholly-owned subsidiaries, in the form of dissolution without liquidation.

- SAS Le Château de Saint Valéry, Montmorency, merged into Orpea SA;
- SAS La Quiétude, Eysines, merged into Résidence Les Cèdres;
- SARL La Maison de Camille, Saint-Benoit, merged into Organis;
- SNC Crosne, Espace Ado Bel Air, merged into Chateau Bel Air;

The following subsidiaries have been merged into Clinea:

- SAS Château Lafitte
- SAS Clinique Médicale du Château d'Herblay
- SARL Lagardelle Santé



** 100% of share capital and voting rights*
*** including the Mediter Group*

7. ORPEA: VALUES, QUALITY, CONTROLLED REAL ESTATE POLICY: THE THREE MAIN TENETS OF THE GROUP'S STRATEGY

7.1 – THE FUNDAMENTALS OF THE ORPEA GROUP:

Since it was founded, Orpea has always aimed to optimise the quality of dependency care it provides. Offering services 24 hours a day, seven days a week, its awareness consists of acknowledging inevitable imperfections and the risk of error. The pro-active approach of Orpea and all of its staff consists of thoroughly and regularly looking into all possible ways of optimising and improving the services given to residents and patients.

The Orpea Group's activities are based on the following fundamentals:

- service values, professionalism and welcome shared by all employees;
- uniform facilities, allowing it to offer global and high quality dependency care;
- an organisational structure in place to satisfy residents, patients and employees;
- an on-the-ground operating framework, as close as possible to residents, patients and employees.

These fundamentals define the Group's strategy:

- in terms of its business: contributing every day to providing better global dependency care, whether physical, moral or mental;
- in terms of management: a management team trained in quality of care, available seven days a week, and assessed once a quarter;
- in terms of tools: tools to ensure the safety of residents and patients with respect and dignity, and control of activities at Group level.

7.1.1 – The Orpea Group's values-

The term "value" relates to both a financial aspect and a moral aspect.

We believe that there cannot be value creation without founding values that guide our actions and which we work to support each day.

The Orpea Group is eminently dedicated to caring for dependent people, and is therefore fully focused on personal service, creating value every day while also fuelling the values that form the basis of its corporate culture, namely creating added value but with people of value.

The fact that the Group was founded and is managed by a doctor, and is surrounded by people chosen for their ethics as well as their managerial skills, is reflected by the warm atmosphere of its facilities.

The ability to invest in people in order to raise relational and moral standards at the same time as purely technical aspects is a positive factor. The Group's reputation rests on basic values such as kindness, compassion, empathy, availability and human warmth, as well as its performance in terms of its skills and technical expertise. When the head of a unit dedicated to Alzheimer's disease or for people in a chronic vegetative state takes the time to explain how their family

support groups work, or how they teach support staff about the respect that should be given to confused or unconscious people, it is easy to understand that the human and relational aspects are just as important as simple mastery of care techniques.

This is clearly demonstrated by satisfaction questionnaires. Exit comments highlight the kindness of the staff just as much as the quality of care. Fundamentally, if we have to summarise what the Group's core value is, we would say that it is possibly the profoundly human nature of its employees.

Considering that **our business consists essentially of managing imperfections on a daily basis**, the criticisms indicated in questionnaires are also possible ways for the Group to improve. This continuing will to improve is therefore firmly anchored into our values.

The flagship value that underlies all of these values is clearly ethics, and this is the fundamental value guiding the Group, particularly in its quality and training policies.

7.1.2- Ethics: an everyday requirement -

The code of ethics set out in the "best practices" manual contains fully validated commitment charters devised by true professionals with a clear set of ethics. While this is undeniably a praiseworthy practice, it is reasonable to ask how many members of staff have really read and assimilated these guidelines.

The value of a charter that has been put together by a facility's staff is another matter altogether.

It is on the basis of this assumption that the Group has drawn up an original code of ethics. The idea is simple but requires a certain amount of energy and time.

Two independent consultants specialising in care ethics have been working with our institutions, residences and clinics for the last 10 years.
They allow all staff to select a number of values that they consider to be the most important, such as respect, listening, competency, cooperation, trust and a professional conscience. At least six of these values are selected by staff as the most fundamental. Each member of staff is then invited to participate in groups in which guidelines are drawn up to explain each value, before choosing a picture or image to illustrate each of these values.
This way of establishing a set of ethics is offered to all members of staff, including cleaners, nurses, invoicing clerks, receptionists, care workers, waiting staff, doctors, chefs, directors and support staff. Overall, around 80% of members of staff attend on average 18 hours of ethical reviews, representing around three hours per key value.
Lastly, the results of this work are put together in the form of a charter, which is displayed throughout the facility and implemented by all staff.

Charters are read and commented on in detail by new members of staff, whom existing staff are proud to receive. Residents, patients and their families also give frequently give detailed comments on these charters.

Around 100 charters - each of which is unique - have been drawn up so far at the Group's facilities.

To a certain extent, it can be said that ethics form the main foundation of staff at these facilities. From the time a facility itself draws up, assimilates and makes these moral and fundamental values its own, the behaviour of its staff corresponds as far as possible to the principles set forth, particularly with in-house training modules on subjects such as "preventing maltreatment" and "conflict management" offered on a recurring basis.

It seems that any shortcomings in professional ethics at the Group are an exception, as demonstrated by the records of undesirable events or grievances and complaints reported by families and patients or residents. The large number of records of undesirable events, as they are easy for staff to complete, shows that there is an atmosphere of trust towards management, with the feeling of giving an opinion rather than denouncing how the facility is run.

This is not a matter of painting an idyllic picture of exemplary behaviour, which would be contrary to an ethical approach. With a sense of modesty that does not exclude pride, it is simply a matter of showing that with a bit of imagination, an informed management team can reinforce what constitutes the core essence of a group like Orpea.
Orpea never forgets that its business consists essentially of managing imperfections on a daily basis.

7.2 – ACTIVITIES GOVERNED BY A RIGOROUS QUALITY POLICY:

The landscape of the dependency care sector has also undergone a cultural revolution, taking quality concerns into account in its day-to-day operation.
As a result of the implementation of tripartite agreements in 1999, long-term care facilities are committed to continuous quality improvement. By defining the terms of operation of the facility, particularly in view of the quality of care and care services provided, the tripartite agreement also sets out targets for the development and improvement of the facility, as well as how it is to be assessed.
By signing their tripartite agreement, the Group's long-term care facilities thereby agree to meet a number of quality targets in return for the funding of a portion of care expenses by the national health system and expenses relating to dependency care by the local *département*.
The quality of care targets defined within the specifications of the tripartite agreements are structured around four key themes that form the basis for negotiation with the supervisory authorities:

- residents' quality of life;
- quality of relations with residents' friends and families;
- quality of staff working at the facility;
- membership of a gerontological network offering coordinated care services;

For many years, this quality-led approach has been not a regulatory requirement but one of the Orpea Group's fundamental values.
As people are central to what the Group does and it believes that lasting growth cannot be achieved without quality, continuing quality improvement is one of the Orpea Group's main strategic aims.
The Orpea Group has therefore implemented a pro-active and rigorous Quality policy. The overall finality of all of the Quality procedures in place within the Group essentially means giving meaning to the work of each employee, allowing them to create the necessary tie to providing quality care.

The Orpea Group's Quality policy is structured around:

- satisfaction surveys;
- internal and external assessments;
- competitions and other prizes;
- staff training.

7.2.1- Satisfaction surveys of residents and patients -

In order to support ongoing improvement in practices, satisfaction surveys are conducted regularly at facilities at the Orpea Group's facilities.

For clinics, questionnaires are systematically handed out to patients on admission and are analysed once a month in order to monitor the development of areas for improvement. The results are then displayed.

At long-term care facilities, the Quality department puts together a **"satisfaction barometer"** each year, which enables residents and their families to assess the services provided by the facility.
This yearly satisfaction barometer has been designed to listen to all parties concerned and thereby allow for any corrections that need to be made and for strengths to be consolidated. Each facility therefore gives out a satisfaction questionnaire to all residents and their families. On receiving the responses - which are anonymous - the Quality department sends them to an external company to analyse the results.

In 2010, around 10,700 satisfaction questionnaires were sent out to all residents and families, and 6,331 were returned and analysed, representing a response rate of 59.2% compared with 57% in 2009. A total of 94.3% of residents and families said that they would recommend the Group's facilities compared with 93.6% the year before.

The results of this satisfaction survey are presented to the Executive Committee and then to the staff at each facility. After these presentations, each facility Director sets up working parties to determine areas for improvement in terms of care plans, activities, residential services or meals.
All of the results and plans of action are presented to families and residents within the framework of a discussion meeting.
Each year, the new satisfaction barometer allows for assessment of the impact of the plans of action implemented and the development of the satisfaction of residents and families.

7.2.2- External assessments of the Group's facilities -

The benefits of the Quality improvement procedures in place within the Orpea Group since 1998 can be seen in the certification of its facilities.

At clinics:

In France, an external assessment procedure is mandatory for all healthcare institutions, whether public or private: certification is carried out by the *Haute Autorité de Santé* (HAS), an independent public authority. This concerns all of a healthcare facility's operations and practices and aims to ensure that safety and quality of care requirements are actually taken into account by the facility.

Certification is based on all of the facility's professional staff taking part in the self-assessment process, carried out on the basis of the certification manual published by the HAS and a visit from HAS experts.

This procedure therefore allows for:

- assurance of the quality and safety of care services given to the patient;
- evaluation of the dynamic of assessment and improvement processes in place;
- involvement of professional staff;
- enhancing the value of assessment and improvement measures;
- fostering greater confidence among the public by reporting results;
- formulation of clear recommendations for facilities.

Certification therefore fits in with a dual international trend advocating:

- a professional approach to promoting continual quality improvement based on an industry reference framework and external assessment by peers;
- and assessment of the level of quality achieved against the backdrop of increased obligations to report to the public on the quality of services provided.

The certification process is carried out every four years.

- The first wave of accreditations was from 1999 to 2006 ("Version 1").
- The second version of certification began in 2005 ("Version 2") and was the subject of a new manual in 2007 ("V2007" certification). This places particular emphasis on the quality of medical services provided for patients, the quality of the facility's management, assessment of professional practices and risk management.
- The third version of certification ("V2010") began in 2010 on the basis of a new manual.

The Group's clinics have also obtained satisfactory results [3] in the certification process (V2/V2007):

- 55 facilities obtained level 1, corresponding to certification;
- two facilities obtained level 2, corresponding to certification with monitoring;
- three facilities are awaiting a report;
- no facilities obtained level 3, corresponding to conditional certification;
- no facilities were not certified.

During these certification processes, experts from the *Haute Autorité de Santé* (HAS) highlighted points of note in the organisation of some of the Group's clinics, based on their innovative and/or durable character. These strengths are presented as "actions of note" in the certification reports.

In addition to obtaining certification and the Group's positive results, it is important to stress that the Group's quality improvement system is a continuing and permanent process of which certification is just one stage.
Furthermore, a multi-disciplinary steering committee at each of the Group's clinics – comprising primarily the management team and members of the medical, paramedical, administrative and logistics teams – is responsible for the permanent monitoring of this quality improvement system.

[3] Figures updated in March 2011

At long-term care facilities:

In 2009, the Orpea Group voluntarily decided to obtain external assessments of 19 of its facilities for the elderly, in the form of certification on the basis of the "Qualicert" standards set by SGS (Société Générale de Surveillance).
This certification process therefore allows for an assessment of the facility's standards, comfort, quality of welcoming and integrating new residents, respect of "rights and freedoms", maintaining social ties, care given to residents and training of staff. Once facilities have been certified, monitoring is organised each year to check that the commitments made are observed, particularly as regards the quality and consistency of the services it offers.

The 19 facilities obtained Qualicert certification on the basis of 21 key characteristics[4], following an independent audit carried out over two days. During the site audits – which comprise a full visit of the facility, interviews with the various staff categories and documentary verification – a number of strengths were identified:

- fundamental aspects:
  - objective self-assessments, with plans of action to implement the required corrective measures, and a high level of reactivity to address discrepancies;
  - involvement of all members of staff – including care workers, administrative and residential staff – in a process of continually improving their practices;
  - solid management of procedures and protocols in force, and a rigorous approach to the traceability of measures taken;
- formative aspects:
  - clean residences that are pleasant to live in;
  - a wide variety of therapeutic activities and events.

In 2010, the Orpea Group decided to involve over 50 additional residences in this process. In March 2011, 72 of the Orpea Group's facilities for the elderly obtained Qualicert – Services Certification from SGS.

7.2.3- The Orpea-Clinea Quality Award –

In order to enhance its policy of continuing improvement in quality of services provided and make quality a unifying managerial tool serving the well-being of its residents and patients, the Quality department has created the "Orpea-Clinea Quality Award".

This is an annual internal competition based on the assessment of external and internal regulatory criteria. The competition consists of three stages:

(i) selection of finalists, during which more than 400 criteria are assessed, headed by the Quality department, the medical department and regional departments and/or divisions for clinics;

(ii) a control audit of non-finalists by the Quality department and the medical department;

(iii) the final stage, with a new assessment grid and case studies, headed by the Quality department and the medical department, in addition to a member of the Executive Management team (the Chairman, the Chief Operating Officer or the Chief Financial Officer).

[4] List provided in the appendices

At the end of the competition, six prizes are awarded – three for nursing homes and three for clinics. In 2010, the prize winners were:

- 1st prize: the Orgemont psychiatric clinic in Argenteuil (95) and Résidence du Vexin in St Clair sur Epte (95)
- 2nd prize: the Pierre de Brantôme post-acute and rehabilitation care clinic in Brantôme (24) and Bastide des Cayrons in Vence (06)
- 3rd prize: the L'Oliveraie des Cayrons post-acute and rehabilitation care clinic in Vence (06) and Résidence du Cliscouet in Vannes (56)

These facilities win a prize fund allowing them to carry out an innovative and original project defined by all of the facility's staff to improve the care given to residents or patients.

The Orpea Group won the "Quality" award for Healthcare Human Resources Management from "*Le Quotidien du Médecin*" and "*Décision Santé*" in February 2007 for introducing this internal quality award for its facilities.

7.3 – A CONTROLLED REAL ESTATE POLICY

7.3.1 – Real estate: a strategic asset

Real estate represents a strategic asset for the Group in carrying out its business activities. The Group selects sites according to the intrinsic quality of the property, including in particular the quality of **the site and its location**. Most of its facilities are located either in the city centre or in exceptional surroundings, with the constant aim of allowing for synergies with families and prescribing medical specialists.

The Group also pays particular attention to:

- **The architectural quality of the building**: the Group has built a large proportion of its properties, allowing it to design its facilities in accordance with its own quantitative standards
- **The quality of its internal services.**

The Orpea Group intends to remain owner of around 50% of its real estate portfolio. The real estate owned by the Group constitutes a major asset that can form the basis for future expansion.

This strategy enables the Group to optimise its financial structure, controlling the overall cost of its real estate. It also enables it to sell real estate assets either directly to real estate investment companies or family offices, or in lots to individual investors, and as necessary to the CAAM OPCI Novation Santé real estate investment fund, accredited by the AMF on 28 November 2008, in order to keep up its pace of development while also maintaining a satisfactory balance in its financial position.

To date, the Group's real estate portfolio comprises 206 buildings, 81 of which are partially owned, representing 701,000 m². Its fixed assets also include land and projects under construction.

Real estate assets therefore represent an amount of €1,880 million on the balance sheet minus available for sale assets at 31 December 2010, in the amount of €120 million.

The Group's real estate is financed by long-term loans or lease financing agreements.

The Group is leaseholder within the framework of a number of lease financing agreements concerning 71 properties, most of which are located in major cities.
The lease financing method is favoured by the Group as by paying a fee just above the ordinary rent, it has the option to become owner of the building after a period of 12 months by paying a low residual value. The Group therefore becomes owner of a number of properties financed in this way each year.

The lease financing method allows the Group to anticipate the application of the changes to IAS 17, under which all operating leases will have to be recognised under assets and liabilities on the balance sheet at the representative value of the right of use. Operating leases will therefore be recognised in a similar way to lease financing agreements, although only lease finances will allow the Group to become definitive owner of the property at the end of the contract by exercising the option to buy the property under favourable terms.

Although the lease financing method results in the property being consolidated in the balance sheet under assets (the building) and liabilities (debt), this ownership strategy is a source of value creation. This is why Orpea has continued to use it since it was founded.

For leased buildings, the commercial leases generally state that the Group is responsible for works mentioned in Article 606 of the French Civil Code, in order to manage these works and therefore the quality of its services.

7.3.2- Management of the real estate portfolio

In order to control the quality and construction cost of the buildings it needs for its operations, the Group is closely involved in both the construction and the maintenance of its buildings.

The Orpea Group has a Project Management department in charge of new constructions, as well as a Works and Maintenance department, which is primarily in charge of the maintenance of operating properties.

- The Project Management department -

The **Project Management** department is in charge of the construction of buildings belonging to the Group, thereby allowing it to control the quality of its constructions.
It is headed by a Delegated Project Manage, who is supported by business managers who are qualified engineers or architects, and a works accounting department.
Thanks to its expertise in the construction of both accommodation facilities for dependent elderly people and clinics, the Group has very quickly grasped the importance of sustainable development for its business. This is reflected increasingly by compliance with certain HQE environmental quality criteria.

The Project Management department applies these rules to new constructions, which need to be more energy efficient and blend in with their environment in terms of accessibility, landscape and urban integration. Construction sites are also closely examined in order to limit disruption. The consequences of rainwater are analysed before works begin, and the building's architecture favours acoustic and visual comfort.

The organisation of the various steps – project management, selection of prime contractors, selection of assistants and companies etc. – is adapted to these new requirements.
In addition to HQE rules, the Group is particularly vigilant and innovative in the design and use of living areas on the basis of a care plan, which prioritises the autonomy and well-being of residents, using materials, colours and lighting in particular.

– The Works and Maintenance department –

The role of the **Works and Maintenance** department throughout the year is to maintain the Group's properties and in particular to ensure that they meet safety standards.

This department, represented by regional assistants, is in charge of monitoring the works carried out by the Group's external service providers, as well as providing technical support for the technical agents at each facility. Its main duties are:

- reviewing and implementing investment works and subsequent development works;
- ensuring that electricity, gas, lifts and fire safety systems are brought up to standard by accredited companies;
- maintenance and renovation works or extensions of existing facilities;
- assistance during valuations due to an insurance claim or defects;

The agents for each facility are responsible everyday building maintenance:

- regular checks of all equipment, cleaning of ventilation and air conditioning systems, maintenance of green areas, high pressure cleaning of terraces and external areas, management of supplies and getting rid of waste, monitoring of Legionnaires' disease prevention protocols;

- everyday repairs (replacing light bulbs, leaks, redecorating of bedrooms, premises, offices etc.).

In order to standardise the work of all technical agents, a maintenance plan has been defined by the Works department and the Quality department, which is sent to facilities twice a year.

At the end of each year and on the basis of the checks carried out and requests from directors, provisional works budgets are prepared and approved by Executive Management.
These works cover all requirements for the following year, such as bringing technical and safety equipment up to standard, replacing dilapidated equipment, major repairs to traffic areas and/or bedrooms, changes to the layout in order to improve services, and safety works in the area for Alzheimer's patients.
An invitation for tenders is launched for these works, which are negotiated by works assistants and validated by the Works department, thereby enabling the Group to preserve the quality of its real estate assets.

8. THE RESULTS OF AN EFFECTIVE STRATEGY: ORPEA, A KEY PLAYER IN ITS SECTOR

8.1 – ORPEA: A KEY PLAYER IN FRANCE

The private for-profit sector is made up of three types of operator:

- four major groups with national coverage (over 5,000 beds);
- 15 small to medium-sized groups (between 500 and 5,000 beds);
- around 800 independent operators (including 700 individual operations with capacity of 5-40 beds).

Since the merger between DomusVi and Dolcéa, there are four major operators that each have more than 5,000 beds and offering accommodation facilities for dependent elderly people:

	France in 2010		International in 2010
Group	Number of beds in operation	Number of facilities in operation	Number of beds
DOMUS VI – Dolcéa	16.511	208	1989
Orpea	**16.417**	**195**	4.040
Korian	10.699	122	6.668
Medica	8.785	110	1.522

Source: Mensuel des Maisons de retraite – January 2011

Five groups offer general psychiatry and post-acute and rehabilitation care services:

GROUP	Psychiatry	Post-acute and rehabilitation care
Orpea-Clinea	**30 facilities**	**45 operating facilities**
Korian	11 facilities	34 facilities
Générale de Santé	24 facilities	19 facilities
Medica	7 facilities	30 facilities
Capio	1 facility	4 facilities

Sources: For Générale de Santé, Korian and Medica: company websites

8.2 – THE DIFFERENT TYPES OF OPERATORS OF POST-ACUTE CARE AND PSYCHIATRIC FACILITIES

France has around 97,940 post-acute and rehabilitation care beds and 55,059 general psychiatric beds *(source: DREES, SAE 2008).*
This area is predominated by the public sector and associations, which account for 70% of capacity.

Breakdown by status of facility in mainland France in 2008
Units: number of fully hospitalised beds

	Public sec	Private not-for-profit	Private for-profit	Total
Medical, surgical obstetric	149.063	18.495	55.785	223.343
Post-acute and rehabil care	40.521	30.361	27.058	97.940
Long stay	56.152	4.755	912	61.819
General psychiatry	36.790	7.310	10.959	55.059

For post-acute and rehabilitation care, the private for-profit sector accounted for 27.5% of capacity in France and 31.2% of full-time admissions for hospital care in 2008.
In general, the post-acute and rehabilitation care market has grown over the last few years. In 2008, over 3 million post-acute and rehabilitation care stays (representing 30 million days) were recorded in France, an increase of 6.7% compared with the previous year and 36.2% since 2002. This growth is driven by part-time hospitalisation, which saw an increase of 8.7% in the number of admissions in 2008 and a 7.4% increase in the number of authorised places.
These performances fall against the backdrop of increased capacity (growth of 2% in 2008), which is likely to be confirmed over the next few years, as suggested by the aims of France's Cancer Plan - which plans to provide 15,000 new post-acute and rehabilitation care beds through the conversion of existing beds or creating new beds - and the Alzheimer's Plan - which exposes the need to create specialist post-acute and rehabilitation care units for the care of confused patients.
Private clinics have seen the strongest growth, with an 11.9% increase in supplementary post-acute care admissions in 2008 following growth of 4.1% in 2007 and 5.9% in 2006.

In general psychiatry, the private for-profit sector makes up an even smaller part of the market, representing 20% of beds opened, with 18.9% of admissions in 2008. However, the weighting of the private sector has tended to increase over the last few years - with a 0.8% increase in the number of admissions and a 0.4% increase in the number of days - against the backdrop of a general reduction in capacity, with a 9% drop in the number of general psychiatry beds since 2009.

Overall, the private post-acute and rehabilitation care and psychiatric care sector is still highly fragmented. More than 75% of medium-stay clinics belong to independent operators, owned by staff or families, with just one facility.
This sector is nevertheless undergoing a process of restructuring that is not yet over. On one hand, smaller facilities need to cope with more stringent operating requirements for care units. On the other hand, the new generation *Schéma Régional d'Organisation Sanitaire* or SROS III (regional medical care plans system) has accentuated these restrictions, as the breakdown of activities at each clinic is based on demand from patients, the competitive climate and the decisions of the Regional Hospital Agency. This change requires restructuring of the supply of care services and therefore financial resources, which the majority of independent clinics do not have.

Source: DREES Etudes & Résultats n°716 - February 2010,
"Healthcare facilities in 2008".

8.3 – THE VARIOUS PROVIDERS OF DEPENDENCY CARE FOR THE ELDERLY

– FRANCE –

A report by the French Directorate for Research, Studies, Evaluation and Statistics (DREES) on *"Supply of accommodation facilities for the elderly in 2007"* counted 6,855 long-term care facilities in France, offering 514,635 places. In 2011, there are an estimated 540,000 places.

At the end of 2007, there were a total of 10,305 facilities for elderly people (dependent or non-dependent), offering 684,159 places.

Today, it is estimated that the private for-profit sector accounts for around 20% of the sector's total accommodation capacity, compared with 55% for the public sector and 25% for associations *(Source: SYNERPA – press release of 23 February 2007)*. This illustrates the momentum of the private for-profit sector in terms of creating new facilities.

Associations comprise religious organisations and not-for-profit associations, for example those backed by the Caisses d'Epargne.
The private for-profit sector is made up of national or regional groups, as well as a large number of independent facilities. The sector is therefore still highly fragmented.

– BELGIUM –

The Belgian sector for long-term care facilities consists of 122,000 authorised beds at 1,200 facilities, 70% of which are managed by the public sector and associations and 30% by the private sector.
Belgium's Social Security department allocates 9% of its budget to the elderly.

Orpea operates in three regions of Belgium – Flanders, Wallonia and Brussels – and therefore covers both the French-speaking and Flemish-speaking parts of the country.
In Brussels, the main area in which the Group operates in Belgium, 14,000 people live in long-term care facilities, equal to 6.8% of people aged over 60.

- ITALY –

The Italian market for long-term care facilities is even more fragmented than the French market, with considerable disparities between regions in terms of supply of beds and financial resources, as well as operating models. Regions in the north of Italy account for nearly 95% of total long-term care facilities for the elderly, representing around 127,000 beds.
In total, there were 340,000 beds in 2003, of which just 88,000 were beds at long-term care facilities or RSAs, with an estimated need of 490,000 beds by 2011 (*Source: ITSTAT 2006*).

With no centralised organisation for the market, it is difficult to obtain precise statistics. However, 45% of RSA beds are managed by the public sector, 35% by the not-for-profit sector and 20% by the private for-profit sector (*Source: ISTAT study "L'assitenza residenziale in Italia"*).

Italy also has one of the most rapidly ageing populations in the world. It had 11.6 million people aged over 65 in 2002, which is expected to rise to 13 million in 2015. The number of people aged over 85 also grew by around 36.4% between 2006 and 2011 (*Source: ISTAT 2006*).

– SPAIN –

The Orpea Group has operated in Spain since July 2006 via its subsidiary Calidad Residencial 2000 SA, following the acquisition of Spanish group Grupo Care.
It operates primarily in the regions of Madrid, Catalonia, Extremadure and Castilla.

There are 4,888 facilities for the elderly and 266,392 beds in Spain, 80% of which are in the private sector. More than half of these "private" beds are managed as public service concessions on the behalf of regional authorities.
Like in France, the Spanish nursing homes market is still particularly fragmented, with the 10 largest companies in the sector accounting for just 9.1% of national capacity and a large number of small facilities with an average of 45 places (*Source: MSI study, September 2007*).

The Spanish sector is extremely buoyant due to insufficient supply to cope with the ageing of the population.
In view of the ageing of the population – with the number of people aged over 80 expected to rise by 52% between 2006 and 2020 – the country's care needs are considerable *(Source: MSI study, September 2007).*

Furthermore, social policy seems to be developing favourably. On 30 November 2006, Spain adopted a law providing the right to support for people who are not or no longer capable of looking after themselves because of their age or disability. Spain has a System for Autonomy and Care for Dependency (SAAD), managed by the government and autonomous regions. This system has been in operation since January 2007 and is to be ramped up over a period of eight years. During its first year, it covered the most dependent people (estimated at 200,000), gradually including others up to 2015. It is funded equally by the government and autonomous regions, with the people concerned contributing up to 30% of the total amount. The amount paid by beneficiaries is dependent on their income.

CHAPTER IV: 2010 MANAGEMENT REPORT

This report contains a discussion and analysis of the operations of Orpea SA and the Orpea Group during 2010. The Chairman's report is attached to this report and provides supplemental information for all sections stated. The Board of Directors has put forward the reasons for the draft resolutions submitted to the shareholder vote at the general meeting in a separate report.

1. OVERVIEW OF 2010

1.1 – FURTHER EXPANSION WITH A STRATEGIC ACQUISITION

1-1-1- Contribution to Orpea of 100% of the Mediter Group and 49% of the Medibelge Group

On 8 December 2010, Orpea signed a contribution agreement with NeoGema and Société de Participation Française (the "Contributing Parties") concerning the contribution in kind to Orpea of:

-100% of the share capital of Mediter SAS, which holds a variety of majority stakes in companies operating clinics and long-term care facilities in France, including 50% plus one share of Holding Mieux Vivre);

and

-49% of the share capital of Medibelge, which holds a variety of stakes in companies operating medicalised retirement homes in Belgium. The remaining 51% of the company is subject to a call option granted by NeoGema to Orpea, which may be exercised between 1 January 2013 and 31 December 2015 inclusive. If the option is exercised, the acquisition would be paid for in cash.

The Contributing Parties are holding companies owned by Philippe Austruy, a renowned sector professional who was behind the creation of Générale de Santé and Medidep.

The Contribution was definitively completed on 31 December 2010.

The estimated net value of the Contribution comes to a total of €129,000,000, which breaks down as follows:

- the value of Mediter shares amounts to €104,750,000;
- the value of Medibelge shares amounts to €24,250,000.

In return for the estimated net value of the Contribution, the following payments were made:

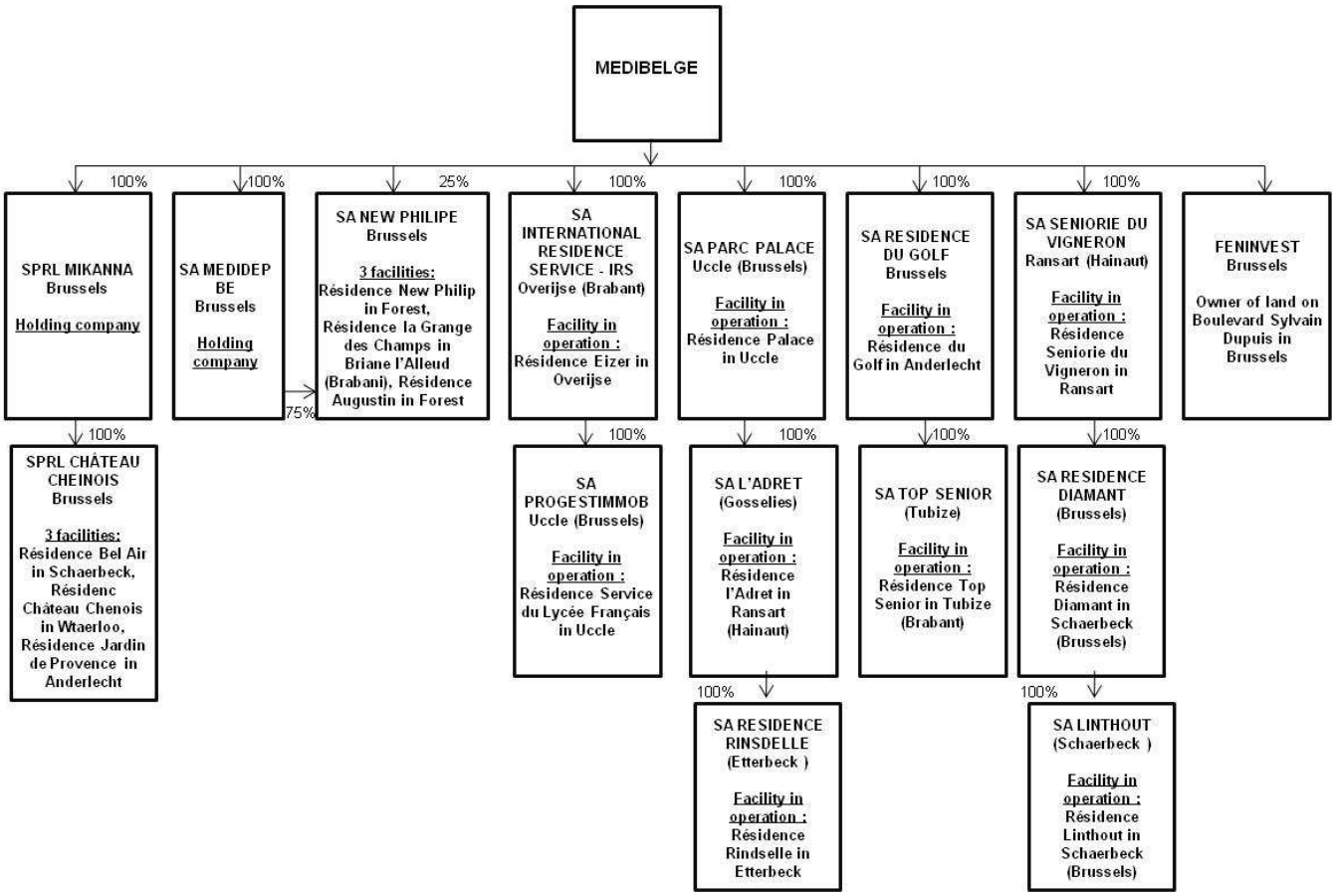
- up to a contribution value of €113,780,000, a total of 3,500,923 fully paid-up new Orpea shares with a par value of €1.25 were allocated to the Contributing Parties, issued as part of a €4,376,153.75 capital increase reserved for the Contributing Parties. The new shares have been divided up between the Contributing Parties as follows:
  - 2,842,804 shares allocated to Société de Participation Française;
  - 658,119 shares allocated to NeoGema;
- up to a contribution value of €15,220,000, a cash sum of the same amount was allocated to the Contributing Parties by way of a compensation balance, broken down as follows:
  - €12,358,875.97 allocated to Société de Participation Française;
  - €2,861,124.03 allocated to NeoGema.

In total, this major acquisition enabled Orpea to increase the capacity of its facilities by around 20%, with an additional 4,866 beds at 57 facilities, including 3,810 beds in France and 1,056 beds

in Belgium[5], including 3,263 beds in operation – with a number of very new facilities still being ramped up – as well as 667 beds for redevelopment and 936 for construction.

Therefore, the total assets acquired represent considerable potential for growth in the medium term in terms of both sales and profitability as well as value creation, with facilities under redevelopment and for construction. Orpea is known for its ability to redevelop or build healthcare and medico-social facilities quickly and economically thanks to its engineering subsidiary. This will enable it to boost and optimise the potential of the beds acquired, thereby rapidly realising synergies.

Furthermore, under a protocol agreement dated 20 December 2010, ELC has agreed to sell Orpea its residual 45.57% stake in Holding Mieux Vivre subject to certain conditions in favour of Orpea.



1-1-2 – Continuing expansion

1-1-2-1 – Other acquisitions

Orpea has also continued with its policy of targeted acquisitions of facilities in operation:

- in Crosne (91): long-term care facility with 64 beds and a psychiatric clinic with 104 beds
- in Eysines (33): two long-term care facilities with 25 beds
- in Saint Saturnin Les Avignon (Vaucluse): long-term care facility with 90 beds
- in la Seyne Sur Mer (83): long-term care facility with 84 beds

[5] corresponding to the 49% stake x 2,156 Medibelge beds

- in Talence (33): long-term care facility with 75 beds
- in Saint Laurent du Var (06): long-term care facility with 84 beds
- in Auxerre (89): 65-bed nursing home
- in Mailly La Ville / Treigny (89): two long-term care facilities with 25 beds and 25 beds
- Perpignan: a psychiatric clinic with 70 beds (50% stake).
- Saint Loup Camas: a psychiatric clinic with 129 beds (50% stake).

1-1-2-2 - Strong organic growth

Orpea has also continued to expand through solid organic growth thanks to:

- obtaining new licences or additional licences to create facilities either from scratch or by combining licences acquired, and extending care capacity to develop new services, such as day care or outpatient facilities and Alzheimer's units;
- continuously improving all quality aspects to strengthen the appeal of its facilities (e.g. improving medical and paramedical care through ongoing staff training, upgrading infrastructures, equipment and technical installations, seeking innovative concepts and reviewing architectural design), which explains the very high occupancy rates of its facilities and the level of recommendation by residents and families.

The Orpea Group opened 14 facilities in France during the year, eight of which were created from scratch and with the remainder the result of redevelopments:

- Résidence Crampel in Toulouse (31): creation of a long-term care facility with 83 beds;
- Résidence Les Jardins D'Ombeline in Carbon Blanc (33): combining of two facilities and an extension within a new building, thereby creating a long-term care facility with 82 beds;
- Résidence Les Millésimes in Brasles - Château Thierry (02): the complete redevelopment of a long-term care facility with 128 beds on a new site;
- Résidence Le Vigé in Soubise (17), a facility specialising in caring for Alzheimer's patients, meeting all HQE environmental quality standards; creation of a long-term care facility with 78 beds including the transfer of 30 beds from a previously acquired facility;
- Résidence Les Jardins de Chartres in Chartres (28); creation of a long-term care facility with 108 beds
- Résidence Corniche Fleurie in Nice (06); creation of a long-term care facility with 83 beds
- Résidence Les Bords de Seine in Neuilly sur Seine (92); creation of a long-term care facility with 135 beds
- Résidence Saint-Luc in Marseille (13); complete redevelopment of a long-term care facility with 85 beds
- Résidence Les Jardins d'Anna in Sainte-Terre (33), following the complete redevelopment of the long-term care facility on a new site through the transfer and combining of two previously acquired facilities;
- Résidence Patrice Groff in Charleville Mezières (08); creation of a long-term care facility with 85 beds;
- Résidence Saint-Martial in Limoges (87), complete redevelopment of a long-term care facility with 97 beds on a neighbouring site;
- Lautréamont psychiatric clinic in Loos les Lille (59): an extension with 35 beds in addition to 15 beds previously in operation;
- Régina psychiatric clinic in Sévrier (74): a 50-bed clinic benefiting from an extension of 15 beds for children and young people, 15 day hospital places for adults and 15 day hospital places for adolescents
- Paris-Nord rehabilitation centre in Asnières (92), with 90 beds.

In Italy, Orpea continued with its two major projects:

- The building of a facility in Casier (a few kilometres north-east of Venice) with 104 medicalised beds ("RSA" status), which opened its doors in February 2011 and the ramp-up of which is line with forecasts. The facility is to be officially opened on 24 June.
- Extension works at the Trofarello clinic (creating an additional 15 beds) are due to be completed in April 2011, after which the 80 authorised beds will again be fully operational.
-

The Group also commenced works on a further three major projects during the first half of 2010:

- Belgirate (extension increasing the number of beds from 80 to 137);
- Nebbiuno, on Lake Maggiore (a new 120-bed facility);
- Turin Richelmy, town centre (a new 180-bed facility).

In Belgium, Orpea has continued with the structuring of its network of facilities by rolling out its management model and its quality-led approach.
Redevelopment works have begun at a variety of sites with a view to creating value and improving accommodation and care conditions for residents:

- new extension at Paradis du Bouhay (Bressoux) - 24 beds, which opened its doors in December 2010;
- closure of Montaigne (54 beds) with a view to being relocated in a new building in 2013.

In this respect and in order to cope with the development of the Group's real estate portfolio in Belgium, Orpea Belgium has set up a Works and Buildings department, effective as of 2011, based on the existing works department model in France.

In Switzerland, the Group has obtained a licence to operate a 90-bed post-acute care facility.

1-1-3 - Summary of expansion in 2010

Acquisitions of controlling interests by Orpea S.A.		
SA Le Vieux Chateau1	100% of share capital	Nursing home in Crosnes (91)
SARL Residence Les Pins	100% of share capital	Nursing home in Eysines (33)
Via Residence Les Cedres **SAS La Quietude**	100% of share capital	Nursing home in Eysines (33)
SAS AVI Gestion	100% of share capital	Nursing home in St Saturnin des Avignon (84)
SAS Saint Honorat	100% of share capital	Nursing home in La Seyne Sur Mer (83)
SAS Home La Tour	100% of share capital	Nursing home in Talence (33)
SAS Les Oliviers de Saint Laurent	90% of share capital	Nursing home in Saint Laurent du Var (06)
SAS Centre Gerontologique de Treigny	100% of share capital	Nursing home in Treigny (89)
SAS Centre Gerontologique	100% of share capital	Nursing home in Mailly La Ville (89)
SAS L'Horizon	100% of share	Nursing home in La Seyne Sur Mer (83)

	capital	
SAS Mediter	100% of share capital	Holding company
Via Mediter **SAS Clinique de la Ravine** **SAS Clinique de Soins de Suite de Belloy en France** **SAS Clinique du Haut Cluzeau** **SA Institut Helio Marin de la Cote d'Azur** **SARL Clinique de Soins de Suite La Salette** **SAS Societe d'Exploitation Sanitaire Mer** **Air Soleil – SESMAS** **SAS Clinique de Belleville** **SA La Pinede** **SAS Maison de Retraite La Jonchere** **SARL Cuxac** **SAS Le Clos St Sebastien 44** **SAS Clinique Psychiatrique de Seine St Denis** **SAS Clinique du Bois Guillaume** **SARL Trevise** **SCI Mediter Foncier** **SAS Medipart** **SAS CA Santé** **Holding Mieux Vivre**	100% of share capital 50% of share capital + 1 share	63 post-acute and rehabilitation care beds 52 post-acute and rehabilitation care beds 50 beds + 10 day psychiatry places 190 post-acute and rehabilitation care beds 75 post-acute and rehabilitation care beds 138 rehabilitation care beds 90 beds + 15 post-acute and rehabilitation care places 185 beds + 20 day rehabilitation places 90-bed nursing home 85-bed nursing home 82-bed nursing home 90 beds + 10 psychiatry places 70 post-acute and rehabilitation care beds Administration of buildings and other property assets Administration of buildings and other property assets Holding company Holding company Holding company (see organisational structure above)
Via Medipart **SARL La Pastorale**	100% of share capital	85-bed nursing home
Via CA Santé **SAS Les Peyreres**	100% of share capital	65-bed nursing home
Medibelge	49% of share	Holding company

	capital	
Via Medibelge **SPRL Mikanna** **SA Medidep BE** **SA New Philip** **SA International Residence Service** **Parc Palace** **SA Residence du Golf** **SA Seniore du Vigneron** **Feninvest**	100% of share capital 100% of share capital 100% of share capital 100% of share capital 100% of share capital 100% of share capital 100% of share capital 100% of share capital 100% of share capital	Holding company Holding company 442 nursing and care home beds 57 nursing and care home beds 162 nursing and care home beds 194 nursing and care home beds 67 nursing and care home beds Owner of land in Brussels
Via International Residence Service **SA Progestimmob**	100% of share capital	175 nursing and care home beds
Via Parc Palace **SA L'Adret** Via L'Adret **SA Residence Rinsdelle**	100% of share capital 100% of share capital	172 nursing and care home beds 69 nursing and care home beds
Via SA Residence du Golf **SA Top Senior**	100% of share capital	92 nursing and care home beds
Via Seniore du Vigneron **SA Residence Diamant** Via Residence Diamant **SA Linthout**	100% of share capital 100% of share capital	88 nursing and care home beds 64 nursing and care home beds

Acquisition of indirect control via subsidiary Clinea S.A.S (wholly-owned by Orpea)		
SAS Clinique Saint Joseph	50% of share capital	70-bed psychiatric clinic in Perpignan
SAS Clinique de L'Isle Le Moulin	100% of share capital	104 beds and 12 psychiatry places
Via Clinique de L'Isle Le Moulin **SAS Plancenette**	100% of share capital	Cleaning company
SAS Sud O.S.	50% of share capital	Holding company with a majority stake in a facility

Acquisitions of indirect control via subsidiary Niort 94 (wholly-owned by Orpea)		
SAS Gueroult	100% of share capital	Owner of a property in Amiens (80)
SCI Les Oliviers	100% of share capital	Owner of a construction lease in St Laurent du Var (06)
SCI Portes d'Auxerre WB	100% of share capital	Owner of land for construction in Auxerre and owner of a construction lease granted to Centre Gerontologique

1.2 – ENHANCED FINANCIAL FLEXIBILITY

On 7 December 2010, Orpea issued bonds convertible and/or exchangeable for new or existing shares (OCEANE) maturing on 1 January 2016, worth a total definitive nominal amount of €179,999,956.05 euros, after exercise on 13 December 2010 of the greenshoe option, representing 4,069,635 bonds, in accordance with the following conditions:

The purpose of this issue is to:
- meet the financing requirements of the Group's business expansion;
- diversify its sources of financing;
- and help to extend the maturity of its financial resources and potentially increase its equity if the bonds are converted into new shares.

The main terms of the issue are as follows:

Nominal value per bond / issue price	€44.23
Gross annual actuarial yield	3.875% (in the absence of conversion and/or exchange for shares and in the absence of early redemption). Issue premium of 27.50% relative to the benchmark Orpea share price of €34.6899.
Listing of the bonds	Since 15 December 2010 under ISIN code FR0010973057 on Euronext Paris
Nominal rate – Interest	Annual nominal rate of 3.875% Interest, payable yearly in arrears on 1 January of each year (or the next working day if this is not a working day), equal to approximately €1.7139 per bond and per year. As an exception, the first coupon will be paid on 1 January 2012 for the period from 15 December 2010 to 31 December 2011 inclusive. This will be calculated on a *pro rata temporis* basis.
Term	5 years and 17 days
Normal redemption	In full on 1 January 2016 (or the next working day if this is not a working day) by means of redemption at par.
Early redemption of bonds at the option of the Company	• at any time, for all or some of the Bonds, with no limit in terms of price or quantity, by means of purchases on or off the stock market or acquisition or exchange offers. • at any time, as of 15 January 2014 until the Bonds mature, for all Bonds outstanding subject to giving notice of at least 30 calendar days, by means of

	redemption at par plus accrued interest, if the mathematical average – calculated over 20 consecutive trading days of the 30 days preceding the publication of the notice of early redemption – of the sum of the Company's opening share price on Euronext Paris and the share allocation ratio applicable as at each date is more than 130% of the par value of the Bonds. • at any time, for all Bonds outstanding subject to giving notice of at least 30 calendar days, by means of redemption at par plus accrued interest, if the number is less than 10% of the number of Bonds issued.
Acceleration	Possible at par plus accrued interest, particularly in the event of default by the Company.
Early redemption at the option of holders	Possible at par plus accrued interest in the event of a change of ownership or if the free float falls below 25% of share capital.
Right to allocation of shares (Conversion/Exchange of Bonds for shares)	At any time as of 15 December 2010 and up to the seventh working day inclusive preceding the normal or early redemption date, holders of Bonds may request the allocation of shares in the Company at the ratio of ONE share for ONE bond, subject to adjustments. The Company has the option to allocate newly issued shares or existing shares or a combination of the two.

2. OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2010

2.1 – CONSOLIDATED RESULTS

in thousands of euros	31-Dec-10	31-Dec-09
	964,234	**843,321**
Cost of materials consumed and other external charges	(251,996)	(219,657)
Staff costs	(490,316)	(425,039)
Taxes other than on profit	(45,525)	(42,778)
Depreciation, amortisation and provisions	(42,493)	(35,997)
Other recurring operating income	1,045	122
Other recurring operating expense	(5,192)	(4,557)
Recurring operating profit	**129,756**	**115,414**
Other non-recurring operating income	181,332	207,028
Other non-recurring operating expense	(160,009)	(187,893)
	151,080	**134,549**
Financial income	14,765	30,069
Financial expense	(67,512)	(75,737)
Net finance cost	**(52,747)**	**(45,668)**
	98,333	**88,881**
Income tax expense	(30,924)	(29,828)
Share in profit (loss) of associates	(1,062)	2,121
	66,347	**61,174**
Attributable to minority interests		36
Attributable to owners of the Company	**66,347**	**61,138**
Number of shares	42,352,795	38,847,172
Basic earnings per share (in euros)	1.71	1.57
Diluted earnings per share (in euros)	1.70	1.57

THE ORPEA GROUP'S CONSOLIDATED SALES IN 2010

The Orpea Group achieved further very strong sales growth in 2010, up 14.3% (or €121 million) at €964.2 million compared with a target of €960 million announced at the start of the year. Orpea is the fastest-growing operator in the market and has thus strengthened its position as European market leader in global dependency care.

This performance illustrates the relevance of the Group's expansion strategy, based on a winning combination of:

- robust organic growth[6] of 8.7% thanks to the creation of new facilities and continuing high occupancy rates;
- selective acquisitions, coupled with a proven integration model.

[6] ***Organic growth (excluding acquisitions)*** *comprises the following cross criteria : creation of new facilities, extension and redevelopment of existing facilities, as well as changes in occupancy rates and daily rates. Organic growth is analysed on an individual facility basis.*
Growth includes improvement in sales relative to the equivalent year-earlier period at recently acquired facilities.

This also confirms that the Orpea Group's performance is not tied to economic conditions, as dependency care meets a structural requirement that cannot be deferred.

In addition, analysis of its performance by country shows relative stability in the breakdown of sales between France (88%) and international activities (12%).

