



Quality Service in Long-Term Care & Post-Acute Care



2006 Full Year results

Dr Jean-Claude MARIAN M.D.
Chairman & CEO

Yves LE MASNE
COO

Dr Linda BENATTAR M.D.
Medical Director

Laure FRERES
Quality Director

COMPANY OVERVIEW



ORPEA

Leading French player in Long-Term Care & Post-Acute Care

► LONG TERM CARE:



14,053 beds spread over 150 facilities

- Long-term stays
- Alzheimer special units
- Short-term stays
- Day care

11,446 beds in operation including
994 undergoing renovation
+ 3,229 beds under construction

► POST-ACUTE CARE / PSYCHIATRY



3,961 beds spread over 43 facilities

- Post-Acute care : general care, geriatry, cancerology
- Rehabilitation centers : post-orthopaedic surgery, trauma, neurology
- Psychiatric care

3,344 beds in operation including
820 undergoing renovation
+ 617 beds under construction

18,014 beds spread over 193 facilities

An extended quality network in Europe

France
164 facilities



Belgium
7 facilities



Switzerland
1 facility



Spain
16 facilities



Italy
5 facilities



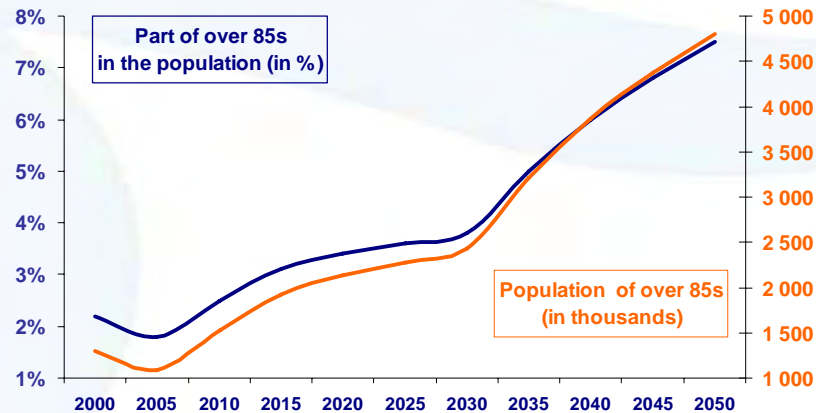
A HIGH-GROWTH SECTOR



ORPEA

A sector driven by considerable need

- ▶ Average age of people entering homes: **82/83** – Average age of residents: **85/86**
- ▶ **Over 85s people**: an increasing part of the population



Source : INSEE, projections de population à horizon 2050 – Sept 2005

- ▶ The number of people aged over 85 will rocket **78% (+841,000 people)** between **2005 and 2015** due to **1st Baby boom**
- ▶ **A phenomenon amplified** by a sharp rise in people affected by mental deficiency (i.e. Alzheimer): **+50% in the next 15 years** (from 860,000 people in 2005 to 1,200,000 in 2020) with a forecasted hike between 2005 and 2010
- ▶ **Alzheimer declared a National Health Priority** – today, 60% of people in LT Care facilities are disorientated
- ▶ **20% of the over 85s** must be cared for in LT care facilities (level of dependency, disorientation problems)

Assistance and care requirements in France

- ▶ In the face of demographic changes, there is **a substantial need for beds** in facilities, despite the significant development of home help
- ▶ Number of **beds to be created** in the next 5 years: **between 50,000 and 60,000 beds** (according to “Commissariat au Plan” *)
- ▶ Number of **beds to be created** in the next 10 years: **more than 100,000 beds** (according to specialists within the sector)
- ▶ Public authorities are becoming increasingly aware of the situation, and there are government plans to increase retirement home capacities and facilitate financing:
 - May 2006 : “*Plan Solidarité Grand Age*” (Solidarity with The Aged plan): **5,000 approved beds a year over 2008- 2012****, i.e. 25,000 extra beds
 - 2007 PLF finance project: **tax advantages for dependent people in care establishments**: eligibility for tax reductions for the costs of such care, with the ceiling raised to €10 000