	Year			
In €m IFRS	**2010**	2009	% change	2008
France	**846.6**	**739.2**	*+14.5%*	**613.1**
% of total sales	*88%*	*88%*		*87%*
International	**117.6**	**104.1**	*+13.0%*	**89.2**
% of total sales	*12%*	*12%*		*13%*
including:				
Belgium	55.8	47.8		38.60
Spain	29.9	28.7		27.2
Italy	17.1	17.9		15.4
Switzerland	14.8	9.7		8.0
Total sales	**964.2**	**843.3**	*+14.3%*	**702.3**
O/w organic growth			*+8.7%*	

In France, sales rose by over 14.5% to €846.6 million in 2010, illustrating the attractiveness of the Group's facilities.
Orpea maintained high occupancy rates at its mature facilities thanks to the quality of its up-to-date offering, meeting the changing needs of people requiring dependency care. In this regard, 92.5% of residents and families are satisfied with the services provided by the Group. This sales growth also demonstrates the attractiveness of the 14 newly created or redeveloped facilities opened during the year, including 10 in the second half of the year.

Like last year, growth was strongest in Belgium, with sales up 16.7% at €55.8 million thanks to:

- the integration of newly acquired facilities and the beneficial effects of the gradual implementation of Orpea procedures across the entire Belgian network, thanks in particular to the structuring of the administrative head office of subsidiary Orpea Belgium;
- the success of the facility opened in Brussels in the fourth quarter of 2009;
- continuing high occupancy rates and optimisation of mechanisms relating to INAMI funding (Belgium's national health insurance).

In Switzerland, Clinique La Métairie achieved further sales growth of 55% thanks to the positive effect of the redevelopment works completed in 2009, in particular with the creation of a "Spa and well-being" area to enhance the services offered to patients.

In Italy, following the sale in 2009 of a facility in Ancona, which was too far removed from the Group's main centre of expansion in the north of Italy, Orpea sustained a 4.5% drop in sales to €17.1 million.

Lastly, in Spain, sales increased by 4.2% to €29.9 million on a like-for-like basis, illustrating the Group's ability to continue to improve the performance of its facilities in the country.

SOLID OPERATING MARGIN AND GROWTH IN NET PROFIT

In €m (IFRS)	2010	*% of sales*	2009*	*% of sales*	% change
Sales	964.2	*100 %*	843.3	*100 %*	*+14.3%*
EBITDAR (EBITDA before rents)	236.1	*24.4%*	205.6	*24.4 %*	*+14.9%*
EBITDA	172.3	*17.9 %*	151.4	*17.9 %*	*+13.7%*
Recurring operating profit	129.8	*13.5 %*	115.4	*13.7 %*	*+12.5%*
Operating profit	151.0	*15.7%*	134.5	*15.9 %*	*+12.3%*
Net profit	66.3	*6.9 %*	61.2	*7.2%*	*+8.2%*

Recurring operating profit rose by 12.5% to €129.8 million, and **recurring EBITDA** by 13.7% to €172.3 million.

This is in line with sales growth, reflecting tight control of all operating expenses.

Cost of materials consumed and other external charges rose by 14.7% from €219.7 million in 2009 to €252.0 million. The ratio for this item to sales was stable relative to 2009, at 26.1%.

Staff costs increased by 15.4% to €490.3 million, relating to the Group's expansion. The ratio of staff costs to sales rose slightly from 50.4% to 50.8%.

Taxes other than on profit rose by 6.4% from €42.8 million to €45.5 million in 2010.

Taking account of these factors, EBITDAR (EBITDA before rents) increased by 14.8% to €236.1 million.

Rents rose by 18.0% to €64.0 million, with the ratio of rents to sales increasing from 6.4% in 2009 to 6.7% in 2010. This growth remains controlled in the light of the Group's expansion and attests to the relevance of Orpea's real estate strategy, which consists of owning around 50% of its network in operation and controlling the development of rents for buildings under lease.

Recurring operating margin therefore remained solid at 13.5% compared with 13.7% in 2009, despite the detrimental impact of the number of properties under construction or redevelopment. This performance is thanks to the ramp-up of new facilities opened over the last two years and continuing high occupancy rates at facilities already up to speed.
Abroad, profitability improved further against the backdrop of proportionally more significant openings and redevelopment projects.

Operating profit fell by 12.3% to €151.1 million. This includes non-recurring net income of €21.3 million (compared with €19.1 million in 2009), which mainly comprises:

- net gains on sales of property assets for €29.2 million;
- expenses connected with the redevelopment of facilities and other development-related expenses for €15.5 million;
- income and expense recognised on business combinations for €10.0 million.

Operating margin was therefore 15.7%, more or less stable relative to 2009 (15.9%).

The net finance cost amounted to €52.7 million compared with €45.7 million in 2009, an increase of just 15.3% taking account of the Group's considerable expansion over the year, reflecting the lower average borrowing rate. In 2010, the average interest rate on the Group's borrowings was around 4.5% compared with 5% in 2009.

The income tax expense for the year was €30.9 million compared with €29.8 million in 2009, an increase of 3.7%. This includes the CVAE tax on business added-value of €6.9 million, compared with a deferred tax charge of €7.9 million in 2009 in accordance with IAS 12.

Net profit attributable to owners of the Company came to €66.3 million in 2010 compared with €61.2 million, an increase of 8.3%.

2.2. BALANCE SHEET AND DEBT

At 31 December 2010, on the assets side of the balance sheet, goodwill and intangible assets (primarily operating licences) amounted to €1,266 million compared with €979 million in 2009. The main acquisition during the year was that of the Mediter Group, with provisional goodwill of €216 million.

Impairment testing of goodwill and intangible assets does not show any impairment losses.

The Orpea Group's operating properties are included in assets, representing a total development area of 701,000 m² (out of land of over 1 million m²), with 206 buildings of which 81 are partially owned.
The total value of the Group's real estate portfolio is €1,790 million[7], including €485 million of properties under construction or redevelopment, and land.

The change in the value of the Group's real estate portfolio relates to:

- acquisitions and completions of building works;
- an increase in the valuation of properties in operation of €58.1 million, with an average appraisal yield of 6.5% compared with 6.9% at 31 December 2009.

Remaining loyal to its arbitrage policy, Orpea sold €126 million of properties in 2010.

The Group enhanced its balance sheet structure with a 39% increase in equity to €894.6 million, representing 23% of total assets, as a result of the combined effect of:

[7] Minus available for sale assets worth €120 million

- the €113.8 million capital increase carried out on 31 December 2010, by way of payment for the acquisition of Mediter and Medibelge (€121.3 million under IFRS), in addition to €29.2 million in respect of Mieux Vivre's minority interests;
- net income for the year minus the dividend paid in 2009 of €5.8 million, equal to a net inflow of €60.5 million;
- the revaluation of the Group's real estate portfolio (€38.1 million net of tax).

Net debt came to €1,691 million, including €67.5 million relating to debt resulting from the acquisition of Mediter, compared with €1,385 million at the end of 2009.

Orpea continued with its policy of extending the maturity of its debts with a €180 million OCEANE bond issue in December 2010, following a €216.7 million OBSAAR bond issue in 2009. This explains cash and cash equivalents of €277 million compared with €135 million at the end of 2009.

Debt is still mainly property-related (80%), secured against high quality assets that are not very volatile and easy to sell. The majority of the Group's debts are depreciable, with no major repayments falling due.
The Group's two main debt ratios improved and were as follows at 31 December 2010:

- financial leverage = 2.73 (3.27 including debt relating to the acquisition of Mediter but which does not take account of any EBITDA in 2010 as the deal was finalised on 31 December) compared with an authorised level of 5.5;
- adjusted gearing = 1.50 compared with an authorised level of 2.

Three-quarters of debt is hedged against the risk of fluctuation in interest rates. This hedging has been optimised over the last few years, allowing for a further reduction in borrowing costs over the next few years.

Orpea therefore benefits from a solid and flexible financial position, allowing it to actively pursue its policy of acquiring and building new facilities.

► Cash flows reflect ambitious investment policy:

Cash flow from operating activities is intended primarily to secure sustainable EBITDA growth.

In €m	2010	2009	Change (%)	2008
Recurring EBITDA	**+172.3**	**+151.1**	+14%	123.6
Cash flow from operating activities	**+ 135.6**	**+127.00**	+7%	+100.1
Cash flow from investing activities	**-296.7**	**-258.3**	+15%	-375.1
Cash flow from financing activities	**+302.3**	**+213**	+42.3%	+273.6
Change in cash and cash equivalents	**+141.2**	**+81.7**	+73%	-1.3

2.3. DIVIDEND PROPOSED AT THE GENERAL SHAREHOLDERS' MEETING

The Board of Directors has decided to propose a dividend of €0.23 per share to shareholders at the annual general meeting to approve the 2010 financial statements.
This dividend will be paid on 15 September 2011.

3. STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

3.1 – STATUTORY INCOME STATEMENT

(in euros)	31-Dec-10	31-Dec-09
- SALES	409,332,636	380,391,749
- Increase (decrease) in work in progress	(32,709,334)	(40,214,258)
- Other operating income	17,093,683	13,555,587
- Purchases and other external charges	131,691,699	118,627,740
- Taxes other than on profit	17,998,483	15,326,487
- Staff costs	192,907,121	172,986,711
- Depreciation, amortisation and provisions	10,735,272	9,228,773
- Other operating expense	3,432,674	2,711,438
OPERATING PROFIT	36,951,737	34,851,930
- Financial income	47,656,504	58,146,153
- Finance expense	71,529,402	63,152,374
NET FINANCE COST	(23,872,898)	(5,006,221)
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	13,078,838	29,845,709
- Exceptional items	(3,434,604)	(23,842,641)
- Employee profit-sharing		
- Income tax	3,610,154	(931,447)
NET PROFIT	6,034,080	6,934,516

SALES:

2010 sales came to €409.3 million, up 7.6% compared with 2009.

Orpea's core business line of operating long-term care facilities generated sales of €377.6 million, up 11.5% compared with €338.8 million in 2009. This growth reflects Orpea's expansion policy, as described above, combining organic growth and acquisitions.

Revenues from the sale of property assets came to €31.8 million compared with €41.6 million in 2009.

OPERATING PROFIT:

Operating expenses remained under control in the light of sales growth.

"Purchases and other external charges" rose by 11.0% to €131.7 million.

Taxes other than on profit rose by 17.4% to €18.0 million as a result of the Company's expansion and the impact of changes to the "*taxe professionnelle*" business tax regime in France.

Staff costs rose by 11.5% to €192.9 million.

Operating profit was 6.03% higher than in 2009 at €36.9 million.

NET FINANCE COST

The net finance cost was €23.9 million, comprising mainly an expense net of interest relating to the Company's net debt.

In comparison, the 2009 net finance cost was €5.0 million, including intra-group dividends received of €16.7 million.

EXCEPTIONAL ITEMS

Net exceptional losses came to €3.4 million, impacted by restructuring and expansion costs of €5.0 million.

In 2009, net exceptional losses of €23.8 million included the effect of legal internal restructuring operations representing an expense of €21.5 million.

NET PROFIT AND PROPOSED APPROPRIATION

After a tax expense of €3.6 million, net profit came to €6.0 million compared with €6.9 million in 2009.

The Board of Directors proposes to transfer 5% to the statutory reserve and to pay a dividend of €0.23 per share, compared with €0.15 per share in 2009.

3.2 – STATUTORY BALANCE SHEET

ASSETS (in euros)	31-Dec-10			31-Dec-09
	Gross	Depr., amort. and provisions	Net	Net
Non-current assets				
– Intangible assets	154,366,621	791,307	153,575,314	148,533,246
– Property, plant and equipment	184,620,479	67,202,763	117,417,716	88,393,958
– Financial assets	378,240,581	1,976,107	376,264,474	223,102,035
TOTAL NON-CURRENT ASSETS	717,227,680	69,970,178	647,257,502	460,029,240
Current assets				
– Inventories and work-in-progress	57,137,154	1,188,655	55,948,499	59,457,000
– Advances and downpayments made	1,474,515		1,474,515	1,341,055
– Trade receivables	16,438,147	3,434,708	13,003,438	29,804,451
– Other receivables	822,792,348	1,241,542	821,550,806	697,975,825
– Marketable securities	185,426,795		185,426,795	25,692,476
– Cash	37,203,372		37,203,372	98,637,893
– Prepaid expenses	3,984,589		3,984,589	1,251,609
TOTAL CURRENT ASSETS	1,124,456,921	5,864,907	1,118,592,014	914,160,309
– Deferred charges		–	–	–
TOTAL ASSETS	1,841,684,601	75,835,085	1,765,849,516	1,374,189,549

EQUITY AND LIABILITIES (in euros)	31-Dec-10	31-Dec-09
Equity		
– Share capital	52,940,994	48,558,965
– Share premiums and reserves	197,711,556	88,039,591
– Retained earnings	36,214,697	35,453,983
– Net profit for the year	6,034,080	6,934,516
– Special tax-allowable reserves	880,741	221,867
TOTAL EQUITY	293,782,068	179,208,922
Provisions for liabilities and charges	4,601,507	9,977,710
Liabilities		
– Borrowings and financial liabilities	1,178,585,305	943,765,513
– Advances and downpayments received	2,499,902	1,723,782
– Trade payables	33,236,967	31,975,804
– Tax and social security liabilities	55,064,478	48,885,769
– Other liabilities	176,734,267	150,126,604
– Prepaid income	21,345,023	8,525,446
TOTAL LIABILITIES	1,467,465,941	1,185,002,918
TOTAL EQUITY AND LIABILITIES	1,765,849,516	1,374,189,549

Orpea S.A.'s **net non-current assets** totalled €647.3 million at 31 December 2010 compared with €460.0 million a year earlier, illustrating the Company's brisk rate of expansion.

Current assets came to €1,118.6 million compared with €914.2 million in 2009 as a result of:

- growth in cash and cash equivalents and marketable securities from €124.3 million in 2009 to €222.6 million in 2010;
- the increase in other receivables (comprising mainly current accounts of subsidiaries for which Orpea S.A. finances development operations) from €697.9 million in 2009 to €821.6 million in 2010.

Equity stood at €293.8 million at 31 December 2010 compared with €179.2 million in 2009, as a result of the increase in share capital on 31 December 2010 in payment for the contribution of 100% of Mediter's share capital and 49% of Medibelge.

Financing requirements increased during the year on account of the Orpea S.A.'s expansion policy. As a result, **borrowings and financial liabilities** – the Company's main debt item – rose by 24.9% to €1,178.6 million at 31 December 2010 compared with €943.8 million in 2009, primarily in relation to the €180 million OCEANE bond issue in December 2010.

Total assets amounted to €1,765.8 million at 31 December 2010 compared with €1,374.2 million in 2009.

3.3 – INFORMATION ON SUPPLIER PAYMENT TERMS

In accordance with articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we inform you that the end of the last two financial years, amounts owed to suppliers broke down as follows by due date (the payment time for trade payables at the end of the year were determined by comparing the date of each invoice with the effective date of payment):

		31/12/2010	31/12/2009
Trade payables		**28,559,843**	**29,222,499**
	Less than 30 days	**2,493,225**	**2,322,612**
	30-60 days	**6,654,626**	**7,399,909**
	60-90 days	**10,602,737**	**9,210,163**
	More than 90 days	**8,809,256**	**10,289,816**

3.4 – SUBSIDIARIES AND OTHER EQUITY INTERESTS

3.4.1– Clinea: performance and results

Thanks to its expertise, Clinea obtained two licences in 2010 against the backdrop of budget cuts. One of these licences will allow it to operate a 70-bed post-acute care clinic in Cormontreuil and the second to operate a clinic specialising in addictology. These two licences should come into effect in 2012.

Clinea generated total sales of €312.9 million in 2010, which breaks down as:

- €311.7 million relating to the operation of its clinics, compared with €288.5 million in 2009, an increase of 8%. This revenue derives mainly from care and other services paid for by the French Social Security and private room accommodation fees paid by patients or their private insurance;
- and €1.2 million from the sale of property assets.

Operating profit amounted to €28.4 million compared with €27.9 million in 2009, an increase of 2%, taking account of a 9% rise in operating expenses.

As a result of a net finance cost of €10.7 million, pre-tax profit on ordinary activities fell from €23.6 million to €17.7 million.

Taking account of an exceptional loss of €9.0 million and after employee profit-sharing and incentive plans, net income for the year came to €6.4 million compared with €7.8 million in 2009.

3.4.2– Performance and results of other main subsidiaries

Niort 94, a property development subsidiary, generated sales of €72.5 million compared with €66.8 million in 2009. This derives from sales of property assets (€69.4 million) and rental income received (€3.1 million).
The subsidiary generated a net profit of €1.5 million compared with €3.3 million in 2009, mainly due to the absence of dividends from its subsidiaries in 2010.

Subsidiaries in Belgium continued to expand in 2010. Sales generated in Belgium totalled €55.8 million compared with €47.8 million in 2009, an increase of 16.74%. EBITDA came to €7.4 million, down slightly year-on-year (€7.6m in 2009), impacted by the opening of Résidence Ariane, a 159-bed facility in Brussels.

Subsidiaries in Spain generated sales of €29.9 million in 2010 compared with €28.7 million in 2009, with EBITDA of €1.3 million.

Subsidiaries in Italy generated sales of €17.1 million in 2010, impacted by the partial closure of the Trofarello clinic, which is undergoing redevelopment, compared with €17.9 million in 2009.
EBITDA was €1.1 million compared with €1.7 million in 2009.

3.4.3- Main equity interests

Company	Net income for the last financial year	2010 equity
SCI Route des Ecluses	120 914	1 524 098
SCI Les Rives d'Or	152 460	1 181 524
SCI du Château	239 211	1 404 217
SCI Tour Pujols	224 213	810 485
SCI La Cerisaie	158 235	1 572 028
SCI Val de Seine	-1 914 193	-101 035
SCI Cliscouet	80 937	389 066
SCI Age d'Or	811 796	10 770 330
SCI Gambetta	372 606	3 492 935
SCI Croix Rousse	450 840	3 749 355
SCI Les Dornets	221 209	267 220
SCI Château d'Angleterre	651 252	767 312
SCI Montchenot	289 400	9 680 546
SCI 115 rue de la Santé	1 112 731	8 755 577
SCI Abbaye	103 578	-1 564 394
SCI Les Tamaris	126 407	687 623
SCI Passage Victor Marchand	529 321	2 473 166
SCI Fauriel	-1 867 431	-4 306 027
SCI Port Thureau	136 151	599 678
SCI de l'Abbaye	168 588	-494 581
SCI Les Maraichers	139 198	93 091
SCI Bosguerard	78 672	517 955
SCI Le Vallon	565 921	3 731 489
SCI Brest Le Lys Blanc	-368 712	-8 433 577
SCI Bel Air	-93 077	752 850
SAS CLINEA	6 385 890	66 085 341
SARL Les Matines	-900 973	-1 018 728
SARL Bel Air	254 708	2 762 755
SARL Amarmau	-79 352	-731 023
SARL 94 Niort	1 584 052	8 163 385
SARL 95	-50 708	-310 825
SCI Sainte Brigitte	-21 622	-531 662
SARL VIVREA	11 884	-558 366
SA LES CHARMILLES	420 357	2 804 179
SCI KOD'S	57 883	306 133
SARL LA BRETAGNE	74 856	-930 182
SARL RESIDENCE LA VENITIE	-972	-19 675
SARL L'ATRIUM	-100 603	-856 918
SARL GESTIHOME SENIOR	-686	-4 024
SARL MAISON DE CHARLOTTE	-4 996	-1 442 077
SA BRIGE	-393 383	-2 494 682
SRLORPEA ITALIA	-1 454 980	-500 498
SCI LES TREILLES	52 354	1 977 419
SARL L'ALLOCHON	49 522	606 348
SCI LES MAGNOLIAS	-1 121 121	-1 170 041
SCI Courbevoie de l'Arche	-398 680	-1 357 318
SCI le Barbaras	282 974	1 441 460
SARL DOMEA	-19 161	1 663

SARL 96	757 927	2 362 345
SCI BEAULIEU	-457	-8 056
SAS LA SAHARIENNE	-146 732	737 667
SARL ORPEA DEV	-858	877 812
SAS ORGANIS	252 106	-902 482
GRUPO CARE	-994 993	-414 169
DINMORPEA	11 816	372 031
SRL CASA MIA IMMOBILIARE	636 337	17 563 095
Belgique	1 346 279	20 370 779
SA DOMAINE DE CHURCHILL	8 342	11 294 857
SA DOMAINE DE LONGCHAMP	-286 748	12 081 518
SA LONGCHAMPS LIBERTAS	287 879	368 241
SA RS DOMAINE DE CHURCHILL	64 976	325 637
TRANSAC CONSULTING CORPORATION	0	-5 993
SAS Résidence St Luc	-139 154	-2 757 981
SAS Cardem	164 814	12 151
SARL L'Ermitage (Contes)	-4 511	-231 208
SARL Avigestion	754 049	45 153
SARL Benian	-688	-1 513
SCI JEM II	56 781	228 859
SARL Reine Bellevue	-5 006	804 136
SARL La Doyenne de Santé	-11 534	-34 197
SASU Le Vige	-414 963	-651 383
SA Gerone	-11 378	509 880
SCI Douarnenez	-2 065 522	-2 037 667
SCI Barbacane	240 442	837 128
SCI Selika	1 533 325	5 722 744
SCI SLIM	76 892	485 898
SCI SAINTES BA	849 358	1 947 544
SCI Les Anes	-2 192	-34 701
SARL L'Ombrière	-27 787	-624 814
SAS MDR La Cheneraie	-49 755	-354 601
SARL IDF resid Ret.Le Sophora	-238 708	-313 154
SA Paul Cezanne	-759 805	4 395
SARL Le Sequoia	-203 082	-715 030
SNC les Jardins d'Escudie	-438 928	-2 368 362
SA Résidence du Moulin	-191 814	-786 044
SC Les Praticiens	601	84 574
SAS Résidence La cheneraie	79 577	3 326 033
SA EMCEJIDEY	-8 508	613 419
SARL Résidence du Parc	-5 213	410
SCI du Fauvet	-78 135	-338 010
OPCI	0	400 000
SAS Résidence Klarene	169 618	383 585
SAS Résidence Ondine	160 233	207 004
SAS SFI France	-398 860	-1 397 399
SCI Ansi	91 112	276 310
SARL St Sulpice	924	1 924
SARL Viteal les Cedres	-292 741	-331 265
SA Le Vieux Château	-267 595	-730 926
SAS Saint Honorat	85 074	349 638
SAS Home La Tour	-109 028	-185 153
SARL Les Oliviers Saint Laurent	-2 386	-882
SAS Centre Gerontologique de Treigny	139 680	150 760
SAS Centre Gerontologique	15 846	31 547
SA Horizon	466 589	899 896
SCI Portes D'Auxerre WB	-21 961	-12 176
Groupe MEDITER	-3 546 377	24 342 557

4. SUBSEQUENT EVENTS – OUTLOOK

4.1 – SUBSEQUENT EVENTS

The Orpea Group has continued with its methodical expansion by means of selective acquisitions, the formation of partnerships and opening new facilities. It has thus acquired four long-term care facilities, one with 85 beds in the Paris region. The other facilities are smaller and will enable the Group to continue with its value-creating strategy of combining facilities. The 110-bed Mareuil les Meaux clinic, created from scratch, opened its doors in April 2011. Orpea has also signed a memorandum of understanding allowing it to acquire or have acquired the buildings operated by Mieux Vivre facilities (11 fully-owned buildings including one under lease, and a number of operating lots of seven co-ownership buildings) belonging to Immobilière de Santé, a subsidiary of ELC.

Sales for the first quarter of the year (ended 31 March 2011) increased by 26.7%. This strong growth does not take account of sales from Medibelge, of which the Group owns 49% and which is therefore consolidated under the equity method.

in €m – IFRS	Q1 2011	Q1 2010	% chg
France	261.2	203.6	+28.3%
% of total sales	89%	88%	
International	31.8	27.6	+15.5%
% of total sales	11%	12%	
Belgium	16.4	13.3	
Spain	7.6	7.4	
Italy	5.0	4.3	
Switzerland	2.9	2.6	
Total sales	293.0	231.2	+26.7%
O/w organic growth			+8.4%

4.2 – OUTLOOK

The Orpea Group's performance in 2010 and the first quarter of 2011 confirms the relevance of its strategy of selective acquisitions, including in particular the historic acquisition of Mediter/Medibelge, as well as continuing robust organic growth with 9,188 beds for renovation or construction, including 2,100 beds to be opened in the next 12 months, and a pro-active quality management policy.
The measures taken to improve operating efficiency are continuing to pay off. This has been demonstrated not only by the success of the roll-out of Group procedures in other European countries and the associated results, but also by the recognition in France of the Group's expertise with the awarding of two independent prizes for nursing homes, including the Le Guide de la Dépendance awards published at the start of 2011. Le Guide de la Dépendance ranked 23 of the Group's facilities in first or second place for their respective *départements* and 41 of the Group's facilities received a score of 9 or 10 out of 10. This is also reflected by the quality of the ramp-up of facilities obtained from the strategic acquisition of Mediter on 31 December 2010.
Buoyed by this strategy, **Orpea is therefore particularly confident about its ability to achieve sales of at least €1,210 million in 2011, an increase of over 25%.**

5. RISK MANAGEMENT

RISKS RELATED TO THE GROUP'S BUSINESS SECTOR

5.1 – REGULATORY RISKS RELATED TO OPERATING LICENCES

► FOR LONG-TERM CARE FACILITIES:

As stated in the previous section, long-term care facilities must have an operating licence, which is valid for 15 years, issued jointly by the local authority (*Conseil Général*) and the Regional Health Agencies (*Agences Régionales de Santé* or ARS), under a new procedure introduced by the law on Hospitals, Patients, Health and Territories (HPST) of 21 July 2009, for which the enforcement decree no. 2010-870, dated 26 July 2010, was published in the Official Journal on 27 July 2010.

The competitive bidding procedure, which came into effect on 1 August 2010, covers applications to create new long-term care facilities and applications for significant extensions (increasing the authorised capacity by more than 30% or 15 beds or places) or conversions (change in resident category).

In principle, the first bids are scheduled to take place during 2011 based on the Regional Health Projects (*Projects Régionaux de Santé*), which are currently being drawn up and have not yet been published.
Consequently, the process for creating of new facilities could be considered as "suspended" pending publication of the Regional Health Projects and the timetable for competitive bids. However, the gerontological plans (*schémas gérontologiques*) drawn up by each local authority have already identified needs in terms of long-term care and will continue to apply pending publication of the Regional Health Projects.
The Regional Health Agencies (ARS) and local authorities may therefore launch a competitive bidding procedure based on these plans without waiting for the Regional Health Projects to be published. This was the case for example in the *département* of Aisne in March, which launched a competitive bidding procedure for the creation of a day and night care centre.

The specifications for the bidding procedure, which will be at the discretion of the local authorities, are not yet known (including criteria such as the number of beds approved for residents on social security support, or the desired operating costs).
However, Orpea has already taken part in some "pilot" bids during 2009, with the specifications set out for the experimental phase of the procedure. The Group has therefore been able to adapt its organisation to prepare for future bids as effectively as possible, thanks in large part to the experience of its teams.

As regards funding, the new competitive bidding procedure should enable funding for authorised facilities to be provided more quickly.
However, given the strain on some local authority budgets, the local authorities could be forced to restrict spending on the Personal Autonomy Allowance paid to elderly people living in long-term care facilities and to focus more on home care. This risk is nonetheless mitigated by the fact that home care is not suitable for highly dependent elderly people or those with degenerative conditions such as Alzheimer's, who can be cared for in the Orpea Group's facilities.

Long-term care facility licences may be withdrawn under a specific procedure, but only for very serious reasons, mainly involving the care provided to residents and safety standards. This procedure is only implemented on a very exceptional basis.

Orpea has never been in this position, thanks to its internal control system and monitoring by the various support departments and services (Medical Department, Regional Divisions, Quality, Works and Procurement Departments, etc.).

When a licence is renewed after the fifteen-year term, the facility also undergoes an internal and external assessment of its compliance with best practice procedures, references and recommendations. The results of the external assessment carried out by an independent organisation dictate the terms and conditions of licence renewal. The external assessment mainly covers operations and the quality of services provided.

The Group protects against the risk of non-renewal following such assessments through its quality procedures, which are applicable at all stages of resident care, and the care provision traceability implemented by the Medical Department, combined with audits performed by the Quality and Works Departments.

In addition, the Orpea Group has embarked on a voluntary external assessment process for its long-term care homes, based on SGS Qualicert standards. This process began in 2009 with 19 facilities and has since been extended. In March 2011, 72 of the Orpea Group's long-term care facilities were certified on the basis of 21 criteria, reflecting their compliance with a set of tangible commitments to quality of service and consistency of care provided.

► FOR POST-ACUTE AND PSYCHIATRIC CARE FACILITIES

The creation, extension and operation of short-term care facilities is also governed by complex regulations designed to regulate hospital capacity with the dual aim of cost control and quality of care provision.

Short-term care facilities also require an operating licence, which is also now obtained via a competitive bidding process and in accordance with quantified care targets defined in regional medical care plans (*Schémas Régionaux d'Organisation Sanitaire* or SROS) depending on the needs of the local population.

Based on these quantified objectives, the Regional Health Agencies issue operating licences for a specific care activity, expressed in an objectives and resources contract (*Contrat Pluriannuel d'Objectifs et de Moyens* or CPOM) as an annual range of days hospitalisation. Consequently, the number of beds in a short-term care facility is now simply a question of organisation as the licence covers the volume of activity authorised rather than the number of beds.

A licence will lapse if:

- works have not begun on the facility within three years of receiving the licence;
- the facility is not completed or opened within a period of 4 years;
- the facility ceases to operate (without the consent of the Director of the Regional Health Agency) for a period of more than six months.

To avoid the risk of lapse due to (i) and (ii) above, the Orpea Group has developed an active policy of acquiring land or properties concurrently with or ahead of obtaining the licence.

The licence may also be suspended or withdrawn in the event of:

- Failure to comply with the legislation and regulations on public health protection (inter partes procedure, response within 8 days, injunction, suspension, formal notice, withdrawal or amendment of licence after opinion from the Regional Health Organisation Committee – CROS);
- Emergency involving patient or staff safety (suspension, formal notice, opinion from CROS, suspension, withdrawal or amendment of licence).

The decision to withdraw or suspend a licence can only be taken after a specific procedure during which the licence holder is issued with a formal cease and desist notice.

The Orpea Group is not especially vulnerable to these risks as it has implemented quality and risk prevention procedures in all its facilities, which aim to ensure compliance with all regulatory requirements and guarantee proper care standards for patients through internal procedures.

If the regional medical care plan (SROS) contains provisions for cooperation, conversion, disposal, change of location, closure or merger of certain facilities, the Regional Health Authority may revise the term of a valid licence, or set a shorter term for the new licence than that set out in the regulations, to ensure continuity of care.

There is a risk that the facility may no longer meet healthcare needs upon renewal of a licence or upon a sale and purchase, due to incompatibility with the guidelines set out in the SROS. In this respect, the head office Legal Department responsible for relations with health authorities, which comprises a team of lawyers, reviews the annexes to the SROS by "Health Territory" where the Group's facilities are located in order to identify any potential problems.

Failure to comply with the objectives set in the CPOM objectives and resources contract may also, after an inter partes procedure, lead to the amendment or withdrawal of a licence, or to disaffiliation from the state health insurance system.

The Orpea Group always endeavours not only to observe the objectives set in the CPOM contract but also to implement an effective continuous progress approach to quality through its Quality Department and, through its Works Department, to comply with all safety standards.

Lastly, renewal of a licence is subject to the results of an assessment report sent to the Agency 14 months before expiry. If the results are satisfactory, the licence will be renewed automatically without further formality. However, if the results are not satisfactory, the ARH (Regional Hospital Agency) executive committee will issue an injunction, stating the reasons. This is sent to the party holding the authorisation, which then has to present a request for renewal in accordance with the usual process, i.e. submitting the request within the set window, obtaining the opinion of the CROS, and a decision by the executive committee.

Change in regulations governing post-acute and rehabilitation care facilities requiring the renewal of all the Group licences in 2010:

Two decrees of 17 April 2008 and a circular of 3 October 2008 have reformed the regulations on post-acute and rehabilitation care and physical therapy, repealing the regulations on rest homes, convalescence homes, health centres and rehabilitation homes which dated back to 1956.

The distinction between post-acute and rehabilitation care and physical therapy has also disappeared, with physical therapy now classified under a generic licence for post-acute and rehabilitation care. However, this has had no impact on the specific types of care provided as the new licences will specify, in addition to general care:

- care of children/adolescents;
- nine types of recognised specialised care:
  - *motor system;*
  - *nervous system;*
  - *cardiovascular system;*
  - *respiratory system;*
  - *disorders of the digestive, metabolic and endocrinological systems;*
  - *onco-hematological disorders;*
  - *burns;*
  - *addictions;*
  - *elderly people with multiple pathologies, dependent or at risk of dependency.*

The publication of these two decrees in April 2008 triggered the reform and called all licences into question, including those which had recently been renewed.

Therefore, all post-acute and/or rehabilitation care and physical therapy facilities in France were required in 2010 to apply for confirmation of their licence in accordance with the new provisions of the SROS plan, within a period of six months observing the time window for applications set by each Regional Health Agency.

The Orpea Group prepared for the reform by analysing the positioning each of its facilities in order to make this reform a real opportunity for the Group:

- to position or confirm the positioning of its facilities in certain specialised care fields;
- to present new development projects in line with the revised SROS plans in order to obtain additional operating licences.

The Group has set up the internal organisation required to submit applications for licence confirmation and intends to capitalise on the reform to have its facilities recognised as specialists in various care fields, thereby enhancing their professional reputation and expertise.

At the end of this process, the authorisations of all of the Orpea Group's post-acute and rehabilitation care clinics have been renewed. Facilities now have two years to bring their care facilities into line with the new provisions of the SROS plan, including specifications and operating standards.
If they have not done so within the two years, the Regional Health Authorities may initiate the licence suspension procedure for failure to comply with legislation and regulations.

5.2 – REGULATORY RISKS RELATED TO PRICING

► FOR LONG-TERM CARE FACILITIES

The law of 2 January 2002 requires all long-term care facilities to sign an agreement with the local authority (*Conseil Général*) and the Regional Health Agency to obtain the status of "*Etablissement pour Personnes Agées Dépendantes*" (EHPAD) and to continue accepting elderly people requiring long-term care.

These "tripartite agreements" set out how the care facility operates and the medium-term objectives in terms of improvements, particularly in the quality of care provided. They have enabled long-term care facilities to become more professional and provide an increasing level of medical care.

They are valid for five years and must be renewed by negotiation with the health authorities. The Orpea Group has already renewed a significant proportion of its first generation tripartite agreements. However, as part of the renewal process, additional quality, economic and/or financial requirements could be imposed on the Group, which could have an adverse impact on its results and financial position. In addition, should the Group be unable to renew the tripartite agreement for one of its facilities, its licence for that facility could be withdrawn.

These tripartite agreements have also resulted in major pricing reforms: the care and dependency budgets allocated to nursing homes by the health authorities are now related to the residents' level of dependency. Long-term care home pricing is broken down into three components:

- Accommodation fee
- Dependency allowance
- Medical care allowance

Only the accommodation fee is paid by the resident (or the local authority if the facility has beds available for "social security support" cases). Accommodation fees are set freely when a resident first arrives and then increase annually on 1 January each year by the percentage set by the Ministry of the Economy and Finance (or the local authority for residents on social security support). During the accommodation contract, therefore, the Orpea Group, like other nursing home operators, does not have control over its pricing. For 2011, prices cannot go up by more than 2% compared with the previous year for residents already present at 1 January.
The medical care and dependency allowances are closely related to the health authorities' pricing policy.
The dependency allowance is funded by the Personal Autonomy Allowance (APA) paid by the local authority, which covers a part of the cost depending on the level of dependency and the resident's resources.
The medical care allowance is funded by Social Security. The amount paid has increased following the application of the pathology assessment grid ("Pathos" grid) for calculating the medical care budget. This measure enables the home to take better account of residents' needs in terms of medical care and the increasing number of residents with multiple pathologies (not taken into account previously). The medical care budgets allocated to facilities have therefore been reassessed and the facilities have often been able to strengthen their paramedical teams.

A decree reforming the pricing of medical care and dependency allowances is due to be published this year. The 2009 Finance Act redefined the respective responsibilities of the State, the local authority and the national health service in funding long-term care services, which is expected to lead to changes in the allocation of expenses between the medical care and dependency fees. **However, the scope of the fees should remain unchanged in principle.**

There are also plans to include the cost of drugs and medicines in the medical care allowance, which is not the case at present (see article 64 of the 2009 Finance Act) by 2013. **The Orpea Group is not concerned about this regulatory change as it has experience in managing internal dispensaries in its post-acute and rehabilitation care facilities.** In addition, to prepare better for the change, the Group will pilot test the inclusion of drugs and medicines in some facilities currently being opened.

Lastly, the tripartite agreements require long-term care homes to implement a specific budget process. Budgets are negotiated with the health authorities on the basis of a set of objectives which the facility undertakes to meet.
Each year, budget proposals are drawn up by all homes for the following year and must be sent to the Regional Health Agency and the local authority by 31 October. Otherwise, the previous year's budget may be renewed without change.
Within the Orpea Group, these budgets are drawn up jointly by the Finance Department, the facility's management team and the Regional Division.
The Orpea Group complies with the deadlines and provides budgets for all its homes in timely fashion. It continuously upgrades its tools and systems to cope with the additional requirements caused by expansion and to improve the budget process to guarantee continued timely submission of all budgets.
However, the budget submissions at end-October do not presuppose that applications for revaluations will be taken into account as:

- the budgets granted may be limited by the allowance grids imposed by some local authorities or by "standards" generated in the *département*;
- the rate of revaluation of medical care allowances is set at national level by the national health service for all facilities;
- the local authority may set rate increases for dependency allowances for all homes in the *département*.

To monitor compliance with the budgets, facilities must draw up an annual account justifying the use of the budgets allocated in the previous year and a statement of expenses actually incurred in accordance with the objectives set in the tripartite agreement. These accounts must be sent to the health authorities before 30 April each year.
Orpea has the expertise required to meet these requirements through its dedicated Pricing Department, which assists the Group's homes in carrying out their budget procedure.

A change in the regulations is expected in the next few weeks with the aim of simplifying the budget procedure. The forthcoming decree will introduce a new presentation in the form of an income and expense forecast.

► FOR SHORT-TERM CARE FACILITIES

(post-acute and rehabilitation and psychiatric care homes)

The day rate for a post-acute and rehabilitation or psychiatric care facility comprises:

- the medical care and accommodation component: the per diem rate, which accounts for about 80% of revenue and is paid for by the national health service;
- a residential supplement, which accounts for about 20% of revenue and is paid for by the patient (or the patient's private insurance).

For the Orpea Group's short-term care facilities, like other operators, rate changes are therefore partly contingent upon public policy. For 2010, the average national increase in rates for short-term care facilities was set at 0.5%.
In the future, there is a risk that public funding for this type of care could be reduced for cost cutting reasons. A general decrease in rates could have a negative impact on the Group, its results and financial position.

Furthermore, all short-term care facilities must enter into an objectives and resources contract (CPOM) for a period covering at least five years, setting out the facility's strategic guidelines, the authorised volume of business and the related pricing.
When negotiating its contracts with the health authorities, new obligations could be imposed on an Orpea Group facility (in terms of staffing, equipment, fittings, etc.) with no additional funding (such as a revaluation of the per diem rate), which could then have an adverse impact on the facility's financial position and results.

Lastly, in the next few years, short-term care facilities will be subject to a new pricing system based on diagnosis-related groups (known as T2A in France). In the longer-term, this will provide greater transparency between the private and public sector by imposing an identical pricing method on everyone (this method is already applied in medical, surgical and obstetrics facilities).
This reform could have negative repercussions on the Group, if its business is not correctly valued from a pricing viewpoint.
To counter this potential risk, the Group has embarked on a policy of strengthening the level of medical care provided and specialising its activities. The Group's facilities provide a wide range of care services, both in full-time hospitalisation and outpatient care:

- general post-acute and rehabilitation care and specialised geriatric or hemato-oncology care;
- physical, neurological or cardiological therapy and units specialising in care for patients in a chronic vegetative state;
- general, geriatric or cardio-vascular medicine;
- general psychiatry, obsessive compulsive disorders, eating disorders, etc.

5.3 – RISKS RELATED TO A CHANGE OF PUBLIC POLICY IN FRANCE

► RISK RELATED TO THE FUTURE MANAGEMENT OF CARE PROVISION BY THE REGIONAL HEALTH AGENCIES (ARS)

The key innovation of the law on "Hospitals, Patients, Health and Territories", which came into effect on 21 July 2009, was the creation of the Regional Health Agencies, a new body that combines the various organisations responsible for regional health policies and long-term care into a single entity (*previously split between the government departments via the DRASS and DDASS, the national health system and the Regional Hospitalisation Agencies*).

Each Regional Health Agency will be responsible for transposing the national policies on public health and long-term care into their own regional objectives, set out in the regional health projects).
For example, they will be required to implement prevention and therapeutic education programmes in line with national objectives, in particular by developing and specialising the activities carried out in post-acute and rehabilitation care facilities. This could provide opportunities for the Orpea Group to create or extend facilities in the future.

However, as the Agencies have only recently been created, it is not possible at this stage to determine the timetable for implementing these objectives.

In addition, in order to better ensure the health and safety of patients in acute care or Medical, Surgical and Obstetrics care, the national authorities appear to be defining minimum activity thresholds below which beds will be closed or converted into post-acute or long-term care beds.

This redeployment of under-occupied short-stay beds could provide opportunities for the Orpea Group to create new facilities.
However, these objectives require a prior consultation process with the local political and administrative authorities, which may wish to focus on maintaining local public hospital facilities, whilst accepting the conversion of beds. This could therefore limit their propensity to outsource the management of these beds to private operators such as Orpea. On the other hand, the local authorities are keen to implement the planned conversions swiftly, which could benefit private groups that are not subject to public contracts – which are more difficult to implement – and that have solid financial capacity.

► RISKS RELATED TO CHANGES IN PUBLIC POLICY FOR CARE OF THE ELDERLY

The public authorities could in the medium term decide to focus on home care for the dependent elderly and, consequently, devote more funding to the provision of home care than to nursing homes. This could put a brake on the Group's development.

However, in its report, the French Audit Court (*Cour des Comptes*) concluded that the "all home care" solution was unworkable and recommended a central scenario, aimed at a balanced mix between the development and professionalisation of home care services and the development and improvement of nursing home quality. The same conclusion was reached in the latest plans announced by the government (Solidarity with the Aged Plan and Alzheimer's Plan).
The Orpea Group does not consider home care to be a direct competitor to its business but rather an additional capability, as the Group cares for people whose level of dependency would in any event not allow them to stay at home.

In addition, the government's stated objectives in terms of care for the dependent elderly seem to offer positive prospects, both through the Solidarity with the Aged Plan and the Alzheimer's Plan. Various measures have already been budgeted in the Social Security Financing bill.

► CHANGES IN THE METHOD OF ALLOCATING SOCIAL BENEFITS IN FRANCE

The President of the Republic has announced a proposed reform of the state autonomy allowances, which is due to be put to Parliament in summer 2011. A consultation period with sector operators and user representatives is scheduled to take place first.

At this stage, several reports have put forward various reform possibilities, which could include:

- A change in the method of allocating the Personal Autonomy Allowance: ability to claim back the allowance paid from the beneficiary's estate in the case of high-income residents, no benefits paid to people in GIR group 4;
- A reform of accommodation support: combining the legal social aid and housing aid mechanisms;
- Abolition of tax relief on accommodation expenses.

This could lead to an increase in the accommodation fees payable by residents and patients and therefore have an adverse impact on the Group's operations.

However, this risk is attenuated as the average income of the elderly has increased. People over the age of 85 will enjoy a 20% increase in their annual income from 2005 to 2015 and a 42% increase from 2005 and 2020.

Lastly, one of the possibilities being considered, which will apparently be debated in Parliament, is the introduction of an optional or mandatory "long-term care insurance" contribution from an age to be defined (40?), to enable elderly people faced with loss of autonomy to finance their own accommodation costs.

In any event, it should be remembered that the private sector only accounts for about 20% of total beds for the elderly, hence posing less of a solvency problem in relation to the statistical distribution of wealth among the very elderly.

5.4 – SOCIAL RISKS

Difficulties in recruiting qualified care staff (and in particular state-registered nurses and qualified care assistants) can affect planning and management and therefore the organisation and smooth running of the Group's facilities. Persistent difficulties could have an adverse impact on the quality of care provision.

In addition, a prolonged shortage of qualified care staff, if left unmanaged, could jeopardise the number of beds authorised or even the operating licence itself.
All facilities must be able to provide residents and patients with continuity of care and medical treatment by an adequately staffed, qualified care team.
A lack of qualified staff could also put a brake on the Group's development.

To mitigate this risk, the Orpea Group has implemented an appropriate human resources management policy.
The training and career management policy (*as described in the previous section of this report*) is an effective means of attracting and retaining motivated employees who share the Group's values and ambitions.
Added to which, the Group's compensation policy offers many benefits (company agreements negotiated with the social partners in addition to individual compensation, incentive plans, death and disability insurance, social welfare budget for the works council, etc.).
Furthermore, Domea, the dedicated training institute for care assistants, provides the group with a pool of future qualified professionals. Partnerships formed with major schools and universities also ensure a pool of applications for intermediate management positions such as facility director, head chef, general supervisor/coordinating nurse etc.

5.5 – CLIMATE RISKS

Nursing homes and short-term care facilities must be prepared to cope with abnormal weather conditions. They could be held liable if they fail to do so, which could affect their reputation.
Such events are unpredictable by nature. However, facilities must have the internal procedures in place to guarantee the safety, comfort and well-being of their residents and patients and be able to act swiftly and appropriately when necessary.

The Orpea Group's facilities are equipped to cope with heat waves that could endanger the health of residents and patients.
The Medical Department has drawn up procedures and protocols (staff mobilisation, hydrating residents, adapting diets etc.) to be applied in all the Group's facilities and staff training has been organised to guarantee the continued care and well-being of residents.

The Group's internal procedures and protocols comply with the regulatory requirements set out in the government's Plan Bleu (nursing homes) and Plan Blanc (post-acute and rehabilitation facilities), which must be triggered in all the Group's facilities once a certain heat alert level has been reached.

In addition, cooled rooms are available in all facilities and some facilities in the south of France are fully air-conditioned.

5.6 – RISK OF PANDEMIC

An epidemic on a local or national scale could disrupt the smooth running of the Group's facilities and have a impact on its financial position due to the potential loss of business caused by confinement measures and the additional costs involved in implementing exceptional health and safety measures.

The Group took all appropriate preventive measures when faced with the risk of an H1N1 flu epidemic in the second half of 2009:

- Preparation and circulation of the Plan Bleu and Plan Blanc annexes on flu pandemics;
- Staff information and training, including a reminder of best hygiene practices and isolation protocols in case of patient or resident infection;
- Identifying and ordering the necessary equipment (masks, protective eyewear, antiseptic solution, etc.) to cope with an epidemic and avoid spreading the virus, whilst protecting residents, patients and staff;
- Creation of a national crisis unit (comprising members of the Group Operations Department, Medical Department and Quality Department), which is responsible for coordinating actions across the entire Group and centralising information issued by each facility's crisis unit.

In addition, in accordance with government recommendations, all the Group's facilities have drawn up a business continuity plan geared to their operations designed to cope with a pandemic (alert Level 6) or localised infection, whilst ensuring continuity of care.

RISKS SPECIFIC TO THE ORPEA GROUP OR RELATED TO ITS STRATEGY

5.7 – COMMERCIAL AND IMAGE RISK RELATED TO POTENTIAL LIABILITY ACTIONS

Despite the utmost care and professional approach taken by staff, there can be no assurance that residents or patients will not take a liability action against one of the Group's facilities. This could harm the facility's image and have an adverse impact on its commercial appeal or more generally damage the Orpea Group's reputation.

Given the Group's activity, any liability actions would mainly involve two issues:

1. risk of maltreatment of elderly and/or confused people;
2. risk related to the safety of equipment and buildings as the Group's facilities are open to the public.

► RISK OF MALTREATMENT

As a 24/7 service provider, the Group is aware that imperfections and the possibility of errors are inevitable.
However, Orpea and its staff continuously endeavour to seek means of optimising and improving the quality of service provided to residents and patients.

With this in mind, the Group has drawn up a preventive and remedial protocol for maltreatment, which is not only designed to help prevent abuse (method of recruitment, staff integration, support and training), but also allows any person suspected of maltreatment or abuse to be suspended for as long as it takes to carry out an internal investigation.

An entire set of best practices has been drawn up to prevent and manage this risk. Procedures are available to control and secure each stage of resident or patient care. A special focus is placed on the traceability of medical care provided in order to guarantee the quality of care and provide a personalised care programme.
Consistent quality standards geared to all facilities have been drawn up under the responsibility of the Group Quality Department assisted by the Medical Department.

In addition, throughout the year, employees receive training on how to detect and prevent abuse. The training includes exchanging experiences, role playing and individual and collective action plans. Mini-refresher courses are also provided regularly in each facility.
The Orpea Group therefore endeavours to raise staff awareness of the values and best practices that are essential to ensure respect for the dignity and individuality of its residents and patients. These values are set out in the Orpea Quality Charter and in each facility's "Staff Commitments".

Lastly, the Group's operating structure allows for closer monitoring of the quality of care provided, as well as closer management of staff in relation to everyday problems, as facility directors are relieved of the majority of support functions.

► RISK RELATED TO SAFETY OF PREMISES

Like all premises open to the public, the Group's facilities are subject to strict regulations in terms of safety and the Group could be held liable in the event of infringement.
In addition, a major change in these regulations could lead to substantial investment in conformity work and therefore have a negative impact on the Group's financial position and results.

To prevent this risk, the Orpea Group pays close attention to compliance with safety standards in its facilities. Regular internal audits are carried out by the Works Department and/or Quality Department.
In addition, the Group has adopted an investment policy to ensure regular maintenance and repair of all its facilities.

Its key priority is to make all facilities high-quality, secure and comfortable places. Orpea's facilities were built or redeveloped recently and therefore form a consistent, homogeneous portfolio of assets that meet the most stringent regulatory standards and provide a level of comfort rivalled by few in the sector.

In terms of fire safety, the Group's facilities all strictly apply the standards currently in force. In addition, a prevention policy has been put in place consisting of providing training for all Group

employees (three modules a year) and the performance of regular audits (by the municipal safety committee) and maintenance operations (fire safety system, extinguishers, fire doors, etc.).

► RISK OF INFECTION

The Group could be held liable in the event of infections in its facilities. All facilities have a efficient committee for the prevention of nosocomial infections, which is responsible for supervision and prevention plans (protocol, training, audit) ..) designed to control the risk of infection.

5.8 – RISK RELATED TO LEGAL ACTIONS FOR MEDICAL ERRORS OR NEGLIGENCE

Residents or patients could make claims or complaints about the quality of accommodation and the medical and paramedical care provided by an Orpea facility or take action for professional errors or negligence.

The facility could be held liable for professional errors or negligence committed by one of its employees, even though its doctors are also personally liable in this respect.

Apart from the image risk for the facility and the resulting reputational risk for the Group as a whole, Orpea could also be forced to pay compensation to the plaintiffs.

However, its facilities do not provide surgical care and as the medical activity is marginal, the risk of medical negligence is limited.

As regards negligence or failings in care provision, this risk is managed in the same way as the risk of abuse; care protocols and traceability of treatment provided are the main measures taken to prevent shortcomings and to control the effectiveness of care provision.

The Orpea Group has also taken out professional indemnity insurance under the legislation governing the medical liability of medical and long-term care facilities.
More specifically, the insurance contracts for Orpea's nursing homes cover the liability of medical and paramedical staff, whether employees or freelance, for errors, omissions or negligence in diagnoses, prescriptions or therapeutic applications, and during examinations, treatment and care provided on behalf of Orpea.
As regards post-acute and rehabilitation care facilities, as required under articles L.1142-2 of the French Public Health Code and L.251-1 of the French Insurance Code, the Group has insurance policies covering financial loss resulting from their liability for harm or injury suffered by patients and their dependents during prevention, diagnosis or care services.

5.9 – RISK RELATED TO THE GROUP'S ACQUISITION POLICY

► COMPETITIVE RISK

The Orpea Group must continue to expand its care offering and develop innovative concepts if it wishes to maintain its position as a leading player in dependency care in the future.

The risk of new operators entering the market or of a substantial increase in competing care facilities is limited. Opening new medical and long-term care facilities is regulated and subject to obtaining an operating licence.

In addition, due to the ageing population, the supply of nursing home beds is well below the needs identified in France, despite the creation of several thousand beds since 2004 as a result of successive government policies *(the Solidarity with the Aged Plan has scheduled the creation of 7,500 additional nursing home beds each year until 2012)*. However, whilst the national planning body (*Commissariat au Plan*) had already estimated the need at 50,000 to 60,000 additional beds, sector specialists recommend the creation of more than 100,000 new beds.

By contrast, in terms of acquisitions, the competition has been increasing due to the wave of consolidation in the dependency care sector in the past few years, particularly since 2009 with the merger of Domus Vi and Dolcéa-GDP Vendôme, resulting in the creation of the DVD group in late 2010. The emergence of national groups in the long-term care and post-acute and rehabilitation care sectors could cause a risk of overheating in the prices paid for independent facilities.
This risk could potentially put a brake on the Group's expansion policy given the difficulty in identifying facilities that meet its selective acquisition policy and its business and financial criteria.

However, there is still a substantial reservoir of potential targets as, apart from a few big groups (Medica, Korian, DVD), the sector remains fragmented: with 71,205 beds at end-2010, the 15 largest private French groups only accounted for 15% of the total number of nursing home beds in France *(Mensuel des Maisons de Retraite - January 2011).*
There is still a fairly large number of independent facilities, mainly family run, which no longer have the means to comply with regulatory standards or wish to hand over the reins, often because the founder has reached retirement age.
To implement its expansion strategy, the Orpea Group has the expertise required to review all opportunities to create new and extend existing facilities, as well as acquire independent facilities.

► RISKS RELATED TO THE INTEGRATION OF FACILITIES RECENTLY ACQUIRED BY THE GROUP

Orpea's network of facilities has expanded rapidly over the past few years through organic growth and acquisitions. The number of facilities has doubled in the last four years, with an additional 17,697 authorised beds. More generally, the Orpea network has grown by an average of 2,840 beds a year since 2002, equal to 17% a year.
The Group therefore has solid experience in acquiring facilities and proven expertise in bringing them up to its own quality standards.
There is a formal acquisition and integration procedure which has been circulated to all regional and divisional directors, setting out:

- actions to be implemented on a regulatory, legal and social level;
- reverse planning for deploying Orpea processes and internal audits to be carried out on administration, accommodation, care, catering and construction works.

This model, which has proven its worth across the Orpea network both in France and abroad, allows for a facility to be integrated into the Group in six to nine months. However, like all procedures, it has its limitations and cannot guarantee the systematic success of all integrations which the Group might make in the future. Orpea could encounter difficulties in integrating some facilities, whose long-term profitability may not be as good as expected.

► RISK RELATED TO OBTAINING NEW FINANCING:

Orpea can provide no assurance that it will be able to obtain the financing it needs for its expansion, and particularly that market conditions will be conducive to raising funds.

However, Orpea's banking pool is confident in the Group due to the excellent visibility over future cash flows, which are not particularly affected by the current economic crisis.

Orpea also improved its financial flexibility further in late 2010 with the OCEANE bond issue, as described above.

5.10 – PROPERTY RISK

► RISK RELATED TO OPERATING PROPERTIES

As is the case for all facilities open to the public, the Group's French facilities are subject to the standards applicable as regards fire safety and disabled access.

The risk related to safety in the Group's facilities is dealt with in point 4 of the section on risks related to obtaining operating licences.

The Group complies with these standards and is subject to the usual periodical visits from the Fire Safety Commission (external inspection agency). The Group's Works Department is responsible for regular maintenance and monitors recommendations made by the Fire Safety Commission.

► CONSTRUCTION RISK

As indicated in the previous section, the Group builds a large number of its own facilities.

It is therefore vulnerable to all risks involved in construction, including:

- third party objections to planning permission, which may lead to delays in starting building work;
- delays in completing a project, due mainly to failure on the part of sub-contractors or bad weather conditions;
- temporary unfavourable opinion from the Safety and Disabled Access Committees, which may delay putting the facility into operation;
- emergence of defects.

To limit these risks, the Group has an in-house Property Development Department, which is responsible, in conjunction with external architects, for drawing up applications for planning permission in close cooperation with:

- operational staff (Regional Directors, Medical Department and Pricing Department) to draw up a functional project that will ensure smooth running of the facility and proper organisation of care provision;
- the administrative departments of the local authorities responsible for granting planning permission, which facilitates preparation of the application and obtaining permission.

As regards control over constructions operations, the Property Development Department regularly monitors works, costs and deadlines. In this respect, contingency provisions are applied through

Special Administrative Terms and Conditions, which set the administrative terms and conditions specific to each contract (for example, late penalties).

In addition, all works are insured under comprehensive construction work policies.

► RISKS RELATED TO PROPERTY OWNERSHIP

The main risk related to property ownership is the risk of vacancy and non-utilisation of the asset and therefore a lack of associated revenue and cash flows.
This risk is very limited for the Group as:

- Properties are operated or intended to be operated by the Group itself in carefully selected geographical areas, and are therefore not exposed to the risk of voluntary departure of a tenant;
- The risk of vacancy is virtually nil in a sector where strong structural demand outstrips current supply.

5.11 – ENVIRONMENTAL RISK AND ENVIRONMENTAL IMPACTS OF THE GROUP'S BUSINESS

► ECO-CONSTRUCTION AND ECO-MANAGEMENT OF NEW FACILITIES TO CONTROL ENVIRONMENTAL IMPACTS:

For many years now, the Orpea Group has pursued a policy of continuous progress in the quality and safety of care provided to residents and patients. **In parallel, as the property developer for its facilities, Orpea has also endeavoured to develop a quality approach to the construction process.** In this respect, its new construction projects use renewable energies and meet the main HQE quality standards to limit their impacts on the environment, whilst providing healthy, comfortable living conditions.

The Property Development Department has reviewed the fourteen targets set in the HQE quality approach, defined a level to be met for each one and drilled them down into actions geared to the needs of each new project.
Consequently, the technical and design choices for new facilities are taken within a **policy of sustainable construction.**

To ensure that the building blends in well with its immediate environment, other issues are also reviewed, including:

- Use of opportunities offered by the environment: to design a project that blends in with the local surroundings (number of storeys, green roofs, treed areas, etc.);
- Solar orientation: north-south exposure is better for use of solar panels;
- Disabled access: this criteria is crucial as the Group's facilities care for dependent people.

In addition, Orpea endeavours to use natural materials, where possible found close to the site (e.g. cellulose or hemp wool insulation).

Lastly, Orpea also focuses on reducing energy consumption and wherever possible uses renewable energies (depending on the facility, wood-fired heating, solar thermal systems for hot water production, solar photovoltaic systems for electricity production, thermal insulation, rainwater recovery systems for watering gardens, etc.).

► CLINICAL WASTE MANAGEMENT

Unlike the medical, surgical and obstetrics sector, dependency care involves little environmental risk in terms of managing clinical waste. The Group complies with all currently applicable regulations for disposing of potentially infectious waste.

All facilities are equipped with special receptacles for collecting sharp objects and "Cliniboxes" for other waste.
Waste is removed by an authorised company under a service agreement.
As required by law, each facility keeps waste destruction records for three years for traceability purposes.
These agreements and traceability records are made available to the various inspection organisations, mainly the French Health and Social Affairs Department (Direction Départementale des Affaires Sanitaires and Sociales).

Should the regulations become more stringent, the Orpea Group would probably incur expenses in complying with the new standards.

► WATER QUALITY

The microbiological quality of water is an important issue in controlling the risk of nosocomial infection. However, there is a risk of legionella contamination in water systems and the facilities are responsible for checking and guaranteeing the quality of their water.

Orpea's facilities complies with the recommendations on the prevention of legionella risk set out in DGS/SD7A/SD5C-DHOS-E4 no. 243 of 22 April 2002 for post-acute and rehabilitation care facilities and DGS/SD7A/DHOS-E4/DGAS/SD2/2005/493 of 28 October 2005 for long-term care facilities.

Orpea has implemented a policy to prevent and control legionella risk, based primarily on best practices in water system maintenance (in particular hot water systems) and installations at risk.

The Works Department ensures that the hot water installations of all facilities are compliant and present no risk. It also checks that water systems are maintained regularly and properly by the maintenance officer in each facility.

In addition, a technical protocol of preventive measures against legionella risk has been put in place in all the Group's facilities by the Quality Department and the Works Department.
Under the protocol, all Group facilities record water temperatures daily and take bacteriological samples every six months. In addition, taps, flexible hoses and shower heads are cleaned, descaled and disinfected every six months.
A protocol of actions to be taken in case of unsatisfactory results has also been drawn up, setting out the various stages of remedial treatment to be taken by the facility to ensure resident, patient and staff safety.

As required by the recommendations and regulations currently applicable, all Orpea's facilities keep records containing a plan of the water system in the building (pipe work layout, materials used in pipe work, list of usages), as well as temperature records, results of bacteriological tests and records of maintenance and cleaning operations.

5.12 – INFORMATION SYSTEMS RISK

The Orpea Group uses information tools and systems to manage resident, patient and staff files. Failure of a software supplier used by the Group or the malfunction of one of its tools could temporarily disrupt the smooth running of the business.

The Orpea Group has therefore opted to develop a substantial part of its applications in-house, which also provides it with a system and applications geared specifically its needs in terms of size, business and strategy.
In addition, the Group has implemented the resources required to secure its network and information systems and to avoid the risk of data loss, including daily data backup and centralisation of applications on a single platform.
Lastly, the Orpea Group sets aside an annual budget for developing its information systems.

FINANCIAL RISK MANAGEMENT

5.13 – CUSTOMER RISK

Orpea is not exposed to any major customer risk as its pricing is regulated.

In nursing homes, about three quarters of revenue is paid in advance by residents and/or their families. The risk is therefore spread across all residents in Orpea's facilities and no individual resident is a significant customer for the Group. In addition, the dependency allowance is broadly covered by the Personal Autonomy Allowance paid by the local authorities.
To protect against the risk of non-payment, the Group's nursing homes require all new residents to provide a security deposit plus a guarantee from a third party if necessary.
In addition, a head office department in charge of resident arrears controls trade receivables on an ongoing basis.

For post-acute and psychiatric care facilities, the per diem rates are paid directly by Social Security.

5.14 – CREDIT, LIQUIDITY AND TREASURY RISK

► LIQUIDITY RISK ASSOCIATED WITH THE ORPEA THE GROUP'S DEBT

Until 2008, the Orpea Group financed its expansion primarily through borrowings from banks or financial institutions.
Since 2009, Orpea has diversified its portfolio of borrowings by issuing bonds or carrying out capital increases (reserved or not);

The Orpea Group's gross debt stood at €1,968 million at 31 December.

The Group's financing can be broken down into three categories:

- Financing operating properties through finance leases or bank loans repayable over a typical period of 12 years;
- Financing the acquisition of facilities, operating licences, etc., mainly through bank loans repayable over a period of seven years;

- Financing properties recently acquired or in the course of redevelopment or construction through bridging loans.
  Bridging loans comprise financing lines dedicated to a specific project and general bank credit lines. These properties are intended either to be sold to third parties or to be kept by the Group, in which case they are usually subsequently refinanced through finance leases.

Property debt accounts for 80% of the Group's total debt.

The Orpea Group only signs bilateral loan agreements with banks, i.e. without syndication, which ensures fluidity in repaying its borrowings by avoiding major repayments at the end date.
The nominal amount of loans taken out by the Group cannot be more than €50 million.

The repayment schedule is provided in Note 3.1.2 of the notes to the 2010 consolidated financial statements.

At 31 December 2010, the Group had net cash of €277 million.

On the date of the Board meeting that approved the financial statements, the Group had unutilised medium and long-term credit facilities totalling €109 million (including €85 million in property finance leases).

The majority of depreciable loans taken out by the Group other property finance leases are subject to commitments set out on the basis of banking covenants calculated twice a year, which the Group continued to observe and were well below the contractual limit at 31 December 2010.

► Interest rate risk associated with the Orpea Group's debt

The Group's debt mainly comprises domestic debt at floating rates and is therefore exposed to the risk of an increase in short-term rates in the euro zone.

The Group's strategy since 2008 has been to hedge its interest rate risk on around three quarters of its consolidated net debt. To do this, it uses a portfolio of financial instruments comprising interest rate swaps under which it receives mainly 3-month Euribor and pays a fixed rate specific to each contract, and interest rate options such as caps and collars. These financial instruments are qualified as cash flow hedges in accordance with IAS 39. Unrealised gains and losses arising from the remeasurement of these derivatives at fair value are recognised in equity at the year end.

Interest rate derivatives portfolio:

At 31 December 2009, the notional amount of the derivatives portfolio was €1,072 million, comprising fixed for floating (mainly 3-month Euribor) interest rate swaps, with a constant or decreasing nominal profile.
At 31 December 2010, the notional amount of the derivatives portfolio was €1,040 million, comprising fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options with a constant or decreasing nominal profile.

Analysis of sensitivity to changes in interest rates:

The impact of a +/- 1% change in interest rates on the Group's earnings stems from:

- the change in interest payable on floating-rate net debt;
- changes in the fair value of hedging instruments.

The fair value of hedging instruments is sensitive to changes in interest rates and in volatility, which is assumed to be constant in this analysis.

At 31 December 2010, net debt amounted to €1,691 million, of which about 15% was originally contracted at fixed rates, and the remainder at floating rates.

Taking account of the hedges:

- The impact of a 1% (100 basis points) rise in interest rates would increase financial expense (before tax and capitalisation of borrowing costs) by €5.2 million;
- The impact of a 0.2% (20 basis points given current interest rate levels) decrease would reduce financial expense by €1.4 million.

Details of the Group's hedging positions are provided in Note 3.13.1 of the notes to the 2010 consolidated financial statements.

► Exchange rate risk

Orpea is not exposed to exchange rate risk as virtually all its operations are in the euro zone. The only exception is the Clinique La Métairie in Switzerland near Geneva. However, with revenue of €14.8 million, this facility only represents just over 1% of the Group's total business.

Consequently, exchange rate risk cannot have an adverse impact on the Group's operations, results and financial position.

5.15 – LEGAL RISK: LEGAL AND ARBITRATION PROCEEDINGS

The Group is not aware of any exceptional event or litigation, including in the recent past, that could have a material adverse effect on its assets and liabilities, financial position, operations or results.

To the best of the Group's knowledge, there are no governmental, legal or arbitration proceedings which may have or have had in the recent past significant effects on the Group's financial position or profitability.

5.16 – RISK RELATED TO THE DEPARTURE OF KEY EMPLOYEES

The Orpea Group's reputation is based on the experience and knowledge of its management team in creating, managing and integrating specialised dependency care facilities.

Its continued development depends largely on the involvement of its key managers in future years.

To limit the disruption that could be caused by the departure of a key employee, Orpea has endeavoured, since its very creation twenty years ago, to build up and retain high quality, experienced teams.

With this in mind, the continuous training policy, and in particular the Cadrélan programme established in 2008 in partnership with ESSEC and Paris V University, helps Orpea to develop the skills of employees who may, in time, be transferred to new positions within the Group.

INSURANCE AND QUALITY POLICY:

5.17 – MAIN INSURANCE CONTRACTS

Under its insurance programme, the Orpea Group has taken out policies with first-class insurance companies to cover property damage and business interruption, as well as consequential losses arising from liability claims against Group companies due to their operations in France.

Orpea's policy is to insure its assets at their replacement value and, for liability insurance, to estimate its own specific risks and the risks that might reasonably be expected to occur in its business sector.

The Group has no surgery or obstetrics activities, which is where the main risk factors lie for insurers and which have a substantial impact on insurance premiums.

The Orpea Group also has a directors' liability policy, covering any financial loss suffered by the Group arising from the failure of its de facto or de jure directors to comply with their legal, regulatory or statutory obligations in the course of their duties.
The policy also covers legal defence costs for civil and/or criminal actions,
as well as "crisis management expenses" to cover the cost of employing the services of a crisis management company.

The policy covers claims made against the insured worldwide (excluding negligence claims in subsidiaries located in common law countries).

An additional liability insurance tops up the main policies once they have been exhausted.
A specific organisation manages all risks, which are subject to mandatory regulatory controls by specialised companies to ensure compliance with safety and prevention regulations.

For construction projects, the Group has a property developer's liability policy covering its liability arising from construction work.

5.18 – CONTINUOUS PROGRESS IN QUALITY OF SERVICE AND RISK PREVENTION

The Orpea Group pursues its aim of continuous progress in the services it provides through a quality approach combined with regular assessment of its facilities.

The quality approach is ongoing whilst the assessments take place on a more ad hoc basis.

The quality approach is one of continuous progress in the quality of services provided by the Group. It is a voluntary, collective approach designed for the long-term and is pursued by all the Group's long-term and short-term care facilities to consolidate on its strengths and reduce its weaknesses.

The Quality Department, supported by the Medical Department, oversees and steers all these procedures. Design, implement, control and react are the daily watchwords of the Quality Department, with the well-being and safety of residents and patients always at the forefront.
Quality procedures at all stage of the care process (accommodation, medical care, hygiene, catering, activity organisation, safety, etc.) have been put in place in the Group's facilities, based on consistent quality standards adapted to all facilities.
Special attention is paid to the traceability of care and treatment to ensure continuity and a high quality of care provision.

The ultimate aim of all these procedures is to give employees a sense of responsibility and meaning in their job, which has a direct relationship with the provision of high-quality care.
This combination of quality approach and assessment is supported by a risk management policy.
The Orpea Group has implemented an organisation structure and procedures designed to identify, quantify, prevent and control as far as possible the risks inherent in its business activities, and to limit the potential negative impacts on its operations and development, financial position and results.

There are two components to the Group's risk management policy:

- ex post approach: analysis of reports of undesirable incidents;
- ex ante approach: methodical analysis of process to anticipate risks.

This policy is described in more detail in the Chairman's report on internal control.

6. EMPLOYEE INFORMATION

6.1 – INFORMATION ON EMPLOYEES: A HIGHLY ACTIVE RECRUITMENT POLICY DRIVEN BY THE GROUP'S DEVELOPMENT

The Group employs a total of 15,547 employees in its care facilities in France and abroad.

In France, there were 13,037 employees at 31 December 2010.

► Main employee data in France

Criteria	Total France
Number of employees at 31/12/10 in France, all contract types combined	13,037
O/w fixed-term contracts at 31/12/10	5%
O/w full-time employees at 31/12/10	81%
O/w part-time employees at 31/12/10	19%

[1]Average number of employees at 31/12/10, all contract types combined

Criteria	Total France
% Male at 31/12/10	19%
% Female at 31/12/10	81%
% Managers at 31/12/10	8%
% Non-managers at 31/12/10	92%

Orpea is a company that creates jobs. During 2010, Orpea recruited a total of 2,346 permanent staff, 60% of whom were care staff and 9% of management grade.
The Orpea Group has experienced strong headcount growth over the last few years, in line with expansion of its facilities network.
This growth is not only due to acquisitions but also to job creation, thanks to the opening of new facilities. Each year, the Group creates on average 750 to 1,000 jobs, not including jobs created indirectly in the building industry relating to the construction and redevelopment of its 9,000 beds.

► Working conditions: stable and durable employment

These figures reflect the Orpea Group's policy of consistency, particularly in terms of mix of employment contract type, with the aim of creating secure, stable employment for all staff.

For this reason, it focuses primarily on permanent, full-time contracts. The breakdown by type of employment contract and working hours provided above reflects this policy:

- 95% of employees in France have a permanent contract;
- 81% were employed full time in 2010.

These figures represent an improvement relative to the previous year.

In addition, this policy helps to avoid creating job precarity when developing the network by restricting fixed-term contracts to the very minimum and promoting permanent employment for the largest possible number of people.
When a full-time job is created or becomes available in the Group, it is offered in priority to employees initially recruited on a part-time basis. Consequently, most employees are working part-time by choice, particularly those on permanent contracts.
This is partly due to the nature of the jobs done by part-time employees. They tend to involve highly specific activities and the employees concerned have diplomas or recognised expertise enabling them to find additional work in the market (doctor, psychologist, activity organiser, catering staff, etc.).

In addition, recourse to temporary employees is minimal and restricted to exceptional one-off needs, mainly emergencies, for example to ensure continuity of care with nursing staff.

The Group outsources its laundry requirements and, to a much lesser extent, its catering.

Lastly, growth in employment is governed by a pro-active policy in terms of professional training, employment of the disabled and older workers, as well as promoting dialogue with the social partners, as described below.

6.2 – A PRO-ACTIVE SOCIAL POLICY OFFERING REAL CAREER PROSPECTS WITHIN THE GROUP

Identifying talented people, retaining them and offering them training leading to qualifications are the cornerstones of the pro-active policy introduced very early on by the Orpea Group to capitalise on and promote professional expertise and human qualities.

The Group's motto, "Build your career with us", meets the standards the Group has set itself. Above and beyond the primary, fundamental work content any group should offer its employees,

Orpea supports its valued people in their professional career plans by focusing on internal recruitment for available management positions.

The Group therefore encourages internal promotion and geographical mobility.

Each year, the annual appraisal gives employees an opportunity to express their expectations and ambitions in terms of training, development or geographical relocation.
There are also opportunities to transfer between Orpea and Clinea for employees wishing to gain experience in or move more permanently to a specialised geriatric, post-acute and rehabilitation or psychiatric care facility.

6.3 - AN AMBITIOUS TRAINING POLICY TO IMPROVE THE QUALITY OF CARE AND EMPLOYEE FULFILMENT

To promote the professional development of its employees whilst meeting the Group's strategic needs, Orpea pursues a pro-active training policy where training is seen not as an end in itself but as a real tool to help improve the quality of patient care and the motivation and qualification of employees.
Orpea therefore endeavours to make training an opportunity rather than a constraint so that it becomes a means of involvement and sharing, not simply the acquisition of knowledge.

To this end, the training policy focuses on several priorities:

- training as many people as possible, all grades combined **(plans to train an average of 10,000 people a year, excluding fire drills);**
- developing skills to provide employees with recognised expertise or professional qualifications to support their internal career development;
- monitoring the acquisition of skills over time to ensure that the training is applied in practice and becomes a real tool for employees;
- designing and developing training programmes geared to the Group's expectations and specific needs;
- creating a major in-house training capability able to provide mentoring and staff integration whilst developing business expertise as well as personal qualities **(3,500 people on in-house training in 2010)**;
- meeting regulatory and health requirements.

These values and objectives, beyond personalised training programmes, underpin the use of teaching methods enabling all employees, whether in care jobs or not, to contribute to healthcare delivery.

The key training projects in 2010 were:

- Further development of a training system in sensitive business lines using different tools such as creating specific training schemes: cooking with an option in healthcare, nursing qualification specialising in psychiatry etc.;
- Continuation of the *Cadrélan* management programme with:
    - further intakes on the masters programmes in strategic management (partnership with ESSEC) and operations management (partnership with Paris V University);

    - a choice of short training courses in management and communications for team leaders (406 people trained in 2010);
- Development of training programmes in connection with the VAE work experience scheme with the creation of specific accompanying modules (VAE AS and AMP, VAE CAFERUIS for directors);
- Creation of specific training modules in catering and residential services with Institut Paul Bocuse;
- In partnership with the ongoing training centre, interns received from the Institut Paul Bocuse for studies into finger food and dining room atmospheres;

Lastly, apart from providing the skills and expertise needed by employees, **training is also an important means of improving working conditions.**
The Orpea Group therefore also provides training for the personal fulfilment of its employees, mainly through the Individual Right to Training (DIF) mechanism. The available courses are presented in a specific catalogue called "ThémaDIF", which focuses on well-being and health in the workplace and has been updated annually since 2006. The popularity of these courses illustrates the Orpea Group's success in meeting the needs and aspirations of its employees both in terms of professional training and personal fulfilment at work.

6.4 – REGULAR AND CONSTRUCTIVE SOCIAL DIALOGUE TO PREPARE FOR THE FUTURE

► Framework: employee representative institutions

Social dialogue operates within the Group mainly through the following employee representative bodies:

- **Staff Delegates** in the Group's facilities, who meet monthly with the management representative to review questions raised by employees about the facility's operations. Answers are provided by management in the Staff Delegates book, after validation by Group Human Resources to ensure that the information provided is coherent and harmonised across the entire Group. The Staff Delegates are elected by employees for a term of four years. The last elections took place in the first quarter of 2011.

- **Works Council/Regional Works Councils.** Eight Regional Works Councils were set up in 2007, replacing the single Works Council. Meetings take place monthly and extraordinary meetings can be arranged to handle specific issues if needed. Members are elected for a term of four years. The last elections took place in the first quarter of 2007 concurrently with the Staff Delegate elections.
  Issues addressed involve economic, social and financial matters. The minutes of each meeting are posted on special notice boards in all facilities.
  This body is also due to be renewed in the first quarter of 2011.

- **Health and Safety Committee or Regional Committees.** Along the same lines as the Regional Works Councils, eight Regional Health and Safety Committees have replaced the former national Committee. They meet at least once a quarter to address all issues relating to working conditions, health and safety in the Group's facilities.
  Minutes of each meeting are also posted on the special notice boards.
  Members of the Regional Health and Safety Committees are appointed for a term of two years.

Further members will be appointed in April 2011, reasserting the Group's desire to maintain the principle of fair and balanced representation at all levels of all Group employees, allowing for Regional Health and Safety Committee members to be as close as possible to the employees they represent at all levels.

- **Two Central Works Councils.** Members of the Central Works Councils are elected for a term running concurrently with that of the Regional Works Council members and Staff Delegates. They meet at least once every six months to address issues involving the general running of the company.
  Minutes of meetings are posted on the special notice boards.

The Central Works Councils have an operating budget and a staff welfare budget.

The Regional Health and Safety Committees have a specific budget provided entirely by the employer, used among other things to provide Committee members with additional training to make them as effective as possible in their responsibilities.
The Group also wanted to improve the resources made available to Committee members to enable them to perform their duties as best possible and as close as possible to employees (delegation hours, budget, training etc.).

The Group also has trade union representatives who meet during negotiations on pay, working hours, incentive plans, employee savings, disability employment, gender equality etc.

►Company agreements

– *Incentive and profit-sharing agreements*

The Group's incentive and profit-sharing agreements have been in place for several years now. The entitlement is proportional to working hours (not based on salary received) to ensure a fairer split between employees.
The profit-sharing agreements were set up on 13 December 2000 and 20 November 2001.
The incentive agreements were renewed for three years on 26 May 2008.
In renewing these agreements, the Group has confirmed its commitment to promoting staff involvement with residents and patients through the payment of an incentive bonus related directly to performance.

– *Agreements on disability employment in the Group*

Disability employment is a key component of the Orpea Group's human resources policy. Following the signature of company agreements on disability employment in 2008, a special unit within the Human Resources department was created to monitor achievement of the targets set.

Against this background and thanks to the involvement of everyone involved, the targets for recruiting disabled workers in 2010 were met overall by Clinea and exceeded more than twofold by Orpea.

On the strength of the results achieved in terms of employment and an increasingly strong commitment, the Group has chosen to renew its commitment to achieving and maintaining an overall employment rate of at least 6% of staff at each of its facilities.

In this regard, a new agreement was signed with employee representative partners in late 2010 with the aim of favouring:

- Ongoing efforts in terms of employment
- The implementation of qualitative measures to facilitate the integration of disabled workers;
- Access to all professional training solutions;
- Priority monitoring of disabled employees to keep them in employment and adapt their working environment accordingly;
- Development of relations with the "protected sector", which provides employment for disabled people.

– Agreements on the employment of older workers

Agreements on the employment of older workers were also signed in September 2009.
To help older workers stay in employment and return to the job market, Orpea has committed to developing skills and qualifications through:

- access to training;
- career planning;
- transferring expertise and skills by developing mentoring;
- organising the end of career and the transition between employment and retirement.

At 31 October 2010, the majority of targets set – particularly in terms of keeping older workers in employment – had been beaten. Orpea intends to continue with this commitment at all of newly acquired sites concerned.

– Company agreements on the prevention of stress in the workplace and other psychosocial risks

The prevention of risks in the workplace and the protection of employees' physical and mental health are key components of the Group's social policy.
As part of its commitment to sustainable development in working conditions, the Orpea Group has decided to strengthen its action in the prevention of stress and other psychosocial risks.
Agreements on the prevention of stress at work were signed in February 2010, for which the Orpea Group was ranked "green" under the Ministry of Employment's traffic light model.
Regional Health and Safety Committees, which are closely involved in the implementation of this agreement, have worked in particular on creating analysis grids to collect information from employees. Under the agreement, the resources made available to the Health and Safety Committee have been extended in order to favour discussions with Group employees.

7. ORGANISATION OF THE BOARD OF DIRECTORS

This is discussed in the first section of the registration document under 1.2 Corporate Governance, which constitutes the first part of the Chairman's report, including in particular the separation of the functions of Chairman and Chief Executive Officer as decided by the Board of Directors on 15 February 2011.

8. APPENDIX – FIVE-YEAR FINANCIAL HIGHLIGHTS

	31/12/2010	31/12/2009	31/12/2008	31/12/2007	31/12/2006
Share capital at the year end					
Share capital	52,940,994	48,558,965	46,128,465	46,029,669	45,685,898
Number ordinary shares in issue	42,352,795	38,847,172	36,902,772	36,823,735	18,274,359
Maximum number of shares authorised					
By conversion of bonds	4,069,635	0	0	674,602	1,349,203
By exercise of warrants	1,263,387	1,355,268	188,881	267,918	278,837
Operations and results for the year					
Sales	409,332,636	380,391,749	337,521,389	311,886,054	235,667,707
Operating profit	36,951,737	34,851,930	29,409,966	21,394,195	16,902,727
Net finance cost	-23,872,898	-5,006,221	-13,114,436	-16,446,498	-5,992,198
Pre-tax profit on ordinary activities	13,078,838	29,845,709	16,295,530	4,947,697	10,910,529
Exceptional items	-3,434,604	-23,842,641	-6,892,254	-2,337,339	-3,580,679
Profit-sharing and incentive payments (1)					52,306
EBITDA	20,379,506	15,231,842	18,432,309	10,949,011	16,724,043
Income tax	3,610,154	-931,447	4,290,469	492,695	2,491,397
Net profit	6,034,080	6,934,515	5,112,807	2,117,663	4,786,148
Dividend payout	9,741,143	5,827,076	3,690,278	0	0
Per share data					
Earnings per share	0.14	0.18	0.14	0.06	0.26
Diluted earnings per share	0.13	0.17	0.14	0.06	0.24
Dividend per share	0.23	0.15	0.10	0.00	0.00
Employees					
Average number of employees	5,463	5,113	4,800	4,602	4,196
Total payroll costs	141,820,058	125,171,761	110,943,052	96,808,073	85,036,866
Social security charges	51,087,063	47,814,950	37,159,645	33,076,427	28,283,013

(1) Since 2002, incentive payments have been recognised as operating costs.

9. APPENDIX – LIST OF DIRECTORSHIPS AND OTHER OFFICES HELD BY THE DIRECTORS

Jean-Claude Marian

Directorships and offices within the Group

- Director and Chairman of Orpea S.A
- Director of Casa Mia Immobiliare (Italy)
- Director of Orpea Iberica (Spain)
- Director of Residencial Senior 2000 (Spain)
- Director of CM Extremadura Dos 2002 (Spain)
- Director of Dinmorpea (Spain)
- Director of Orpea Belgium (Belgium)
- Director of Orpea Belgium Immobilier (Belgium)

Yves Le Masne

Directorships and offices within the Group

- Director and Chief Executive Officer of Orpea
- Chairman of Clinea SAS

Chairman of S.A.S : La Saharienne, Résidence Saint Luc, La Clairière, Clinique de Champvert, CCR Lavarin, MDR La Cheneraie, Organis, Société de Champvert, Maja, Résidence La Cheneraie, Immobilière Leau Bonneveine, Château de Villeniard, Cardem, Avi Gestion, Le Vigé, Mediter, Centre Gérontologique de Treigny, Centre Gérontologique, L'Horizon, Clinique de Soins de Suite du bois Guillaume, Clinique Psychiatrique de Seine Saint Denis, Le Clos St Sébastien 44, SFI France, Douce France Santé, Massilia Gestion Santé, Gerone Corp, Mex, Clinique Beau Site, Le Verger d'Anna, Le Clos du Roy, Hôtel de l'Espérance, La Chavannerie, Résidence Klarene, Ondine, Clinique de l'Isle le Moulin, Placenette, Saint Honorat, Home la Tour, Les Oliviers de St Laurent

Orpea permanent representative (Director), Paul Cézanne, Résidence du Moulin, Le Vieux Chateau, Clinique du Cabirol, Les Charmilles, Emcejidey

Legal manager of SNC: Les Jardins d'Escudié, Margaux Pony, Than.Co, De la Maison Rose, Brechet

Legal manager of SARL: Les Matines, Bel Air, SARL 95, SARL 96, La Maison de Louise, Gessimo, La Maison de Lucile, La Maison de Salomé, La Maison de Mathis, La Bretagne, L'Atrium, Gestihome Senior, Maison de Retraite L'Ermitage, IDF Résidences Retraite, Le Séquoia, La Maison d'Ombeline, Domea, Vivrea, Orpea Dev, SPI, Amarmau, Niort 94, SARL 97, L'Allochon, Reine Bellevue, L'Ombrière, Sogimob, Résidence du Parc, Résidence du Parc de Bellejame, Résidence de Savigny, Résidence de la Puisaye, La Venetie, France Doyenne de Santé, Résidence la Clairière, Douce France Santé Arcachon, Douce France Santé Dourdan, Regina Renouveau, Marc Aurele Immobilier, DFS Immobilier, CRF Clinea Livry, ADC 09, Gueroult, Saint Sulpice, Clinique du Château de Loos, Les Courtils, Résidence Les Cédres

Legal manager of SCI: Route des Ecluses, les Rives d'Or, du Château, la Talaudière, Orpea de St Priest, Balbigny, Orpea St Just, Orpea Decaux, La Tour Pujols, Les Rives de la Cerisaie, Val de Seine, le Clisclouet, Age d'Or, Gambetta, Croix Rousse, Les Dornets, Château d'Angleterre, Montchenot, 115 rue de la Santé, L'Abbaye, Les Tamaris, 3 Passage Victor Marchand, Fauriel, Port Thureau, Orpea de l'Abbaye, Rue des Maraichers, Le Bosguerard, Le Vallon, Bel Air, Brest le Lys Blanc, Les Magnolias, Courbevoie de l'Arche, Sainte Brigitte, Les Treilles, Les Favières, IBO, SCI du 12 rue Fauvet, Douarnenez ORPEA, Kods, Slim, Saintes B.A, Le Barbaras, La Sélika, JEM2, Château de la Chardonnière, SCI des Anes, Spaguy, La Salvate, SCI de la Drone, SCI du Caroux, Héliades Santé, Cardiopierre, Super Aix Paul Cézanne, SCI Les Chesnaies, SCI SFI Bellejame, Calista Santé, Sci du Mont d'Aurelle, Les Oranges, Du Grand Parc, Ainsi, BRBT, Du Jardin des Lys, De la Rue de Londres, Château de Loos, Berlaimont, Les Oliviers, Portes d'Auxerre WB

Directorships and offices outside the Group

Legal Manager of SCI Villa de la Maye

Brigitte Michel

Directorships and offices within the Group

- Director of Orpea

Alexandre Malbasa

Directorships and offices within the Group

- Director of Orpea

CHAPTER V: CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2010

1- STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' audit report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in such audit reports, whether qualified or not, that is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification of information in the group management report.

The statutory auditors' report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

Burband Klinger & Associés
140, rue du Faubourg Saint-Honoré
75008 Paris

Deloitte & Associés
185 avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex

Orpea

Société anonyme

115, rue de la Santé
75013 Paris

Statutory Auditors' report
on the consolidated financial statements

Year ended 31 December 2010

Dear Shareholders,

In our capacity as Statutory Auditors to Orpea SA, we hereby report to you, for the year ended 31 December 2010, on our audit of the accompanying consolidated financial statements of Orpea SA, the basis for our assessments and the specific investigations and disclosures required by law.

These consolidated financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on those financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis or using other selective methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly in all material respects the financial position, assets and liabilities and results of the consolidated group of companies for the year ended 31 December 2010 in accordance with international financial reporting standards (IFRSs) as endorsed by the European Union.

II. Basis for our assessments

As required by the provisions of article L. 823-9 of the French Commercial Code on the basis for our assessments, we draw your attention to the following matters:

- Operating licences recognised as intangible assets with an indefinite useful life and goodwill are tested for impairment using the method described in note 1.9 of the chapter entitled "Significant accounting policies" in the notes to the consolidated financial statements. We assessed the appropriateness of the method used which is based on estimates and reviewed the underlying data and assumptions used by the Group for its impairment testing.

- In accordance with paragraph 31 of IAS 16, properties comprising land and buildings fully or jointly-owned and operated by the Group are measured at their fair value on the balance sheet date by professionally qualified valuers as described in note 1.8 to the chapter entitled "Significant accounting policies" of the notes to the consolidated financial statements. As part of our overall assessment of the accounting policies used by the Group, we assessed the appropriateness of the accounting methods described above and the disclosures provided in the notes to the consolidated financial statements.

Our assessments of these matters formed an integral part of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

III. Specific investigations and disclosures

We also performed the specific investigations required by law on the information provided in the Group management report, in accordance with the professional standards applied in France. We have no matters to report as to its fairness or its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 7 June 2011

The Statutory Auditors

Burband Klinger & Associés	**Deloitte & Associés**
Frédéric Burband	**Henri Lejetté**

Orpea

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2010

ORPEA SA

Société anonyme with share capital of €52,940,994
Registration no.: RCS PARIS B 401 251 566/APE CODE: 853 D

Registered office: 115, rue de la Santé, 75013 Paris

Head office: 3, rue Bellini, 92806 Puteaux

Consolidated income statement

in thousands of euros	*Notes*	31-déc-10	31-déc-09
REVENUE		**964 234**	**843 321**
Cost of materials consumed and other external charges		(251 996)	(219 657)
Staff costs		(490 316)	(425 039)
Taxes other than on profit		(45 525)	(42 778)
Depreciation, amortisation and provisions		(42 493)	(35 997)
Other recurring operating income		1 045	122
Other recurring operating expense		(5 192)	(4 557)
Recurring operating profit		**129 756**	**115 414**
Other non-recurring operating income	*3.19*	181 332	207 028
Other non-recurring operating expense	*3.19*	(160 009)	(187 893)
OPERATING PROFIT		**151 080**	**134 549**
Financial income		14 765	30 069
Financial expense		(67 512)	(75 737)
Net finance cost	*3.20*	**(52 747)**	**(45 668)**
PRE-TAX PROFIT		**98333**	**88 881**
Income tax expense	*3.21*	(30 924)	(29 828)
Share in profit (loss) of associated	*3.5*	(1 062)	2 121
NET PROFIT		**66 347**	**61 174**
Attributable to non-controlling interests			36
Attributable to owners of the Company		**66 347**	**61 138**
Number of shares		42 352 795	38 847 172
Basic earnings per share (in euros)		1,71	1,57
Diluted earnings per share (in euros)		1,70	1,57

Comprehensive income statement

in thousands of euros	31-Dec-10	31-Dec-09
Net profit for the year	**66,347**	**61,138**
Fair value of cash flow hedges	2,830	(5,946)
Actuarial gains/(losses) on employee benefits	(1,946)	387
Tax effect on other income and expense recognised directly in equity	(305)	1,914
Comprehensive income before revaluation of property assets	**66,927**	**57,493**
Revaluation of property assets	58,070	(25,000)
Tax effect on other income and expense recognised directly in equity	(19,994)	8,607
Comprehensive income after revaluation of property assets	**105,003**	**41,100**

Consolidated balance sheet

in thousands of euros		31-Dec-10	31-Dec-09
Assets	*Notes*		
Goodwill	*3.1*	431,252	203,680
Intangible assets, net	*3.2*	835,096	775,351
Property, plant & equipment, net	*3.4*	1,425,290	1,168,042
Property in course of construction	*3.4*	485,227	494,135
Investments in associated and joint ventures	*3.5*	28,648	3,095
Non-current financial assets	*3.6*	15,176	13,738
Deferred tax assets	*3.21*	12,820	11,728
Non-current assets		**3,233,510**	**2,669,771**
Inventories		3,377	3,405
Trade receivables	*3.7*	86,980	76,495
Other assets, accruals and prepayments	*3.8*	159,730	93,944
Cash and cash equivalents	*3.12*	276,524	135,366
Current assets		**526,611**	**309,211**
Assets held for sale		**119,929**	**82,208**
TOTAL ASSETS		**3,880,050**	**3,061,189**

Equity and liabilities	*Notes*		
Share capital		52,941	48,559
Consolidated reserves		448,848	274,351
Revaluation reserve		297,217	257,580
Net profit for the period		66,347	61,138
Equity attributable to owners of the Company	*3.10*	**865,353**	**641,628**
Non-controlling interests		29,250	257
Total equity		**894,603**	**641,885**
Non-current financial liabilities	*3.12*	1,458,658	1,180,239
Provisions	*3.11*	17,090	18,701
Post-employment and other employee benefits obligation	*3.11*	18,433	14,976
Deferred tax liabilities	*3.21*	504,473	455,388
Non-current liabilities		**1,998,654**	**1,669,305**
Current financial liabilities	*3.12*	389,286	257,811
Provisions	*3.11*	6,775	8,933
Trade payables	*3.14*	144,030	149,095
Tax and payroll liabilities	*3.15*	174,624	137,019
Current income tax liability	*3.15*	531	2,094
Other liabilities, accruals and prepayments	*3.16*	151,619	112,840
Current liabilities		**866,864**	**667,791**
Liabilities associated with assets held for sale		**119,929**	**82,208**
TOTAL EQUITY AND LIABILITIES		**3,880,050**	**3,061,189**

Consolidated statement of cash flows

in thousands of euros	*Notes*	31-Dec-10	31-Dec-09
Operating activities			
● Net profit		66,347	61,138
● Elimination of non-cash items related to operating activities (*)		38,073	20,425
Cost of debt		52,747	45,668
● Gains on disposals not related to operating activities, net of tax		(20,001)	(19,441)
Cash generated by consolidated companies		**137,166**	**107,790**
● Change in operating working capital			
- Inventories		175	(661)
- Trade receivables	*3.7*	(871)	2,386
- Other assets	*3.8*	20,463	25,225
- Tax and payroll liabilities		16,135	4,047
- Trade payables	*3.14*	(10,631)	16,094
- Other liabilities	*3.16*	(26,826)	(24,188)
Cash flows from operating activities		**135,611**	**130,694**
Investing and development activities			
● Acquisition of subsidiaries		(64,557)	(125,209)
● Acquisition of intangible assets		(10,306)	(22,322)
● Acquisition of property, plant & equipment and PPE in progress		(317,884)	(263,240)
● Disposal of property assets and other non-current assets		142,479	158,296
● Change in other non-current assets and other movements		(46,448)	(5,774)
Cash flows from investing activities		**(296,716)**	**(258,248)**
Financing activities			
● Capital increases			63,586
● Dividends paid to owners of the parent		(5,827)	(3,690)
● Additions to (repayments of) bridging loans and bank overdrafts	*3.12*	120,044	(111,691)
● Additions to finance leases	*3.12*	139,774	88,219
● Additions to other debt	*3.12*	45,741	126,521
● Proceeds from OCEANE bond issue	*3.12*	176,272	
● Proceeds from OBSAAR bond issue	*3.13*		209,120
● Repayments of other debt	*3.12*	(85,945)	(76,563)
● Repayments of finance leases	*3.12*	(35,073)	(40,552)
● Cost of debt and other movements	*3.20*	(52,723)	(45,683)
Cash flows from financing activities		**302,263**	**209,267**
Change in cash and cash equivalents		**141,158**	**81,712**
Opening cash and cash equivalents		135,366	53,654
Closing cash and cash equivalents		**276,524**	**135,366**
Breakdown of closing cash and cash equivalents		**276,524**	**135,366**
● Short-term investments	*3.12*	202,625	28,129
● Cash	*3.12*	73,899	107,237
● Bank overdrafts			

The notes form an integral part of the consolidated financial statements

(*) Mainly including depreciation, amortisation, provisions, deferred taxes, share in profit (loss) of associates excess of acquisition cost over fair value of assets and liabilities acquired, restructuring costs and non-recurring costs incurred on acquisitions of facilities.