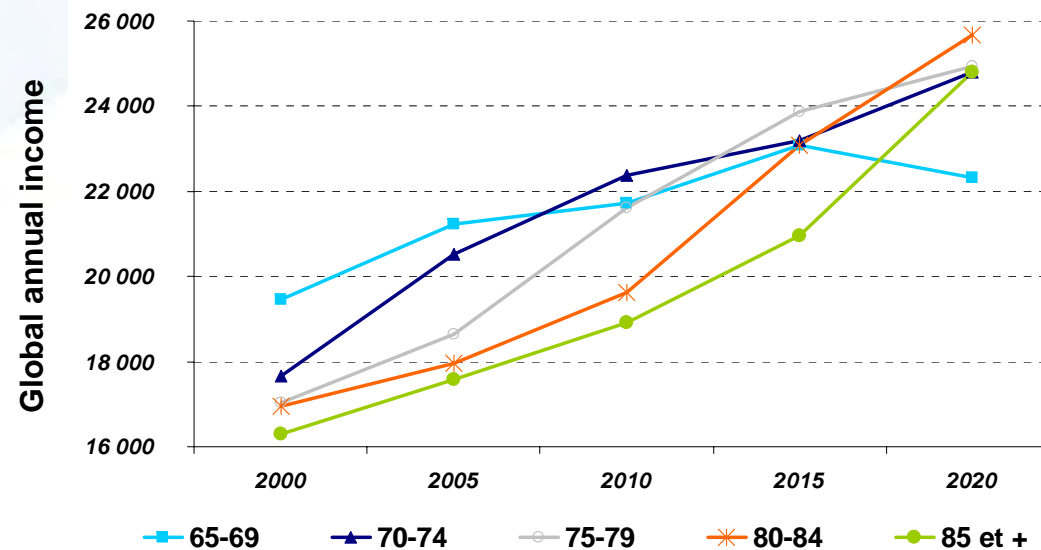
* Source: EHPA, Drees – “Commissariat au Plan “ report – July 2005