Consolidated equity

Statement of changes in consolidated equity

In thousands of euros except for number of shares	Number of shares	Share capital	Share premiums	Revaluation reserve	Other reserves	Net profit	Attributable to owners	Non-controlling interests	Total
31-Dec-08	**36,902,772**	**46,128**	**24,194**	**277,576**	**144,405**	**48,378**	**540,677**	**284**	**540,962**
Appropriation of net profit					44,688	(48,378)	(3,690)		(3,690)
Change in fair value of properties				(16,393)			(16,393)		(16,393)
Post-employment benefit obligation					254		254		254
Financial instruments				(3,899)			(3,899)		(3,899)
Fair value changes recognised directly in equity		**0**	**0**	**(20,292)**	**44,942**	**(48,378)**	**(23,728)**	**0**	**(23,728)**
2009 net profit						61,138	61,138		61,138
Exercise of stock options	24,400	31	25				56		56
Share warrants			3,218				3,218		3,218
Capital increase	1,920,000	2,400	57,968				60,368		60,368
Other					(102)		(102)	(27)	(129)
31-Dec-09	**38,847,172**	**48,559**	**82,187**	**257,285**	**189,245**	**61,138**	**641,628**	**257**	**641,885**
Appropriation of net profit					55,311	(61,138)	(5,827)		(5,827)
Change in fair value of properties				38,077			38,077		38,077
Post-employment benefit obligation					(1,276)		(1,276)		(1,276)
Financial instruments				1,856			1,856		1,856
Other							0		0
Fair value changes recognised directly in equity		**0**	**0**	**39,932**	**54,035**	**(61,138)**	**32,829**	**0**	**32,829**
2010 net profit						66,347	66,347		66,347
Exercise of stock options	4,700	6	22				28		28
Share warrants					3,018		3,018		3,018
Capital increase	3,500,923	4,376	109,303		7,492		121,172	29,250	150,421
Other					333		333	(257)	76
31-Dec-10	**42,352,795**	**52,941**	**191,512**	**297,217**	**251,105**	**66,347**	**865,353**	**29,250**	**894,603**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010

Notes to the consolidated financial statements

Amounts are expressed in thousands of euros unless otherwise stated

The 2010 consolidated financial statements for the Orpea Group were approved by the Board of Directors on 11 May 2011.

1. SIGNIFICANT ACCOUNTING POLICIES

Orpea S.A. is a French company with its registered office at 115 rue de la Santé, Paris. It is the parent company of a Group that operates long-term care homes for the elderly and short-term post-acute and psychiatric care facilities.

1.1. Accounting standards

The Orpea Group's financial statements have been prepared in accordance with the international accounting standards applicable at 31 December 2010 as endorsed by the European Union in regulations 1606/2002 and 1725/2003. International accounting standards include International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and interpretations issued by the Standards Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC). These standards and interpretations are collectively referred to as IFRSs. The significant accounting policies used by the Group are described below.

Adoption of new IFRSs applicable to the Group:

The following new standards, amendments and interpretations that are mandatory for periods beginning on or after 1 January 2010 were adopted by the Group but had no impact on the consolidated financial statements as presented.

- IFRS 3 Revised – Business Combinations
- IAS 27 Revised – Consolidated and Separate Financial Statements

For information, these two standards were adopted prospectively as of 1 January 2009 and as regards borrowing costs for projects under development, as of 2005 upon first-time adoption of IFRSs.

- IFRIC 15 – Agreements for the Construction of Real Estate (see note 1.8)

Standards that have not yet been endorsed by the European Commission have not been early adopted.

Standards and interpretations applicable as of 1 January 2011:

New standards, amendments and interpretations published by the IASB but not yet applicable (whether or not endorsed by the European Union) have not been early adopted.

The Group does not expect their future adoption to have any material impact.

Transition to IFRSs and adoption of IAS 16 for measuring property assets

The Orpea Group adopted IFRSs for the first time on 1 January 2005. The 2004 financial statements and the opening balance sheet at 1 January 2004 were adjusted in accordance with IFRS 1 – First-time Adoption of

International Financial Reporting Standards to reflect the impact of the associated changes of accounting methods.

The main elections made upon first-time adoption of IFRSs were:
- Recognition and measurement of operating licences as identifiable intangible assets and recognition and measurement of properties in accordance with IFRS 3 - Business Combinations as of the date of acquisition.
- Treatment of properties in accordance with IAS 17 - Leases.

As permitted by IFRS 1, the Orpea Group elected for retrospective application of IFRS 3 - Business Combinations as of the date on which the current shareholders acquired control and for all subsequent acquisitions.

All properties financed under lease agreements are treated as finance leases.

As of the 2007 financial statements, the Group elected to measure its fully or jointly-owned operating properties comprising land and buildings using the revaluation method set out in IAS 16, which it believes gives a more accurate view of the value of its property portfolio. Details are provided in note 1.8.

1.2. Basis of accounting

The financial statements are prepared under the historical cost convention, except for the fully or jointly-owned properties operated by Group, which are measured at fair value (see note 1.8) and available-for-sale assets, which are measured at the lower of cost and fair value less costs to sell.
Financial liabilities are measured at amortised cost.
The carrying amounts of hedged assets and liabilities recognised on the balance sheet are adjusted to take account of changes in the fair value of the hedged risks.

1.3. Use of estimates and assumptions

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities recognised on the consolidated balance sheet, disclosures about those assets and liabilities, the reported amounts of income and expenses recognised on the income statement, and commitments relating to the reporting period. Actual amounts appearing in the Group's future financial statements may differ from current estimates. Estimates and assumptions are reviewed regularly.

The key assumptions involve:

- Determining the fair value of properties;
- Data used for impairment testing of intangible assets and property, plant & equipment;
- Provisions for post-employment benefits (see note 3.11);
- Provisions for litigation risks.

1.4. Consolidation principles

Entities in which the Group directly or indirectly owns more than 50% of the voting rights and entities over which it has exclusive control are fully consolidated.
Entities over which the Group has significant influence are accounted for using the equity method. Significant influence is presumed to exist when the Group owns more than 20% of the voting rights.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised at cost including any goodwill on the date of acquisition.

Their carrying value includes the Group's share of their net results after acquisition. If the Group's share of their losses exceeds its interest in the entity, the Group discontinues recognising its share of any further losses unless it has an obligation to recapitalise the entity or make payments on its behalf.

Investments in associates and joint ventures classified as held for sale are accounted for in accordance with IFRS 5 (see note 1.12).

Acquisitions and disposals made during the year are included in the consolidated financial statements from the date on which control or significant influence is acquired to the date on which it ceases.

The consolidated financial statements have been drawn up on the basis of the financial statements of all consolidated entities as at 31 December.

1.5. Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 - Business Combinations, published in January 2008 by the International Accounting Standards Board (IASB) and early adopted by the Group as of 1 January 2009.

Acquisitions of business operations are always conditional upon the Group obtaining a licence as the new operator from the supervisory bodies. Other conditions precedent may be added on a case-by-case basis.
In such cases, the acquisition and its consolidation are accounted for when the conditions precedent have been met.

A business combination is accounted for only as of the date on which control is acquired.

If an equity interest in the entity was held prior to acquiring control, it is remeasured at fair value and any difference is recognised in non-recurring operating income or expense.

Transaction costs, such as intermediaries' fees, advisory, legal, accounting, appraisal and other fees, and associated taxes and duties, are now recognised in profit or loss as non-recurring operating expenses.

Identifiable assets, liabilities and contingent liabilities of the acquired entity which meet the conditions for recognition set out in IFRS 3 are measured at fair value except for assets (or disposal groups) that qualify as non-current assets held for sale under IFRS 5, which are recognised and measured at fair value less costs to sell.

On first-time consolidation of an acquired entity, the Group has twelve months in which to determine the fair value of identifiable assets, liabilities and contingent liabilities acquired.

In light of current regulations, licences to operate short-term and long-term care facilities are recognised and measured as identifiable intangible assets on the date of acquisition.
Licences for facilities acquired in Belgium and Italy have been recognised as intangible assets since 1 July 2007.

Operating licences for other foreign facilities do not meet the definition of an identifiable intangible asset and are accordingly included in goodwill.

Properties are measured at fair value taking account of their specific characteristics.

The difference between the cost of an acquisition and the Group's interest in the fair value of identifiable assets and liabilities acquired on the acquisition date is recognised as goodwill. Goodwill is measured in the functional

currency of the acquired entity and recognised as an asset on the balance sheet. It is not amortised but tested for impairment whenever there is objective evidence that it might be impaired and at least once a year at the year end (see note 1.9 below). Goodwill impairment losses are recognised in profit or loss under "Other operating income and expense" and may not be reversed.

If the fair value of assets, liabilities and contingent liabilities acquired is higher than the cost of the acquisition, the negative goodwill is recognised immediately in profit or loss in under "Other non-recurring operating income".

Since the adoption of IFRS 3 Revised, non-controlling interests in consolidated subsidiaries may be measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. This option is available on a transaction-by-transaction basis. For controlling interests acquired since 1 January 2009, the Group has elected each time to account for the non-controlling interests at their fair value.

Goodwill arising on entities accounted for by the equity method is included in "Investments in associates and joint ventures".

Upon disposal of a subsidiary, jointly-controlled entity or facility, the corresponding goodwill is included when determining the gain or loss on disposal.

1.6. Translation of the financial statements of foreign operations

The consolidated financial statements are prepared in euros.

Financial statements of subsidiaries with a different functional currency are translated into euros as follows:
- at the official rate on the balance sheet date for assets and liabilities;
- at the average rate for the period for income statement and cash flow statement items.

Any resulting translation differences are recognised as a component of equity under "Translation reserve".

The Group's Swiss subsidiary, which only operates one facility, is the only subsidiary whose functional currency is not the euro.

1.7. Intangible assets

Intangible assets mainly comprise licences to operate long-term care homes and short-term post-acute and psychiatric care facilities in France, Belgium and Italy.

These licences are considered to have an indefinite useful life as they are renewable provided the facilities are operated strictly in accordance with the terms and conditions of the licence.

They are recognised and measured at cost. Cost is equal to the price actually paid when acquired separately or at fair value when acquired as part of a business combination.

Fair value is estimated according to the type of operation and ranges from 100% to 125% of annual revenue in France (for 12 facilities) and 80% for Belgium and Italy.

These licences are not amortised but tested for impairment on each balance sheet date or whenever there is objective evidence that they might be impaired. If their recoverable amount is lower than their carrying amount, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

The amortisation period for other intangible assets ranges from 1 to 5 years.

1.8. Property, plant and equipment

Property, plant and equipment mainly comprises land, buildings, fixtures and fittings and equipment.

The Group's operating properties are either acquired or built or redeveloped by the Group.

To ensure that its quality requirements are met, the Group manages all its own construction or redevelopment projects. These projects are recognised on the balance sheet under "Property in the course of construction".

As part of its asset management policy, the Group regularly sells operating properties it owns either as a block or by lots and leases them back from the new owner.
Disposals may include properties owned and operated by the Group for several years and also properties that have been recently acquired, redeveloped or built.

Properties kept by the Group are usually financed under finance leases.

Properties which the Group intends to sell are classified as "Assets held for sale".

Measurement of property, plant and equipment

Property, plant and equipment other than operating properties are measured at cost less accumulated depreciation and impairment, in accordance with the benchmark treatment set out in IAS 16 – Property, plant and equipment.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are now capitalised as part of the cost of that asset, as required by IAS 23 – Borrowing Costs.

Revaluation of operating properties

Fully or jointly-owned properties comprising land and buildings operated by the Group are measured at fair value in accordance with paragraph 31 of IAS 16 – Property, Plant and Equipment.

The fair value of each property is reviewed at each year end by external professionally qualified valuers. Fair value is calculated by capitalising an estimated market rent for each facility.

The capitalisation rates used are based on location, type of operation, operating conditions and ownership method (fully or jointly-owned).

The fair value of a property is allocated between the buildings and land. The buildings are valued at replacement cost amortised over the period from the construction date to the valuation date in order to factor in wear and tear. The remainder of the fair value is allocated to the land.

The difference between cost and fair value is recognised in equity under "Revaluation reserve" net of taxes.
If the fair value of a property falls below cost, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense"

Fair value adjustments to buildings are depreciated over the residual life of each facility.

Depreciation of property, plant and equipment

Property, plant & equipment are depreciated on a straight-line basis over the estimated useful life of each item or each significant part of an item where it comprises distinct parts with different useful lives, as follows:

- Buildings, fixtures and fittings	12 to 60 years
- Plant and equipment	3 to 10 years
- Other	3 to 10 years

Property, plant & equipment are tested for impairment whenever there is objective evidence that they might be impaired and any impairment losses are recognised in profit or loss.

Proprietary property development projects

Under its expansion policy and in order to meet its quality standards, the Group manages its own operating property development or redevelopment projects.

These properties are either kept by the Group or sold to investors.

The cost of new or redeveloped properties includes the cost of purchasing the land, any buildings to be redeveloped and all development and redevelopment costs. Development and redevelopment costs include direct production costs and borrowing costs directly attributable to the production of the asset in accordance with paragraph 11 of IAS 23 - Borrowing Costs.

Properties sold off-plan to investors have always been accounted for using the percentage of completion method and therefore comply with IFRIC 15, which became mandatory in 2010.

Marketing expenses directly attributable to properties sold off-plan are recognised in proportion to the percentage of completion and the balance is recognised in the balance sheet as prepaid expenses.

Progress payments received on off-plan sales are deducted from the value of the project.

Gains or losses on sales of properties are recorded under "Other non-recurring operating income and expense" to distinguish them from operating revenue.

Finance leases

In accordance with IAS 17 - Leases, lease contracts are classified as finance leases when substantially all of the risks and rewards incidental to ownership of the asset are transferred to the lessee.

All other lease contracts are classified as operating leases.
Operating lease payments (other than service costs such as insurance and maintenance) are recognised as an expense on a straight-line basis over the term of the contract.

1.9. Impairment of non-current assets

In accordance with IAS 36 - Impairment of Assets, the Group assesses the recoverability of its non-current assets as follows:

- Property, plant & equipment and intangible assets with a finite useful life are tested for impairment whenever there is objective evidence that they might be impaired;

- Intangible assets with an indefinite useful life and goodwill are tested for impairment whenever there is objective evidence that they might be impaired and at least once a year on the balance sheet date.

Impairment testing consists in comparing the carrying amount with the higher of fair value less costs to sell and value in use. Value in use is determined by discounting the future cash flows expected to be generated from continued use of the assets over their estimated useful lives and their residual sale value at the end of that period. The discount rate used is equal to the Group's weighted average cost of capital, which is representative of the sector rate (see note 3.3).

Any impairment of a cash generating unit (CGU), or group of CGUs in the case of foreign operations, is deducted first from the corresponding goodwill, if any, and then from the remainder of the CGU's assets in proportion to their carrying amount.

Each long-term or short-term care facility is a CGU. A CGU's main assets are goodwill when allocated to the CGU, intangible assets (operating licence) and the operating property measured at fair value if the Group is the owner (see note 1.8).

1.10. Non-current financial assets

Investments that are not consolidated because they do not meet materiality conditions are measured at cost.

Investments that are not consolidated because of the Group's percentage holding are recognised as available-for-sale assets. They are measured at cost on initial recognition and subsequently at fair value if it can be determined reliably.

Otherwise they are measured at cost less any accumulated impairment. In this case, their recoverable amount is determined on the basis of the Group's share in the entity's net assets, its expected future profitability and growth outlook.

Changes in fair value are recognised as a separate component of equity until the investment is sold. When the impairment is material or prolonged, it is recognised in net finance costs.

An impairment loss is taken against loans measured at amortised cost when there is objective evidence that they might be impaired due to the credit risk.

1.11. Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, assets or groups of assets (disposal groups) - particularly properties or facilities which the Group intends to sell within a period of 12 months - are classified as non-current assets held for sale and discontinued operations if the sale is highly probable and the asset or disposal group meets the criteria for such classification.

These assets are measured at the lower of their carrying amount and fair value less costs to sell.
The carrying amount for operating properties is the latest fair value determined in accordance with paragraph 31 of IAS 16 (see note 1.8).

1.12. Trade and other operating receivables

On initial recognition, trade receivables are measured at face value, which is considered to be the best estimate of their fair value at inception. A provision for impairment is recognised when there is objective evidence that the Group may be unable to recover the full amount on the original terms and conditions of the transaction. The age of a receivable and a debtor's habitual arrears are evidence of impairment.

The amount of the impairment provision is equal to the net present value of the cash flows which are considered to be unrecoverable. Based on past experience, impairment rates are typically as follows:

- Social security organisations:

Receivables more than 27 months past due:	100%
Receivables between 24 and 27 months past due:	75%%
Receivables between 18 and 24 months past due:	50%
Receivables between 12 and 18 months past due:	25%

- Private top-up health insurers:

Receivables more than 18 months past due:	100%
Receivables between 12 and 18 months past due:	75%

- Patients:

Receivables more than 6 months past due:	100%

- Residents:

Receivables between 6 and 12 months past due:	50%
Receivables more than 1 year past due:	100%

- Residents receiving social security support:

Receivables more than 2 years past due:	50%
Receivables more than 3 years past due:	100%

Receivables with a maturity of more than one year are discounted if the impact is material.

1.13. Deferred taxes

Deferred taxes arising on temporary differences between the tax base and accounting base of consolidated assets and liabilities are recognised using the liability method at the rates enacted or substantially enacted at the balance sheet date.

Most deferred taxes arise from the revaluation of operating licences and fully or jointly-owned operating properties.

Deferred tax assets arising on tax loss carryforwards are recognised if there is a reasonable probability that they will be used in the foreseeable future.

Deferred taxes are not discounted.

A provision is made for taxes that may be due by the Group on dividend payments made by subsidiaries if the dividend payment has been formally agreed on the balance sheet date.

Deferred tax assets and liabilities are netted by tax entity when they are expected to reverse in the same period.

Current and/or deferred taxes are recognised in profit or loss for the period except when arising on a transaction or event recognised directly in equity.

1.14. Contribution Economique Territoriale

The French 2010 Finance Act published on 30 December 2009 abolished the *Taxe Professionnelle* business tax and replaced it with a new levy called the *Contribution Economique Territoriale* (CET), which is broken down into two components of different types:
The *Cotisation Foncière des Entreprises* (CFE) is based on the rental values of assets liable to property tax. This component is very similar to the existing *Taxe Professionnelle* and is accordingly recognised as an operating expense.
The *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE) is based on the added value generated by French companies. This component is analysed as a tax due on taxable profits and is accordingly recognised as an income tax in accordance with IAS 12 as of 2010.

Consequently, a deferred tax expense was recognised in profit or loss at 31 December 2009 in accordance with IAS 12. The basis for calculating the tax liability mainly comprises the carrying amounts of property, plant & equipment and intangible assets with a finite useful life.
Goodwill, operating licences with an indefinite useful life and land are not included in the basis for calculation in light of the provisions of SIC 21.

1.15. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at bank and short-term investments that are highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash and short-term investments comprise balances on bank accounts, cash in-hand, term deposits of less than 3 months and debt securities traded on official markets that are subject to an insignificant risk of a fall in value. They are treated as financial assets held for trading and measured at fair value. Changes in fair value are recognised in equity.

1.16. Treasury shares

Orpea SA shares held by the parent company are recognised at cost as treasury shares and deducted from equity until such time as they are sold.

Gains or losses on the sale of treasury shares are added to or deducted from consolidated reserves net of tax.

1.17. Stock option and stock award plans

Stock options are granted to certain managers of the Group.
In accordance with IFRS 2 - Share-based Payment, plans established after 7 November 2002 are measured at their market value on the grant date using the Black & Scholes model. The resulting obligation is recognised in equity and expensed to profit or loss under staff costs over the vesting period, which is typically five years.

At the annual general meeting of 29 June 2006, the shareholders authorised the Board of Directors of Orpea SA to make awards of new or existing stock to executive directors and employees of the Company and related companies.
The total number of shares that may be awarded under this authorisation may not exceed 90,000.
The authorisation was given for a period of 38 months from the annual general meeting of 29 June 2006.
On 29 June 2006, the Board of Directors used this authorisation to award 35,000 shares to Group employees (70,000 shares after the stock split).
On 29 December 2009, the Board of Directors awarded 68,420 shares to 1,975 employees.

1.18. Post-employment and other employee benefit obligation

In France, the Group is governed by the single 'FHP' collective bargaining agreement for the private healthcare sector dated 18 April 2002, which provides for payment of a lump-sum benefit upon retirement based on the employee's length of service, grade and salary on the retirement date.
No other post-employment or long-term benefits are granted to employees in service.

Outside France, the Group applies the relevant local provisions in each country. Switzerland is the only country where it has defined benefit pension plans.

The Group's post-employment benefit obligation is calculated on the basis of actuarial estimates using the projected unit credit method. Actuarial assumptions include staff turnover, salary increases, inflation and life expectancy and are disclosed in note 3.11.

The actuarial obligation is recognised in the balance sheet after deduction of any plan assets measured at fair value.

Cumulative actuarial gains and losses arising from experience adjustments or the effects of changes in financial, economic or demographic assumptions (change of discount rate, annual salary increases, length of service life, etc.) are recognised immediately in the Group's obligation with a corresponding amount in a separate component of equity (other reserves), in accordance with the option granted under the IAS 19 amendment of December 2004.

Current and past service cost is recognised as an operating expense.
Interest cost and expected return on plan assets are recognised in net finance costs.

1.19. Provisions

The Group recognises a provision when it has legal or constructive obligation to a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
If is not probable but possible that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is recognised off-balance sheet as a contingent liability.

Provisions related to the operating cycle are classified as short-term regardless of their probable reversal date. They mainly concern employee-related risks and are measured by the social affairs department according to the risk incurred by the Group and the stage of progress in any proceedings pending.
Provisions that are not directly related to the operating cycle and which have a probable reversal date beyond one year are classified as long-term. They mainly comprise provisions for litigation, taxes and similar, and restructurings.

1.20. Financial liabilities

Financial liabilities are recognised at their face value net of any associated transactions costs which are deferred over the life of the liability in net finance costs using the effective interest method.
If the future interest expense is hedged, the financial liability is still measured at amortised cost and the change in fair value of the effective portion of the hedging instrument is recognised in equity.
Changes in fair value of derivative instruments not held for hedging and the ineffective portion of hedging instruments are recognised in net finance costs.

Net debt comprises short and long-term financial liabilities less the value of cash and cash equivalents held. It includes property bridging loans which are bank loans allocated specifically to financing operating properties recently acquired or in the course of construction.

Convertible and mandatory convertible bonds have a debt and an equity component. The bonds convertible into new or existing shares (OCEANE) issued in December 2010 have been accounted for in accordance with IAS 32 and IAS 39 – Financial Instruments. The debt component is deemed to be the fair value of a liability with identical characteristics but no conversion option. It is measured using the amortised cost method. The equity component is not revalued during the life of the bond issue.

1.21. Financial instruments and derivatives

The Group uses various financial instruments to hedge its exposure to interest rate risk. They are over-the-counter instruments contracted with first-class counterparties. All derivative financial instruments are recognised in the balance sheet under "Other current assets and liabilities" and measured at fair value on the transaction date (see note 3.13.1 – Interest rate risk management strategy).

1.22. Revenue

Revenue mainly comprises payment for accommodation and care services provided to residents and patients. It is recognised when the service is provided.

For long-term care homes, the day rate is payable as follows:

- the "accommodation" component is paid by the resident;
- the "long-term care allowance" component is paid by the resident and the local authority (the day rate is set by the local authority depending on the level of care required and forecast expenses);
- the "medical care" component is paid by the regional health insurance fund (the day rate is set according to the level of care required and forecast expenses).

For short-term care facilities, the day rate is payable as follows:

- the "private room" component is paid by the patient or the patient's top-up private health insurance;
- the "medical care" component is paid by the regional health insurance fund.

The only seasonal effect is the number of days in operation, which is higher in the second half of the calendar year than the first.

1.23. Other income statement aggregates

The Group main business consists of operating long-term and short-term care facilities.
Recurring operating profit is derived from these operations.

Other non-recurring operating income and expense comprises:
- gains or losses on property transactions: sales of properties, development costs and any impairment;
- the group's development expenses and restructuring costs for recently acquired facilities;
- income and expenses related to business combinations: transaction costs, goodwill;
- impairment of intangible assets and goodwill.

1.24. Earnings per share

Basic earnings per share is calculated on the basis of the weighted average number of shares in issue during the year less any treasury shares held and deducted from equity.

Diluted earnings per share takes account of all potentially dilutive instruments, such as options, warrants and convertible bonds. Options and warrants are dilutive when their exercise price is lower than the market price. In this case, the "treasury method" is used to determine the dilutive impact. The weighted average number of shares is increased by the number of new shares issued upon exercise of the options or warrants less the number of shares that could be repurchased at the market price with the exercise proceeds.

1.25. Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method, in other words it presents a reconciliation of Recurring profit with cash generated from operating activities.
Opening and closing cash and cash equivalents include cash and other short-term investments less any overdraft facilities that are not considered as bridge financing for operating properties recently acquired or in the course of construction or redevelopment.

1.26. Segment information

Segment information is disclosed on the basis of two operating segments, being the two segments used by the Group to analyse its activity and monitor its development. These segments are France and International (see note 3.18).

1.27. Organic growth

The Group regularly discloses its organic revenue growth.

Organic or internally-generated growth is derived from new developments, extensions and redevelopment of existing facilities, trends in the occupancy rate and changes in rates charged.

Organic growth is analysed on an individual facility basis. It includes the improvement in revenue relative to the equivalent year-earlier period at recently acquired facilities.

1.28. External growth

External growth is derived from acquisitions of facilities in operation or under development (directly or indirectly through companies).

2. Scope of consolidation

2.1. Changes in scope of consolidation during the financial year

2010 revenue rose by 14.3% or €121 million compared with 2009. The Group has expanded through both organic growth and acquisitions.

Organic revenue growth was 8.7% compared with 11.1% the previous year. During 2010, the Group opened eight new facilities with a total of about 789 beds following the completion of projects started in prior years, compared with three new facilities and 260 beds in 2009.

Orpea also continued with its external growth policy in 2010, with the acquisition of facilities in operation or planned:

- acquisition of five facilities in France during the first half (two at Eysines, two at Crosne and one at St Saturnin les Avignon);
- acquisition of eight facilities in France during the second half (Talence, St Laurent du Var, Treigny, Auxerre, Perpignan, St Loup Camas and two at La Seyne sur Mer);
- acquisition of the Mediter Group and an equity interest in the Medibelge Group on 31 December 2010.

The Group also carried out ad hoc acquisitions – either directly or via companies – of standalone assets necessary for its expansion, comprising intangible property rights and operating properties.

2.2. Presentation of changes in the scope of consolidation in 2010

Acquisition of Mediter and Medibelge

On 31 December 2010, Orpea acquired:

- 100% of the share capital of Mediter SAS, which holds majority stakes in companies operating clinics and long-term care facilities in France, and more specifically 50% plus one share of Holding Mieux Vivre;
- 49% of the share capital of Medibelge SA, which holds stakes in companies operating nursing homes in Belgium.

Mediter owns six retirement homes and nine clinics in France, representing total capacity of 1,572 beds. Sub-group Mieux Vivre owns 26 retirement homes in France representing total capacity of 2,238 beds. Medibelge operates 16 residences for the elderly in Belgium representing total capacity of 2,156 beds.

The acquisition included facilities in operation or under redevelopment or construction but no property assets. The total consideration was €129.0 million including €104.8 million for Mediter and €24.2 million for Medibelge. This sum will be adjusted during 2011 in line with the agreements entered into with the vendors based on trends in debt at 31 December 2010 and operating performance. The consideration comprised new Orpea SA shares for €113.8 million and a cash balance of €15.2 million.

The fair value of the acquisition in the consolidated financial statements is €136.5 million, based on a share price of €34.64 at 31 December 2010 (€110.9 million for Mediter and €25.6 million for Medibelge.

Determination of provisional goodwill

Given the date of the acquisition and its size, the assets and liabilities acquired were not measured at fair value on the reporting date.

The Group elected to recognise the non-controlling interests in the Mieux Vivre group at fair value.

On this basis and before any fair value adjustments, particularly to identifiable intangible assets representing operating licences, the Group's share of provisional goodwill amounted to €178 million and €216 million including the share attributable to the 49.9% non-controlling interests in the Mieux Vivre group.

These non-controlling interests were measured at fair value on the same basis as the majority interest in view of the existing agreements.

Provisional goodwill for Mediter was determined as follows:

(in € millions)	Group interest	Non-controlling interests	Total
Fair value of Mediter shares and non-controlling interest	**111**	**29**	**140**
Provisional net assets net of intangible assets	**(67)**	**(9)**	**(76)**
Goodwill awaiting allocation	**178**	**38**	**216**

Main aggregates

Given the acquisition date, the consolidated financial statements at 31 December 2010 only include the balance sheet for Mediter and Mieux Vivre whilst the value of the interest in the Medibelge sub-group has been accounted for using the equity method.

The main aggregates for Mediter and Mieux Vivre at 31 December 2010 included in Orpea's consolidated financial statements are:

Provisional amounts of assets acquired and liabilities assumed (€m)	
Non-current assets excluding identifiable intangible assets	31
Current assets	32
Long-term financial liabilities	(31)
Other non-current liabilities	(2)
Current liabilities	(106)
Total provisional net assets	(76)

Other acquisitions in 2010

During 2010, other investments in external growth amounted to about €65.6 million and the amount of debt taken on by the Group to about €8 million.

Based on a provisional estimate of the fair value of assets acquired, the total investment on the acquisition date can be summarised as follows:

	Number of facilities	Number of beds	Operating licences (in €m)	Goodwill and intangibles in course of allocation (in €m)	Properties (in €m)
France	14	975	56	11	45
International	1	82	3	1	8
Italy					
Switzerland					
Belgium	*1*	*82*	*3*	*1*	*8*
Spain					
Total	**15**	**1,057**	**59**	**11**	**53**

Deferred tax liabilities recognised in respect of these acquisitions amounted to about €26 million.

In 2009, total investments on the date of consolidation were:

	Number of facilities	Number of beds	Operating licences (in €m)	Goodwill and intangibles in course of allocation (in €m)	Properties (in €m)
France	35	2,741	157	30	161
International	0	0	0	0	0
Italy					
Switzerland					
Belgium					
Spain					
Total	**35**	**2,741**	**157**	**30**	**161**

3. NOTES TO THE FINANCIAL STATEMENTS

3.1. Goodwill

The main movements during the year were as follows:

	France	International	Total
Opening net goodwill	136,576	67,104	203,680
Business combinations	226,177	1,395	227,572
Closing net goodwill	**362,753**	**68,499**	**431,252**

Business combinations include €216 million in provisional goodwill arising on the acquisition of Mediter-Mieux Vivre, i.e. €178 million for the Group and €38 million for the non-controlling interests.

3.2. Intangible assets

The following table shows the main intangible assets and accumulated amortisation:

	31/12/2010			31/12/2009		
	Gross	Amort. Prov	Net	Gross	Amort. Prov	Net
Operating licences	824,009	9,991	814,017	759,301	6,114	753,187
Advances and downpayments	5,299		5,299	8,373		8,373
Other	21,311	5,532	15,779	18,537	4,745	13,791
Total	850,619	15,523	**835,096**	786,210	10,859	**775,351**

At 31 December 2010, operating licences comprised the licences to operate facilities in France, Belgium and Italy considered to have in indefinite useful life.

Amortisation of other intangible assets is recognised in profit or loss under "Depreciation, amortisation and provisions".

An additional impairment loss of €3 million was recognised to cover the risk related to two operating licences not yet in use, bringing the total to €7.2 million.

Impairment losses are recognised in "Other non-recurring operating expense".

The following table shows the movement in intangible assets by type (net):

	Operating licences	Advances & downpayments	Other	Total
At 31 December 2008	**595,940**	**6,395**	**7,882**	**610,217**
Increase	1,707	16,446	4,169	22,322
Decrease	(262)	(13,619)	(507)	(14,388)
Amortisation and provisions	(4,143)		(1,000)	(5,143)
Reclassifications and other	(1,056)	(849)	3,160	1,255
Effect of changes in scope	161,001		87	161,088
At 31 December 2009	**753,187**	**8,373**	**13,791**	**775,351**
Increase	5,177	1,772	3,357	10,306
Decrease	(481)	(29)	(120)	(630)
Amortisation and provisions	(3,084)		(736)	(3,820)
Reclassifications and other	664	(4,816)	(707)	(4,859)
Effect of changes in scope	58,554		194	58,748
At 31 December 2010	**814,017**	**5,299**	**15,779**	**835,096**

Advances and downpayments recognised as intangible assets mainly comprise prepayments made under contractually agreed acquisitions of operating licences.

3.3. Periodic impairment testing

In accordance with IAS 36, the cash generating units were tested for impairment, including goodwill, intangible assets with an indefinite useful life and property, plant & equipment (see note 1.9). The tests did not reveal any impairment.

The main assumptions used in the final quarter of 2010 were:

- growth rate over 20 years: 3.0%, perpetual growth rate: 2.5%;
- discount rate: 7.0%;
- capex required to maintain the asset: 2.5% of revenue.

Some cash generating units may be sensitive to a hypothetical increase in the discount rate or growth rate.

A hypothetical change of 100 basis points in either rate would not lead to the recognition of an impairment loss.

3.4. Property, plant & equipment

3.4.1. Movements in property, plant & equipment including those in the course of construction

The following table shows the main items of property, plant and equipment, including those in the course of construction, and accumulated depreciation:

	31/12/2010			31/12/2009		
	Gross	Depr. Prov.	Net	Gross	Depr. Prov.	Net
Land	569,378	141	569,237	423,990	94	423,896
Buildings	1,065,985	198,769	867,216	887,574	168,199	719,375
Plant	136,786	58,698	78,088	125,318	46,734	78,584
Properties in course of construction	485,290	62	485,227	494,198	62	494,135
Other	65,200	34,523	30,677	58,470	30,075	28,395
Properties held for sale	(119,929)		(119,929)	(82,208)		(82,208)
Total	2,202,709	292,193	**1,910,517**	1,907,342	245,164	**1,662,177**

Depreciation is recognised in profit or loss under "Depreciation, amortisation and provisions".

Impairment losses are recognised in "Other non-recurring operating expense".

The following table shows movements in the net carrying amount of property, plant and equipment:

	Land	Buildings	Plant	Properties in course of construction	Other	Properties held for sale	Total
At 31 December 2008	**463,588**	**669,723**	**54,895**	**309,003**	**30,387**	**(49,085)**	**1,478,513**
Acquisitions	4,861	9,428	18,427	203,808	5,671		242,195
Change in fair value	(25,000)						(25,000)
Disposals	(30,693)	(19,086)	(1,005)	(83,222)	(6,439)		(140,445)
Depreciation	(14)	(21,370)	(11,061)		(2,178)		(34,623)
Reclassifications & other	(2,541)	47,813	16,386	(48,973)	91	(33,123)	(20,347)
Changes in scope	13,695	32,868	942	113,519	863		161,887
At 31 December 2009	**423,896**	**719,375**	**78,584**	**494,135**	**28,395**	**(82,208)**	**1,662,177**
Acquisitions	4,921	65,937	16,449	223,019	7,558		317,884
Change in fair value	58,070						58,070
Disposals	(127)	(6,208)	(889)	(114,935)	(1,434)		(123,593)
Depreciation	(31)	(25,914)	(13,388)		(3,119)		(42,452)
Reclassifications & other	58,547	70,307	(3,493)	(127,231)	(2,131)	(37,721)	(41,722)
Changes in scope	23,961	43,719	825	10,239	1,408		80,152
At 31 December 2010	**569,237**	**867,216**	**78,088**	**485,227**	**30,677**	**(119,929)**	**1,910,517**

The main movements in 2010 were due to capital expenditure required for the ongoing operation of facilities, investments in new facilities or extensions, acquisitions of properties through business combinations (€71 million in France) and acquisitions of properties in the course of construction.

3.4.2. Revaluation of operating properties

The impact of revaluing operating properties in accordance with IAS 16 was as follows:

Impact of IAS 16 measurement	
	31-Dec-10
Land	297,022
Buildings	57,781
Gross	354,803
Depreciation	(8,426)
Properties	**346,377**

The fair value of property assets amounted to €354.8 million at end 2010 compared with €296.7 million at end 2009, a rise of €58.1 million in gross value. The impact on equity for the year was €38.1 million after deducting €20.0 million in deferred taxes.

The corresponding tax, calculated at standard rates, amounted to €122.1 million.

The amount of additional depreciation arising as a result of the revaluation of buildings in 2010 was €1.6 million.

The average values of properties measured using the revaluation method were as follows:

Price per m² GLA (in €)	**31-Dec-10**	**31-Dec-09**
Paris	5,542	5,350
Inner Paris suburbs	3,762	3,360
Outer Paris suburbs and other major cities	2,608	2,500
Other	1,766	1,680

3.4.3. Finance leases

Property, plant and equipment financed by finance leases include the following assets at their gross value:

	31-Dec-10	31-Dec-09
Land	155,921	165,897
Buildings	472,719	424,328
Assets under finance leases	**628,640**	**590,225**

All finance leases are property leases.

Future minimum payments under finance leases are disclosed in note 3.24.

3.4.4. Operating leases

Operating lease payments are as follows:

	31-Dec-10	31-Dec-09
Lease payments	64,113	54,213
Total	**64,113**	**54,213**

Operating leases are almost exclusively comprised of renewable leases with fixed rents revisable mainly at fixed rates or in accordance with the INSEE construction cost index or the rate of revaluation of old age pensions.

Minimum future lease payments under operating leases are presented in note 3.22.

3.4.5. Investment property

The Group does not own any properties other than those used in its operations. Accordingly, IAS 40 – Investment Property does not apply.

3.5. Investments in associates and joint ventures

At 31 December 2010, investments in associates and joint ventures break down as follows:

Associates	Percentage ownership	Cost of interest acquired (€ 000)	Share of 2010 results recognised (€ 000)
SA F. Santé	49%	3,000	0
Medibelge Group	49%	25,658	0
SA G. Santé	49%	562	0
SA TCP DEV *	70%	490	(1,062)
Total		29,710	(1,062)

(*) Pursuant to a shareholders' agreement, Orpea does not have control of the company

As the acquisition of the equity interest in SA Medibelge took place on 31 December 2010, no results were included in the 2010 consolidated financial statements.

3.6. Non-current financial assets

Non-current financial assets break down as follows:

	31-Dec-10 Net	31-Dec-09 Net
Non-consolidated investments	877	1,042
Loans	9,979	8,436
Security deposits	4,319	4,260
Total	**15,176**	**13,738**

Non-consolidated investments are investments in companies whose business is not material in relation to that of the Group as a whole, and investments in mutual banks.

Security deposits comprise all types of deposit the Group might pay in the course of its operations.

3.7. Trade receivables

	31-Dec-10	31-Dec-09
Trade receivables	86,980	75,195
Total	**86,980**	**75,195**

The rise in trade receivables was due to the Group's strong growth.
Due to the nature of its activity, all trade receivables in France are due within one month.

3.8. Other assets, accruals and prepayments

	31-Dec-10	31-Dec-09
Development-related expenses	23,547	17,671
Receivables related to property disposals	45,966	14,929
Prepaid expenses on property developments	8,287	
VAT receivables	33,260	27,175
Advances and downpayments made	1,516	1,300
Other receivables	28,760	23,279
Supplier accounts in debit	9,493	4,691
Prepaid expenses on property developments	8,901	6,199
Total	**159,730**	**95,244**

Development-related assets mainly comprise amounts paid in connection with acquisitions of companies, operating licences for short-term or long-term care facilities, or the construction of new properties.

3.9. Assets held for sale

Assets held for sale are operating properties.

3.10. Equity

3.10.1. Share capital

	31-Dec-10	31-Dec-09
Number of shares authorised	42,352,795	38,847,172
Number of shares issued	42,352,795	38,847,172
Par value per share (€)	1.25	1.25
Share capital (€)	52,940,994	48,558,965
Treasury shares	27,321	27,192

On 31 July 2007, Orpea made a two for one stock split, thereby doubling the number of shares in issue.

On 20 October 2009, Orpea made a €2,400,000 capital increase by issuing 1,920,000 new shares.

On 31 December 2010, after acquiring a stake in Mediter and Medibelge, Orpea made a €4,376,154 capital increase by issuing 3,500,923 new shares.

Since 31 December 2008, the exercise of stock options has had the following impact on share capital and share premiums:

(in thousands of euros)	Number of shares	Share capital	Share premiums
Share capital at 31/12/2008	**36,902,772**	**46,128**	**24,194**
Exercise of options	24,400	31	25
Capital increase	1,920,000	2,400	57,968
Share capital at 31/12/2009	**38,847,172**	**48,559**	**82,187**
Exercise of options	4,700	6	22
Capital increase	3,500,923	4,376	109,303
Share capital at 31/12/2010	**42,352,795**	**52,941**	**191,512**

3.10.2. Earnings per share

Average weighted number of shares in issue

	31-Dec-10		31-Dec-09	
	Basic	Diluted	Basic	Diluted
Ordinary shares*	38,861,464	38,861,464	38,847,172	38,847,172
Stock options		65,398		77,300
Treasury shares	(27,257)	(27,257)	(27,192)	(27,192)
Exercise of share warrants		0		
Exercise of OCEANE bonds		178,395		
Weighted average number of shares	**38,834,207**	**39,078,000**	**38,819,980**	**38,897,280**

* Net of treasury shares in 2010

Earnings per share

(in euros)	**31-Dec-10**		**31-Dec-09**	
	Basic	Diluted	Basic	Diluted
Earnings per share	**1.71**	**1.70**	1.57	1.57

3.10.3. Dividends

At the annual general meeting of 25 June 2010, the shareholders approved a 2009 dividend of €0.15 per share making a total payout of €5,827,076, paid in September 2010.

3.10.4. Stock option plans

Under the third plan, 4,700 options were exercised during the year and 18,360 options were outstanding at 31 December 2010.

No stock options have been granted to anyone who was an executive officer on the date of grant.

In accordance with the principles set out in note 1.17, only the stock option plan granted in June 2003 has been subject to a valuation.

3.10.5. Share warrants

On 17 August 2009, Orpea made an issue of bonds with redeemable share warrants (OBSAAR), leading to the issuance of 1,190,787 share warrants exercisable from 14 August 2011 to 14 August 2015 inclusive and entitling the holder to subscribe for one Orpea share at a price of €37.90. The maximum dilutive effect is 3.23% of the share capital.

3.10.6. Treasury shares

At the annual general meeting of 30 June 2010, the shareholders authorised a share buyback programme to enable the company to ensure liquidity and make a market in the shares, optimise its capital management and grant shares to employees particularly through stock award plans.

On 29 December 2009, 68,420 shares were awarded to 1,975 Group employees.

At 31 December 2010, the Group held 27,321 treasury shares which were deducted from consolidated reserves in a total amount of €1,241 thousand.

3.11. Provisions

Provisions break down as follows:

(in thousands of euros)	01-Jan-09	Actuarial gains or losses	Reclassification	Charge for the year	Reversal in the year (used)	Reversal in the year (not used)	Change in scope and others	31-Dec-10
Liabilities and charges	18,934			4,627	(1,029)	(9,305)	4,752	17,980
Restructuring	8,708				(1,584)	(2,141)	900	5,883
Post-employment ben. obl.	14,970	1,946		2,232	(1,124)		409	18,433
Total	42,615	1,946	0	6,859	(3,737)	(11,446)	6,061	42,298

The resolution of disputes involving various property projects led to a €6.8 million reversal of provisions for liabilities and charges, recognised as non-recurring operating income.

At the year end, short-term provisions included €5,016 thousand in provisions for employment disputes and €1,759 thousand in restructuring provisions.

The provision for post-employment benefits breaks down as follows:

(in thousands of euros)	**31-Dec-10**	**31-Dec-09**
France	16,805	13,802
International	1,628	1,181
Total	**18,433**	**14,976**

Movements in the French post-employment benefit obligation break down as follows:

	31-Dec-10				**31-Dec-09**			
(in thousands of euros)	Present value of obligation	Provisions on balance sheet	Profit or loss	Equity	Present value of obligation	Provisions on balance sheet	Profit or loss	Equity
Opening	**13,806**	**(13,806)**			**11,422**	**(11,422)**		
Current service cost	929	(929)	(929)		635	(635)	(635)	
Interest cost	905	(905)	(905)		594	(594)	(594)	
Expected return on assets								
Employer's contributions								
Actuarial gains or losses	1,574	(1,574)		(1,574)	38	(38)		(38)
Benefits paid	(818)	818			(801)	801		
Changes in scope	409	(409)			1,918	(1,918)		
Closing	**16,805**	**(16,805)**	**(1,834)**	**(1,574)**	**13,806**	**(13,806)**	**(1,229)**	**(38)**

Movements in the International post-employment benefit obligation break down as follows:

	31-Dec-10				31-Dec-09			
(in thousands of euros)	Present value of obligation (*)	Provisions on balance sheet	Profit or loss	Equity	Present value of obligation (*)	Provisions on balance sheet	Profit or loss	Equity
Opening	**1,181**	**(1,181)**			**1,851**	**(1,851)**		
Current service cost	373	(373)	(373)		249	(249)	(249)	
Interest cost	179	(179)	(179)		194	(194)	(194)	
Expected return on assets	(170)	170	170		(183)	183	183	
Employer's contributions	(307)	307	307		(505)	505		
Actuarial gains or losses	372	(372)		(372)	(425)	425		425
Benefits paid								
Changes in scope								
Closing	**1,628**	**(1,628)**	**(75)**	**(372)**	**1,181**	**(1,181)**	**(260)**	**425**

(*) Net of plan assets

The main actuarial assumptions at 31 December 2010 were:

	31-Dec-10		31-Dec-09	
	France	International	France	International
Discount rate	4.09%	3.00%	4.65%	3.00%
Annual rate of salary increase taking account of inflation	3.50%	2.25%	3.50%	2.25%
Expected rate of return on plan assets	N/A	3.00%	N/A	3.00%
Retirement age	65	65	65	65
Social security rate	average actual rate		average actual rate	

The actuarial gains or losses recognised in equity arise from experience adjustments, particularly as regards assumptions on staff turnover, changes in financial assumptions (discount rate) and economic assumptions (annual salary increases), and new legislation introduced by the social security financing act.

At 31 December 2010, sensitivity of the French post-employment benefit obligation to a 0.5% increase in the discount rate was €984 thousand.

3.12. Financial liabilities and cash and cash equivalents

Net debt breaks down as follows:

(in thousands of euros)	Net 31 December 2010		Net 31 December 2009	
Property		**1,576,574**		**1,180,784**
Long-term bank borrowings	287,997		286,273	
Finance lease obligations	430,733		329,965	
Bond issues	382,374		209,120	
Bridging loans	475,470		355,426	
Other		**391,299**		**339,474**
Miscellaneous financial liabilities and debt	363,795		315,902	
Finance lease obligations	27,504		23,572	
Total gross debt (*)	**1,967,873**		**1,520,258**	
Cash	(73,899)		(107,237)	
Cash equivalents	(202,625)		(28,129)	
Total net debt (*)	**1,691,349**		**1,384,892**	

(*) Including liabilities associated with assets held for sale

The following table shows movements in financial liabilities in 2010:

(in thousands of euros)	31-Dec-09	Increase	Decrease	Changes in scope	**31-Dec-10**
Bond issues	209,120	173,254			**382,374**
Long-term property loans	286,274	12,719	(35,069)	24,073	**287,997**
Property finance leases	329,964	121,911	(27,274)	6,132	**430,733**
Property bridging loans	355,426	147,264	(27,220)		**475,470**
Non-property finance leases	23,572	11,731	(7,799)		**27,504**
Other debt and financial liabilities	315,902	36,568	(54,118)	65,443	**363,795**
Total gross debt (*)	1,520,258	503,447	(151,480)	95,648	**1,967,873**
Cash and cash equivalents	(135,366)	(141,158)			**(276,524)**
Total net debt (*)	1,384,892	362,289	(151,480)	95,648	**1,691,349**

(*) Including liabilities associated with assets held for sale

The following table shows a breakdown of net debt by maturity:

	31-Dec-10	Under one year (*)	One to five years	Over five years
Bond issue	382,374		209,120	173,254
Long-term property loans	287,997	101,155	137,303	49,539
Property finance leases	430,733	35,411	162,055	233,267
Property bridging loans	475,470	153,711	277,417	44,342
Non-property finance lease obligations	27,504	5,501	22,003	0
Other debt and financial liabilities	363,795	213,438	131,214	19,143
Total gross debt	**1,967,873**	509,215	939,112	519,546
Cash and cash equivalents	(276,524)	(276,524)		
Total net debt	**1,691,349**	232,691	939,112	519,546

(*) Including liabilities associated with assets held for sale

Debts maturing in more than one year and less than five years break down as follows:

	One to five years	2012	2013	2014	2015
Bond issues	209,120	41,824	41,824	62,736	62,736
Long-term property loans	137,303	37,405	34,494	35,408	29,996
Property finance leases	162,055	40,514	40,514	40,514	40,513
Property bridging loans	277,417	170,146	67,238	29,774	10,259
Non-property finance lease obligations	22,003	5,501	5,501	5,501	5,500
Other debt and financial liabilities	131,214	44,204	41,349	27,149	18,512
Total net debt by year of maturity	**939,112**	339,594	230,920	201,082	167,516

Financing policy

The Group's financing can be broken down into three categories:

- Financing operating properties through finance leases or bank loans repayable over a typical period of 12 years;

- Financing the acquisition of facilities, operating licences, etc., mainly through bank loans repayable predominantly over a period of 7 years;

- Financing properties recently acquired or in the course of redevelopment or construction through bridging loans.
Bridging loans comprise financing lines dedicated to a specific project and general bank credit lines. These properties are intended either to be sold to third parties or to be kept by the Group, in which case they are usually subsequently refinanced through finance leases.

The Group's expansion policy requires it to regularly obtain new bank credit facilities or sell properties to investors.

On the date of the Board meeting that approved the financial statements, the Group had unutilised medium and long-term credit facilities totalling €109 million (including €85 million in property finance leases).

Banking covenants

Most loans taken out by the Group, other than property finance leases, have been subject to the following contractually defined covenants since 31 December 2006:

- Net debt to EBITDA ratio:

$$R1 = \frac{\text{consolidated net debt (excluding property debt)}}{\text{consolidated EBITDA} - 6\% \text{ of property debt}}$$

- Gearing ratio restated for property:

$$R2 = \frac{\text{consolidated net debt}}{\text{equity} + \text{quasi equity (i.e. deferred tax liabilities arising on the revaluation of intangible assets in the consolidated financial statements)}}$$

At 31 December 2010, these ratios stood at 3.27 and 1.50 respectively, within the required limits of 5.5 for R1 and 2.0 for R2 at 31 December 2010.

Bonds

OBSAAR bond issue: In the second half of 2009, Orpea made an issue of bonds with redeemable warrants to subscribe for new or purchase existing shares (OBSAAR) in an amount of approximately €217 million or an IFRS net amount of €209 million. The share warrants attached to the bonds were measured at fair value and recognised in equity in the amount of €3 million.

The bonds are redeemable on the basis of 20% of the par value per year in 2012 and 2013 and 30% per year in 2014 and 2015. The coupon payable on the bonds is 3-month Euribor + 137 basis points excluding fees.

OCEANE bond issue: In the second half of 2010, Orpea issued 4,069,635 bonds convertible into new or existing shares (OCEANE) at a unit price of €44.23, representing a total of €180 million.

These bonds will be redeemed on 1 January 2016. The coupon payable on the bonds is 3.875% per year. The bonds may be converted into shares (one share for one bond) between 15 December 2010 and the seventh working day inclusive preceding the normal redemption date at a price of €44.23 per share.

Cash and cash equivalents

At end 2010, cash and cash equivalents comprised €202,625 thousand in short-term investments such as money-market mutual funds with first class financial institutions and €73,899 thousand in bank credit balances.

3.13. Financial instruments

3.13.1. Interest rate risk

Interest rate risk management strategy:

The Group's debt mainly comprises domestic debt at floating rates and is therefore exposed to the risk of an increase in short-term rates in the euro zone.

The Group's strategy consists of hedging three quarters of its current net debt against the risk of changes in interest rates. To do this, it uses fixed-rate loans or financial instruments to hedge its floating-rate debt. These financial instruments take the form of interest rate swaps under which it receives mainly 3-month Euribor and pays a fixed rate specific to each contract, and interest rate options (caps, collars etc.). These financial instruments are qualified as cash flow hedges in accordance with IAS 39. Unrealised gains and losses arising from the remeasurement at fair value of the effective portion of these hedges are recognised in equity at the year end.

Interest rate derivatives portfolio:

At 31 December 2009, the notional amount of the derivatives portfolio was €1,072 million, comprising fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options with a constant or decreasing nominal profile.

At 31 December 2010, the notional amount of the derivatives portfolio was €1,040 million, comprising fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options with a constant or decreasing nominal profile.

At the end of 2009, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2010	2011	2012	2013	2014
Average notional (€m)	1,033	938	766	344	93
Effective rate	3.4%	3.4%	3.5%	3.5%	2.9%

At the end of 2010, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2011	2012	2013	2014	2015
Average notional (€m)	1,043	1,158	1,005	738	364
Effective rate	3.3%	3.1%	2.9%	2.6%	2.5%

At 31 December 2009, fair value changes on these cash flow hedges accumulated in equity amounted to -€39.8 million.

At 31 December 2010, fair value changes on these cash flow hedges accumulated in equity amounted to -€37.0 million.

Analysis of sensitivity to changes in interest rates:

The impact of a +/- 1% change in interest rates on the Group's earnings stems from:

- the change in interest payable on floating-rate net debt;

- changes in the fair value of hedging instruments.

The fair value of hedging instruments is sensitive to changes in interest rates and in volatility, which is assumed to be constant in this analysis.

At 31 December 2010, net debt amounted to €1,691 million, of which about 15% was originally contracted at fixed rates, and the remainder at floating rates.

Taking account of the hedges:

- the impact of a 1% (100 basis points) rise in interest rates would increase the Group's financial expense by €5.2 million (before tax and capitalisation of financial expenses;

- the impact of a 0.2% (20 basis points given current interest rate levels) would reduce financial expense by €1.4 million.

Movement in cash flow hedging reserve:

(in thousands of euros)	31-Dec-10	31-Dec-09
Opening hedging reserve	(39,815)	(33,869)
Change in fair value during the period	(23,098)	(23,695)
Of which recognised in profit or loss	25,928	17,749
Sub-total	2,830	(5,946)
Closing hedging reserve	**(36,985)**	**(39,815)**

3.13.2. Value of financial assets excluding derivatives

(in thousands of euros)	31-Dec-10	31-Dec-09
Equity investments	877	1,042
Other non-current financial assets	14,299	12,696
Short-term investments	202,625	28,129
Financial assets excluding derivatives	**217,801**	**41,867**

3.14. Trade payables

	31-Dec-10 Net	31-Dec-09 Net
Trade payables	144,030	142,940
Total	**144,030**	142,941

3.15. Tax and payroll liabilities

The rise in tax and payroll liabilities is due to the Group's strong growth. This has led to an increase in the number of employees and an increase in VAT related to the Group's development projects.

3.16. Other liabilities, accruals and prepayments

	31-Dec-10 Net	31-Dec-09 Net
Development-related liabilities	40,142	18,595
Security deposits	24,929	19,851
Commitments to work on buildings sold	8,079	11,404
Client accounts in credit	4,294	4,331
Other prepaid income	5,361	5,503
Derivative financial instruments	34,876	40,331
Advances and downpayments received	8,044	6,154
Other	25,894	12,824
Total	**151,619**	**118,994**

Development-related liabilities include short-term advances to Mediter group companies made by the vendors in the sum of €29 million. In accordance with the agreements, these advances were 80% repaid in January 2011.

They also include €6 million in respect of the put option on the non-controlling interests granted to the vendors on 25 November 2010 and exercisable before 31 August 2013.

Security deposits mainly comprise the deposits paid by residents at the beginning of their stay.

3.17. Liabilities associated with assets held for sale

This item comprises the bank debt (bridging or repayment loans) that financed the acquisition of the assets held for sale.

3.18. Segment information

		31-Dec-10	31-Dec-09
Revenue			
France		846,601	739,186
Rest of Europe		117,633	104,135
	Total	**964,234**	**843,321**
EBITDA			
France		160,162	139,763
Rest of Europe		12,087	11,648
	Total	**172,249**	**151,411**
Depreciation, amortisation and impairment		(42,493)	(35,997)
Recurring operating profit		**129,756**	**115,414**
Assets			
France		3,545,914	2,711,494
Rest of Europe		334,136	349,695
	Total	**3,880,050**	**3,061,189**
Liabilities			
France		2,728,202	2,125,425
Rest of Europe		257,246	293,879
	Total	**2,985,447**	**2,419,304**

Amounts paid for the acquisition of segment assets are disclosed in note 2.2.

3.19. Other non-recurring operating income and expense

(in thousands of euros	31-Dec-10	31-Dec-09
Proceeds from property sales	156,039	169,607
Cost of properties sold	(126,810)	(145,846)
Provision reversal	11,636	3,590
Provision charge	(7,962)	(13,881)
Other income	13,657	35,081
Other expense	(25,237)	(29,416)
Total	**21,323**	19,135

This item mainly comprises:

- net gains on sales of property assets for €29.2 million;

- expenses connected with the redevelopment of facilities recently acquired through business combinations and other development-related expenses for €15.5 million;

- income and (expense) recognised on business combinations for €10.0 million.

3.20. Net finance cost

(in thousands of euros)	**31-Dec-10**	**31-Dec-09**
Interest on bank debt and other financial liabilities	(32,425)	(35,226)
Interest on finance leases	(9,159)	(11,425)
Net expense on interest rate derivatives	(25,928)	(17,747)
Financial expense	**(67,512)**	**(64,398)**
Capitalisation borrowing costs (*)	13,910	18,667
Interest income	855	63
Net income on interest rate derivatives		
Financial income	**14,765**	**18,730**
Net finance cost ……	**(52,747)**	**(45,668)**

(*) Calculated at an average rate of 4.5 % in 2010 versus 5.0 % in 2009 on facilities in the course of construction or redevelopment (see note 1.8)

3.21. Income tax expense

Orpea SA has elected for group tax relief with all subsidiaries that are more than 95%-owned. All subsidiaries that meet this condition are included in the tax consolidation group except for those acquired during 2010.

(in thousands of euros)	**31-Dec-10**	**31-Dec-09**
Current income taxes	20,585	13,500
Deferred income taxes	10,339	16,328
Total	**30,924**	29,828

The income tax charge for 2010 includes the *Contribution sur la Valeur Ajoutée des Entreprises* (CVAE) in the sum of €6,860 thousand.

Deferred taxes in 2009 included €7,875 thousand recognised in accordance with IAS 12 on depreciable property, plant & equipment and intangible assets of French entities subject to CVAE as of 1 January 2010.

Deferred taxes assets/(liabilities) break down as follows by type of temporary difference:

(in thousands of euros)	31-Dec-10	31-Dec-09
Fair value of intangible assets	(238,722)	(219,015)
Fair value of PPE (*)	(255,140)	(227,462)
Capitalisation of finance leases	(26,023)	(20,144)
Timing differences	(5,712)	(5,108)
Tax loss carryforwards	12,820	11,728
Deferral of capital gains	1,620	1,769
Employee benefits	5,908	5,124
CVAE deferred tax (**)	(7,694)	(7,875)
Financial instruments and other (***)	21,290	17,322
Total	**(491,653)**	(443,661)

(*) Including €122.1m related to the revaluation of properties (see note 1.8)

(**) Deferred tax recognised in accordance with IAS 12 on depreciable PPE and amortisable intangible assets of French companies liable for the new *cotisation sur la valeur ajoutée des entreprises* (CVAE) as of 1 January 2010.

(***) Including €8m of deferred tax relating to Mediter.

The deferred tax liability recognised in the balance sheet breaks down as follows:

(in thousands of euros)	31-Dec-10	31-Dec-09
Assets	12,820	11,728
Liabilities	(504,473)	(455,388)
Net	**(491,653)**	(443,661)

The difference between the theoretical tax rate, i.e. 34.43% in 2010, and the effective tax appearing in the income statement, breaks down as follows:

(in thousands in euros)	31.déc.10
Effective rate:	**31.79%**
- Permanent differences	2.90%
- Impact of business combinations	3.56%
- Impact of reduced tax rates	-0.02%
- Impact of companies accounted for at equity	-0.18%
- Other	0.81%
- *Cotisation sur la valeur ajoutée des entreprises* (CVAE)	-4.43%
Theorical rate	**34.43%**

Deferred taxes calculated on the fair value of intangible assets amounted to €238,722 thousand at 31 December 2010. These intangible assets are not held for sale.

3.22. Commitments and contingent liabilities

3.22.1. Off-balance sheet commitments

Debt-related commitments

Contractual commitments	31/12/2010	31/12/2009
Counter-indemnities on contracts	**0**	**0**
Receivables sold not yet matured	**0**	**0**
Collateral	**1,011,320**	**857,003**
Financing property assets	*285,228*	*283,505*
Non-property borrowings and financial liabilities	*276,147*	*228,254*
Finance leases	*449,945*	*345,244*
Guarantees	**5,088**	**5,088**
Related to property assets	*4,158*	*4,158*
Related to non-property borrowings and fin. liabs.	*930*	*930*
Related to finance leases		

Commitments relating to the Group's operations

Lease commitments

Minimum future lease payments on finance leases break down as follows at 31 December 2010:

	Minimum future payments
Under one year	41,249
One to five years	164,994
Over five years	225,277
Total	**431,520**

Operating lease commitments break down as follows at 31 December 2010:

	Minimum future payments
Under one year	64,113
One to five years	256,452
Over five years	448,791
Total	**769,356**

The Group mainly enters into leases with a non-cancellable period of twelve years.

Commitments related to individual training rights (DIF)

The law of 4 May 2004 on professional training introduced a system whereby employees can build up training rights to be used at their discretion with their employer's agreement. The minimum annual amount is 20 hours capped at a cumulative total of 120 hours.

At 31 December 2010, these training rights did not generate any additional costs as they are financed by reimbursements obtained under professional training contracts.
The expense is recognised as and when the hours are used.

Commitments relating to property construction projects

Property construction projects financed under finance leases on which lease payments had not begun at 31 December 2010 amounted to about €51.9 million.

Commitments relating to the scope of consolidation

At end 2010, conditional commitments to acquire facilities, operating licences and land amounted to €21.4 million.

The Group also has a call option on:

- 51% of F. Santé SA and G. Santé SA between 1 January 2014 and 30 June 2014;
- 51% of Medibelge as of 1 January 2013;
- 30% of TCP DEV SA as of 11 September 2013.

Commitments received

The Group has been given a pledge over land in Spain as collateral for a €2.2 million loan granted by Orpea SA.

Furthermore, under a heads of agreement entered into on 20 December 2010, ELC has undertaken to sell its residual 45.57% interest in Holding Mieux Vivre to Orpea SA subject to certain conditions granted in favour of Orpea.

3.22.2. Contingent liabilities

Management broadly believes that the provisions recognised on the balance sheet for known disputes involving the Group should be sufficient to avoid any substantial impact on the Group's financial position or results.

3.23. Analysis of financial assets and liabilities in accordance with IFRS 7

Financial assets and liabilities in accordance with IFRS 7 break down as follows:

(in thousands of euros)	Classification in balance sheet	Level (*)	Carrying amount		Fair value	
			31-Dec-10	**31-Dec-09**	**31-Dec-10**	**31-Dec-09**
HELD-TO-MATURITY ASSETS			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
LOANS AND RECEIVABLES			**147,245**	**101,857**	**147,245**	**101,857**
Short-term loans	Short-term loans					
Long-term loans	Other non-current financial assets	2	9,979	7,473	9,979	7,473
Receivables related to asset disposals	Short-term receivables related to asset disposals		45,966	14,929	45,966	14,929
Security deposits	Other non-current financial assets	2	4,319	4,260	4,319	4,260
Trade receivables	Trade receivables	2	86,980	75,195	86,980	75,195
AVAILABLE-FOR-SALE ASSETS			**202,625**	**28,129**	**202,625**	**28,129**
Equity interests	Other non-current financial assets					
Mutual funds	Cash and cash equivalents	1	202,625	28,129	202,625	28,129
Other						
FINANCIAL ASSETS AT FAIR VALUE			**0**	**0**	**0**	**0**
Interest rate derivatives						
Currency derivatives						
CASH	Cash and cash equivalents	1	**73,899**	**107,237**	**73,899**	**107,237**
FINANCIAL ASSETS			**423,769**	**237,223**	**423,769**	**237,223**

(*) Level 1: financial assets and liabilities quoted in active markets, where fair value is the quoted price.

(*) Level 2: financial assets and liabilities not quoted in active markets, where fair value is measured using valuation techniques for which all significant inputs are based on observable market data.

(*) Level 3: financial assets and liabilities not quoted in active markets, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

in thousands of euros	Classification in balance sheet	Level (*)	Carrying amount 31-Dec-10	Carrying amount 31-Dec-09	Fair value 31-Dec-10	Fair value 31-Dec-09
FINANCIAL LIABILITIES AT FAIR VALUE			**34,876**	**36,396**	**34,876**	**36,396**
Currency derivatives	Other liabilities					
Interest rate derivatives	Other liabilities	2	34,876	36,396	34,876	36,396
Other liabilities	Other liabilities					
FINANCIAL LIABILITIES AT AMORTISED COST			**2,107,584**	**1,660,373**	**2,107,584**	**1,660,373**
Bonds convertible, exchangeable or redeemable for shares	LT and ST financial liabilities					
Bank borrowings	LT and ST financial liabilities	2	1,133,850	850,819	1,133,850	850,819
Finance lease obligations	LT and ST financial liabilities	2	458,237	353,536	458,237	353,536
Other liabilities	LT and ST financial liabilities	2	375,786	315,902	375,786	315,902
Trade payables	Trade payables	2	139,711	140,116	139,711	140,116
TOTAL			**2,142,460**	**1,696,769**	**2,142,460**	**1,696,769**

(*) Level 1: financial assets and liabilities quoted in active markets, where fair value is the quoted price.
(*) Level 2: financial assets and liabilities not quoted in active markets, where fair value is measured using valuation techniques for which all significant inputs are based on observable market data.
(*) Leverl 3: financial assets and liabilities not quoted in active markets, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

3.24. Related party transactions

Associates and joint ventures

At 31 December 2010, the Group owned 49.4% of Société F. Santé through SARL 96, 49% of the Medibelge group, 49% of G. Santé SA and 70% of TCP DEV SA.

Advances granted to associates and joint ventures by the Orpea Group amounted to €8 million at 31 December 2010 and concern only TCP DEV.

Benefits granted to directors and executive officers

Gross compensation, fees inclusive of tax and benefits paid in 2010 to the executive officers of SA Orpea totalled €1.51 million compared with €1.83 million in 2009. Directors' fees paid to members of the Board of Directors amounted to €75 thousand in 2009.

There are no entitlements to termination benefits.

3.25. Employees

Movements in the average number of employees were as follows:

	31-Dec-10	31-Dec-09
Managers	1,715	1,558
Non-managers	19,794	17,764
Total	**21,509**	19,322

3.26. Statutory Auditors' fees

Expenses recognised in respect of fees paid to the Statutory Auditors for their services to the Group amounted to €2,335 thousand in 2010.

3.27. Subsequent events

The Group continued its expansion with the acquisition in France of four long-term care facilities totalling 201 beds and a psychiatric care facility in Italy with 147 beds.

Investments made up to 11 May 2011 when the Board of Directors approved the financial statements amounted to about €18 million.

The table below breaks shows investments made in 2011 by type and by country:

	Number of facilities	Number of beds	Number of sites	Number of buildings
France	4	201	2	2
International	1	147		
Italy	*1*	*147*		
Switzerland				
Belgium				
Spain				
Total	5	348	2	2

In addition, Orpea has signed a heads of agreement enabling it to acquire or have a subsidiary acquire the properties that are owned by Immobilière de Santé (subsidiary of ELC) and operated by the Mieux Vivre group (11 buildings wholly-owned including one under a finance lease, and several operating lots in 7 jointly-owned buildings).

3.28. Scope of consolidation at 31 December 2010

Consolidated companies Name	% control	% interest	Consolidation method
ORPEA SA	100.00%	100.00%	Parent
EURL LES MATINES	100.00%	100.00%	FC
SAS CLINEA	100.00%	100.00%	FC
SARL BEL AIR	100.00%	100.00%	FC
SCI ROUTE DES ECLUSES	100.00%	100.00%	FC
SCI DES RIVES D'OR	100.00%	100.00%	FC
SCI ORPEA DU CHÂTEAU NERAC	100.00%	100.00%	FC
SCI DE LA TOUR DE PUJOLS	100.00%	100.00%	FC
SCI DES RIVES DE LA CERISAIE	100.00%	100.00%	FC
SCI DU VAL DE SEINE	100.00%	100.00%	FC
SCI DU CLISCOUET	100.00%	100.00%	FC
SCI DES RESIDENCES DE L'AGE D'OR	100.00%	100.00%	FC
SCI GAMBETTA	100.00%	100.00%	FC
SCI CROIX ROUSSE	100.00%	100.00%	FC
SCI LES DORNETS	100.00%	100.00%	FC
SCI DU CHÂTEAU D'ANGLETERRE	100.00%	100.00%	FC
SCI MONTCHENOT	100.00%	100.00%	FC
SCI DU 115 RUE DE LA SANTE	100.00%	100.00%	FC
SCI L'ABBAYE VIRY	100.00%	100.00%	FC
SCI LES TAMARIS	100.00%	100.00%	FC
SCI DU 3 PASSAGE VICTOR MARCHAND	100.00%	100.00%	FC
SCI FAURIEL	100.00%	100.00%	FC
SCI DU PORT THUREAU	100.00%	100.00%	FC
SCI DE L'ABBAYE MOZAC	100.00%	100.00%	FC
SCI DE LA RUE DES MARAICHERS	100.00%	100.00%	FC
SCI LE BOSGUERARD	100.00%	100.00%	FC
SCI LE VALLON	100.00%	100.00%	FC
SCI BEL AIR	100.00%	100.00%	FC
SCI BREST LE LYS BLANC	100.00%	100.00%	FC
SCI SAINTE BRIGITTE	100.00%	100.00%	FC
SARL AMARMAU	100.00%	100.00%	FC
SARL VIVREA	100.00%	100.00%	FC
SARL NIORT 94	100.00%	100.00%	FC
SCI LES TREILLES	100.00%	100.00%	FC
SCI LES FAVIERES	100.00%	100.00%	FC
SA LES CHARMILLES	100.00%	100.00%	FC
SA BRIGE	100.00%	100.00%	FC
SRL ORPEA ITALIA	100.00%	100.00%	FC
SARL 96	100.00%	100.00%	FC
SARL SPI	100.00%	100.00%	FC
SARL 95	100.00%	100.00%	FC
SCI LA TALAUDIERE	100.00%	100.00%	FC
SCI SAINT PRIEST	100.00%	100.00%	FC
SCI BALBIGNY	100.00%	100.00%	FC
SCI SAINT JUST	100.00%	100.00%	FC
SCI CAUX	100.00%	100.00%	FC
SAS LA SAHARIENNE	100.00%	100.00%	FC
SCI IBO	100.00%	100.00%	FC
SARL ORPEA DEV	100.00%	100.00%	FC
SCI BEAULIEU	100.00%	100.00%	FC

Consolidated companies Name	% control	% interest	Consolidation method
SCI LES MAGNOLIAS	100.00%	100.00%	FC
SCI COURBEVOIE DE L'ARCHE	100.00%	100.00%	FC
SARL DOMEA	100.00%	100.00%	FC
SAS ORGANIS	100.00%	100.00%	FC
SARL MAISON DE LOUISE	100.00%	100.00%	FC
SARL GESSIMO	100.00%	100.00%	FC
SARL MAISON DE CAMILLE	100.00%	100.00%	FC
SARL MAISON DE LUCILE	100.00%	100.00%	FC
SARL MAISON DE SALOME	100.00%	100.00%	FC
SARL MAISON DE MATHIS	100.00%	100.00%	FC
SA DOMAINE CHURCHILL	100.00%	100.00%	FC
SA RS DOMAINE CHURCHILL	100.00%	100.00%	FC
SA LONGCHAMP LIBERTAS	100.00%	100.00%	FC
SL TRANSAC CONSULTING CO	100.00%	100.00%	FC
SARL LA VENITIE	100.00%	100.00%	FC
SA CASA MIA IMMOBILIARE	100.00%	100.00%	FC
SARL L'ALLOCHON	100.00%	100.00%	FC
SA CLINIQUE LA METAIRIE	100.00%	100.00%	FC
SCI KOD'S	100.00%	100.00%	FC
SCI BARBACANNE	100.00%	100.00%	FC
SA DOMAINE LONGCHAMP	100.00%	100.00%	FC
SARL LA BRETAGNE	100.00%	100.00%	FC
SCI SAINTES	100.00%	100.00%	FC
SARL ATRIUM	100.00%	100.00%	FC
SCI BARBARAS	100.00%	100.00%	FC
SARL GESTIHOME SENIOR	100.00%	100.00%	FC
SA CALIDAD RESIDENCIAL	100.00%	100.00%	FC
SCI SLIM	100.00%	100.00%	FC
SCI SELIKA	100.00%	100.00%	FC
SARL MAISON DE CHARLOTTE	100.00%	100.00%	FC
SAS RESIDENCE ST LUC	100.00%	100.00%	FC
SARL L'ERMITAGE	100.00%	100.00%	FC
SCI JEM II	100.00%	100.00%	FC
SARL REINE BELLEVUE	100.00%	100.00%	FC
SA ORPEA BELGIUM	100.00%	100.00%	FC
SASU LE VIGE	100.00%	100.00%	FC

Consolidated companies Name	% control	% interest	Consolidation method
SA GERONE CORP	100.00%	100.00%	FC
SL DINMORPEA	100.00%	100.00%	FC
SA CLINIQUE LA LIRONDE	100.00%	100.00%	FC
SAS CLINIQUE CHAMPVERT	100.00%	100.00%	FC
SAS CCR DU LAVARIN	100.00%	100.00%	FC
SARL LAGARDELLE SANTE	100.00%	100.00%	FC
SCI LES ANES	100.00%	100.00%	FC
SCI SPAGUY	100.00%	100.00%	FC
SCI LA DRONE	100.00%	100.00%	FC
SCI CHÂTEAU DE LA CHARDONNIERE	100.00%	100.00%	FC
SCI LA SALVATE	100.00%	100.00%	FC
SAS MAJA	100.00%	100.00%	FC
SCI DU CAROUX	100.00%	100.00%	FC
CLINEA ITALIA SPA	100.00%	100.00%	FC
SAS LA CLAIRIERE	100.00%	100.00%	FC
SRL CANTON DI MEZZO	100.00%	100.00%	FC
SARL ALTERNATIVE HOSPITALISATION	100.00%	100.00%	FC
SARL RESIDENCE LA CLAIRIERE	100.00%	100.00%	FC
SAS CHAMPVERT	100.00%	100.00%	FC
SA DAVER	100.00%	100.00%	FC
SA BORA	100.00%	100.00%	FC
SA GRAY	100.00%	100.00%	FC
SCI MANUJACQ	100.00%	100.00%	FC
SPRL RESIDENCE PARADIS	100.00%	100.00%	FC
SA JB VAN LINTHOUT	100.00%	100.00%	FC
SA VINTAGE CLASSICS INTERN	100.00%	100.00%	FC
SPA VILLA DI SALUTE	100.00%	100.00%	FC
SARL SOGIMOB	100.00%	100.00%	FC
ASSOC LANGUEDOCIENNE DE GERIATRIE	100.00%	100.00%	FC
SA PREMIER	100.00%	100.00%	FC
SC LES PRATICIENS DU GRAND PRE	100.00%	100.00%	FC
SAS MDR LA CHENERAIE	100.00%	100.00%	FC
SAS RESIDENCE DE LA CHENERAIE	100.00%	100.00%	FC
SCI DU 12 RUE DU FAUVET	100.00%	100.00%	FC
SCI HELIADES SANTE	100.00%	100.00%	FC
SA IMMOBILERE LEAU	100.00%	100.00%	FC
SARL 97	100.00%	100.00%	FC
SC CARDIOPIERRE	100.00%	100.00%	FC
SARL L'OMBRIERE	100.00%	100.00%	FC
SA RESIDENCE DU GRAND CHEMIN	100.00%	100.00%	FC
SA VILLERS SERVICES	100.00%	100.00%	FC
SA SENIORIE DE L'EPINETTE	100.00%	100.00%	FC
SA RESIDENCE SENIOR'S WESTLAND	100.00%	100.00%	FC
SA SENIOR'S WESTLAND HOLDING	100.00%	100.00%	FC
SARL IDF RESIDENCE RETRAITE LE SOPHORA	100.00%	100.00%	FC
SA EMCEJIDEY	100.00%	100.00%	FC
SCI DOUARNENEZ	100.00%	100.00%	FC
SA MAISON DE RETRAITE PAUL CEZANNE	100.00%	100.00%	FC
SCI SUPER AIX	100.00%	100.00%	FC
SARL MAISON DE RETRAITE LE SEQUOIA	100.00%	100.00%	FC
SARL MAISON D'OMBELINE	100.00%	100.00%	FC
SARL LA RETRAITE DU LEU	100.00%	100.00%	FC
SNC LES JARDINS D'ESCUDIE	100.00%	100.00%	FC

Consolidated companies Name	% control	% interest	Consolidation method
SA RESIDENCE DU MOULIN	100.00%	100.00%	FC
SARL RESIDENCE DU PARC	100.00%	100.00%	FC
SAS CARDEM	100.00%	100.00%	FC
SA ORPEA BELGIUM IMMOBILIER	100.00%	100.00%	FC
SA CARINA	100.00%	100.00%	FC
SA ODE HOLDING	100.00%	100.00%	FC
SA LES AMARANTES	100.00%	100.00%	FC
SA LES AMARANTES MULTI SERVICES	100.00%	100.00%	FC
SA PALACEA	100.00%	100.00%	FC
SA SAINT FRANCOIS	100.00%	100.00%	FC
SA LE THINES	100.00%	100.00%	FC
SA CHÂTEAU DE LA LYS	100.00%	100.00%	FC
AGRICOLA MEDITERRANEA	100.00%	100.00%	FC
SARL FRANCE DOYENNE DE SANTE	100.00%	100.00%	FC
SAS RESIDENCE KLARENE	100.00%	100.00%	FC
SNC BRECHET CFT ET CIE	100.00%	100.00%	FC
SAS RESIDENCE ONDINE	100.00%	100.00%	FC
SAS SFI France	100.00%	100.00%	FC
SAS SYLVINVEST	100.00%	100.00%	FC
SCI LES ORANGERS	100.00%	100.00%	FC
SA CHÂTEAU BEL AIR	100.00%	100.00%	FC
SA CLINIQUE L'EMERAUDE	100.00%	100.00%	FC
SAS HOTEL DE L'ESPERANCE	100.00%	100.00%	FC
SAS CLINIQUE BEAU SITE	100.00%	100.00%	FC
SAS LE CLOS DU ROY	100.00%	100.00%	FC
SCI DU MONT D'AURELLE	100.00%	100.00%	FC
SCI ANSI	100.00%	100.00%	FC
SARL REGINA RENOUVEAU	100.00%	100.00%	FC
SCI BRBT	100.00%	100.00%	FC
SNC MAISON ROSE	100.00%	100.00%	FC
SCI RUE DE LONDRES	100.00%	100.00%	FC
SCI CHÂTEAU DE LOOS	100.00%	100.00%	FC
SCI BERLAIMONT	100.00%	100.00%	FC
SARL MARC AURELLE IMMOBILIER	100.00%	100.00%	FC
SCI DU GRAND PARC	100.00%	100.00%	FC
SCI SEQUOIA	100.00%	100.00%	FC
SAS CLINIQUE MEDICALE LES OLIVIERS	100.00%	100.00%	FC
SNC ESPACE ADO BEL AIR	100.00%	100.00%	FC
SARL ST SULPICE	100.00%	100.00%	FC
SA CLINIQUE REGINA	100.00%	100.00%	FC
SARL CLINIQUE DU CHÂTEAU DE LOOS	100.00%	100.00%	FC
SARL LES COURTILS	100.00%	100.00%	FC
SAS LA CHAVANNERIE	100.00%	100.00%	FC
SCI DU JARDIN DES LYS	100.00%	100.00%	FC
SAS DOUCE France SANTE	100.00%	100.00%	FC
SARL RESIDENCE DU PARC DE BELLEJAME	100.00%	100.00%	FC
SCI BELLEJAME	100.00%	100.00%	FC
SARL RESIDENCE DE SAVIGNY	100.00%	100.00%	FC

Consolidated companies Name	% control	% interest	Consolidation method
SARL RESIDENCE LA PUYSAIE	100.00%	100.00%	FC
SAS CHÂTEAU DE VILLENIARD	100.00%	100.00%	FC
SA CLINIQUE DU CABIROL	100.00%	100.00%	FC
SARL RESIDENCE DE L'OASIS	100.00%	100.00%	FC
SARL RESIDENCE RENE LEGROS	100.00%	100.00%	FC
SAS MEX	100.00%	100.00%	FC
SNC MARGAUX PONY	100.00%	100.00%	FC
SNC THAN CO	100.00%	100.00%	FC
SARL LES VERGE D'ANNA	100.00%	100.00%	FC
SARL DFS IMMOBILIER	100.00%	100.00%	FC
SARL SOGIP	100.00%	100.00%	FC
SARL GUEROULT	100.00%	100.00%	FC
SARL RESIDENCE LES CEDRES	100.00%	100.00%	FC
SA LE VIEUX CHÂTEAU	100.00%	100.00%	FC
SAS CLINIQUE DE L'ISLE - LE MOULIN	100.00%	100.00%	FC
SAS PLACENETTE	100.00%	100.00%	FC
SCI LES CHESNAIES	100.00%	100.00%	FC
SAS AVI GESTION	100.00%	100.00%	FC
SPRL CHANTS D'OISEAUX	100.00%	100.00%	FC
SPRL ARIANE	100.00%	100.00%	FC
SAS ST HONORAT	100.00%	100.00%	FC
SAS HOME LA TOUR	100.00%	100.00%	FC
SARL LES OLIVIERS DE ST LAURENT	90.00%	90.00%	FC
SAS CENTRE GERONTOLOGIQUE DE TREIGNY	100.00%	100.00%	FC
SAS CENTRE GERONTOLOGIQUE	100.00%	100.00%	FC
SA L'HORIZON	100.00%	100.00%	FC
EURL CRF CLINEA LIVRY	100.00%	100.00%	FC
SAS CLINIQUE SAINT JOSEPH	50.00%	50.00%	FC
SARL ADC 09	100.00%	100.00%	FC
SAS CLINIQUE MARIGNY	50.00%	50.00%	FC
SAS SUD OUEST SANTE	50.00%	50.00%	FC
SCI LES OLIVIERS	100.00%	100.00%	FC
SCI PORTES D'AUXERRE WB	100.00%	100.00%	FC
SAS MAISON DE SANTE DE MARIGNY	50.00%	50.00%	FC
SA VERAN	100.00%	100.00%	FC
SA LFB	100.00%	100.00%	FC
SAS MEDITER	100.00%	100.00%	FC

Scope of consolidation of the Mediter group at 31 December 2010:

Consolidated companies Name	% control	% interest	Consolidation method
SAS MEDITER	100.00%	100.00%	Parent
SARL CLINIQUE DE SOINS DE SUITE LA SALETTE	100.00%	100.00%	FC
SAS LE CLOS ST SEBASTIEN	100.00%	100.00%	FC
SARL CUXAC	100.00%	100.00%	FC
SAS CLINIQUE DE LA RAVINE	100.00%	100.00%	FC
SAS MAISON DE RETRAITE LA JONCHERE	100.00%	100.00%	FC
SA INSTITUT HELIO MARIN DE LA COTE D'AZUR	100.00%	100.00%	FC
SAS CLINIQUE LES BRUYERE BROSVILLE	100.00%	100.00%	FC
SAS SESMAS	100.00%	100.00%	FC
SAS CLINIQUE PSYCHIATRIQUE DE SEINE ST DENIS	100.00%	100.00%	FC
SAS CLINIQUE DU HAUT CLUZEAU	100.00%	100.00%	FC
SAS CLINIQUE DU PARC DE BELLEVILLE	100.00%	100.00%	FC
SAS CLINIQUE DE SOINS DE SUITE DU BOIS GUILLAUME	100.00%	100.00%	FC
SAS CLINIQUE DE SOINS DE SUITE DE BELLOY EN FRANCE	100.00%	100.00%	FC
SA LA PINEDE	100.00%	100.00%	FC
SARL TREVISE	100.00%	100.00%	FC
SCI MEDITER FONCIER	100.00%	100.00%	FC
SAS MEDIPART	100.00%	100.00%	FC
SARL LA PASTORALE	100.00%	100.00%	FC
SAS CA SANTE	100.00%	100.00%	FC
SAS LAS PEYRERES	100.00%	100.00%	FC
SA HOLDING MIEUX VIVRE	50.00%	50.00%	FC
SAS LES PIVOINES	50.00%	50.00%	FC
SAS LE CLOS D'ARNOUVILLE	50.00%	50.00%	FC
SARL LE CLOS ST JACQUES	50.00%	50.00%	FC
SAS LE CLOS DE L'OSERAIE	50.00%	50.00%	FC
SAS RESIDENCE NOTRE DAME	50.00%	50.00%	FC
SA HOTEL DE RETRAITE PERIGORDIN	50.00%	50.00%	FC
SAS LE CLOS D'HEIMSBRUNN	50.00%	50.00%	FC
SAS LES GRADS PINS	50.00%	50.00%	FC
SAS LES LYS	50.00%	50.00%	FC
SAS LE CLOS D'ARVERT	50.00%	50.00%	FC
SAS BELLEVUE 33	50.00%	50.00%	FC
SAS MELODIE	50.00%	50.00%	FC
SARL ROGNAC RESIDENCE	50.00%	50.00%	FC
SARL LE CLOS DE BEAUVAISIS	50.00%	50.00%	FC
SAS BELLEVUE 95	50.00%	50.00%	FC
SAS CHÂTEAU DE MONS	50.00%	50.00%	FC
SAS LES JARDINS DE ROMILLY	50.00%	50.00%	FC
SARL MAISON ST MICHEL	50.00%	50.00%	FC
SAS CHÂTEAU DE CHAMPLATREUX	50.00%	50.00%	FC
SAS LES TILLEULS	50.00%	50.00%	FC
SARL LE CLOS THIERRY	50.00%	50.00%	FC
SARL LE CLOS PEUPLIERS	50.00%	50.00%	FC
SARL LE CLOS DE L'ILE DE MACE	50.00%	50.00%	FC
SAS LE CLOS D'ETRECHY	50.00%	50.00%	FC
SAS RESIDENCE DE L'ISLE	50.00%	50.00%	FC
SAS SOLEIL D'AUTOMNE	50.00%	50.00%	FC
SARL ARCHE	50.00%	50.00%	FC
SAS MONT GRIFFARD	50.00%	50.00%	FC

CHAPTER VI: Statutory financial statements at 31 December 2010

1 – STATUTORY AUDITORS' REPORT

This is a free translation into English of the statutory auditors' audit report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in such audit reports, whether qualified or not, that is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification of information in the group management report.
The statutory auditors' report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

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Orpea

Société anonyme

115, rue de la Santé
75013 Paris

Statutory Auditors' report

on the statutory financial statements

Year ended 31 December 2010

Dear Shareholders,

In our capacity as Statutory Auditors to the company, we hereby report to you, for the year ended 31 December 2010, on our audit of the accompany financial statements of Orpea SA, the basis for our assessments and the specific procedures and disclosures required by law.

These financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on those financial statements based on our audit.

I. Opinion on the statutory financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis or using other selective methods, evidence supporting the amounts and disclosures in the

statutory financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects the financial position and assets and liabilities of the company as at 31 December 2010 and the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

II . Basis for our assessments

As required by the provisions of article L. 823-9 of the French Commercial Code on the basis for our assessments, we draw your attention to the following matters:

- Note 1.2.1 of the notes to the statutory financial statements describes the accounting methods used to measure operating licences recognised as intangible assets;
- Note 1.2.3 of the notes to the statutory financial statements describes the accounting methods used to measure equity interests recognised as non-current financial assets.

As part of our overall assessment of the accounting policies used by the company, we assessed the appropriateness of the accounting methods described above and the disclosures provided in the notes to the statutory financial statements.

Our assessments of these matters formed an integral part of our audit of the statutory financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

III. Specific procedures and disclosures

We also performed the other procedures required by law in accordance with the professional standards applicable in France.

We have no matters to report regarding the fairness and consistency with the financial statements of the information given in the management report, and documents addressed to the shareholders with respect to the financial position and the financial statements.

As regards the information provided pursuant to the provisions of article L.225-102-1 of the French Commercial Code on remuneration and benefits paid to and commitments made to the directors and executive officers, we have verified that this information is consistent with the financial statements or the data used to prepare the financial statements, and, where applicable, the information obtained by your company from companies controlling it or controlled by it. Based on our work, we believe the information provided is true and fair.

As required by law, we also verified that the requisite disclosures concerning interests and controlling interests and the identity of holders of share capital and voting rights were made in the management report.

Paris and Neuilly-sur-Seine, 7 June 2011

The Statutory Auditors

Burband Klinger & Associés	Deloitte & Associés
Frédéric Burband	Henri Lejetté

2- STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED RELATED-PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of the statutory auditors' special report on regulated related-party agreements and commitments issued in the French language and is provided solely for the convenience of English speaking readers.
The statutory auditors' report includes information specifically required by French law in such reports. The statutory auditors' report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

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115, rue de la Santé
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Statutory Auditors' special report

on regulated related-party agreements and commitments

Annual general meeting held to approve the financial statements

for the year ended 31 December 2010

Dear Shareholders,

As statutory auditors to your company, we hereby present our report on regulated related-party agreements and commitments.

Our role is not to identify any undisclosed agreements and commitments but to report to you, based on the information provided to us, on the key terms and conditions of the agreements and commitments that have been notified to us without commenting on their relevance or substance. Under the provisions of article R.225-31 of the French Commercial Code, it is your responsibility to determine whether the agreements and commitments are appropriate and should be approved.

We are also required to report to you, where applicable, the information referred to in article R.225-31 of the French Commercial Code on the implementation during the year of agreements and commitments that have already been approved by you.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. Those procedures consisted of verifying the consistency of the information provided to us with the source documents.

Agreements and commitments subject to shareholder approval

Agreements and commitments authorised during the financial year

In accordance with article L.225-40 of the French Commercial Code, we have been advised of the following agreements which required the prior authorisation of the Board of Directors.

a. Debt write-offs

(Authorised on 31 December 2010)

Director concerned:

Jean-Claude Marian: in the capacity of director of Orpea Iberica (formerly Calidad Residential 2000).

Nature and purpose:

Debt write-off in favour of Orpea Iberica (wholly-owned Spanish subsidiary).

Terms and conditions:

The amount of debt written off is €485,000 in favour of Orpea Iberica.

Agreements and commitments already approved by the shareholders

Agreements and commitments authorised in prior years that remained valid in 2010

In accordance with the provisions of article L.225-30 of the French Commercial Code, we have been advised of the following agreements approved in prior years that remained valid in 2010.

a. Unemployment insurance

(Authorised on 29 June 2006)

Director concerned:

Yves Le Masne

Nature and purpose:

Unemployment insurance policy taken out on behalf of Yves Le Masne, the premiums for which are paid by the company.

Terms and conditions:

The amount of premiums paid by Orpea SA in respect of 2010 amounted to €1,796.

b. Legal and court assistance

Director concerned:

Alexandre Malbasa

Nature and purpose:

Litigation and pre-litigation assistance.

Terms and conditions:

Professional fees paid to Maître A. Malbasa during the year amounted to €31,908 excluding tax.

Paris and Neuilly-sur-Seine, 7 June 2011

The Statutory Auditors

Burband Klinger & Associés
Frédéric Burband

Deloitte & Associés
Henri Lejetté

3- FINANCIAL STATEMENTS OF ORPEA S.A. FOR THE YEAR ENDED 31 DECEMBER 2010

ORPEA S.A.

STATUTORY FINANCIAL STATEMENTS
31 December 2010

STATUTORY INCOME STATEMENT

(in euros)	31-Dec-10	31-Dec-09
- REVENUE	**409,332,636**	**380,391,749**
- Increase(decrease) in work in progress	(32,709,334)	(40,214,258)
- Other operating income	17,093,683	13,555,587
- Purchases and other external charges	131,691,699	118,627,740
- Taxes other than on profit	17,998,483	15,326,487
- Staff costs	192,907,121	172,986,711
- Depreciation, amortisation and provisions	10,735,272	9,228,773
- Other operating expense	3,432,674	2,711,438
OPERATING PROFIT	**36,951,737**	**34,851,930**
- Financial income	47,656,504	58,146,153
- Financial expense	71,529,402	63,152,374
NET FINANCE COST	**(23,872,898)**	**(5,006,221)**
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**13,078,838**	**29,845,709**
- Exceptional gain (loss)	(3,434,604)	(23,842,641)
- Employee profit sharing		
- Income tax	3,610,154	(931,447)
NET PROFIT	**6,034,080**	**6,934,516**

STATUTORY BALANCE SHEET

ASSETS (in euros)	31-Dec-10			31-Dec-09
	Gross	Depr., amort. and provisions	Net	Net
Non-current assets				
- Intangible assets	154,366,621	791,307	153,575,314	148,533,246
- Property, plant & equipment	184,620,479	67,202,763	117,417,716	88,393,958
- Financial assets	378,240,581	1,976,107	376,264,474	223,102,035
TOTAL NON-CURRENT ASSETS	**717,227,680**	**69,970,178**	**647,257,502**	**460,029,240**
Current assets				
- Inventories and work in progress	57,137,154	1,188,655	55,948,499	59,457,000
- Advances and downpayments made	1,474,515		1,474,515	1,341,055
Trade receivables	16,438,147	3,434,708	13,003,438	29,804,451
- Other receivables	822,792,348	1,241,542	821,550,806	697,975,825
- Marketable securities	185,426,795		185,426,795	25,692,476
- Cash	37,203,372		37,203,372	98,637,893
- Prepaid expenses	3,984,589		3,984,589	1,251,609
TOTAL CURRENT ASSETS	**1,124,456,921**	**5,864,907**	**1,118,592,014**	**914,160,309**
- Deferred charges		-	-	-
TOTAL ASSETS	**1,841,684,601**	**75,835,085**	**1,765,849,516**	**1,374,189,549**

EQUITY AND LIABILITIES (in euros)	31-Dec-10	31-Dec-09
Equity		
- Share capital	52,940,994	48,558,965
- Share premiums and reserves	197,711,556	88,039,591
- Retained earnings	36,214,697	35,453,983
- Net profit for the year	6,034,080	6,934,516
- Special tax-allowable reserves	880,741	221,867
TOTAL EQUITY	**293,782,068**	**179,208,922**
Provisions for liabilities and charges	4,601,507	9,977,710
Liabilities		
-Borrowings and financial liabilities	1,178,585,305	943,765,513
- Advances and downpayments received	2,499,902	1,723,782
- Trade payables	33,236,967	31,975,804
- Tax and payroll liabilities	55,064,478	48,885,769
- Other liabilities	176,734,267	150,126,604
- Prepaid income	21,345,023	8,525,446
TOTAL LIABILITIES	**1,467,465,941**	**1,185,002,918**
TOTAL EQUITY AND LIABILITIES	**1,765,849,516**	**1,374,189,549**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

I - ACCOUNTING PRINCIPLES, SIGNIFICANT EVENTS OF THE YEAR AND EVENTS AFTER THE BALANCE SHEET DATE

I.1 Accounting principles

The statutory financial statements have been prepared in accordance with the provisions of CRC regulation 99-03 since 1999, CRC regulation 00-06 since 1 January 2002 and CRC regulations 2002-10 and 2004-06 since 1 January 2005.

The following fundamental accounting concepts have been applied:

- Going concern;
- Consistency of accounting methods;
- Accruals basis.

The financial statements are prepared under the historical cost convention, with the exception of operating licences and equity interests that were revalued as a result of the merger operations in 1998.

I.2 Significant accounting policies

The significant accounting policies used are as follows:

I.2-1 Intangible assets

Intangible assets mainly comprise licences to operate long-term care facilities. They are tested annually for impairment, which consists in comparing their carrying amount with the higher of the following two values:

1) Value in use, which is determined by discounting the future cash flows expected to be generated from continued use of the assets.
The discount rate used is equal to the Orpea Group's weighted average cost of capital and the residual value is determined using a perpetual growth rate based on the growth outlook for the company in light of potential trends in its business sector;

2) Fair value less costs to sell.

If the carrying amount is higher than value in use or fair value less costs to sell, as applicable, an impairment loss is recognised for the difference.

Technical losses incurred on merging subsidiaries into the Company are recognised in intangible assets.
They are equal to unrealised gains on assets recognised or not in the subsidiary's financial statements less any liabilities not recognised in the subsidiary's financial statement in application of accounting principles, up to a maximum of the difference between the carrying amount of the interest previously held and the merged subsidiary's net assets.
They are allocated on a non-accounting basis to the assets transferred according to their actual estimated value.

Other intangible assets are amortised on a straight-line basis over a period of 1 to 5 years.

I.2-2 Property, plant and equipment

Property, plant and equipment, comprising land, buildings, fixtures and fittings, equipment and furnishings, are measured at acquisition cost (purchase price plus transaction costs), production cost or transfer value.

They are depreciated on a straight-line basis over the estimated useful life of each item or each significant part of an item where it comprises distinct parts with different useful lives, as follows:

- Buildings, fixtures and fittings: 12 to 60 years
- Plant and equipment: 3 to 10 years
- Other: 3 to 10 years

I.2-3 Investments in subsidiaries, other long-term equity interests and related receivables

This item comprises equity interests in subsidiaries and other companies.

In accordance with decree no. 2005-1702 of 28 December 2005, the company has elected to capitalise all transfer taxes, professional fees or commissions and other contract expenses related to the acquisition of equity interests in subsidiaries and other companies as part of the cost of the acquisition.

Expenses related to equity interests in subsidiaries are amortised on an accelerated basis for tax purposes over a period of 5 years.
Equity interests are measured at cost or transfer value.

An impairment loss is recognised if the value in use falls below the carrying amount.

Value in use is determined according to the investee company's net assets or an enterprise value calculated on the basis of:
- future cash flows expected to be generated by its continued operations;
- the disposal value net of costs to sell.

Impairment losses are also recognised in respect of related receivables where necessary.

I.2-4 Inventories and work in progress

This item includes various supplies, materials, small equipment and work in progress on property projects, which are measured at cost.

Property work in progress comprises land and construction in progress to support the Company's expansion and that of its subsidiaries.

Cost is equal to the purchase and/or production cost incurred in bringing the asset to its present condition and location. Production cost includes direct production costs and borrowing costs directly attributable to the production of the property asset.

Property development programmes are sold:
- either off-plan to third parties in a block or by lots;
- or to leasing organisations.

Revenue, construction costs and the corresponding margins are recognised in the income statement on the date of completion of the works.
Marketing costs directly attributable to the assets sold are accounted for as prepaid expenses during the construction period and expensed on the date of completion of the property.

Changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

An impairment loss is recognised when the value in use is lower than the face value.

I.2-5 Trade and other operating receivables

Receivables and liabilities are measured at their face value. Receivables are written down if their estimated fair value falls below their face value.

A provision for impairment is recognised when there is objective evidence that the company may be unable to recover the full amount on the original terms and conditions of the transaction. The age of a receivable and a debtor's habitual arrears are evidence of impairment.

Based on past experience, impairment rates are typically as follows:

- Receivables more than 6 months past due: 50% or less depending on the resident's financial position (guarantee, own assets, etc.)
- Receivables more than 1 year past due: 100% or less depending on the resident's financial position (guarantee, own assets, etc.)

However, impairment rates applied to receivables due from residents on social support are as follows:

- Receivables more than 2 years past due: 50%
- Receivables more than 3 years past due: 100%

I.2-6 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at bank and risk-free short-term investments in mutual funds.

I.2-7 Stock options, share warrants and share awards

Orpea has set up three stock option plans for some of its managers, only one of which was still in existence at 31 December 2010.

Pursuant to the authorisation granted at the annual general meeting of 29 June 2006, the Board of Directors awarded 68,430 free shares to 1,975 employees of the group (representing 0.16% of the current share capital). The beneficiaries have undertaken to hold these shares until at least 31 December 2010.

On 17 August 2009, the Company made an issue of bonds with redeemable warrants to subscribe for new or purchase existing shares (OBSAAR), leading to the issuance of 1,190,787 share warrants exercisable from 14 August 2011 to 14 August 2015 inclusive and entitling the holder to subscribe for one Orpea share at a price of €37.90. The maximum dilutive effect is 3.23% of the share capital.

I.2-8 Provisions

The Company recognises a provision when it has an obligation to a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and its amount can be estimated reliably.
If it is not probable but only possible that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably, it is recognised off-balance sheet as a contingent liability.

Provisions for employee-related disputes are estimated by the social affairs department depending on the risk incurred by the company and the stage of progress in any proceedings pending.

Provisions for tax disputes are estimated by the finance department after a full review of any tax audits in progress.

Where applicable, provisions may be recognised against various equity interests depending on the investee company's net assets and commitments to the Orpea at the year end.

Expenses related to equity interests in subsidiaries are amortised on an accelerated basis for tax purposes.

I.2-9 Financial liabilities

Financial liabilities are measured at their face value net of any associated transaction costs, which are recognised in the net finance cost.
If the future interest expense is hedged, the hedged liability is still measured at amortised cost.

Net debt comprises short and long-term financial liabilities and the market value on the balance sheet date of interest rate hedging instruments, less the value of cash and cash equivalents held on that date.

It includes property bridging loans which are bank loans allocated specifically to financing operating properties recently acquired or in the course of construction.

Borrowing costs are recognised as an expense in the period in which they are incurred, except for those directly attributable to the purchase, construction or production of an asset, which are capitalised in the cost of that asset.

I.2-10 Financial instruments and derivatives

The company's debt mainly comprises domestic debt at floating rates and is therefore exposed to the risk of an increase in short-term rates in the euro zone.

Under its risk management policy, the company uses derivative instruments such as swaps and interest rate options under which it receives Euribor and pays a fixed rate specific to each contract depending on the Euribor rate.

The purpose of these transactions is to convert floating rate debt into fixed debt in order to optimise the risk profile according to expected trends in interest rates.

In addition, derivative instruments either have a constant or a decreasing nominal profile.

During 2010, the company continued its interest rate risk management policy, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

At each year end, a provision is taken for unrealised losses on derivative instruments that do not qualify as hedges and changes in these provisions are recognised through profit or loss.

I.2-11 Revenue

Revenue mainly comprises:

1) Payment for accommodation and care services provided to residents, which is recognised when the service is provided.

The per diem rate is payable as follows:

- the "accommodation" component is paid by the resident;

- the "long-term care allowance" component is paid by the resident and the local authority (the per diem rate is set by the local authority depending on the level of care required and forecast expenses);

- the "medical care" component is paid by the regional health insurance fund (the per diem rate is set according to the level of care required and forecast expenses).

2) Proceeds from the disposal of properties built or developed by the company to third parties. Corresponding changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

I.2-12 Income tax

Orpea is the head of the tax consolidation group formed with subsidiaries that are at least 95%-owned.

Orpea, like each of the subsidiaries in the tax group, pays income tax calculated on its own earnings.

I.3 Significant events of the year

The company and its subsidiaries continued to expand during 2010, opening eight new facilities totalling about 789 beds following the completion of developments started in previous years, compared with three facilities totalling 260 beds in 2009.

Orpea and its subsidiaries also continued with their external growth policy with the acquisition of facilities in operation or at the proposal stage:

- acquisition of five facilities in France during the first half (two at Eysines, two at Crosne and one at St Saturnin les Avignon);

- acquisition of eight facilities in France during the second half (Talence, St Laurent du Var, Treigny, Auxerre, Perpignan, St Loup Camas and two at La Seyne sur Mer);

- acquisition of the Mediter Group and an equity interest in the Medibelge Group on 31 December 2010.

The Group also carried out ad hoc acquisitions - either directly or via companies - of standalone assets necessary for its expansion, comprising intangible property rights and operating properties.

On 31 December 2010, Orpea acquired a controlling interest in the Mediter and Mieux Vivre groups and a non-controlling interest in the Medibelge group. Part of the consideration was paid in new Orpea shares, leading to a €4,376,154 capital increase and a €113 million equity increase via the issuance of 3,500,923 new shares.

In the second half, Orpea made a €180 million issue of bonds convertible into new or existing shares (OCEANE).

I.4 – Events after the balance sheet date

Since 1 January 2011, the company has continued to expand in France with the acquisition of four long-term care homes (Moulin Neuf, Contes, Caromb and Mandres les Roses).

Furthermore, under a heads of agreement entered into on 20 December 2010, ELC has undertaken to sell its residual 45.57% interest in Holding Mieux Vivre to Orpea SA subject to certain conditions granted in favour of Orpea.

II – NOTES TO THE FINANCIAL STATEMENTS

N.B.: Amounts are expressed in euros unless expressly stated otherwise.

II.1 Balance sheet

II .1-1 Intangible assets and property, plant & equipment

Intangible assets:

Movements in gross intangible assets:

Gross value	Opening balance	Increase	Reclassification	Decrease	Mergers	Closing balance
Concessions, patents	689,446	653,876				1,343,321
Goodwill	138,346,868	4,343,799			3,155,490	145,846,155
Other	1,939,142	1,423,823		294,590		3,068,370
Downpayments	8,120,832	600,090	3,500,000	1,112,147		4,108,775
Total	149,096,286	7,021,587	3,500,000	1,406,737	3,155,490	154,366,621

Movements in amortisation of gross intangible assets:

Amortisation	Opening balance	Increase	Decrease	Mergers	Closing balance
Concessions, patents	237,347	143,881			381,228
Goodwill	0				0
Other	325,692	84,385			410,077
Downpayments	0				0
Total	563,040	228,267	0	0	791,307

Property, plant and equipment:

Movements in gross property, plant & equipment:

Gross value	Opening balance	Increase	Decrease	Reclassification	Mergers	Closing balance
Land	2,065,945	568,000	1,096			2,632,849
Buildings	93,338,683	7,714,946	1,079,617	5,064,655	805,943	105,844,608
Plant & equipment	23,534,445	5,474,339	15,796	486,859	59,843	29,539,690
Vehicles	290,018	22,895	24,738			288,175
PPE in progress	6,406,069	28,564,710	7,808,448	(5,553,734)	94,367	21,702,965
Other	21,248,981	4,168,017	883,207	2,220	76,196	24,612,205
Total	146,884,141	46,512,904	9,812,901	0	1,036,348	184,620,479

Movements in depreciation of gross property, plant & equipment:

Depreciation	Opening balance	Increase	Decrease	Mergers	Closing balance
Land	89,274	24,710			113,983
Buildings	29,325,740	4,386,683	72,332	332,486	33,972,578
Plant & equipment	16,458,675	2,518,840	803	23,819	19,000,532
Vehicles	196,723	28130	3,347		221,508
Other	12,419,765	1,405,753		68,643	13,894,163
Total	58,490,183	8,364,118	76,482	424,948	67,202,763

Financial assets:

Movements in gross financial assets:

Gross value	Opening balance	Increase	Decrease	Mergers	Closing balance
Equity interests	216,817,627	156,579,129	422,503	(3,665,763)	369,308,491
Loans	5,433,992	583,133		5,714	6,022,839
Security deposits	2,826,523	14,299,052	14,237,489	21,165	2,909,251
Total	225,078,142	171,461,313	14,659,992	(3,638,884)	378,240,581

Loans and other financial assets break down as follows:

	31/12/2010	Under 1 year	Over 1 year
Loans	6,022,840	26,491	5,996,349
Security deposits	2,083,257	2,083,257	
Treasury shares	825,993	825,993	
Total	8,932,090	2,935,741	5,996,349

On 29 June 2006, the shareholders authorised a share buyback programme to enable the company to ensure liquidity and make a market in the shares, optimise its capital management and grant shares to employees particularly through stock award plans. 23,745 treasury shares were held under the programme at 31 December 2010.

Movements in provisions against financial assets:

Provisions	Opening balance	Increase	Decrease	Mergers	Closing balance
Equity interests	1,950,000				1,950,000
Loans	26,107				26,107
Total	1,976,107	0	0	0	1,976,107

II . 1 – 2 List of subsidiaries and other equity interests

Company	Share capital	2010 reserves and retained earnings	Number of shares held	% of share capital held	Previous year's net profit	2010 equity	2010 carrying amount of shares	
							Gross	Net
SCI Route des Ecluses	303,374	1,099,811	300,340	99%	120,914	1,524,098	303,374	303,374
SCI Les Rives d'Or	1,524	1,027,540	1,509	99%	152,460	1,181,524	933,755	933,755
SCI du Château	1,524	1,163,481	1,509	99%	239,211	1,404,217	1,353,340	1,353,340
SCI Tour Pujols	1,524	584,748	1,509	99%	224,213	810,485	1,364,795	1,364,795
SCI La Cerisaie	1,524	1,412,268	1,509	99%	158,235	1,572,028	47,224	47,224
SCI Val de Seine	1,524	1,811,633	1,509	99%	(1,914,193)	(101,035)	711,307	711,307
SCI Cliscouet	1,524	306,605	1,509	99%	80,937	389,066	1,494	1,494
SCI Age d'Or	2,549,161	7,409,373	2,523,669	99%	811,796	10,770,330	6,234,540	6,234,540
SCI Gambetta	1,524	3,118,804	1,509	99%	372,606	3,492,935	1,509	1,509
SCI Croix Rousse	1,524	3,296,991	1,522	99%	450,840	3,749,355	1,509	1,509
SCI Les Dornets	1,524	44,487	1,522	99%	221,209	267,220	1,494	1,494
SCI Château d'Angleterre	1,646	114,413	1,631	99%	651,252	767,312	1,763,577	1,763,577
SCI Montchenot	1,524	9,389,621	1,509	99%	289,400	9,680,546	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	7,641,321	1,372	90%	1,112,731	8,755,577	1,372	1,372
SCI Abbaye	1,524	(1,669,497)	1,372	90%	103,578	(1,564,394)	344,410	344,410
SCI Les Tamaris	1,524	559,692	1,509	99%	126,407	687,623	1,357	1,357
SCI Passage Victor Marchand	1,524	1,942,320	1,509	99%	529,321	2,473,166	1,509	1,509
SCI Fauriel	1,524	(2,440,120)	1,509	99%	(1,867,431)	(4,306,027)	1,618,841	1,618,841
SCI Port Thureau	1,524	462,003	1,509	99%	136,151	599,678	63,708	63,708
SCI de l'Abbaye	1,524	(664,693)	1,509	99%	168,588	(494,581)	1,509	1,509
SCI Les Maraichers	1,524	(47,631)	1,509	99%	139,198	93,091	99,595	99,595
SCI Bosguerard	1,524	437,758	1,509	99%	78,672	517,955	1,274,306	1,274,306
SCI Le Vallon	1,524	3,164,044	1,372	90%	565,921	3,731,489	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	(8,066,389)	717	47%	(368,712)	(8,433,577)	717	717
SCI Bel Air	1,524	844,402	1,509	99%	(93,077)	752,850	335,837	335,837
SAS CLINEA	6,511,863	53,187,588	6,511,863	100%	6,385,890	66,085,341	16,358,818	16,358,818
SARL Les Matines	7,622	(125,377)	7,622	100%	(900,973)	(1,018,728)	7,622	7,622
SARL Bel Air	1,265,327	1,242,720	1,265,327	100%	254,708	2,762,755	840,604	840,604
SARL Amarmau	7,622	(659,293)	7,622	100%	(79,352)	(731,023)	7,622	7,622
SARL 94 Niort	7,700	6,571,634	7,700	100%	1,584,052	8,163,385	7,700	7,700
SARL 95	7,700	(267,817)	7,700	100%	(50,708)	(310,825)	7,700	7,700
SCI Sainte Brigitte	1,525	(511,565)	1,524	100%	(21,622)	(531,662)	1,524	1,524
SARL VIVREA	150,000	(720,250)	150,000	100%	11,884	(558,366)	150,000	150,000
SA LES CHARMILLES	76,225	2,307,597	74,701	98%	420,357	2,804,179	3,092,517	3,092,517
SCI KOD'S	22,650	225,600	22,650	100%	57,883	306,133	68,017	68,017
SARL LA BRETAGNE	277,457	(1,282,495)	277,457	100%	74,856	(930,182)	11,300	11,300
SARL RESIDENCE LA VENITIE	13,300	(32,003)	13,300	100%	(972)	(19,675)	744,999	744,999
SARL L'ATRIUM	7,622	(763,937)	7,622	100%	(100,603)	(856,918)	985,140	985,140
SARL GESTIHOME SENIOR	400	(3,738)	400	100%	(686)	(4,024)	410,849	410,849
SARL MAISON DE CHARLOTT	7,500	(1,444,581)	7,500	100%	(4,996)	(1,442,077)	2,703,650	2,703,650
SA BRIGE	1,200,000	(3,301,299)	1,200,000	100%	(393,383)	(2,494,682)	670,000	670,000
SRLORPEA ITALIA	850,000	104,482	850,000	100%	(1,454,980)	(500,498)	682,862	682,862
SCI LES TREILLES	15,245	1,909,820	15,243	99.99%	52,354	1,977,419	2,363,698	2,363,698
SARL L'ALLOCHON	3,049	553,777	3,049	100%	49,522	606,348	6,111,550	6,111,550
SCI LES MAGNOLIAS	1,525	(50,445)	1,510	99%	(1,121,121)	(1,170,041)	1,510	1,510
SCI Courbevoie de l'Arche	1,525	(960,163)	1,509	99%	(398,680)	(1,357,318)	1,509	1,509
SCI le Barbaras	182,939	975,547	182,939	100%	282,974	1,441,460	821	821
SARL DOMEA	100,000	(79,176)	100,000	100%	(19,161)	1,663	100,000	100,000

SARL 96	7,700	1,596,718	7,700	100%	757,927	2,362,345	6,930	6,930
SCI BEAULIEU	3,049	(10,648)	3,049	100%	(457)	(8,056)	30,490	30,490
SAS LA SAHARIENNE	1,365,263	(480,864)	1,365,263	100%	(146,732)	737,667	5,712,440	5,712,440
SARL ORPEA DEV	100,000	778,670	100,000	100%	(858)	877,812	100,000	100,000
SAS ORGANIS	37,000	(1,191,588)	37,000	100%	252,106	(902,482)	11,775,946	9,825,946
GRUPO CARE	63,921	516,903	63,921	100%	(994,993)	(414,169)	17,878,321	17,878,321
DINMORPEA	5,000	355,215	5,000	100%	11,816	372,031	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	(3,073,242)	20,000,000	100%	636,337	17,563,095	17,646,819	17,646,819
Belgique	31,500,000	(12,475,500)	500,000	2%	1,346,279	20,370,779	15,339,179	15,339,179
SA DOMAINE DE CHURCHILL	65,000	11,221,515	65,000	100%	8,342	11,294,857	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,000	12,303,266	6,500	10%	(286,748)	12,081,518	1,414,449	1,414,449
SA LONGCHAMPS LIBERTAS	90,000	(9,638)	90,000	100%	287,879	368,241	554,719	554,719
SA RS DOMAINE DE CHURCHI	265,000	(4,339)	265,000	100%	64,976	325,637	3,075,311	3,075,311
TRANSAC CONSULTING CORP	3,009	(9,002)	3,009	100%	0	(5,993)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	(2,656,027)	37,200	100%	(139,154)	(2,757,981)	2,644,007	2,644,007
SAS Cardem	38,200	(190,863)	38,200	100%	164,814	12,151	548,300	548,300
SARL L'Ermitage (Contes)	7,622	(234,319)	7,622	100%	(4,511)	(231,208)	625,858	625,858
SARL Avigestion	2,000	(710,896)	2,000	100%	754,049	45,153	4,564,990	4,564,990
SARL Benian	1,000	(1,825)	200	20%	(688)	(1,513)	300,200	300,200
SCI JEM II	152	171,926	137	90%	56,781	228,859	883,500	883,500
SARL Reine Bellevue	6,000	803,142	6,000	100%	(5,006)	804,136	3,370,835	3,370,835
SARL La Doyenne de Santé	8,000	(30,663)	4,000	50%	(11,534)	(34,197)	1,267,425	1,267,425
SASU Le Vige	37,126	(273,546)	37,126	100%	(414,963)	(651,383)	1,350,000	1,350,000
SA Gerone	710,000	(188,742)	710,000	100%	(11,378)	509,880	2,982,451	2,982,451
SCI Douarnenez	1,500	26,354	1,500	100%	(2,065,522)	(2,037,667)	1,485	1,485
SCI Barbacane	1,524	595,162	15	1%	240,442	837,128	15	15
SCI Selika	10,671	4,178,748	15	0.14%	1,533,325	5,722,744	15	15
SCI SLIM	762	408,244	762	100%	76,892	485,898	1,830	1,830
SCI SAINTES BA	1,524	1,096,662	15	1%	849,358	1,947,544	15	15
SCI Les Anes	1,000	(33,509)	1	0.10%	(2,192)	(34,701)	1	1
SARL L'Ombrière	8,000	(605,027)	8,000	100%	(27,787)	(624,814)	822,027	822,027
SAS MDR La Cheneraie	254,220	(559,066)	3,991	2%	(49,755)	(354,601)	146,044	146,044
SARL IDF resid Ret.Le Sophora	7,622	(82,068)	762	10%	(238,708)	(313,154)	80,000	80,000
SA Paul Cezanne	60,980	703,220	60,980	100%	(759,805)	4,395	8,443,331	8,443,331
SARL Le Sequoia	7,622	(519,570)	7,622	100%	(203,082)	(715,030)	2,439,120	2,439,120
SNC les Jardins d'Escudie	100,000	(2,029,434)	100,000	100%	(438,928)	(2,368,362)	824,310	824,310
SA Résidence du Moulin	38,112	(632,342)	38,112	100%	(191,814)	(786,044)	2,100,466	2,100,466
SC Les Praticiens	87,600	(3,627)	876	1%	601	84,574	67,009	67,009
SAS Résidence La cheneraie	2,537,040	709,416	2,537,040	100%	79,577	3,326,033	7,324,746	7,324,746
SA EMCEJIDEY	293,400	328,527	293,400	100%	(8,508)	613,419	4,419,887	4,419,887
SARL Résidence du Parc	18,560	(12,937)	18,560	100%	(5,213)	410	5,810	5,810
SCI du Fauvet	1,524	(261,400)	152	10%	(78,135)	(338,010)	68,306	68,306
OPCI	400,000	0	80,000	20%	0	400,000	479,732	479,732
SAS Résidence Klarene	21,600	192,367	21,600	100%	169,618	383,585	3,032,766	3,032,766
SAS Résidence Ondine	11,420	35,351	11,420	100%	160,233	207,004	3,079,479	3,079,479
SAS SFI France	4,000,000	(4,998,543)	4,000,000	100%	(398,860)	(1,397,399)	23,305,520	23,305,520
SCI Ansi	22,867	162,331	2,287	0.1%	91,112	276,310	40,399	40,399
SARL St Sulpice	1,000	0	1,000	100%	924	1,924	1,000	1,000
SARL Viteal les Cedres	50,000	(88,524)	50,000	100%	(292,741)	(331,265)	85,039	85,039
SA Le Vieux Château	50,000	(513,331)	50,000	100%	(267,595)	(730,926)	629,728	629,728
SAS Saint Honorat	40,000	224,564	40,000	100%	85,074	349,638	2,846,939	2,846,939
SAS Home La Tour	40,600	(116,724)	40,600	100%	(109,028)	(185,153)	2,869,328	2,869,328
SARL Les Oliviers Saint Laurent	3,000	(1,496)	3,000	90%	(2,386)	(882)	2,179,500	2,179,500
SAS Centre Gerontologique de T	10,000	1,080	10,000	100%	139,680	150,760	840,000	840,000
SAS Centre Gerontologique	15,700	2	15,700	100%	15,846	31,547	2,694,000	2,694,000
SA Horizon	393,880	39,427	393,880	100%	466,589	899,896	10,036,801	10,036,801
SCI Portes D'Auxerre WB	30,000	(20,215)	3,000	1%	(21,961)	(12,176)	15,694	15,694
Mediter Group	3,500,000	24,388,934	3,500,000	100%	(3,546,377)	24,342,557	129,000,000	129,000,000
						0		
Other securities						0	19,478	19,478
Other securities (access)						0	261,286	261,286
Total							**369,308,491**	**367,358,491**

II . 1 – 3 Inventories and work in progress

	Gross 31/12/10	Impairment 31/12/10	Net 31/12/10	Net 31/12/09
Small equipment and supplies	1,070,920		1,070,920	1,068,767
Property work in progress	56,066,234	1,188,655	54,877,579	58,388,233
Total	57,137,154	1,188,655	55,948,499	59,457,000

Property work in progress amounted to €54,877,579 including €5,984,674 in borrowing costs paid during the construction period (€10,135,709 in 2009), calculated at an average rate of 4.53% (4.94% in 2009).

Property project	Net 31/12/10 (€K)
Alençon	4,457
Viry	3,511
Toulouse	368
Joinville	3,721
Tours	11,848
Villers Allerand	5,481
Ste Maxime	5,655
Courbevoie	812
Amiens	681
Carcassonne	3,987
Biganos	629
Nice villa foch	601
Montpellier	3,189
Toulouse III	432
St Quentin	1,098
Paris Chaillot	766
Paris les Musiciens	900
Mérignac	731
St Rémy	611
St Raphaèl	469
Marseille chartreux	582
Other facilities	4,349
Total	54,878

II . 1 – 4 Receivables

	Gross 31/12/2010	Provisions 31/12/2010	Net 31/12/2010	Net 31/12/2009
Trade receivables	16,438,147	3,434,708	13,003,438	29,804,451
Tax and payroll receivables	16,228,369		16,228,369	16,722,382
Intragroup and shareholders	765,053,830		765,053,830	657,538,880
Other	41,510,149	1,241,542	40,268,606	23,714,562
Total	839,230,495	4,676,250	834,554,244	727,780,276

All receivables are due in less than one year.

Movements in provisions for impairment of financial assets:

	Opening balance	Provision charge	Provision reversal (used)	Provision reversal (unused)	Mergers	Closing balance
Trade receivables	3,027,919	1,447,596	244,211	812,023	15,427	3,434,708
Other receivables	1,335,250	2,829		99,878	3,341	1,241,542
Total	4,363,169	1,450,425	244,211	911,901	18,768	4,676,250

II . 1 – 5 Marketable securities

Carrying amount	31/12/2009	Acquisitions	Disposals	Provisions	Merger	31/12/2010
Mutual funds (1)	25,572,657	191,585,158	31,850,758	0	0	185,307,055
Treasury shares reserved for employees	119,740					119,740
(number)	(3,586)					(3,586)

(1) No impairment losses were recognised against marketable securities as their fair value was higher than their carrying amount

II . 1 – 6 Composition of the share capital

(in thousands of euros)	Number of shares issued	Share capital	Share premium and reserves	Retained earnings	Net profit for the period	Special tax-allowable reserves	Dividends	Total equity
At 31/12/2008	*36,902,772*	**46,128,465**	**29,791,143**	**34,287,095**	**5,112,806**	**0**	**0**	**115,319,508**
Appropriation of net profit			255,640	1,166,888	(5,112,806)		3,690,278	0
Stock option plans	*24,400*	30,500	24,522					55,022
Cap. increase 20/09/09	*1,920,000*	2,400,000	57,968,286					60,368,286
Dividends							(3,690,278)	(3,690,278)
Special tax-allowable reserves						221,867		221,867
2009 net profit					6,934,516			6,934,516
At 31/12/2009	*38,847,172*	**48,558,965**	**88,039,591**	**35,453,983**	**6,934,516**	**221,867**	**0**	**179,208,922**
Appropriation of net profit			346,726	760,714	(6,934,516)		5,827,076	0
Stock option plans	*4,700*	5,875	21,832					27,707
Cap. increase 31/12/10	*3,500,923*	4,376,154	109,303,407 (1)					113,679,561
Dividends							(5,827,076)	(5,827,076)
Special tax-allowable reserves						658,873		658,873
2010 net profit					6,034,080			6,034,080
At 31/12/2010	*42,352,795*	**52,940,994**	**197,711,556**	**36,214,697**	**6,034,080**	**880,741**	**0**	**293,782,068**

'(1) Net of costs of €100,438

The share capital at the year end was €52,940,993 divided into 42,352,795 shares each with a par value of €1.25.

On 31 December 2010, Orpea issued 3,500,923 new shares resulting in a capital increase of €4,376,154, contributing €113 million to the total consideration for its acquisition of an interest in the Mediter and Medibelge groups.

On 17 August 2009, Orpea made an issue of bonds with redeemable share warrants (OBSAAR) leading to the issuance of 1,190,787 share warrants exercisable from 14 August 2011 to 14 August 2015 inclusive and entitling the holder to subscribe for one Orpea share at a price of €37.90. The maximum dilutive effect is 3.23% of the share capital.

The company has set up the following stock option plans:

Stock option plan		2000 plan	2001 plan
Number of shares at outset		897,648	320,000
Options exercised			
	in 2005	586,330	
	in 2006	100,844	
	in 2007	50,876	220,001
	in 2008	57,678	21,359
	in 2009	0	24,400
	In 2010		
Total		795,728	265,760
Options outstanding		101,920	54,240

Lastly, at the annual general meeting of 25 June 2010, the shareholders approved a 2009 dividend of €0.15 per share making a total payout of €5,827,076, paid in September 2010.

II . 1 – 7 Provisions

	Opening balance	Charge for the year	Reversal (used)	Reversal (not used)	Mergers	Closing balance
Equity interests	221,867	760,193	101,319			880,741
Special tax-allowable reserves	**221,867**	**760,193**	**101,319**	**0**	**0**	**880,741**
Employment disputes	2,034,790	864,523	154,401	528,361		2,216,551
Risks on equity interests	2,849,420		2,849,420			0
Financial instruments	0					0
Non-conversion of convertible bonds	0					0
Other	5,093,500	1,325,000	118,564	3,914,981		2,384,955
Provisions for liabilities and charges	**9,977,710**	**2,189,523**	**3,122,385**	**4,443,342**	**0**	**4,601,507**
Total	**10,199,577**	**2,949,715**	**3,223,704**	**4,443,342**	**0**	**5,482,248**

The main movements during the year arose from provisions for debt write-offs granted to foreign subsidiaries (€2,849 thousand), a reversal of provisions for a property development project (€3,915 thousand) and a provision against the loan in Spain (€1,125 thousand).

II . 1 - 8 Liabilities

	31/12/2010	31/12/2010	31/12/2009	31/12/2009
Borrowings and financial liabilities	1,178,585,305		943,765,513	
Under one year		*373,619,805*		*352,932,835*
1 to 5 years		*604,386,419*		*495,368,107*
Over 5 years		*200,579,084*		*95,464,571*
Trade payables	33,236,967		31,975,804	
Under one year		*33,236,967*		*31,975,804*
1 to 5 years				
Over 5 years				
Tax and social security liabilities	55,064,478		48,885,770	
Under one year		*55,064,478*		*48,885,770*
1 to 5 years				
Over 5 years				
Intragroup and shareholders	146,490,575		127,285,531	
Under one year		*146,490,575*		*127,285,531*
1 to 5 years				
Over 5 years				
Other liabilities	51,588,715		22,841,074	
Under one year		*34,091,693*		*6,788,587*
1 to 5 years		*17,497,022*		*16,052,487*
Over 5 years				
Total	1,464,966,040	1,464,966,044	1,174,753,690	1,174,753,690

Loans contracted during the year amounted to €246,945 thousand and loans repaid to €58,090 thousand.

Borrowings and financial liabilities

Orpea Group's financing policy

Financing requirements have increased as a result of the Group's strong growth momentum. Orpea not only finances its own expansion operations, but also those of its subsidiaries, and principally Clinea.

Property-related borrowings are loans contracted to finance the construction, acquisition or renovation of properties.

Bonds

OBSAAR bond issue: During the second half of 2009, Orpea issued bonds with redeemable warrants to subscribe for new or purchase existing shares (OBSAAR) for a total par value of €217 million.
The bonds are redeemable on the basis of 20% of the par value per year in 2012 and 2013 and 30% per year in 2014 and 2015. The coupon payable on the bonds is 3-month Euribor + 137 basis points excluding fees.

OCEANE bond issue: In the second half of 2010, Orpea issued 4,069,635 bonds convertible into new or existing shares (OCEANE) at a unit price of €44.23, representing a total of €180 million.

These bonds will be redeemed on 1 January 2016. The coupon payable on the bonds is 3.875% per year. The bonds may be converted into shares (one share for one bond) between 15 December 2010 and the seventh working day inclusive preceding the normal redemption date at a price of €44.23 per share.

Banking covenants

Most loans taken out by the company are subject to the following financial ratios, assessed on a group level:

$$R1 = \frac{\text{consolidated net debt (excluding property debt)}}{\text{consolidated EBITDA - 6\% of property debt}}$$

Gearing ratio restated for property:

$$R2 = \frac{\text{consolidated net debt}}{\text{equity + quasi equity}}$$

At 31 December 2010, these ratios stood at 3.27 and 1.50 respectively, within the required limits of 5.5 for R1 and 2.0 for R2.

II . 1 – 9 financial instruments

At 31 December 2010, the notional amount of the derivatives portfolio was €1,040 million compared with €1,072 million at 31 December 2009, comprising fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options with a constant or decreasing nominal profile. These derivative financial instruments all qualify for hedge accounting in accordance with article 372-2 of the French General Chart of Accounts.

At the end of 2010, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2011	2012	2013	2014	2015
Average notional	1,033	1,148	1,004	738	364
Effective rate	3.3%	3.1%	2.9%	2.6%	2.5%

At the end of 2009, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2010	2011	2012	2013	2014
Average notional	1,033	938	766	344	93
Effective rate	3.4%	3.4%	3.5%	3.5%	2.9%

The fair value of hedging instruments at 31 December 2010, i.e. -€37 million, is not recognised on the balance sheet date but recorded symmetrically with the hedged items at the maturity of each contract.
At 31 December 2009, the fair value amounted to - €39.8 million.

II . 1 - 10 Other

Accrued expenses

	31/12/2010	31/12/2009
Borrowings and financial liabilities	3,162,474	2,205,008
Trade payables	12,806,332	14,057,382
Tax and payroll liabilities	21,021,180	15,442,930
Total	**36,989,988**	**31,705,320**

Accrued income

	31/12/2010	31/12/2009
Trade receivables	4,021,284	3,515,997
Other receivables	7,623,273	5,432,813
Total	**11,644,557**	**8,948,810**

Prepaid expenses

	31/12/2010	31/12/2009
Operating	2,859,499	615,171
Financial	1,125,090	636,438
Exceptional		0
Total	**3,984,589**	**1,251,609**

This item includes €2,222 thousand in marketing fees for the Sainte Maxime off-plan property development programme.

Prepaid income

	31/12/2010	31/12/2009
Operating	21,345,023	8,525,446
Total	**21,345,023**	**8,525,446**

This item comprises prepaid income in respect of property work in an amount of €17,604 thousand and the portion of care allowances received yet to be allocated to future expenses in an amount of €3,741 thousand.

II . 1 – 11 Information on related parties

ENTITY	Other receivables	Other payables	Other financial income	Financial expense	Dividends
Wholly-owned subsidiaries	765,053,830	146,490,575	27,165,925	4,656,583	
Other subsidiaries	542,000	2,000,000	542,000	100,000	

II . 2 INCOME STATEMENT

II . 2 – 1 Revenue

	31/12/2010	31/12/2009
Care facility operations	377,573,378	338,835,956
Sales of property assets	31,759,258	41,555,793
Total	409,332,636	380,391,749

II . 2 – 2 Operating income

	31/12/2010	31/12/2009
Care facility operations	377,573,378	338,835,956
Revenue from operating activities	**377,573,378**	**338,835,956**
Sale of property assets	31,759,258	41,555,793
Decrease in work in progress	(32,709,334)	(40,214,258)
Revenue from property activities	**(950,077)**	**1,341,535**
Work capitalised	4,716,831	5,182,349
Operating subsidies	293,628	152,799
Provision reversal and expense transfer	12,023,467	8,196,241
Other income	59,757	24,198
Other operating income	**17,093,683**	**13,555,587**
Total revenue	**393,716,985**	**353,733,079**

II . 2 – 3 Net finance cost

	31/12/2010	31/12/2009
Interest on bank debt and other financial expense	(22,794,984)	(25,407,746)
OBSAAR bond issue expenses	0	(4,359,746)
OCEANE bond issue expenses	(3,283,863)	
Net expense on debt write-offs	(1,206,000)	(2,849,419)
Net expense on financial instruments	(23,248,215)	(18,112,848)
Other expense	(194,053)	(15,238)
Income from equity interests	28	16,731,874
Net income from intragroup current accounts	22,509,342	23,718,400
Capitalised borrowing costs	2,446,879	4,664,439
Net proceeds from disposal of marketable securities	106,313	11,309
Other financial income	1,791,656	122,752
Net finance cost	**(23,872,898)**	**(5,496,220)**

II . 2 – 4 Exceptional items

		31/12/2010		31/12/2009
Exceptional gains		14,178,675		15,933,483
Operating activities	*487,018*		*(20,543,767)*	
Capital transactions	*9,423,593*		*32,738,888*	
Provision reversals and expense transfers	*4,268,064*		*3,738,361*	
Exceptional losses		17,613,279		39,776,124
Operating activities	*5,711,176*		*8,905,695*	
Capital transactions	*9,656,068*		*26,441,549*	
Exceptional depr., amort. and provisions	*2,246,035*		*4,428,880*	
Net exceptional loss		**(3,434,604)**		**(23,842,641)**

	31/12/2010	**31/12/2009**
Gains or losses on property disposals	(256,195)	7,871,062
Restructuring and development costs	(4,977,091)	(5,932,100)
Merger losses	0	(21,480,866)
Provisions for sundry receivables	2,680,158	(2,506,106)
Provisions for treasury shares	0	404,728
Accelerated tax depreciation	(658,874)	(221,867)
Other adjustments	(222,602)	(1,977,491)
Net exceptional loss	**(3,434,604)**	**(23,842,641)**

II . 2 – 5 Income tax

As head of the Orpea tax consolidation group, Orpea calculates the tax payable on the group's taxable income.
The tax group has no further tax loss carryforwards, although a few subsidiaries have tax losses that can be set against their own taxable profits.

At 31 December 2010, the Orpea tax group's aggregate net profit amounted to €27,359,942 including Orpea SA's tax benefit of €4,036,985 in its capacity as "member company".

As provided for under the group tax relief agreement, each subsidiary is responsible for paying its own income tax and contributions on taxable profits and capital gains, offset where applicable against any tax credits on tax loss carryforwards.

The tax charge recognised in Orpea SA's financial statements amounts to €3,610,154, broken down as follows:

	Before tax	Tax	After tax
Profit on ordinary activities	13,078,838	6,476,623	6,602,215
Exceptional items	(3,434,604)	(2,866,469)	(568,135)
Taxable profit	9,644,234	3,610,154	6,034,080

Timing differences between the tax treatment and accounting treatment of various transactions are likely to affect the future tax liability as follows:

- Add-backs to be made in future years:
  - Tax deferred unrealised gains on purchased goodwill arising as a result of mergers: €43,560 thousand
  - Tax deferred unrealised gains on securities arising as a result of mergers: €19,021 thousand
  - Gain on leasehold rights deferred over 15 years: €369 thousand

- Deductions to be made in future years:
  - Organic social security organisation: €656 thousand
  - Unrealised gain on mutual funds: €49 thousand
  - Provisions for loss-making contracts: €96 thousand

II . 2 – 6 Expense transfer

	31/12/2010	31/12/2009
Restructuring cost	3,252,642	2,003,031
Captalised expenses	3,683,942	1,304,669
Insurance reimbursements	271,074	152,168
Incapacity and disability reimbursements	1,412,976	1,155,455
Training reimbursements	1,534,301	1,575,127
Sickness reimbursements	162,858	160,408
Other		152,877
Borrowing costs on property projects	2,446,879	4,664,439
Exceptional costs on share awards	0	1,636,031
Total	**12,764,672**	**12,804,205**

III – FINANCIAL COMMITMENTS AND OTHER INFORMATION

III.1 Off-balance sheet commitments

Debt-related commitments

Financial commitments

Contractual commitments (in €K)	31/12/2010	31/12/2009
Counter-indemnities on contracts		
Receivables sold not yet matured (Dailly discounting)		
Collateral	260,538	168,856
Guarantees	93,856	93,856
Total	354,394	262,712

Contractual commitments (in €K)	31/12/2010	Payments due by maturity		
		Under 1 year	1 to 5 years	Over 5 years
Long-term debt	1,178,585	373,620	604,386	200,579
Finance lease obligations	38,796	10,227	25,676	2,893
Operating lease obligations				
Irrevocable purchase commitments				
Other long-term commitments				
Total	1,217,381	383,847	630,062	203,472

Lease commitments

	Property finance leases	Other finance leases
Value at inception	31,463,093	44,418,278
Lease payments for the period	1,980,475	7,750,227
Cumulative lease payments in prior years	12,408,413	17,026,740
Theoretical depreciation for the period	639,010	3,344,804
Cumulative depreciation in prior periods	4,360,878	7,103,965
Lease payments outstanding - under 1 year	1,982,524	8,244,063
Lease payments outstanding - 1 to 5 years	7,930,095	17,746,051
Lease payments outstanding - over 5 years	2,893,436	0
Repurchase value	13,721,142	0

Commitments to employees

The amount of employee retirement benefit obligations, determined using a projected unit credit method, amounted to €5,154 thousand in 2010 compared with €4,193 thousand at end 2009.

The main actuarial assumptions at 31 December 2010 were:
- rate of salary increase: 3.5% taking account of inflation;
- discount rate: 4.09%;
- retirement age: 65 years;
- social security contribution rate: same as 2009.

The amount paid by the company in retirement benefits amounted to €131,745 in 2010.

There were no material commitments in respect of long-service awards.

Commitments related to individual training rights (DIF)

The law of 4 May 2004 on professional training introduced a system whereby employees can build up training rights to be used at their discretion with their employer's agreement. The minimum annual amount is 20 hours capped at a cumulative total of 120 hours.

At 31 December 2010, these training rights did not generate any additional costs as they are financed by reimbursements obtained under professional training contracts. The expense is recognised as and when the hours are used.

Other commitments

In 2002, Orpea granted its subsidiary, SA Clinique du Docteur Courjon, a debt write-off of €1,915,487 with a claw-back condition.

At end 2010, conditional commitments to acquire facilities, operating licences and land amounted to approximately €15 million.

III.2 internal restructuring

In order to simplify its legal structure, the subsidiary SA Le Château Saint Valéry was merged into the Company at the year end by way of a transfer of all its assets and liabilities.

The subsidiary's various assets and liabilities were taken over and accounted for by Orpea at 31 December 2010.

This transaction gave rise to a merger loss of €2,759,123 allocated to intangible assets.

III.3 EMPLOYEES

At 31 December 2010, full-time equivalents employed by Orpea SA were as follows:

	31/12/2010	31/12/2009
Managers	450	399
Non-managers	5,013	4,714
Total	5,463	5,113

III.4 – STATUTORY AUDITORS' FEES

Professional fees paid to the statutory auditors in 2010 amounted to €1,921 thousand.

III.5 BENEFITS GRANTED TO DIRECTORS AND EXECUTIVE OFFICERS

Gross compensation, fees inclusive of tax and benefits paid in 2010 to the executive officers of Orpea SA totalled €765 thousand compared with €850 thousand in 2009.

Directors' fees paid to members of the Board of Directors amounted to €75,000 in 2010.

No commitment has been made to either the Chairman and Chief Executive Officer or the Chief Operating Officer in respect of termination benefits or non-compete benefits .

They have no specific supplemental pension entitlements (article 39 regulations).

CHAPTER VII: DOCUMENTS FOR THE ANNUAL GENERAL MEETING OF 30 JUNE 2011

1. REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS

Please find below a brief explanation of the reasons for each of the proposed resolutions. The full text of these resolutions is attached to this report.

I- APPROVAL OF THE STATUTORY AND CONSOLIDATED FINANCIAL STATEMENTS - APPROPRIATION OF NET EARNINGS - RATIFICATION OF DIRECTORS' ACTS (1ST, 2ND, 3RD AND 4TH RESOLUTIONS)

The first two resolutions deal with the approval of Orpea's statutory (1st resolution) and consolidated (2nd resolution) financial statements. The statutory and consolidated financial statements for the year ended 31 December 2010 are analysed in the management report included in the 2010 registration document filed with the Autorité des Marchés Financiers (AMF) and made available to you in accordance with the provisions of the laws and regulations, in particular on Orpea's website (www.orpea.com).

Orpea's 2010 statutory financial statements show a net profit of €6,034,079 compared with €6,934,516 the previous year.

The 2010 consolidated financial statements show a net profit of €66,937,000 compared with €61,137,509 the previous year.

We are seeking your approval of these financial statements.

In the third resolution, we are seeking your approval to appropriate net profit for the year as follows:

- Net profit:	€6,034,079
Transfer to the statutory reserve:	€301,704
- Balance:	€5,732,375
Plus retained earnings:	€36,214,697
Total available for distribution:	€41,947,072
Payment of a dividend of €0.23 for each of the 42,352,795 shares comprising the share capital at 1 January 2011:	€9,741,142.85
- Balance to retained earnings:	€32,205,929.15

Private shareholders are entitled to claim 40% tax relief on their dividends in accordance with article 243bis of the French General Tax Code.

If the resolution is passed, the dividend will be paid on 15 September 2011.

We are seeking power, with the ability to sub-delegate, to determine the total amount of the dividend payout and the resulting balance to be transferred to retained earnings, particularly in light of the

number of shares held by the company on the dividend payment date, and to deduct from retained earnings the sums required to pay the dividend in respect of any shares issued upon the exercise of stock options between 1 January 2011 and the dividend payment date.

In the fourth resolution, we are seeking ratification of the directors' acts during the year ended December 2010.

II .- APPROVAL OF RELATED-PARTY AGREEMENTS (5TH RESOLUTION)

The fifth resolution deals with related-party agreements governed by article L.225-38 of the French Commercial Code.

These agreements are subject to a special report by the statutory auditors, which also summarises any agreements approved in prior years and still valid during 2010.

The special report is included in the 2010 Registration Document filed with the AMF and made available to you in accordance with the provisions of the laws and regulations, and in particular on Orpea's website (www.orpea.com).

III- RE-ELECTION OF DIRECTORS AND ELECTION OF A NEW DIRECTOR (6TH, 7TH, 8TH AND 9TH RESOLUTIONS).

Dr. Jean-Claude Marian, Brigitte Michel and Alexandre Malbasa are due to stand for re-election at the annual general meeting held to approve the financial statements for the year ended 31 December 2010. We would remind you that Yves Le Masne is due to stand for re-election at the annual general meeting to be held in 2012 to approve the financial statements for the year ending 31 December 2011.

We also remind you that in accordance with the company's articles of association directors serve a term of six years. In the 29th resolution, we are proposing to amend the Company's articles of association to reduce the directors' term from six to four years, as recommended in the AFEP-MEDEF code, and to stagger the terms of those directors re-elected at this annual general meeting for two, three and four years to avoid a block re-election.

Should you pass the 29th resolution, the decision will apply immediately and will bring Yves Le Masne's term of office to an end.

Consequently, subject to the 29th resolution being passed, we are seeking the re-election of:

- Dr Jean-Claude Marian and Yves Le Masne as directors for a term of four years, ending at the conclusion of the annual general meeting to be held in 2015 to approve the financial statements for the year ending 2014;
- Brigitte Michel and Alexandre Malbasa as directors for a term of two years, ending at the conclusion of the annual general meeting to be held in 2013 to approve the financial statements for the year ending 2012.

In addition, we are seeking to strengthen the Board of Directors by electing Jean-Patrick Fortlacroix as a new director for a term of three 3 years, ending at the conclusion of the annual general meeting to be held in 2014 to approve the financial statements for the year ending 2013. Mr Fortlacroix will bring the Board the benefit of his accounting and financial experience and knowledge, particularly in the long and short term care sector.

Should you decide not to pass the 29th resolution, Dr. Jean-Claude Marian, Brigitte Michel, Alexandre Malbasa and Jean-Patrick Fortlacroix will be elected for a term of six years ending at the conclusion of the annual general meeting to be held in 2017 to approve the financial statements for the year ending 2016, and Yves Le Masne will continue in office until the end of his term, which ends at the conclusion of the annual general meeting to be held in 2012 to approve the financial statements for the year ending 2011.

Résumés for Dr. Jean-Claude Marian, Brigitte Michel, Alexandre Malbasa and Jean-Patrick Fortlacroix are attached to this report.

IV- AUTHORITY FOR THE COMPANY TO TRADE IN ITS OWN SHARES AND TO CANCEL TREASURY SHARES (*12TH AND 13TH RESOLUTIONS – ORDINARY AND EXTRAORDINARY BUSINESS)*

The 12th resolution is seeking renewal of the Board's annual authorisation to purchase Orpea shares. The Company needs to be able to trade in its owns shares at all times.

We are therefore asking you to renew our authorisation to purchase shares of the Company within the limits set by you and in accordance with the provisions of the law.

1) Purpose of programme

The purpose of the share buyback programme is:

a) to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the Autorité des Marchés Financiers;

b) to allot all or some of the shares purchased to employees and/or officers of the Company and/or the Group under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, share award plans or employee share ownership plans;

c) to allot shares upon the exercise of securities giving rights to shares of the Company by way of conversion, exercise, redemption, exchange or otherwise, in accordance with stock market regulations;

d) to cancel the shares under the terms and conditions set out in the French Commercial Code, subject to the extraordinary resolution seeking authority to cancel the shares being passed at the annual general meeting;

e) to keep all or some of the shares purchased to tender as payment for future acquisitions or any other transaction that may be authorised by the regulations in force;

f) to implement any market practices that may be authorised by law or by the Autorité des Marchés Financiers.

The shares purchased and kept by Orpea will be stripped of their voting rights and will not be entitled to dividend payments.

2) Maximum percentage of share capital, maximum number and type of securities, maximum purchase price

- Maximum percentage of share capital that may be held: 10% of the Company's share capital held on the date of the transaction (i.e. 4,235,279 shares at 31 December 2010) to take

account of any capital increases or reductions made during the life of the programme. The number of shares used to calculate the percentage held is the number of shares purchased less any shares sold during the life of the programme for liquidity purposes.

- Maximum purchase price: €50
- Maximum amount of the programme: €211,763,950
- Taking account of the 20,328 shares held directly by Orpea at 28 February 2011, the maximum number of shares that may be purchased is currently 4,214,951 (9.95% of the share capital), making a total amount of €210,747,550.
- Terms and conditions: shares may be purchased, sold, transferred or exchanged by all means on or off the market, including block trades, bearing in mind that the proposed resolution does not limit the amount of the programme that may be used to make block purchases.

The Company may use this authorisation and continue its buyback programme in the event of a public offer for the shares of the Company in compliance with article 232-15 of the AMF's General Regulation: even during a public offer, it is important that the Company can continue to meet its commitments, particularly with regard to purposes b) and c) above.

3) Life of programme

This programme will be valid for a period of 18 months from the annual general meeting of 30 June 2011. The new authorisation will cancel and supersede the unused portion of any previous authority given for the same purpose.

Under the 13th resolution, we are seeking an 18-month renewal of the authorisation granted at the annual general meeting of 25 June 2010 to cancel shares of the Company purchased under the share buyback programme, up to a maximum of 10% of the share capital in any 24-month period.

Cancellation of shares will entail a reduction of the share capital and consequently an amendment to the articles of association (which is subject to the quorum and majority requirements for extraordinary business).

We would point out that to date no shares have been cancelled. This authorisation will cancel and supersede any previous authorisation given for the same purpose.

V- DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL (14TH TO 26TH RESOLUTIONS - EXTRAORDINARY BUSINESS)

The Board's policy is to increase the share capital through traditional rights issues by preference. However, there may be specific circumstances where a waiver of shareholders' rights is in the best interests of the Company.

Consequently, the 14th to 26th resolutions are seeking renewal of our delegated authorities, with the ability to sub-delegate, to issue shares or securities carrying rights to shares of the Company and to select the methods best suited to the Group's financing requirements based on market conditions. These new delegated authorities will cancel and supersede the unused portion of any delegated authorities given at the annual general meeting of 26 June 2009 for the same purpose.

► BLANKET LIMIT:

The 25th resolution sets a blanket limit for all the delegated authorities set out in the 14th to 24th resolutions, as follows:

- €30,000,000 (thirty million euros) for immediate or future capital increases, plus the par value of any additional shares issued in accordance with the provisions of the law to preserve the rights of holders of securities carrying rights to shares of the Company;

and

- €350,000,000 (three hundred and fifty million euros) for the par value of debt securities.

► SUB-LIMITS - KEY CHARACTERISTICS OF THE TRANSACTIONS ENVISAGED

In addition to the blanket limit, we are proposing various sub-limits depending on the type of transaction:

► Rights issues (14th resolution).

In the 14th resolution, we are seeking authority to issue ordinary shares or securities carrying rights to ordinary shares of the Company, which may consist of debt securities or be attached to debt securities or permit the issue of debt securities as intermediate securities, up to the following maximum amounts:

- €30,000,000 (thirty million euros) for immediate or future capital increases, plus the par value of any additional shares issued in accordance with the provisions of the law to preserve the rights of holders of securities carrying rights to shares of the Company;

and

- €250,000,000 (two hundred and fifty million euros) for the par value of debt securities.

Shareholders may exercise their rights in accordance with the provisions of the law and may, where applicable, oversubscribe for the issue on a scale back basis on the terms and conditions set by the Board of Directors. Under this authority, the Board may set the terms and conditions of the issue or issues, and in particular determine the form and characteristics of securities, the amount to be issued within the above limits, the issue price and the amount of the issue premium, the payment terms and dividend entitlement date, which may be retroactive.

These delegated authorities will be valid for 26 months.

► Non-rights issues

✓ 15th and 16th resolutions

We are seeking authority to make public offers of ordinary shares of the Company, all financial instruments and/or all securities carrying immediate and/or deferred rights to new or existing ordinary shares of the Company or to the allotment of debt securities (15th resolution) and/or offers governed by article L 411-2 of the French Monetary and Financial Code, that is private placements with qualified investors or a restricted circle of investors (16th resolution). These authorities will be valid for 26 months.

The maximum limits for the capital increases that may be made pursuant to the 15th and 16th resolutions are as follows:

- €30,000,000 (thirty million euros) for immediate or future capital increases, plus the par value of any additional shares issued in accordance with the provisions of the law to preserve the rights of holders of securities carrying rights to shares of the Company;

and

- €200,000,000 (two hundred million euros) for the par value of debt securities.

These limits are included in the blanket limit set in the 25th resolution and, as regards private placements made pursuant to the 16th resolution, the par value of the resulting capital increases is limited by the regulations (currently 20% of the share capital per year) and are included in the limits set out in the 15th resolution.

To mitigate the consequences of a non-rights issue, the 15th resolution gives the Board the option to grant existing shareholders a priority period for subscribing for the shares to be issued.

The issue price of the securities will be at least equal to the minimum price provided for by the laws and regulations prevailing on the price fixing date, that is currently at least equal to the weighted average price during the three trading days before the price fixing with a discount of up to 5%.

✓ 17th and 21st resolutions

However, in accordance with the provisions of article L 225-136 of the French Commercial Code, the 17th resolution is seeking renewal of our authority to increase the share capital on a "tap" basis up to a maximum of 10% of the share capital per share on the following pricing terms: either the weighted average share price on the day before the price fixing, or the weighted average share price selected from among all or some of sixty trading days preceding the price fixing, in both cases with a discount of up to 12%.

Should the Board use these authorities, the Board and the statutory auditors will draw up further reports on the final terms and conditions of the transaction setting out the actual impact on the shareholder's position.

This authority will be valid for 26 months.

In the 21st resolution, we are seeking authority to increase the share capital, up to a maximum par value of €3,750,000 (three million seven hundred and fifty thousand euros), i.e. a maximum amount of 3,000,000 (three million) shares at present, by making one or more issues of share issue warrants ("BEA") which enable the Company to ask a credit institution authorised to provide the investment service referred to in paragraph 6-1 of article L. 321-1 of the French Monetary and Financial Code and engaged in the business of underwriting equity instruments to subscribe to one or several new ordinary shares of the Company. The exercise period of the BEAs will be no more than 3 years after the date of issue and the price will be set at €0.01.

The issue price of new ordinary shares will be set on the basis of the volume weighted average price of the Company's ordinary shares over a period of three trading days immediately preceding their issuance, plus a discount of up to 10%.

This resolution will provide the Company with guaranteed equity financing from one or more financial intermediaries, which may be used on a draw down basis. It will give the Board of Directors maximum flexibility by providing the option of making a series of underwritten capital increases to strengthen the Company's equity and fund its expansion projects.

This authority will be valid for 18 months.

✓ 18th and 19th resolutions

We also need to envisage the option of paying for acquisitions in shares rather than in cash:

- Either to tender as consideration for contributions in kind made to the Company in the form of equity instruments or securities, where the shares contributed to Orpea are not negotiated on a regulated or similar market (18th resolution). Such issues will be capped at 10% of the share capital;

- Or in the event of a public share exchange offer initiated by the Company (19th resolution). Such issues will be capped at €20,000,000 par value.

These authorities will be valid for 26 months.

► Greenshoe (over-allotment) option (20th resolution).

Under the 20th resolution, we are seeking authority, in accordance with the provisions of article L. 225-135-1 of the French Commercial Code, to increase a rights or non-rights issue, i.e. under the authorities granted in the 14th to 17th resolutions) by up to 15% of the original issue amount and at the same price. This authority may be used if an issue is oversubscribed and the Board decides to grant a greenshoe option in accordance with market practices. The additional amount of the capital increase resulting from this authority will be included in the maximum limits set in the 14th to 17th resolutions. This authority may under no circumstances have the effect of increasing the limits set out above.

► AUTHORITIES TO ISSUE SHARES TO EMPLOYEES AND OFFICERS OF THE GROUP

As part of its incentive policy for employees and officers and to create a sense of belonging by ensuring that they share the same interests as the shareholders, we are seeking authorisation to make share issues to members of an employee share ownership plan and to set up stock option and/or share award plans.

✓ **Authorisation to issue shares to members of an employee share ownership plan (22nd resolution)**

The 22nd resolution will authorise the Board, for a period of 26 months, in accordance with the provisions of articles L. 3332-1 *et seq.* of the French Employment Code on employee share ownership and article L. 225-138-1 of the French Commercial Code, and in accordance with the provisions of articles L. 225-129, L. 225-129-2 and L. 225-129-6 of the French Commercial Code, to increase the share capital by making one or more issues, with or without consideration, of ordinary shares, securities and/or all instruments carrying immediate or deferred (to an unspecified or specified future date or dates) rights to ordinary shares of the Company, up to a maximum par value of €400,000, to the following people:

- employees and/or officers, as defined in the applicable laws and regulations, of the Company and/or French or foreign companies or groups related to it within the meaning of article L 225-180 of the French Commercial Code;

- provided that they are members of an employee share ownership plan and fulfil any other conditions that may be set by the Board of Directors.

This resolution will entail a waiver of the shareholders' pre-emptive rights over the securities to be issued to the beneficiaries defined above and over the shares to be issued upon the exercise of any securities carrying rights to shares.

The price of the shares issued under this authorisation will be determined in accordance with the provisions of articles L. 3332-19 *et seq.* of the French Employment Code.

- ✓ **Authorisation to make stock awards of existing or new shares (23rd resolution)**

Under the 23rd resolution, we are asking you to renew our authorisation to make stock awards of existing or new shares to employees or certain categories of employee and officers of the Company or companies related to it.

The shares awarded will be subject to a vesting period of at least two years and a lock-up period of at least two years from the vesting date.

In accordance with the provisions of the law, the Board of Directors will also have to decide whether officers as defined by law will be required to hold all shares awarded to them for as long as they remain in office or alternatively set a quantity of shares which they must hold in registered form for as long as they remain in office.

The total number of shares that may be awarded may not exceed 300,000, i.e. 0.71% of the share capital. This authorisation will be valid for 38 months.

- ✓ **Authorisation to grant stock options to officers and employees (24th resolution)**

Under the 24th resolution, we are seeking authorisation to grant stock options exercisable either for new shares to be issued under a capital increase or for existing shares purchased by the Company under the share buyback programme, at the Board's discretion.

The total number of stock options that may be granted may not entitle the holders to subscribe to or purchase more than 300,000 shares. This authorisation will be valid for thirty-eight months.

The exercise price will be set by the Board of Directors on the grant date but may not be less than the minimum amount provided for by law in both cases.

► Separate, independent limit – Capital increase by capitalising reserves, earnings or premiums (26th resolution).

Under the 26th resolution, we are seeking renewal of our delegated authority to increase the share capital by capitalising reserves, earnings or premiums, up to a maximum par value of €30,000,000.

A separate, independent limit is justified because such capital increases do not entail any dilution for the shareholders and will not change the total amount of the Company's equity. The capital increases will be made either by allotting bonus shares to the shareholders or by increasing the par value of the existing shares.

This authority will be valid for 26 months and will cancel and supersede the previous authority given at the annual general meeting of 26 June 2009.

VI-AUTHORISATION TO ISSUE SECURITIES THAT DO NOT CARRY RIGHTS TO SHARES OF THE COMPANY

In order to round out the Group's financial policy, the 27th resolution seeks authorisation to issue securities carrying rights to the allotment of debt securities that will not give rise to a capital increase, up to a maximum par value of €300,000,000.

This limit is separate and independent from the limit set in the 14th and 15th resolutions and from the blanket limit set in the 25th resolution.

The authorisation covers securities carrying rights to the allotment of debt securities such as bonds carrying bond warrants or bonds convertible into or redeemable for another bond type instrument, which are not covered by the 9th to 15th resolutions.

This authorisation gives the Group greater flexibility in its financial policy.

If the resolution is passed, the Board will be authorised to set the characteristics of the securities to be issued and the debt securities to which they will entitle the holders, in particular the par value and coupon date which may be retroactive, the issue price, with or without a premium, the interest rate which may be fixed and/or variable, and the coupon payment date, or in the case of variable rate instruments, the terms and conditions of setting the interest rate or of rolling up the interest.

This authorisation will be valid for 26 months.

VII- AMENDMENTS TO THE ARTICLES OF ASSOCIATION

- ✓ **Harmonising article 13 of the articles of association with the law of 22 October 2010 on banking and financial regulation (28th resolution)**

Law 2010-1249 of 22 October 2010 on banking and financial regulation has introduced a new threshold for notifiable interests under article L 233-7 of the French Commercial Code, set at 30% of the share capital or voting rights (which corresponds to the threshold triggering the requirement to make a public offer).

Article 13 of the articles of association needs to be amended accordingly.

However, as the Company's articles of association only set out the legal thresholds (Orpea has no requirement to notify interests in the share capital or voting rights below the 5% provided for by law), and for the sake of simplicity, we are proposing to amend article 13 to refer only to the legal thresholds without specifying the percentages, which may be subject to legislative change.

The current wording of the first part of article 13 is as follows:

> *"Any shareholder acting alone or in concert who comes to own or ceases to own a number of shares representing more than one twentieth, one tenth, three twentieths, one fifth, one quarter, one third, one half, two thirds, eighteen twentieths or nineteen twentieths of the share capital or voting rights or securities giving future access to the share capital must comply with the legal notification requirements. When the number or allocation of voting rights is not the same as the number or allocation of shares, the notification requirements referred to above shall apply to the voting rights".*

We are proposing to amend it as follows:

> *"Any shareholder acting alone or in concert who comes to own or ceases to own the proportions of share capital or voting rights defined in the French Commercial Code must comply with the legal notification requirements".*

The rest of article 13 will remain unchanged.

- ✓ **Change of directors' term of office and resulting amendment to article 15 of the articles of association (29th resolution)**

Under the articles of association, the directors currently serve a term of six years, which is the legal maximum.

Under the 29th resolution, we are proposing to reduce the term of office to four years and to stagger the terms in order to avoid a block re-election, in accordance with article 12 of the AFEP-MEDEF Code.

We therefore propose to amend article 15.2 as follows:

> "2. They serve a term of four years and may stand for re-election.
>
> By way of exception, with a view to staggering the terms of office, those directors elected at the annual general meeting held to approve the financial statements for the year ended 31 December 2010 may be re-elected for a term of two, three or four years".

The rest of article 15 will remain unchanged.

- ✓ **Harmonising articles 24 and 25 with the ordinance of 9 December 2010 (30th resolution)**

The ordinance of 9 December 2010 and its enforcement decree of 23 December 2010 on the rights of shareholders of listed companies, which in particular changes the rules on shareholder representation at general meetings, has introduced the right for shareholders to table agenda items.

We are also proposing the option of allowing shareholders who so wish to attend general meetings by videoconference or any electronic communication media, including the Internet, and of allowing electronic admission cards, proxy or mail voting forms.

More generally, we are proposing to refer to the provisions of the law as regards the method of calling shareholders' meetings to the extent that the Company's articles of association do not derogate from the legal provisions.

- ✓ **Powers for fulfilling formalities**

Under the 31st resolution, you are asked to grant the powers required to fulfil any legal formalities required pursuant to the resolutions passed at the annual general meeting.

2. Proposed resolutions presented by the Board of Directors

I- Ordinary business

First resolution (Approval of the 2010 statutory financial statements).

Having considered the Board of Directors' management report and its annexes, the Chairman's report required under article L. 225-37 of the French Commercial Code and the Statutory Auditors' reports, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the statutory financial statements for the year ended 31 December 2010 as presented, showing a net profit of €6,034,079.

Second resolution (Approval of the 2010 consolidated financial statements).

Having considered the Group's management report and the Statutory Auditors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the consolidated financial statements for the year ended 31 December 2010 as presented, showing a net profit of €66,937,000.

Third resolution (Appropriation of net profit)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders resolve to appropriate the net profit for the year as follows:

– Net profit:	€6,034,079
Transfer to the statutory reserve:	€301,704
– Balance:	€5,732,375
Plus retained earnings:	€36,214,697
Total available for distribution:	€41,947,072
Payment of a dividend of €0.23 for each of the 42,352,795 shares comprising the share capital at 1 January 2011:	€9,741,142.85
– Balance to retained earnings:	€32,205,929.15

The dividend will be paid on 15 September 2011.

The shareholders give the Board of Directors full powers, with the ability to sub-delegate in accordance with the provisions of the law, to determine the total amount of the dividend payout and the resulting balance to be transferred to retained earnings, particularly in light of the number of shares held by the Company on the dividend payment date and the number of shares, if any, cancelled before that date.

The shareholders also authorise the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the law, to deduct from retained earnings the sums required to pay the dividend in respect of shares issued upon the exercise of stock options between 1 January 2011 and the dividend payment date.

Private shareholders are entitled to claim 40% tax relief on their dividends in accordance with article 243bis of the French General Tax Code.

The shareholders duly note the dividends paid in the three previous financial years, as summarised in the table below:

Financial year	Number of shares	Net dividend per share*
2007	None	None
2008	36,902,772	€0.10
2009	38,847,172	€0.15

* The annual dividend was eligible for the tax relief available to private shareholders resident in France for tax purposes, in accordance with the provisions of article 158.3, indent 2 of the French General Tax Code.

Fourth resolution (Ratification of Directors' acts)

Voting under the quorum and majority conditions required for ordinary business, the shareholders ratify all of the Directors' acts of during the year ended 31 December 2010.

Fifth resolution (Agreements governed by article L. 225-38 of the French Commercial Code)

Having considered the Statutory Auditors' special report on agreements governed by article L. 225-38 *et seq.* of the French Commercial Code, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the agreements described in that rapport.

Sixth resolution (Directors' fees)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders set the total amount of directors' fees to be allocated to the Board of Directors at €100,000 for each financial year starting as of 1 January 2011 until such time as a new resolution is passed.

Seventh resolution (Re-election of Jean-Claude Marian as director)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders duly note that Jean-Claude Marian is due to retire by rotation and hereby re-elect him for a further term of 4 years ending at the conclusion of the annual general meeting to be held in 2015 to approve the 2014 financial statements, subject to the twenty-ninth resolution being passed or, if the twenty-ninth resolution is not passed, hereby re-elect him for a further term of 6 years ending at the conclusion of the annual general meeting to be held in 2017 to approve the 2016 financial statements.

Eighth resolution (Re-election of Brigitte Michel as director)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders duly note that Brigitte Michel is due to retire by rotation and hereby re-elect her for a further term of 2 years, ending at the conclusion of the annual general meeting to be held in 2013 to approve the 2012 financial statements, subject to the twenty-ninth resolution being passed, or, if the twenty-ninth resolution is not passed, hereby re-elect her for a further term of 6 years, ending at the conclusion of the annual general meeting to be held in 2017 to approve the 2016 financial statements.

Ninth resolution (Re-election of Alexandre Malbasa as director)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders duly note that Alexandre Malbasa is due to retire by rotation and hereby re-elect him for a further term of 2 years ending at the conclusion of the annual general meeting to be held in 2013 to approve the 2012 financial statements, subject to the twenty-ninth resolution being passed, or, if the twenty-ninth resolution is not passed, hereby re-elect him for a further term of 6 years ending at the conclusion of the annual general meeting to be held in 2017 to approve the 2016 financial statements.

Tenth resolution (Re-election of Yves Le Masne as director)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders duly note that if the twenty-ninth resolution is passed and the articles of association amended accordingly, Yves Le Masne will be due to retire by virtue of that amendment and hereby re-elect him for a further term of 4 years ending at the conclusion of the annual general meeting to be held in 2015 to approve the 2014 financial statements.

Eleventh resolution (Election of Jean-Patrick Fortlacroix as new director)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders hereby elect Jean-Patrick Fortlacroix as director for a term of 3 years ending at the conclusion of the annual general meeting to be held in 2014 to approve the 2013 financial statements, subject to the twenty-ninth resolution being passed or, if the twenty-ninth resolution is not passed, hereby elect him for a term of 6 years ending at the conclusion of the annual general meeting to be held in 2017 to approve the 2016 financial statements.

Twelfth resolution (Authority to the Board of Directors to trade in the Company's shares).

Having heard the Board of Directors' report and considered the description of the share buyback programme drawn up in accordance with the provisions of articles 241-1 *et seq.* of the General Regulation of the Autorité des Marchés Financiers, the shareholders authorise the Board of Directors, under the conditions provided for in article L. 225-209 *et seq.* of the French Commercial Code, to purchase on one or more occasions and by any means a number of shares of the Company representing up 10% of the number of shares comprising the share capital at any time.

The purpose of this authority is to enable the Company to trade in its own shares as provided for by the law, and in particular:

a) to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the Autorité des Marchés Financiers;

b) to allot all or some of the shares purchased to employees and/or officers of the Company and/or the Group under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, share award plans or employee share ownership plans;

c) to allot shares upon the exercise of securities carrying rights to shares of the Company by way of conversion, exercise, redemption, exchange or otherwise, in accordance with stock market regulations;

d) to cancel the shares under the terms and conditions set out in the French Commercial Code, subject to the thirteenth resolution being passed;

e) to keep all or some of the shares purchased to tender as payment for future acquisitions or any other transaction that may be authorised by the regulations in force; or

f) to implement any market practices that may be authorised by law or by the Autorité des Marchés Financiers.

The Company may use this resolution and continue its share buyback programme in the event of a public offer for the Company's shares, in accordance with the provisions of article 232-15 of the Autorité des Marchés Financiers' General Regulation (or any other legal, regulatory or other applicable provision or which might replace it).

The shares may be purchased, sold, transferred or exchanged and paid for by any method, in particular under a liquidity contract entered into by the Company with an investment services provider that complies with the applicable regulations, either on or off the market including block trades, the use of derivative financial instruments and option strategies (purchase and sale of call and put options and any combination thereof in accordance with the applicable regulations), and at the times the Board of Directors deems appropriate. There is no limit on the proportion of the share buyback programme that may be carried out through block trades.

The shareholders set the following limits on the Board of Directors' use of this authority:

- the maximum purchase price, excluding transaction costs, may not exceed €50 per share;

- the maximum number of shares that may be purchased may not exceed 10% of the total number of shares issued (i.e. for indicative purposes 4,235,279 shares at present), to the extent that such limit shall take account of any capital increases or reductions made during the life of the programme. The number of shares used to calculate the percentage held is the number of shares purchased less any shares sold during the life of the programme;

- the maximum amount of the programme is therefore €211,763,950.

These limits are subject to any adjustments for capital transactions made by the Company in accordance with the provisions of the laws and regulations.

This authorisation is given for a period of eighteen months from the date of this meeting.

The shareholders give the Board of Directors full powers, with the ability to sub-delegate in accordance with the laws and regulations, to place any stock market orders, enter into any purchase, exchange or transfer contracts, enter into any agreements, make any filings and carry out any other formalities, make all the adjustments referred to above and, more generally, do everything necessary to implement this authorisation.

This resolution cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

II .- Extraordinary business

Thirteenth resolution (Authorisation to the Board of Directors to reduce the share capital by cancelling treasury shares held by the Company).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business, the shareholders hereby:

1. Authorise the Board of Directors, with the ability to sub-delegate in accordance with the laws and regulations, in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code, and subject to the twelfth resolution being passed, to reduce the share capital on one or more occasions in the proportions and at the times it deems appropriate by cancelling all or some of the treasury shares held by the Company, within the limits authorised by law, i.e. at present up to 10% of the share capital in any twenty-four month period, such limit to be adjusted to take account of any capital transactions made after the date of this meeting. The difference between the carrying amount and par value of the shares cancelled shall be transferred to the statutory reserve in an amount equal to 10% of the share capital cancelled and the balance to share premiums and reserves available for distribution.

2. Give this authorisation for a period of eighteen months from the date of this meeting.

3. Give the Board of Directors full powers, with the ability to sub-delegate in accordance with the laws and regulations, to:

- cancel the shares and reduce the share capital accordingly;

- determine the final amount and set the terms and conditions of the capital reductions and place them on record;

- transfer the difference between the carrying amount and par value of the shares cancelled from any reserve or share premium accounts; and

- amend the articles of association accordingly and, more generally, do everything necessary in accordance with the law in force at the time of using this authorisation.

4. Duly note that this authorisation cancels and supersedes the authorisation given under the tenth resolution passed at the annual general meeting of 25 June 2010.

Fourteenth resolution (Delegation of authority to the Board of Directors to make rights issues of shares and/or securities carrying rights to shares of the Company or to the allotment of debt securities).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business and in accordance in particular with articles L. 225-127, L. 225-129 to L. 225-129-5, L. 225-132 and L. 228-91 *et seq.* of the French Commercial Code, the shareholders hereby:

1. Delegate authority to Board of Directors, with the ability to sub-delegate in accordance with the laws and regulations, to make one or more rights issues of ordinary shares of the Company and all financial instruments and/or securities of any kind carrying immediate and/or deferred (whether to an unspecified or specified future date or dates) rights to new or existing ordinary shares of the Company or to the allotment of debt securities, which may be subscribed for consideration payable in cash or by set off against good claims and due by the Company or without consideration. Such issues may be made in the proportions and at the times the Board deems appropriate, in France and/or abroad and in euros or any other currency. This delegation of authority may be used to make one or more issues in accordance with the provisions of article L. 228-93 of the French Commercial Code.

Securities carrying rights to shares of the Company or a related company within the meaning of article L. 228-93 of the French Commercial Code issued pursuant to this resolution may consist of debt securities or be attached to debt securities or permit the issue of debt securities as intermediate securities. They may be subordinated or unsubordinated, dated or undated, denominated in euros, other currencies or monetary units based on a basket of currencies;

The issuance of preferred shares or any securities or instruments carrying rights to preferred shares is not permitted under this delegated authority.

2. Set the following limits on the use of this delegated authority:

a) The total par value of immediate or future capital increases resulting from all issues made pursuant to this delegated authority may not exceed €30,000,000 (thirty million euros) or its equivalent value in any other currency or monetary unit authorised. This limit does not include the par value of any additional shares to be issued to protect the rights of holders of securities or other instruments carrying rights to shares of the Company in accordance with the applicable laws and regulations or any contractual provisions stipulating other adjustment events;

b) The total par value of debt securities issued pursuant to this delegated authority may not exceed €250,000,000 (two hundred and fifty million euros) or its equivalent value in any other currency or monetary unit authorised. This limit does not include any redemption premium or premiums above par.

These amounts shall be included in the blanket limit set in the twenty-fifth resolution.

3. Should the Board of Directors use this delegated authority, which may be sub-delegated in accordance with the provisions of the laws and regulations:

a) Resolve that the shareholders shall have a pre-emptive right over the shares and securities issued pursuant to this resolution in proportion to the number of shares they hold. The Board may also allow shareholders to oversubscribe for shares on a scale back basis in proportion to their rights ad within the limit of their application;

b) Resolve, in accordance with the provisions of article L. 225-134 of the French Commercial Code, that should the subscriptions and oversubscriptions, if any, not take up the entire issue as defined above, the Board of Directors may, with the ability to sub-delegate in accordance with prevailing laws and regulations, opt for one or more of the following alternatives in the order it deems appropriate:

— limit the issue, in accordance with the provisions of the law, to the amount of subscriptions received, provided that at least three-quarters of the issue, or any other threshold set by law, has been taken up;

— allocate all or some of the unsubscribed securities as it deems appropriate;

— offer all or some of the unsubscribed securities to the public;

c) Duly note that this delegated authority automatically entails the waiver by the shareholders, in favour of the holders of securities carrying rights or potential rights to shares of the Company issued pursuant to this resolution, of their pre-emptive right over the shares to which those securities entitle them;

d) Resolve that any issues of warrants to subscribe for shares of the Company may be made for consideration or by way of allotment for no consideration to the holders of existing shares. In the case of an issue for no consideration, the Board of Directors shall have the right to decide that any fractional allotment rights will not be negotiable and that the corresponding securities will be sold.

e) Resolve that the sum received or to be received by the Company for each of the securities issued pursuant to this delegated authority shall be at least equal to the minimum price provided for in the laws and regulations prevailing at the time of issue;

4. Resolve that the Board of Directors shall have full powers, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to implement this delegated authority in accordance with the provisions of the law and, in particular, to:

— set the terms and conditions of the issue or issues and in particular the form and characteristics of the securities, determine the amount to be issued within the limits referred to above, the issue price and the amount of the share premium;

— decide whether the shareholders may oversubscribe for the issue on a scale back basis in proportion to their rights and in any case within the limit of their applications;

— provide for the ability to suspend exercise of the rights attached to the securities if necessary, in accordance with the provisions of the law;

— make any adjustments required to take account of the impact of the transaction on the Company's share capital and take the necessary measures to protect the rights of holders of securities or other

instruments carrying rights to shares of the Company in accordance with the provisions of the applicable laws and regulations and any contractual provisions stipulating other adjustment events;

— set, where applicable, the terms and conditions of exercise of the rights attached to the shares or securities carrying rights to shares to be issued and, in particular, set the dividend entitlement date, which may be retroactive, the terms and conditions of exercise of any conversion, exchange, redemption or other rights and any other terms and conditions for the capital increase;

— deduct, at its sole discretion, the costs related to the capital increases from the corresponding share premiums as well as the sums required to bring the statutory reserve up to 10% of the share capital after each increase;

— more generally, enter into any agreements, take any measures and fulfil any formalities required for the issuance, listing, completion and financial servicing of securities issued pursuant to this delegated authority or for the exercise of any rights attached thereto, duly place each capital increase on record and amend the articles of association accordingly.

5. Resolve that for issues of debt securities, the Board of Directors shall have full powers, with the ability to sub-delegate in accordance with the provisions of the law, to set the issue price which may or may not include a premium, determine whether the securities shall be subordinated or not, set the interest rate, currency of issue, maturity, redemption price which may be fixed or variable and may or may not include a premium, terms of repayment based on market conditions and the terms and conditions on which such securities shall carry rights to ordinary shares of the Company.

6. The Board of Directors shall prepare a further report to be certified by the Statutory Auditors on its use of this delegated authority describing the final terms and conditions of the transaction and summarising its impact on the shareholders' position.

7. Give this delegated authority, which shall cancel and supersede the unused portion of any previous delegated authority given for the same purpose, for a period of twenty-six months from the date of this meeting.

Fifteenth resolution (Delegation of authority to the Board of Directors to make public offers of shares of the Company and/or securities carrying rights to shares of the Company and/or to the allotment of debt securities).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business and in accordance in particular with articles L. 225-127, L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136 L. 228-91 and L. 228-92 *et seq.* of the French Commercial Code, the shareholders hereby:

1. Delegate authority to Board of Directors, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to make public offers without pre-emptive rights of ordinary shares of the Company and all financial instruments and/or securities of any kind carrying immediate and/or deferred (whether to an unspecified or specified future date or date) rights to new or existing ordinary shares of the Company or to the allotment of debt securities, which may be subscribed for consideration payable in cash or by set off against good claims and due by the Company. Such offers may be made on one or more occasions in the proportions and at the times the Board deems appropriate, in France and/or abroad and in euros or any other currency. This delegation of authority may be used to make one or more issues in accordance with the provisions of article L. 228-93 of the French Commercial Code.

Securities carrying rights to shares of the Company or a related company within the meaning of article L. 228-93 of the French Commercial Code issued pursuant to this resolution may consist of debt securities or be attached to debt securities or permit the issue of debt securities as intermediate securities. They may be subordinated or unsubordinated, dated or undated, denominated in euros, other currencies or monetary units based on a basket of currencies.

The issuance of preferred shares or any securities or instruments carrying rights to preferred shares is not permitted under this delegation of authority.

2. Resolve that the total par value of immediate or future capital increases resulting from all issues made pursuant to this delegated authority may not exceed €30,000,000 (thirty million euros) or its equivalent value in any other currency or monetary unit authorised. This limit does not include the total par value of any additional shares to be issued to protect the rights of holders of securities or other instruments carrying rights to shares of the Company in accordance with the applicable laws and regulations and any contractual provisions stipulating other adjustment events. The limit of 20% set in the seventeenth resolution shall be included in the limit set in this resolution.

Issues made pursuant to this delegated authority shall be made by way of public offers.

3. Resolve that the maximum par value of debt securities that may be issued pursuant to this delegated authority may not exceed €200,000,000 (two hundred million euros) or its equivalent value in foreign currency.

These amounts shall be included in the blanket limit set in the twenty-fifth resolution.

4. Resolve to waive the shareholders' pre-emptive rights over the ordinary shares and other financial instruments to be issued, to the extent that the Board of Directors may grant the shareholders a priority subscription option for all or part of the public offer for a period and on the terms and conditions it deems appropriate, in accordance with the applicable laws and regulations. This priority subscription option shall not create any negotiable rights and may be exercised in proportion to the number of shares held and, if applicable, on an oversubscription and scale back basis.

5. Resolve that should the amount of subscriptions not take up the entire issue of shares or financial instruments, the Board of Directors may opt for one or more of the following alternatives in the order it deems appropriate:

— limit the issue to the amount of subscriptions received, provided that at least three-quarters of the issue is taken up;

— allocate all or some of the unsubscribed securities as it deems appropriate;

— offer all or some of the unsubscribed securities to the public.

6. Duly note that this delegated authority automatically entails the waiver by the shareholders, in favour of the holders of the financial instruments carrying deferred rights to shares of the Company issued pursuant to this resolution, of their pre-emptive right over the shares to which those financial instruments entitle their holders.

7. Resolve that the issue price of equity instruments shall be at least equal to the minimum price provided for in the laws and regulations prevailing on the price fixing date.

8. Resolve that the Board of Directors shall have full powers, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to implement this delegated authority and, in particular, to:

— set the terms and conditions of the issue or issues and in particular the form and characteristics of the financial instruments and/or securities, determine the amount to be issued within the limits referred to above, the issue price and the amount of the share premium;

— make any adjustments required to take account of the impact of the transaction on the Company's share capital and take the necessary measures to protect the rights of holders of securities or other instruments carrying deferred rights to shares of the Company in accordance with the provisions of the applicable laws and regulations and any contractual provisions stipulating other adjustment events;

— deduct, at its sole discretion, the costs related to the capital increases from the corresponding share premiums as well as the sums required to bring the statutory reserve up to 10% of the share capital after each increase;

— more generally, enter into any agreements, take any measures and fulfil any formalities required for the issuance, listing, completion and financial servicing of the securities issued pursuant to this delegated authority or the exercise of any rights attached thereto, duly place each capital increase on record and amend the articles of association accordingly.

9. Resolve that for issues of debt securities, the Board of Directors shall have full powers, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to set the issue price which may or may not include a premium, determine whether the securities shall be subordinated or not, set the interest rate, currency of issue, maturity, redemption price which may be fixed or variable and may or may not include a premium, terms and conditions of repayment based on market conditions and the terms and conditions on which such securities shall carry rights to ordinary shares of the Company.

10. Give this delegated authority, which shall cancel and supersede the unused portion of the delegated authority given for the same purpose under the tenth resolution passed at the annual general meeting of 26 June 2009, for a period of twenty-six months from the date of this meeting.

11. Duly note, insofar as necessary, that this delegated authority does not have the same purpose as that given under the sixteenth resolution, which is limited to capital increases made by making non-rights issues of shares of the Company and/or securities carrying rights to shares of the Company and/or to the allotment of debt securities by way of private placements governed by article L. 411-2, II of the French Monetary and Financial Code. The shareholders accordingly note that if the sixteenth resolution is passed, this will not affect the validity and term of this delegated authority.

Sixteenth resolution (Delegation of authority to the Board of Directors to make non-rights issues of shares of the Company and/or securities carrying rights to shares of the Company and/or to the allotment of debt securities, by way of private placements governed by article L. 411-2 II of the French Monetary and Financial Code).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business and in accordance in particular with articles L. 225-127, L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, L. 228-91 and L. 228-92 *et seq.* of the French Commercial Code and article L. 411-2 II of the French Monetary and Financial Code, the shareholders hereby:

1. Delegate authority to Board of Directors, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to make one or more non-rights issues of ordinary shares of the Company and all financial instruments and/or securities of any kind carrying immediate and/or deferred (whether to an unspecified or specified future date or dates) rights to new or existing ordinary shares of the Company or to the allotment of debt securities, which may be subscribed for consideration payable in cash or by set off against good claims and due by the Company. Such issues may be made in the proportions and at the times the Board deems appropriate, in France and/or abroad and in euros or any other currency. This delegation of authority may be used to make one or more issues in accordance with the provisions of article L. 228-93 of the French Commercial Code.

Financial instruments carrying rights to shares of the Company or a related company within the meaning of article L. 228-93 of the French Commercial Code issued pursuant to this resolution may consist of debt securities or be attached to debt securities or permit the issue of debt securities as intermediate securities. They may be subordinated or unsubordinated, dated or undated, denominated in euros, other currencies or monetary units based on a basket of currencies.

The issuance of preferred shares or any securities or instruments carrying rights to preferred shares is not permitted under this delegation of authority.

2. Resolve that the total par value of immediate or future capital increases resulting from all issues made pursuant to this delegated authority may not exceed €30,000,000 (thirty million euros) or its equivalent value in any other currency or monetary unit authorised. This limit does not include the total par value of any additional shares to be issued to protect the rights of holders of securities or other instruments carrying rights to shares of the Company in accordance with the applicable laws and regulations and any contractual provisions stipulating other adjustment events.

Resolve that the capital increases made pursuant to this delegated authority shall be made by way of private placements governed by article L. 411-2 II of the French Monetary and Financial Code, on the conditions provided for in article L. 225-136 of the French Commercial Code and up to a maximum of 20% of the Company's share capital per year, such limit to form part of the limit set in the fifteenth resolution.

3. Resolve that the maximum par value of debt securities that may be issued pursuant to this delegated authority may not exceed €200,000,000 (two hundred million euros) or its equivalent value in foreign currency.

These amounts shall be included in the blanket limit set in the twenty-fifth resolution.

4. Resolve to waive the shareholders' pre-emptive rights over the ordinary shares and financial instruments to be issued.

5. Resolve that should the amount of subscriptions not take up the entire issue of shares or financial instruments, the Board of Directors may opt for one or more of the following alternatives in the order it deems appropriate:

— limit the issue to the amount of subscriptions received, provided that at least three-quarters of the issue is taken up;

— allocate all or some of the unsubscribed securities as it deems appropriate.

6. Duly note that this delegated authority automatically entails the waiver by the shareholders, in favour of the holders of the financial instruments carrying deferred rights to shares of the Company

issued pursuant to this resolution, of their pre-emptive right over the shares to which those financial instruments entitle their holders.

7. The issue price of equity instruments shall be at least equal to the minimum price provided for in the laws and regulations prevailing on the price fixing date.

8. Resolve that the Board of Directors shall have full powers, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to implement this delegated authority and, in particular, to:

— set the terms and conditions of the issue or issues and in particular the form and characteristics of the financial instruments and/or securities, determine the amount to be issued within the limits referred to above, the issue price and the amount of the share premium;

— make any adjustments required to take account of the impact of the transaction on the Company's share capital and take the necessary measures to protect the rights of holders of securities or other instruments carrying rights to shares of the Company in accordance with the provisions of the applicable laws and regulations and any contractual provisions stipulating other adjustment events;

— deduct, at its sole discretion, the costs related to the capital increases from the corresponding share premiums as well as the sums required to bring the statutory reserve up to 10% of the share capital after each increase;

— more generally, enter into any agreements, take any measures and fulfil any formalities required for the issuance, listing, completion and financial servicing of securities issued pursuant to this delegation of authority or the exercise of any rights attached thereto, duly place each capital increase on record and amend the articles of association accordingly.

9. Resolve that for issues of debt securities, the Board of Directors shall have full powers, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to set the issue price which may or may not include a premium, determine whether the securities shall be subordinated or not, set the interest rate, currency of issue, maturity, redemption price which may be fixed or variable and may or may not include a premium, terms and conditions of repayment based on market conditions and the terms and conditions on which such securities shall give rights to ordinary shares of the Company.

10. Give this delegated authority, which shall cancel and supersede the unused portion of the delegated authority given for the same purpose under the tenth resolution passed at the annual general meeting of 26 June 2009, for a period of twenty-six months from the date of this meeting.

11. Duly note, insofar as necessary, that this delegated authority is limited to capital increases made by way of non-rights issues of shares and/or securities carrying rights to shares of the Company and/or to the allotment of debt securities under private placements governed by article L. 411-2 II of the French Monetary and Financial Code and therefore does not have the same purpose as the previous resolution.

Seventeenth resolution (Authorisation to the Board of Directors to issue securities pursuant to the fifteenth and sixteenth resolutions, with the issue price set freely, up to a maximum of 10% of the share capital per year).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business and in accordance article L. 225-136 of the French Commercial Code, the shareholders hereby:

1. Authorise the Board of Directors, in the case of an issue with pre-emptive rights of securities giving immediate or deferred rights to shares of the Company or a company in which it directly or indirectly owns more than 50% (a subsidiary) pursuant to the fifteenth or sixteenth resolutions above, to derogate from the conditions for setting the price provided for in the fifteenth and sixteenth resolutions and to determine the price on the basis described below.

The issuance of preferred shares or any securities or instruments carrying rights to preferred shares is not permitted under this delegation of authority.

2. Resolve that the total amount of immediate and future capital increases made pursuant to this resolution may not exceed 10% of the share capital per year.

3. Resolve that the issue price shall be set by the Board of Directors on the basis of either (i) the weighted average share price on the day before the price fixing or (ii) the average of the quoted share prices selected from among all or some of the sixty trading days preceding the price fixing, in both cases with a discount of up to 12%. In any event, the sums to be received for each share shall be at least equal to their par value.

4. Resolve that the par value of any capital increase made pursuant to this resolution shall be deducted from the maximum limit set out in the fifteenth or sixteenth resolution as the case may be.

5. Duly note that this authorisation automatically entails the express waiver by the shareholders, in favour of the holders of the securities carrying rights to shares of the Company issued pursuant to this resolution, of their pre-emptive right over the shares to which those securities entitle their holders.

6. The Board of Directors shall prepare a further report to be certified by the Statutory Auditors on its use of this authorisation describing the final terms and conditions of the transaction and summarising its impact on the shareholders' position.

7. Resolve that the Board of Directors shall have full powers, with the ability to sub-delegate in accordance with the provisions of the laws and regulation, to implement this authorisation in accordance with the provisions of the law.

8. Give this authorisation, which shall cancel and supersede the unused portion of the authorisation given for the same purpose under the thirteenth resolution passed at the annual general meeting of 26 June 2010, for a period of twenty-six months from the date of this meeting.

Eighteenth resolution (Delegation of powers to the Board of Directors to carry out a capital increase to pay for contributions in kind made to the Company in the form of equity instruments or other securities, up to a maximum of 10% of the share capital).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business and in accordance with the provisions of company law and, in particular, articles L. 225-147 of the French Commercial Code, the shareholders hereby:

1. Delegate powers to the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to issue ordinary shares and/or financial instruments carrying immediate or deferred rights to shares of Company when the provisions of article L. 225-148 of the French Commercial Code do not apply, to pay for contributions in kind made to the Company in the form of shares or financial instruments carrying any kind of rights to the share capital on the basis of the independent accountant's report and up to a maximum of 10% of the share capital on the day on which these delegated powers are used.

2. Resolve that issues made pursuant to this delegation of powers shall comply with the maximum limits set in the fifteenth resolution, which do not include the par value of any additional shares issued to protect the rights of holders of securities or other instruments carrying rights to shares of the Company, in accordance with the provisions of the law and any contractual provisions stipulating other adjustment events.

3. Duly note that this delegation of powers automatically entails the waiver by the shareholders of their pre-emptive right over the shares or securities to be issued;

4. Give the Board of Directors full powers to implement or sub-delegate the implementation of this authorisation under the conditions set out by law and, in particular, to:

— vote on the report of the independent accountant(s), the valuation of the contributions and the grant of special benefits and their values, set the exchange ratio and, where applicable, the amount of the cash balance to be paid, determine the dates and terms and conditions of the issue;

— provide for the ability to suspend exercise of the rights attached to the securities in accordance with the provisions of the law;

— make any adjustments required to take account of the impact of the transaction on the Company's share capital and take the necessary measures to protect the rights of holders of securities or other instruments carrying rights to shares of the Company in accordance with the provisions of the applicable laws and regulations and any contractual provisions stipulating other adjustment events;

— deduct, at its sole discretion, the costs related to the capital increases from the corresponding share premiums as well as the sums required to bring the statutory reserve up to 10% of the share capital after each increase;

— more generally, enter into any agreements, take any measures and fulfil any formalities required for the issuance, listing, completion and financial servicing of securities issued pursuant to this delegation of powers or the exercise of any rights attached thereto, duly place each capital increase on record and amend the articles of association accordingly.

5. Give this delegation of powers, which shall cancel and supersede the unused portion of any previous delegation of powers given for the same purpose, for a period of twenty-six months from the date of this meeting.

Nineteenth resolution (Delegation of authority to the Board of Directors to issue financial instruments and/or securities carrying rights to shares of the Company in the event of a public exchange offer initiated by the Company).

Having considered the Board of Directors' report and the Statutory Auditors' special report and voting under the quorum and majority conditions required for extraordinary business and in accordance in particular with articles L. 225-129 to L. 225-129-6, L. 225-148 and L. 228-91 *et seq.* of the French Commercial Code, the shareholders hereby:

1. Delegate authority to the Board of Directors for a period of twenty-six (26) months from the date of this meeting to issue, on the conditions set out in the fifteenth resolution, equity instruments of the Company and/or financial instruments of any kind carrying immediate or deferred rights to a proportion of the Company's share capital or to the allotment of debt securities for the purpose of paying for securities tendered to (i) any public offer including an exchange alternative initiated by the Company for the shares of another company whose shares are traded on one of the markets referred to in article L. 225-148 of the French Commercial Code or for its own shares and (ii) any transaction

having the same effect as a public offer as described in (i) above initiated by the Company for the shares of another company whose shares are traded on a market governed by foreign law; and resolves, insofar as necessary, to waive the shareholders' pre-emptive rights over the securities to be issued.

2. Duly notes, insofar as necessary, that this delegated authority entails the waiver by the shareholders, in favour of the holders of the financial instruments carrying immediate or deferred rights to the Company's equity instruments issued pursuant to this resolution, of their pre-emptive rights over the equity instruments to which those financial instruments entitle their holders.

The total par value of all immediate or future capital increases made pursuant to this delegated authority may not exceed €20,000,000, excluding the par value of any additional shares issued to protect the rights of holders of securities or other instruments carrying rights to shares of the Company, in accordance with the provisions of the law and any contractual provisions stipulating other adjustment events. This amount shall be included in the blanket limit set in the twenty-fifth resolution.

The shareholders confer full powers on the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to implement this delegated authority and, in particular, to:

- set the exchange ratio and, where applicable, the amount of any cash balance to be paid;

- place on record the number of securities tendered to the exchange offer;

- determine the dates and terms and conditions of issue, in particular the price and dividend entitlement date of equity instruments or, where applicable, financial instruments carrying immediate and/or deferred rights to shares of the Company;

- take all measures required to protect the rights of holders of the securities issued pursuant to this delegated authority in accordance with the provisions of the prevailing laws and regulations and any contractual provisions stipulating other adjustment events;

- record the difference between the issue price and the par value of the equity instruments as a liability on the balance sheet in a "share premium" account;

- at its sole discretion, deduct the expenses, taxes and fees for any issue from the amount of the corresponding share premium as well as the sums required to bring the statutory reserve up to 10% of the share capital; and

- more generally, do everything necessary to complete the authorised transaction and amend the articles of association accordingly.

This delegated authority, which cancels and supersedes the unused portion of any previous delegated authority given for the same purpose, is given for a period of twenty-six months from the date of this meeting.

Twentieth resolution (Authorisation to the Board of Directors to increase the amount of a rights or non-rights issue in the event of oversubscription).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business and in accordance with article L. 225-135-1 of the French Commercial Code, the shareholders authorise the Board of Directors for a period of 26 months from the date of this meeting to increase the amount of any oversubscribed issue made pursuant to the fourteenth, fifteenth, sixteenth and seventeenth resolutions above, without

exceeding the limit set in the relevant resolution, within the time period and limits provided for in the laws and regulations applicable on the date of the issue (currently no later than thirty days after the subscription period closes, up to a maximum of 15% of the original issue amount and at the same price as the original issue).

This authorisation cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

Twenty-first resolution (Delegation of authority to the Board of Directors to make non-rights issues of securities carrying rights to shares of the Company to a category of persons engaged in underwriting the Company's equity instruments).

Having considered the Board of Directors' report and the Statutory Auditors' special report, voting under the quorum and majority conditions required for extraordinary business and in accordance with articles L. 225-129 to L. 225-129-6 and L. 225-138 et L. 228-91 *et seq.* of the French Commercial Code, and having duly noted that the entire share capital of the Company is fully paid, the shareholders hereby;

1. Delegate authority to the Board of Directors for a period of 18 months from the date of this meeting to increase the share capital by a maximum amount of €3,750,000 (three million seven hundred and fifty thousand euros), representing at present a maximum of 3,000,000 (three million) shares, by making one or more issues of share issue warrants ("BEA") which oblige their holders to subscribe for one or more new ordinary shares of the Company at the Company's request. The exercise period of the BEAs shall not exceed 3 years from their issue date.

The amount of any issues made pursuant to this delegated authority shall be included in the blanket limit set in the twenty-fifth resolution.

2. Waive their pre-emptive rights over the BEAs to be issued and restrict subscription to the BEAs to the category of persons that meets the definition of a credit institution authorised to provide the investment service referred to in 6-1 of article L. 321-1 of the French Monetary and Financial Code engaged in the business of underwriting equity instruments (as defined in said article) of the Company and willing to take part in a capital increase by exercising options.

3. Duly note that this delegated authority automatically entails the waiver by the shareholders, in favour of the holders of the BEAs issued pursuant to this resolution, of their pre-emptive right over the shares to which the BEAs entitle their holders.

4. In accordance with article L. 225-138 I of the French Commercial Code, the Board of Directors shall determine the list of beneficiaries in that category, which may comprise a single service provider. The beneficiaries are not expected to keep the new ordinary shares issued upon exercise of the BEAs.

5. Resolve, in accordance with the provisions of article L. 225-138 II of the French Commercial Code and based on the terms of the Board of Directors' report and the Statutory Auditors' special report, that:

- the price per BEA shall be set at €0.01;

- the price per share of the new ordinary shares issued upon exercise of the BEAs shall be higher than or equal to the volume weighted average price of the Company's ordinary shares over a period of three trading days immediately preceding their issuance, plus as the case may be a discount of up to 10%;

- the ordinary shares issued upon exercise of the BEAs shall be issued cum dividend.

6. Within the limits set in this resolution, the Board of Directors shall have full powers, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to implement this resolution, in particular by entering into one or more agreements with the beneficiaries designated by the Board within the category referred to above, notably to ensure the proper completion of the proposed issues, to carry out one or more issues in the proportions and at the times it deems appropriate – or as the case may be to refrain from doing so – to place the issues on record and amend the articles of association accordingly, to carry out all formalities and filings and to apply for any consents that may be required to complete the issues.

The Board of Directors shall report to the shareholders at the next annual general meeting in accordance with the provisions of the second indent of article L. 225-138 of the French Commercial Code.

Twenty-second resolution (Authorisation to the Board of Directors to issue equity instruments to members of an employee share ownership plan).

Having considered the Board of Directors' report and the Statutory Auditors' special report, voting under the quorum and majority conditions required for extraordinary business, pursuant to the provisions of articles L. 3332-1 *et seq.* of the French Employment Code on employee share ownership and article L. 225-138-1 of the French Commercial Code, and in accordance with the provisions of articles L. 225-129, L. 225-129-2 and L. 225-129-6 of the French Commercial Code, the shareholders hereby:

1. Delegate authority to the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to increase the Company's share capital on one or more occasions and in the proportions and at the times it deems appropriate by issuing, either for and/or without consideration, ordinary shares, financial instruments and/or any securities of the Company carrying immediate or deferred (whether to an unspecified or specified future date or dates) rights of any kind to ordinary shares of the Company, up to a maximum par value of €400,000 or the equivalent in foreign currency, to the following persons:

- employees, former employees and/or officers, within the meaning of the provisions of the applicable laws or regulations, of the Company and/or French or foreign companies or groups related to it within the meaning of article L 225-180 of the French Commercial Code;

- provided that said employees, former employees and/or officers are members of an employee share ownership plan and fulfil any other conditions that might be imposed by the Board of Directors.

The maximum limit is included in the blanket limit set in the twenty-fifth resolution and does not include the effects on the share capital of any adjustments that may be made in accordance with the provisions of the laws and regulations.

2. Waive their pre-emptive rights over the securities to be issued to the beneficiaries referred to above, which will automatically entail the waiver of their pre-emptive rights over any shares to which those securities may entitle their holders.

3. Duly note, in the event of an issue for no consideration, their waiver of any rights over the securities issued.

4. Authorise the Board of Directors, on the conditions set out in this resolution, to sell shares, as provided for in the final indent of article L. 3332-24 of the French Employment Code.

5. Resolve that the subscription price of shares issued pursuant to this resolution shall be determined in accordance with the provisions of articles L. 3332-19 *et seq.* of the French Employment Code.

6. Confer full powers on the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the laws and regulation, to implement this resolution and, in particular, to:

- determine the companies whose employees may benefit from the share offers made pursuant to this resolution;

- set the terms and conditions, in particular length of service, to be fulfilled by the beneficiaries of the offers;

- set the terms and conditions of the offers, the number of shares to be issued (within the limit referred to above) and the number to be allotted to each beneficiary concerned, place on record the resulting capital increases and amend the articles of association accordingly;

- decide whether the issues may be taken up directly and/or indirectly through a corporate mutual fund;

- set the terms and conditions for belonging to the share ownership plans and draw up the plan regulations or, in the case of an existing plan, amend the plan regulations;

- deduct, at its sole discretion, the costs related to the capital increases from the corresponding share premiums as well as the sums required to bring the statutory reserve up to 10% of the share capital after each increase;

- make any adjustments required to comply with the law and/or any contractual provisions and take measures to protect the rights of holders of existing securities or other instruments carrying rights to shares of the Company;

- more generally, take any measures, enter into any agreements, fulfil any formalities and do everything necessary to complete the issues.

7. Give this authorisation, which shall cancel and supersede the unused portion of any previous authorisation given for the same purpose, for a period of twenty-six months from the date of this meeting.

Twenty-third resolution (Authorisation to the Board of Directors to make stock awards to officers and employees).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business and in accordance with the provisions of articles L. 225-197-1 *et seq.* of the French Commercial Code, the shareholders hereby:

1. Authorise the Board of Directors, which authorisation may be sub-delegated in accordance with the provisions of the laws and regulations, to make one or more stock awards of existing or new shares (but not preferred shares) to beneficiaries or categories of beneficiaries selected by the Board among the salaried employees of the Company or companies or groups related to it within the meaning of article L. 225-197-2 of the French Commercial Code and officers of the Company or companies or groups related to it who meet the conditions set out in article L. 225-197-1 II of the said Code, on the terms and conditions set out below.

2. Resolve that the total number of new or existing shares awarded pursuant to this resolution may not exceed 300,000, i.e. 0.71% of the share capital at present, not including any adjustments that might be made to protect the rights of holders of securities or other instruments carrying rights to shares of the Company, in accordance with the provisions of the law and any contractual provisions. This amount is included in the blanket limit set in the twenty-fifth resolution;

3. Resolve that the shares awarded shall be subject to a vesting period to be set by the Board of Directors but which may not be less than two years and that the beneficiaries shall be required to hold the shares for a period of at least two years after the vesting date. The shares will vest immediately and may be sold without restriction should the beneficiary become disabled to the second or third degree as defined in article L. 341-4 of the French Social Security Code.

4. Confer full powers on the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the laws and regulation, to implement this authorisation and, in particular, to:

— decide whether the shares awarded shall be new or existing shares;

— draw up a list of beneficiaries or the category or categories of beneficiary of the share awards from among employees and officers of the Company or the companies or groups referred to above and determine the number of shares to be awarded to each one;

— set the terms and conditions and, where applicable, the criteria for the share awards (including any individual or collective performance conditions), in particular the minimum vesting period and lock-up period required of each beneficiary, under the conditions provided for above. In the case of share award made to officers, the Board of Directors must either (a) decide that the shares may not be sold by the beneficiaries for as long as they remain in office, or (b) set a quantity of shares awarded that the beneficiaries are required to hold in registered form for as long as they remain in office;

— provide for the ability to temporarily suspend vesting of the shares;

— place on record the vesting dates and dates on which the shares may be legally sold without restriction;

— in the event of an award of new shares, set the amount and type of reserves, earnings or premiums to be capitalised and deduct the sums required to pay for the shares from said reserves, earnings or premiums, complete and place on record the resulting capital increases, amend the articles of association accordingly and more generally fulfil any acts and formalities.

5. Authorise the Board of Directors to make any adjustments to the number of shares awarded in order to protect the rights of beneficiaries in the event of other transactions affecting the Company's share capital. Any shares awarded pursuant to such adjustments shall be deemed to have been awarded on the original award date.

6. Duly note that in the event of an award of new shares, this authorisation will lead to capital increases made as and when the shares vest by capitalising reserves, earnings or share premiums in favour of the beneficiaries and will accordingly entail the waiver by the shareholders, in favour of the beneficiaries of the share awards, of their pre-emptive rights over the shares and the corresponding portion of capitalised reserves, earnings and share premiums.

7. Duly note that if the shares are awarded to the officers referred to in article L. 225-197-1 II of the French Commercial Code, they may only be awarded in accordance with the provisions of article L. 225-197-6 of said Code.

8. Duly note that should the Board of Directors use this authorisation, it shall report each year to the annual general meeting of shareholders under ordinary business on the transactions made pursuant to the provisions of articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code, in accordance with the provisions of article L. 225-197-4 of said Code.

9. Give this authorisation, which shall cancel and supersede the unused portion of any previous authorisation given for the same purpose, for a period of thirty-eight months from the date of this meeting.

Twenty-fourth resolution (Authorisation to the Board of Directors to grant stock options to officers and employees).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business and in accordance with the provisions of articles L. 225-177 to L. 225-186-1 of the French Commercial Code, the shareholders hereby:

1. Authorise the Board of Directors to grant stock options on one or more occasions to selected salaried employees of the Company and/or companies or groups directly or indirectly related to it as defined in article L. 225-180 of the French Commercial Code and/or to officers of the Company eligible under the applicable laws and regulations. The options may at the Board's discretion be exercisable either for new shares of the Company to be issued by way of a capital increase or for existing shares purchased by the Company under its share buyback programme.

2. Resolve that the total number of stock options that may be granted pursuant to this resolution may not give the right to subscribe to or purchase more than 300,000 shares on the grant date, i.e. 0.71% of the share capital at present, not including any adjustments that may be made to protect the rights of holders of securities or other instruments carrying rights to shares of the Company, in accordance with the provisions of the law and any contractual provisions. This amount is included in the blanket limit set in the twenty-fifth resolution.

3. Resolve that in the case of options exercisable for new shares, the subscription price shall be set by the Board of Directors on the grant date but may not be less than the minimum amount set in each case by the law in force at the time.

The price may not be revised unless the Company makes one of the financial or securities transactions provided for by law during the option exercise period. In such case, the Board of Directors shall, in accordance with the regulations, adjust the number of price of the shares for which the options are exercisable to take account of the impact of the transaction.

4. Resolve that the option exercise period as determined by the Board of Directors may not exceed 5 years from the date of grant.

5. Duly note that in accordance with article L. 225-178 of the French Commercial Code, this authorisation entails the express waiver by the shareholders, in favour of the beneficiaries of the options, of their pre-emptive rights to the shares issued upon exercise of options exercisable for new shares.

6. Duly note that if the options are granted to the officers referred to in article L. 225-185-4 of the French Commercial Code, they may only be granted in accordance with the provisions of article L. 225-186-1 of said Code.

7. Confer full powers on the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to set the other terms and condition of grant and exercise of the options and, in particular, to:

— draw up a list of the beneficiaries and set the terms and conditions on which the options shall be granted and exercised, including where applicable any performance conditions;

— set any length of service conditions to be fulfilled by the beneficiaries, within the limits set out in the applicable laws and regulations;

— set the option exercise period and, where applicable, any lock-up period applicable to all or some of the shares obtained on exercise of the options;

— set the dividend entitlement date, which may be retroactive, of the new shares issued on exercise of the options;

— for options granted to officers of the Company, provide either that the options may not be exercised by the beneficiaries for as long as they remain in office or set a quantity of shares that the beneficiaries are required to hold in registered form for as long as they remain in office;

— provide for the ability to temporarily suspend exercise of the options in the event of a financial or securities transaction;

— limit, restrict or prohibit the exercise of options during certain period or upon the occurrence of certain events, such decision may cover all or some of the options and all or some of the beneficiaries;

— enter into any agreements, take any measures and fulfil or procure the fulfilment of any acts and formalities required to finalise the capital increase(s) that may be made pursuant to the authority given under this resolution, amend the articles of association accordingly and generally do everything necessary;

— deduct, if it deems appropriate, the costs related to the capital increases from the corresponding share premiums as well as the sums required to bring the statutory reserve up to 10% of the share capital after each increase.

8. Give this authorisation, which shall cancel and supersede the unused portion of any previous authorisation given for the same purpose, for a period of thirty-eight months from the date of this meeting.

Twenty-fifth resolution (blanket limit on capital increases).

Having considered the Board of Directors' report, voting under the quorum and majority conditions required for extraordinary business and pursuant to passing the fourteenth to twenty-fourth resolutions, the shareholders hereby set the following maximum limits, in accordance with article L. 225-129-2 of the French Commercial Code:

- €30,000,000 (thirty million euros) or the equivalent in foreign currencies for the total par value of immediate or future capital increases made pursuant to the fourteenth to twenty-fourth resolutions, plus the par value of any additional shares issued in accordance with the provisions of the law to preserve the rights of holders of securities or other instruments carrying rights to shares of the Company; and

- €350,000,000 (three hundred and fifty million euros) or the equivalent in foreign currencies for the total par value of debt securities issued pursuant to the fourteenth to twenty-fourth resolutions.

Twenty-sixth resolution (Delegation of authority to the Board of Directors to increase the share capital by capitalising share premiums, reserves, earnings or other capitalisable sums).

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business and in accordance with the provisions of company law and, in particular, articles L. 229-129, L. 225-129-2 and L. 225-130 of the French Commercial Code, the shareholders hereby:

1. Delegate authority to the Board of Directors to increase the Company's share capital on one or more occasions and in the proportions and at the times it deems appropriate by capitalising share premiums, reserves, earnings or other sums that may be capitalised under the provisions of the law and the articles of association, either by issuing bonus shares or by increasing the par value of the existing shares or a combination of both.

2. Resolve that fractional rights shall not be negotiable or transferable and that the corresponding shares shall be sold and the sale proceeds allocated among the rights holders within a period fixed by *Conseil d'État* decree, i.e. currently no later than thirty days after the date on which the whole number of shares allotted to them is recorded on their securities accounts.

3. Should the Board of Directors use this delegated authority, resolve that the total par value of capital increases that may be made pursuant to this resolution may not exceed the amount of share premiums, reserves, earnings or other capitalisable sums existing at the time of the capital increase and in any event may not exceed €30,000,000 (thirty million euros). This limit is independent from the blanket limit set in the twenty-fifth resolution and does not include the impact on the amount of share capital of any adjustments that may be made in accordance with the provisions of the laws and regulations.

4. Confer full powers on the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the laws and regulation, to implement this delegated authority in accordance with the provisions of the law and, in particular, to:

- set the amount and type of sums to be capitalised, the number of shares to be issued or the amount by which the par value of existing shares shall be increased;

- make any adjustments required as a result of capital transactions made by the Company;

- deduct, at its sole discretion, the costs related to the capital increases from the corresponding share premiums as well as the sums required to bring the statutory reserve up to 10% of the share capital after each increase;

- more generally, enter into any agreements, take any measures and fulfil any formalities required for the issuance, listing, completion and financial servicing of shares issued pursuant to this authorisation or the exercise of any rights attached thereto, duly place each capital increase on record and amend the articles of association accordingly.

5. Give this authorisation, which shall cancel and supersede the unused portion of any previous authorisation given for the same purpose, for a period of twenty-six months from the date of this meeting.

Twenty-seventh resolution (Delegation of authority to the Board of Directors to issue securities carrying rights to the allotment of debt securities and not giving rise to a capital increase).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business and in accordance with the provisions of articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the French Commercial Code, the shareholders hereby:

1. Delegate authority to the Board of Directors to make one or more issues of bonds carrying bond warrants and more generally any securities carrying immediate or deferred rights to the allotment of debt securities such as bonds, similar instruments, dated or undated subordinated notes and any other instruments conferring in the same issue the same debt claim against the Company. Such issues may be made in France or abroad and/or on the international market, and in euros or monetary units based on a basket of currencies.

The total par value of securities that may be issued pursuant to this resolution may not exceed €300,000,000 (three hundred million euros) or the equivalent in foreign currencies or any monetary unit based on a basket of currencies. This amount is independent of the amount of debt securities that may be issued pursuant to the fourteenth, fifteenth and sixteenth resolutions and of the blanket limit set in the twenty-fifth resolution. It does not include any redemption premium above par.

2. Confer full powers on the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the laws and regulations, to implement this delegated authority and, in particular, to:

- make the said issues within the limits set above and determine their date, nature, amount and currency of issue;

- determine the characteristics of the securities to be issued and the debt securities to be attached to them, and in particular the par value and interest coupon date, which may be retroactive, the issue price, any issue premium, the fixed and/or variable interest rate and its payment date or, in the case of variable rate securities, the terms for fixing the interest rate or for rolling up interest;

- set the repayment and/or early redemption terms of the securities to be issued and the debt securities attached to them, based on market conditions, where applicable with a fixed or variable redemption premium, or the terms and conditions of repurchase by the Company;

- if applicable, decide to provide a guarantee or collateral for the securities to be issued and the debt securities attached to them, and determine its nature and characteristics;

- more generally, determine all the terms and conditions of each issue, enter into any agreements with banks or other organisations, take any measures and fulfil any formalities required, and generally do everything necessary.

This delegated authority is given for a period of 26 months from the date of this meeting.

Twenty-eighth resolution (Harmonisation of article 13 of the articles of association with the law of 22 October 2010 on banking and financial regulation)

Having considered the Board of Directors' report and voting under the quorum and majority conditions required for extraordinary business, the shareholders resolve to amend the first paragraph of article 13 of the Company's articles of association as follows:

"Any shareholder acting alone or in concert who comes to own or ceases to own the proportion of share capital or voting rights defined in the French Commercial Code must comply with the legal notification requirements".

The rest of the article remains unchanged.

Twenty-ninth resolution (Alteration of the directors' term of office and resulting amendment to article 15 of the articles of association)

Having considered the Board of Directors' report and voting under the quorum and majority conditions required for extraordinary business, the shareholders resolve to amend paragraph one, section 2 of article 15 the Company's articles of association as follows:

"2. They serve a term of four years and may stand for re-election.

By way of exception, with a view to staggering the terms of office, those directors elected at the annual general meeting held to approve the financial statements for the year ended 31 December 2010 may be re-elected for a term of two, three or four years."

The rest of the article remains unchanged.

Thirtieth resolution (Harmonisation of articles 24 and 25 with the ordinance of 9 December 2010)

Having considered the Board of Directors' report and voting under the quorum and majority conditions required for extraordinary business, the shareholders resolve to harmonise the articles of association with the ordinance of 9 December 2010 implementing the European Directive on shareholders' rights. Articles 24 and 25-1 of the articles of association are accordingly amended as follows:

The third paragraph of article 24, which previously read:

> *"A notice of meeting is published in a legal gazette in the département where the registered office is situated and, should the company become authorised to make direct public offerings, in the Bulletin des Annonces Légales Obligatoires, at least thirty-five days before the date of the meeting. Shareholders may table proposed resolutions within the timeframe set out by law".*

shall be amended as follows:

> *"Meetings are called in accordance with the provisions of the law".*

- The fifth paragraph of article 24, which previously read:

> *"However, the Board of Directors is required to add to the agenda any proposed resolutions tabled by the shareholders in accordance with the provisions of the law."*

shall be amended as follows:

> *However, the Board of Directors is required to add to the agenda any matters and proposed resolutions tabled by the shareholders in accordance with the provisions of the law.*

- A seventh paragraph is added to article 24 as follows:

> *"If so stated by the Board of Directors in the notice of meeting, shareholders may attend general meetings by videoconference or any electronic means of communication including the Internet, in accordance with the provisions of the regulations in force at the time. Where applicable, this decision will be published in each notice of meeting."*

The third paragraph of article 25-1, which previously read:

> *"Shareholders may appoint either their spouse or another shareholder as proxy for all general meetings. They may also vote by mail in accordance with the provisions of the law. Proxy and mail voting forms are prepared and made available to shareholders in accordance with the provisions of the law."*

shall be amended as follows:

> *"Shareholders may appoint any person or legal entity of their choice as proxy in accordance with the applicable regulations. They may also vote by mail in accordance with the provisions of the laws and regulations by sending a proxy form or mail voting form for any shareholders' meeting either in paper form or, if permitted by the Board of Directors as stated in each notice of meeting, in electronic form.*

A fourth paragraph is added to article 25-1 as follows:

> *"On the decision of the Board of Directors, when an electronic admission card application, proxy form or mail voting form is used, the digital signature must arise from the use of a reliable identification process guaranteeing its link with the electronic form to which it is attached and notably consisting of a user ID and a password or any other means provided for or authorised by the applicable regulations."*

Thirty-first resolution (Powers)

The shareholders, voting under the quorum and majority conditions required for ordinary business, give full powers to a bearer of a copy or excerpt of the minutes of these resolutions for the purpose of any registration, filing or other formalities.

3. PRESENTATION OF CANDIDATES STANDING FOR ELECTION OR RE-ELECTION TO ORPEA'S BOARD OF DIRECTORS

- **Dr. Jean-Claude Marian**,

Dr. Jean-Claude Marian, aged 71, is a neuropsychiatric specialist. Co-founder of the Orpea Group, he was previously medical director of a medical teaching institute and co-founder and director of a hospital engineering and planning firm. He therefore has many years experience in designing and organising care facilities.

Dr. Marian was previously Chairman and Chief Executive Officer of Orpea until the two functions were separated by decision of the Board of Directors on 15 February 2011, at which stage he became Chairman of Orpea's Board of Directors.

He owns 11,506,846 shares.

Directorships and offices within the Orpea Group:

- Director and Chairman of the Board of Directors of Orpea
- Director of Casa Mia Immobiliare (Italy)
- Director of Orpea Iberica (Spain)
- Director of Residencial Senior 2000 (Spain)
- Director of CM Extremadura Dos 2002 (Spain)
- Director of Dinmorpea (Spain)
- Director of Orpea Belgium (Belgium)
- Director de Orpea Belgium Immobilier (Belgium).

He does not hold any directorships or other offices outside the Group.

- **Yves Le Masne**

Yves Le Masne, aged 48, joined Orpea in 1993 as financial controller. He subsequently became head of financial control and was appointed Chief Financial Officer in 1998. In 2006, he was appointed Chief Operating Officer and became a member of the Board of Directors. Before joining Orpea, he was a systems engineer specialising in management and financial control. He holds a higher degree in finance and accounting and is a graduate of IAE Paris and Ecole Supérieure d'Informatique.

He has been Chief Executive Officer of Orpea since 15 February 2011 but has retained his responsibility as Finance Director responsible for investor relations, financial communications and all corporate finance transactions.

He owns 26,930 shares.

Directorships and offices within the Orpea Group:

- Director and Chief Executive Officer of Orpea
- Chairman of Clinea

He is also director or permanent representative of various group subsidiaries, a list of which is attached.

Brigitte Michel

Brigitte Michel, aged 53, is a law graduate from the university of Paris I (higher degree in business law and taxation). She was admitted to the bar in 1992 and is also registered on list E of the Brussels bar. From 1987 until 1992, she was a legal adviser.

She owns 50,008 Orpea shares.
She does not hold any other directorships or offices outside the Orpea Group.

Alexandre Malbasa

Alexandre Malbasa, aged 52, holds a doctorate in law. He was admitted to the bar in 1987. He is currently a lecturer at the Ecole de Formation du Barreau (EFB) and for several years has also been a lecturer at the Saint Maur law faculty (Paris 12).

He owns 2 Orpea shares.
He does not hold any other directorships or offices outside the Orpea Group.

Jean-Patrick Fortlacroix

Jean-Patrick Fortlacroix, aged 53, is a qualified accountant and has a higher degree in banking and finance from the University of Aix-Marseille. He has been an accountant and auditor with the firm Adequation since 1992. He has expertise in real estate, tax and consolidation. The Board of Directors has reviewed Mr Fortlacroix's position in light of the independence criteria set out in the AFEP/MEDEF report and has concluded that he would qualify as an independent director.

He does not currently own any Orpea shares.
He does not hold any directorships or other offices within the Orpea Group.

He is currently Chairman of Add Equation, an accountancy and auditing firm, and manager of Cadeco, a accountancy firm specialising in works councils.

4. STATUTORY AUDITORS' REPORT ON FINANCIAL AUTHORISATIONS AND DELEGATED AUTHORITIES

This is a free translation into English of the statutory auditors' issued report on the capital transactions proposed in the extraordinary resolutions submitted to the annual general meeting of shareholders on 30 June 2011 issued in the French language and is provided solely for the convenience of English speaking readers.
The statutory auditors' report includes information specifically required by French law in such reports. The statutory auditors' report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

Burband Klinger & Associés
140, rue du Faubourg Saint-Honoré
75008 Paris

Deloitte & Associés
185 avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex

Orpea

Société anonyme

115, rue de la Santé
75013 Paris

Statutory Auditors' report
on the capital transactions proposed in the extraordinary resolutions
submitted to the annual general meeting of shareholders on 30 June 2011

Dear Shareholders,

As Statutory Auditors to your company and pursuant to the engagements set out in the French Commercial Code, we hereby present our report on the capital transactions on which you are asked to vote.

1 Capital reduction by cancelling treasury shares (thirteenth resolution)

Pursuant to the engagement set out in article L.225-209 of the French Commercial Code in the event of a capital reduction by cancelling shares, we have prepared this report to give you our assessment of the reasons for and terms and conditions of the proposed capital reduction.

The Board of Directors is seeking a delegation of powers for a period of 18 months to cancel treasury shares purchased under the share buyback programme authorised pursuant to the provisions of the above-mentioned article, up to a maximum limit of 10% of its share capital per 24-month period.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures include assessing whether the reasons for and terms and conditions of the proposed capital reduction, which will not affect equality between shareholders, are due and proper.

We have no matters to report as to the reasons for or terms and conditions of the proposed capital reduction.

2 Rights and non-rights issues of shares and/or securities carrying rights to shares of the Company (fourteenth to twentieth resolution)

Pursuant to the engagement set out in the French Commercial Code and, in particular, articles L. 225-135, L. 225-136 and L. 228-92, we hereby present our report on the proposed delegations of authority to the Board of Directors to make various issues of shares and securities, on which you are asked to vote.

Based on its report, the Board of Directors is seeking delegations of authority to:

- carry out the following transactions, for a period of 26 months, set the final terms of conditions of the issues and, where applicable, waive your pre-emptive rights:
  - One or several rights issues of ordinary shares or securities carrying immediate or deferred rights to ordinary shares of the Company or a related company within the meaning of article L. 228-93 of the French Commercial Code, or carrying rights to the allotment of debt securities (fourteenth resolution);
  - One or several public offers of ordinary shares and securities carrying immediate or deferred rights to ordinary shares of the Company or a related company within the meaning of article L. 228-93 of the French Commercial Code, or carrying rights to the allotment of debt securities (fifteenth resolution),
  - One or several private placements of ordinary shares and securities carrying rights to ordinary shares of the Company or a related company within the meaning of article L. 228-93 of the French Commercial Code, or carrying rights to the allotment of debt securities, governed by article L.411-2 II of the French Monetary and Financial Code (sixteenth resolution),
  - One or several issues of ordinary shares and securities carrying rights to a proportion of the Company's share capital or to the allotment of debt securities in the event of a public share exchange offer initiated by your Company (nineteenth resolution) pursuant to and in accordance with the fifteenth resolution;
- Authorisation, under the seventeenth resolution and pursuant to the delegations of authority given in the fifteenth and sixteenth resolutions, to set the issue price within the legal annual limit of 10% of the share capital per twelve-month period,
- Delegation of powers under the eighteenth resolution and for a period of 26 months to set the terms and conditions of an issue of ordinary shares or securities carrying rights to ordinary shares to tender as consideration for contributions in kind made to the Company in the form of equity instruments or securities carrying rights to share, up to a maximum of 10% of the share capital.

The total par value of immediate or future capital increases made pursuant to the fourteenth to twenty-fourth resolutions may not exceed €30 million (twenty-fifth resolution), to the extent that:

- the total par value of capital increases that may be made by way of private placements governed by article L.411-2 II of the French Monetary and Financial Code pursuant to the sixteenth resolution may not exceed 20% of the share capital per year;
- the total par value of capital increases that may be made pursuant to the sixteenth, seventeenth and eighteenth resolutions will be included in the €30 million limit set in the fifteenth resolution;
- the total par value of capital increases that may be made pursuant to the nineteenth resolution may not exceed €20 million.

The total par value of debt securities that may be issued may not exceed €350 million for issues made pursuant to the fourteenth to twenty-fourth resolutions (twenty-fifth resolution), €250 million for issues made pursuant to the fourteenth resolution and €200 million for issues made pursuant to the fifteenth and sixteenth resolutions.

These limits take account of the additional number of securities to be issued pursuant to the delegated authorities given under the fourteenth, fifteenth, sixteenth and seventeenth resolutions under the terms and conditions set out in article L. 225-235-1 of the French Commercial Code, should you pass the twentieth resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified information drawn from the financial statements, on the proposal to waive your pre-emptive rights and on certain other information about these transactions provided in that report.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures included verifying the content of the Board of Directors' report on these transactions and the method of setting the issue price of the equity instruments to be issued.

Subject to a subsequent review of the terms and conditions of any issues that are ultimately decided, we have no matters to report as to the method of setting the price of equity instruments to be issued described in the Board of Directors' report in respect of the fifteenth, sixteenth and seventeenth resolutions.

Furthermore, the report does not specify the method of setting the issue price of equity instruments to be issued pursuant to the fourteenth, eighteenth and nineteenth resolutions, and we therefore cannot and do not express an opinion on the components used to calculate the price of such equity instruments.

As the issue price of the equity instruments to be issued has not been set, we cannot and do not express an opinion on the final terms and conditions of the issues or, consequently, on the proposal to waive your pre-emptive rights in the fifteenth, sixteenth and seventeenth resolutions.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare a further report, if required, at such stage as the Board of Directors decides to use its authority to make non-rights issues of shares or securities carrying rights to shares or to the allotment of debt securities.

3 Non-rights issues of securities carrying rights to shares to a category of persons responsible for underwriting equity instruments of the Company (twenty-first resolution)

Pursuant to the engagement set out in articles L.225-135 and L.225-138 of the French Commercial Code, we hereby present our report on the proposal to delegate authority to the Board of Directors to increase the share capital on one or more occasions by issuing share issue warrants ("BEA") which oblige their holders to subscribe to one or more ordinary shares of the Company at the Company's request, such issues being restricted to credit institutions authorised to provide the investment service referred to in 6-1 of article L. 321-1 of the French Monetary and Financial Code and engaging in the business of underwriting equity instruments of the Company, and in particular capital increases by exercising options, a transaction on which you are asked to vote.

The par value of the shares that may be issued may not exceed €3,750,000, currently representing a maximum of 3,000,000 shares, bearing in mind that the par value of any capital increase made pursuant to this resolution will be included in the blanket limit of €30 million set in the twenty-fifth resolution put to this meeting.

Each BEA will be issued at a price of €0.01 and will oblige the holder to subscribe for one or more shares of the Company on the basis described in the twenty-first resolution.

Based on its report, the Board of Directors is seeking a delegation of authority for a period of eighteen months to make one or more capital increases and to waive your pre-emptive rights. The Board of Directors will be responsible for setting the final terms and conditions of any issues it decides to make pursuant to this resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified information drawn from the financial statements, on the proposal to waive your pre-emptive rights and on certain other information about the issue provided in that report.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures included verifying the content of the Board of Directors' report on this transaction and the method of setting the issue price of the equity instruments to be issued.

Subject to a subsequent review of the terms and conditions of any capital increases that are ultimately decided, we have no matters to report as to the method of setting the issue price described in the Board of Directors' report.

As the issue price has not been set, we cannot and do not express an opinion on the final terms and conditions of the issues or, consequently, on the proposal to waive your pre-emptive rights.

In accordance with article R.225-116 of the French Commercial Code, we will prepare a further report, if required, at such stage as the Board of Directors decides to use this authority.

4 Issues of shares and/or securities carrying rights to shares restricted to members of an employee share ownership plan (twenty-second resolution)

Pursuant to the engagement set out in articles L.225-135 and L.228-92 of the French Commercial Code, we hereby present our report on the proposal to delegate authority to the Board of Directors to make one or more capital increases by making non-rights issues of shares or securities carrying rights to shares of the Company to employees, formers employees and/or officers of the Company and/or French or foreign companies or groups related to it within the meaning of article L.225-180 of the

French Commercial Code, who are members of an employee share ownership plan, a transaction on which you are asked to vote.

The total par value of the capital increases may not exceed €400,000 and will be included in the blanket limit set in the twenty-fifth resolution.

This capital increase requires your approval under the provisions of articles L.225-129-6 of the French Commercial Code and L.3332-18 *et seq.* of the French Employment Code.

Based on its report, the Board of Directors is seeking a delegation of authority for a period of twenty-six months to make one or more capital increases and to waive your pre-emptive rights. The Board of Directors will be responsible for setting the final terms and conditions of any issues it ultimately decides to make pursuant to this resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified information drawn from the financial statements, on the proposal to waive your pre-emptive rights and on certain other information about the issue provided in that report.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures included verifying the content of the Board of Directors' report on this transaction and the method of setting the issue price of the equity instruments to be issued.

Subject to a subsequent review of the terms and conditions of any capital increases that may ultimately be decided, we have no matters to report as to the method of setting the price of equity instruments to be issued described in the Board of Directors' report in respect of the fifteenth, sixteenth and seventeenth resolutions.

As the issue price has not been set, we cannot and do not express an opinion on the final terms and conditions of the issues or, consequently, on the proposal to waive your pre-emptive rights.

In accordance with article R.225-116 of the French Commercial Code, we will prepare a further report, if required, at such stage as the Board of Directors decides to use this authority.

5 Stock awards of existing or new shares to salaried employees and/or officers or certain categories of salaried employees and/or officers (twenty-third resolution)

Pursuant to the engagement set out in article L.225-197-1 of the French Commercial Code, we have prepared this report on the proposed award of existing or new shares to certain employees and officers of the Company or companies or groups related to it within the meaning of and which meet the conditions set out in article L.225-197-2 of said Code.

The number of shares that may be awarded may not exceed 300,000, i.e. 0.71% of the share capital on the date of the Board of Directors' decision, bearing in mind that this amount is included in the blanket limit set in the twenty-fifth resolution.

The Board of Directors is seeking authorisation for a period of thirty-eight months to make awards of existing or new shares on one or more occasions. The Board of Directors is responsible for preparing a report on the proposed transaction. Our role is to report on the information given to you about the proposed transaction.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures consisted in verifying

that the proposed terms and conditions described in the Board of Directors' report comply with the provisions of the law.

We have no matters to report as to the information provided in the Board of Directors' report about the proposed stock awards.

6 Grant of stock options to employees and officers (twenty-fourth resolution)

Pursuant to the engagement set out in articles L.225-177 and R.225-144 of the French Commercial Code, we have prepared this report on the Board of Directors' proposal to grant stock options exercisable for new or existing shares to employees and officers of the Company or companies or groups related to it within the meaning of article L.225-180 of said Code.

The number of options that may be awarded pursuant to this authorisation may not entitle the holders to subscribe to or purchase more than 300,000 shares, i.e. 0.71% of the share capital on the date of the Board of Directors' decision, bearing in mind that this amount is included in the blanket limit set in the twenty-fifth resolution.

The Board of Directors is responsible for preparing a report on the reasons for granting the stock options on one or more occasions and the method of setting the exercise price. Our role is to express an opinion on the method of setting the exercise price.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures consisted in verifying that the proposed method of setting the exercise price is described in the Board of Directors' report, complies with the provisions of the law, provides clear information to the shareholders and does not appear to be manifestly inappropriate.

7 Issues of securities carrying rights to the allotment of debt securities and not giving rise to a capital increase (twenty-seventh resolution)

Pursuant to our engagement as set out in article L. 228-92 of the French Commercial Code, we hereby present our report on the proposed delegation of authority to the Board of Directors to issue bonds carrying bond warrants and, more generally, securities carrying rights to the immediate or deferred allotment of debt securities such as bonds, similar instruments, dated or undated subordinated notes or any other instruments conferring in the same issue the same debt claim on the Company, up to a maximum amount of €300 million, a transaction on which you are asked to vote.

On the basis of its report, the Board of Directors is seeking a delegation of authority for a period of 26 months to carry out such transactions. The Board of Directors will be responsible for setting the final terms and conditions of any issues it decides to make pursuant to this resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified information drawn from the financial statements and on certain other information about the issue provided in that report.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures consisted in verifying the contents of the Board of Directors' report concerning this transaction.

As the final terms and conditions of the issue have not been set, we cannot and do not express an opinion on the final terms and conditions of the issue.

In accordance with article R.225-116 of the French Commercial Code, we will prepare a further report, if required, at such stage as the Board of Directors decides to use this authority.

We have no matters to report on the proposed terms and conditions.

The Statutory Auditors

Paris and Neuilly-sur-Seine, 7 June 2011

Burband Klinger & Associés
Frédéric Burband

Deloitte & Associés
Henri Lejetté

CHAPTER VIII: PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

1. PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Dr. Jean-Claude Marian, Chairman of the Board of Directors
Yves Le Masne, Chief Executive Officer

2. STATEMENT BY THE PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Having taken all reasonable care to ensure that such is the case, to the best of our knowledge, all of the information contained in the registration document is in accordance with the facts and contains no omissions likely to affect its import.

To the best of our knowledge, we certify that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and profit or loss of the Company and all consolidated companies, and that the management report provided on pages 85 to 137 presents a true and fair view of the business trends, results and financial position of the Company and all consolidated companies, as well as a description of the main risks and uncertainties to which they are exposed.

We have obtained a completion letter from the Statutory Auditors stating that they have verified the information concerning the financial position and financial statements provided in this registration document, and that they have read the entire document.

Puteaux, 7 June 2011.

3. INVESTOR CONTACTS

Orpea
Yves Le Masne, Chief Operating Officer – Tel.: 01 47 75 78 07

NEWCAP
Emmanuel Huynh – Tel.: 01 44 71 94 94
orpea@newcap.fr

CHAPTER IX: STATUTORY AUDITORS

1. PRINCIPAL STATUTORY AUDITORS

- **Burband Klinger & Associés**
  Represented by Frédéric Burband
  140, rue du Faubourg Saint-Honoré, 75008 Paris

Burband Klinger & Associés was first appointed at the annual general meeting of 27 June 2008 for a term of six years ending at the conclusion of the annual general meeting held to approve the 2013 financial statements.

- **Deloitte & Associés**
  Represented by Henri Lejetté
  185 avenue Charles-de-Gaulle, 92200 Neuilly-Sur-Seine

Deloitte & Associés was first appointed at the annual general meeting of 29 June 2006 to replace Vademecum, which stood down for personal reasons. Its term of office ran from 1 January 2006 until the end of its predecessor's term, that is until the conclusion of the annual general meeting held to approve the 2009 financial statements.

Deloitte & Associés was re-appointed at the annual general meeting of 25 June 2010 for a term of six years ending at the conclusion of the annual general meeting held to approve the 2015 financial statements.

2. ALTERNATE STATUTORY AUDITORS

- **Marc Tenaillon**
  Alternate to Burband Klinger & Associés
  Address: Immeuble Somag, 16 rue Ampère, 95307 Cergy Pontoise

Appointed at the same time and for the same term as Burband Klinger & Associés

- **BEAS**
  Alternate to Deloitte & Associés
  Address: 7-9 Villa Houssay, 92200 Neuilly-Sur-Seine

Appointed at the same time and for the same term as Deloitte & Associés, replacing Mrs Françoise Vainqueur, joint alternate statutory auditor, who resigned for personal reasons.

3. STATUTORY AUDITORS' FEES

(in thousands of euros)	Deloitte & Associés				Burband Klinger & Associés			
	2010		2009		2010		2009	
	€	%	€	%		%	€	%
1. Audit								
1.1 Statutory and contractual audit services								
- Issuer	740,190	73%	813,000	72%	663,000	89%	531,675	84%
- Fully-consolidated subsidiaries	274,260	27%	311,600	28%	84,914	11%	102,350	16%
1.2 Other audit-related services								
- Issuer								
- Fully-consolidated subsidiaries								
Sub-total	**1,014,450**	100%	**1,124,600**	100%	**747,914**	100%	**634,025**	100%
2. Other services provided to fully-consolidated subsidiaries								
2.1 Legal, tax and employment advice								
2.2 Other								
Sub-total	**0**	**0**	**0**	**0%**	**0**	**0**	**0**	**0**
Total	**1,014,450**	100%	**1,124,600**	100%	**747,914**	100%	**634,025**	100%

CHAPTER X: DOCUMENTS ON DISPLAY

This list comprises the annual information document published on 6 May 2011 pursuant to article 451-1-1 of the French Monetary and Financial Code and article 221-1-1 of the AMF's General Regulation, supplemented by the Orpea Group's latest publications.

1. PUBLICATIONS ON THE AMF'S WEBSITE

Published on Autorité des Marchés Financiers' website (www.amf-france.org)

Publication date	Type of document
11/04/2011	Notification of interests
15/01/2011	Notification of interests
07/12/2010	Securities Note
06/12/2010	Registration document update
13/07/2010	2009 registration document

2. PUBLICATIONS IN THE BALO

Published on the Journal Officiel website (www.journal-officiel.gouv.fr)

Publication date	Type of document
17/11/2010	Final 2009 financial statements
09/06/2010	Notice of annual general meeting
19/05/2010	Second notice of annual general meeting

3. PUBLICATIONS ON THE COMPANY'S WEBSITE

Published on Orpea's website (www.orpea.com)

Publication date	Heading	Type of document
06/05/2011	Press releases	Number of voting rights and shares at 30 April 2011
04/05/2011	Press releases	Sharp acceleration in Q1 2011 sales growth: +26.7% to €293 million
06/04/2011	Press releases	Number of voting rights and shares - Declaration at 31 March 2011
30/03/2011	Press releases	Buoyant growth in operating performances 2010
30/03/2011	Documentation	Presentation of 2010 annual results
07/03/2011	Press releases	Pursuance of the development policy with 761 new beds

04/03/2011	Press releases	Number of voting rights and shares at 28 February 2011
16/02/2011	Press releases	Strong increase of 14.3% in 2010 sales to €964.2 million
07/02/2011	Press releases	Number of voting rights and shares at 31 January 2011
17/01/2011	Press releases	Liquidity contract report at 31 December 2010
03/01/2011	Press releases	Number of voting rights and shares – Declaration December 2010
21/12/2010	Press releases	Finalisation of the acquisition of 100% of Mediter and 49% of Medibelge
15/12/2010	Press releases	Number of voting rights and shares – Declaration November 2010
13/12/2010	Press releases	OCEANE bond issue: full exercise of the greenshoe option
09/12/2010	Press releases	Signature of the contribution agreement relating to the acquisition of Mediter/Medibelge
07/12/2010	Documentation	Securities note (OCEANE bonds)
07/12/2010	Press releases	Launch of OCEANE bond issue
07/12/2010	Press releases	Huge success of OCEANE bond issue
07/12/2010	Press releases	Huge success of OCEANE bond issue – AMF approval received
06/12/2010	Documentation	2009 registration document update
09/11/2010	Press releases	Further solid growth in Q3 2010
05/11/2010	Press releases	Number of voting rights and shares – Declaration October 2010
19/10/2010	Documentation	Presentation of the acquisition
18/10/2010	Press releases	A major strategic acquisition: + 4,866 beds in Europe
15/10/2010	Documentation	2010 interim financial report
08/10/2010	Press releases	Development update postponed
06/10/2010	Press releases	Number of voting rights and shares – Declaration September 2010
15/09/2010	Documentation	Presentation of 2010 interim results
15/09/2010	Press releases	Further buoyant growth in H1 2010 results
02/09/2010	Press releases	Number of voting rights and shares – Declaration August 2010
03/08/2010	Press releases	Number of voting rights and shares – Declaration July 2010
21/07/2010	Press releases	H1 2010 revenue: up 16.3% to €470 million
15/07/2010	Documentation	2009 registration document
15/07/2010	Press releases	Press release announcing availability of 2009 registration document
07/07/2010	Press releases	Interim liquidity contract report at 30 June 2010
07/07/2010	Press releases	Number of voting rights and shares – Declaration June 2010
28/06/2010	Documentation	Share buyback programme
10/06/2010	Documentation	Background documents for the 25 June 2010 annual general meeting
10/06/2010	Documentation	Press release announcing availability of background documents
10/06/2010	Documentation	Annual information document
10/06/2010	Documentation	Statutory Auditors' fees
10/06/2010	Documentation	2009 annual financial report
09/06/2010	Documentation	Notice of annual general meeting on 25 June 2010
02/06/2010	Press releases	Number of voting rights and shares – Declaration May 2010
19/05/2010	Documentation	Second notice of annual general meeting

4. PUBLICATIONS ON AN AMF-APPROVED NEWSWIRE

Published on newswire (www.lesechos-comfi.fr)

Publication date	Type of document
06/05/2011	Number of voting rights and shares at 30 April 2011
04/05/2011	Sharp acceleration in Q1 2011 sales growth: +26.7% to €293 million
06/04/2011	Number of voting rights and shares – Declaration at 31 March 2011
30/03/2011	Buoyant growth in operating performances 2010
07/03/2011	Pursuance of the development policy with 761 new beds
04/03/2011	Number of voting rights and shares at 28 February 2011
16/02/2011	Strong increase of 14.3% in 2010 sales to €964.2 million
07/02/2011	Number of voting rights and shares at 31 January 2011
17/01/2011	Liquidity contract report at 31 December 2010
03/01/2011	Number of voting rights and shares – Declaration December 2010
31/12/2010	Finalisation of the acquisition of 100% of Mediter and 49% of Medibelge
15/12/2010	Number of voting rights and shares – Declaration November 2010
13/12/2010	OCEANE bond issue: full exercise of the greenshoe option
09/12/2010	Signature of the contribution agreement relating to the acquisitic Mediter/Medibelge
07/12/2010	Huge success of OCEANE bond issue
07/12/2010	Huge success of OCEANE bond issue – AMF approval received
07/12/2010	Launch of OCEANE bond issue
09/11/2010	Further solid growth in Q3 2010
05/11/2010	Number of voting rights and shares – Declaration October 2010
18/10/2010	A major strategic acquisition: + 4,866 beds in Europe
15/10/2010	2010 interim financial report
08/10/2010	Development update postponed
06/10/2010	Number of voting rights and shares – Declaration September 2010
15/09/2010	Further buoyant growth in H1 2010 results
02/09/2010	Number of voting rights and shares – Declaration August 2010
03/08/2010	Number of voting rights and shares – Declaration July 2010
21/07/2010	H1 2010 revenue: up 16.3% to €470 million
15/07/2010	2009 registration document
15/07/2010	Press release announcing availability of 2009 registration document
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07/07/2010	Number of voting rights and shares – Declaration June 2010
28/06/2010	Share buyback programme
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10/06/2010	2009 annual information document
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