** This “financing” only represents the tripartite convention (reimbursement of healthcare costs)

Solvency of the elderly

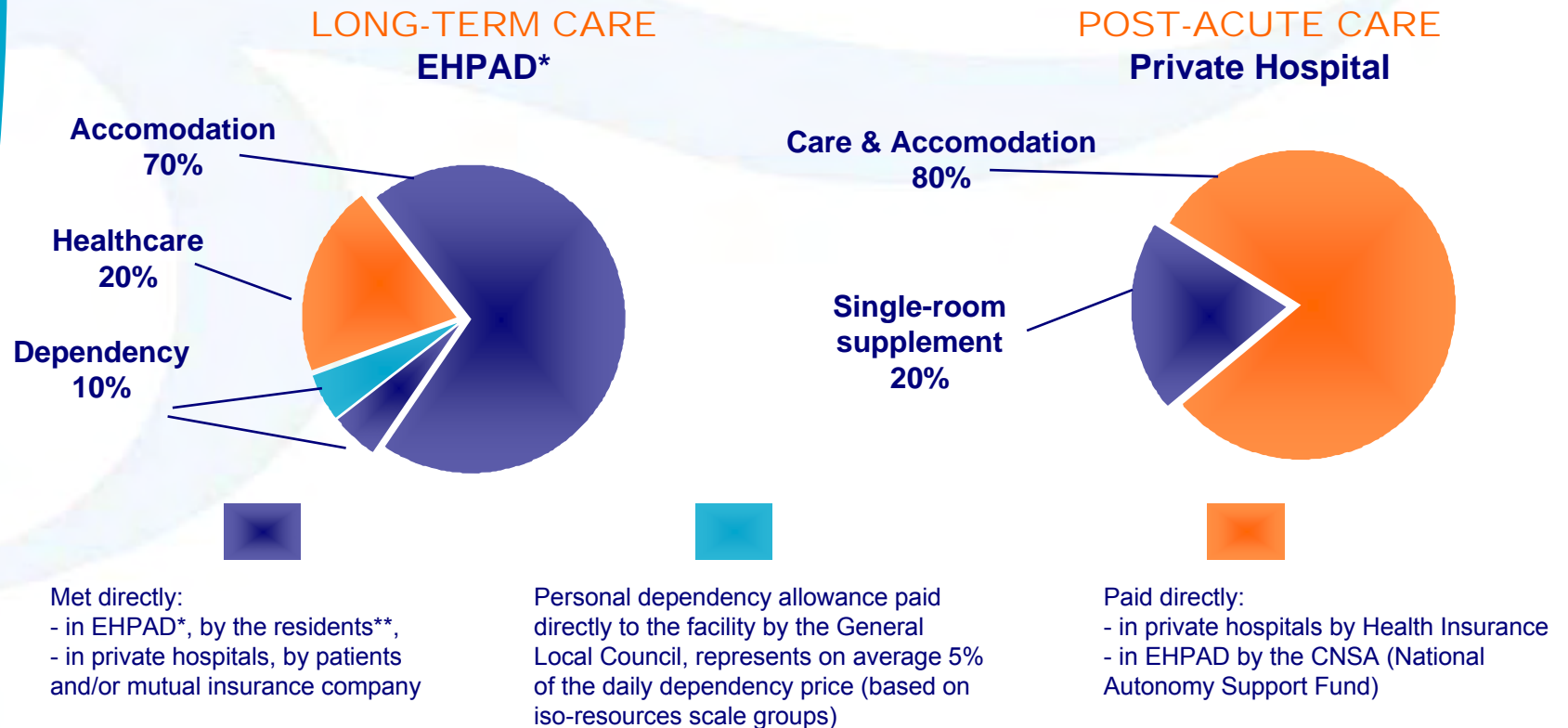
- ▶ **Care and dependency:** 20 to 30% of the per diem price financed by tripartite registrations
- ▶ 95% of ORPEA facilities are approved in this respect
- ▶ **The solvency of those over 85s** will increase in coming years

Change in income by age bracket (in 2000 euros per consumer unit)



Analysis of per diem prices

- **Breakdown of per diem** is effective after the price reform (“*convention tripartite*”)



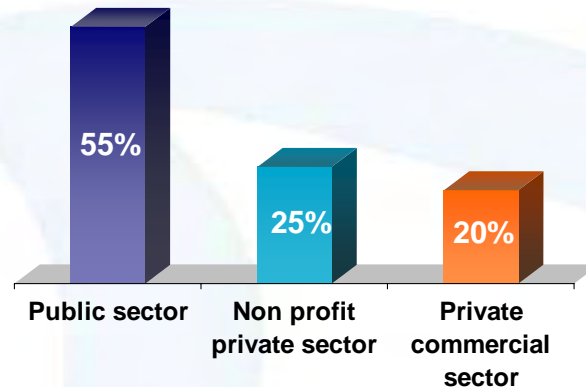
- **Average price for Food & Accommodation in EHPAD*: €62 (outside Paris)**
 (Services included in the price: meals, animation, 24/7 professional supervision...)

* "Établissement d'Hébergement pour Personnes Âgées Dépendantes" = Facilities for Elderly Dependent People

** Or by "Social Help" for low income people in authorised facilities

Players in charge of running facilities

► Low representativity of the private commercial sector



2001 – 2005* changes:

- ✓ Public sector: -1.5%
- ✓ Non profit sector: +3.5%
- ✓ Private commercial sector: +7.0%

As a reminder :

- ✓ UK: 70% Private Commercial Sector
- ✓ Spain: 40% Private Commercial Sector

► A private commercial sector still **fragmented**:

- ✓ **5 major groups (> 4,000 beds)**

Group	Nb of beds in France	Nb of beds abroad	Total
ORPEA	8,605	1,980	10,585
KORIAN	9,813	187	10,000
MEDICA	6,759	1,062	7,821
GDP Vendôme	6,175	0	6,175
DOMUS VI	5,879	0	5,879

Source: Mensuel des Maisons de retraite – Januray 2007

- ✓ **15 mid-sized groups (between 500 and 4,000 beds)**
- ✓ **900 individual owners (including 700 managing between 5 and 40 beds)**

*Source: MSI Etude – October 2006

RECOGNISED KNOW-HOW: ORPEA'S QUALITY APPROACH



ORPEA

Quality at the heart of Orpea's development

- ▶ A **quality approach** initiated 9 years ago and continuously evolving,
- ▶ An **autonomous Quality department** with field experience, associated with a Medical department common to all establishments
- ▶ An **Ethical Charter** “Les Engagements d’ORPEA” (Team Commitments) drawn up by each facilities’ team
- ▶ A **Quality Charter** “Les Engagements d’ORPEA” (ORPEA’s Commitments) drawn up after consultation with residents and their families
- ▶ A Group Quality culture involving **permanent training**, in the field, for all employees
- ▶ A Quality policy that aims to **control risks**, **involve personnel** and develop the traceability of care and treatment
- ▶ **Rigorous procedures** to evaluate perceived Quality:
 - ✓ **Satisfaction survey** of residents / families
 - ✓ **Continuous Quality audits** in every domain

Involvement of all players to ensure lasting and permanently evolving Quality approach

The Quality approach's virtuous circle



Quality Awards

- ▶ **1st stage:** 3 facilities having received a Quality Award from “*Mouvement Français pour la Qualité*”
- ▶ **2nd stage:** setting up of an **Inter-institution Quality award** since 2003, handed out on the basis of **400 criteria**:
 - ✓ 3 retirement homes for the ORPEA Award
 - ✓ 3 clinics for the CLINEA Award
- ▶ **Objective:** involve and reward personnel
- ▶ **A 3-phase internal competition:**

Selection of finalists (9 EHPAD + 7 clinics)	Control audits of non finalists (45 facilities)	Final	Awards
Over 400 criteria: care, catering, work and security, animations, management, HR...	Audits carried out by the Quality Department and the Medical Department	Audit by: Quality Department management, Medical department management and Executive Committee: rewards excellence of care	Prizes from €30 000 to €6 000 per facility to carry out a project to the benefit of residents and patients

Human resources management award from “Quotidien du Médecin” and « Décision Santé »

Prix du management
des ressources humaines
en santé



**LE QUOTIDIEN
DU MEDECIN**

- ▶ Prize awarded at the French Senate by “*Le Quotidien du Médecin*” and “*Décision Santé*” for which many public and private Health structures competed
- ▶ ORPEA rewarded by the Quality Award for its internal Quality Award Competition



A reward for all of ORPEA’s personnel who improve the wellbeing of patients and residents on a daily basis

European recognition of ORPEA's know-how

- ▶ European study incorporating 7 countries organised by the European Commission to **study the circumstances that can trigger disorientation problems** for sufferers of Alzheimer's and similar illnesses
- ▶ **A European scientific first in this field: a 3-year innovative study to analyse these disorders**
- ▶ **Implementation** of this study: use modern technologies such as video, GPS bracelets people to analyse these disorders at home, in day care, in retirement homes...
- ▶ ORPEA chosen as **French partner for this study**, more specifically aimed at analysis in retirement homes



European recognition and acknowledgement of ORPEA's know-how and experience in terms of caring for Alzheimer-type illnesses

FINANCIAL PERFORMANCE



ORPEA

2006 achievements

TARGETS

Sales: €400m
+ 29%

Strong organic growth

Increase Group visibility
& Sales potential

Recurring operating margin:
13 – 14%



ACHIEVEMENTS

Sales: €415m
+ 34%

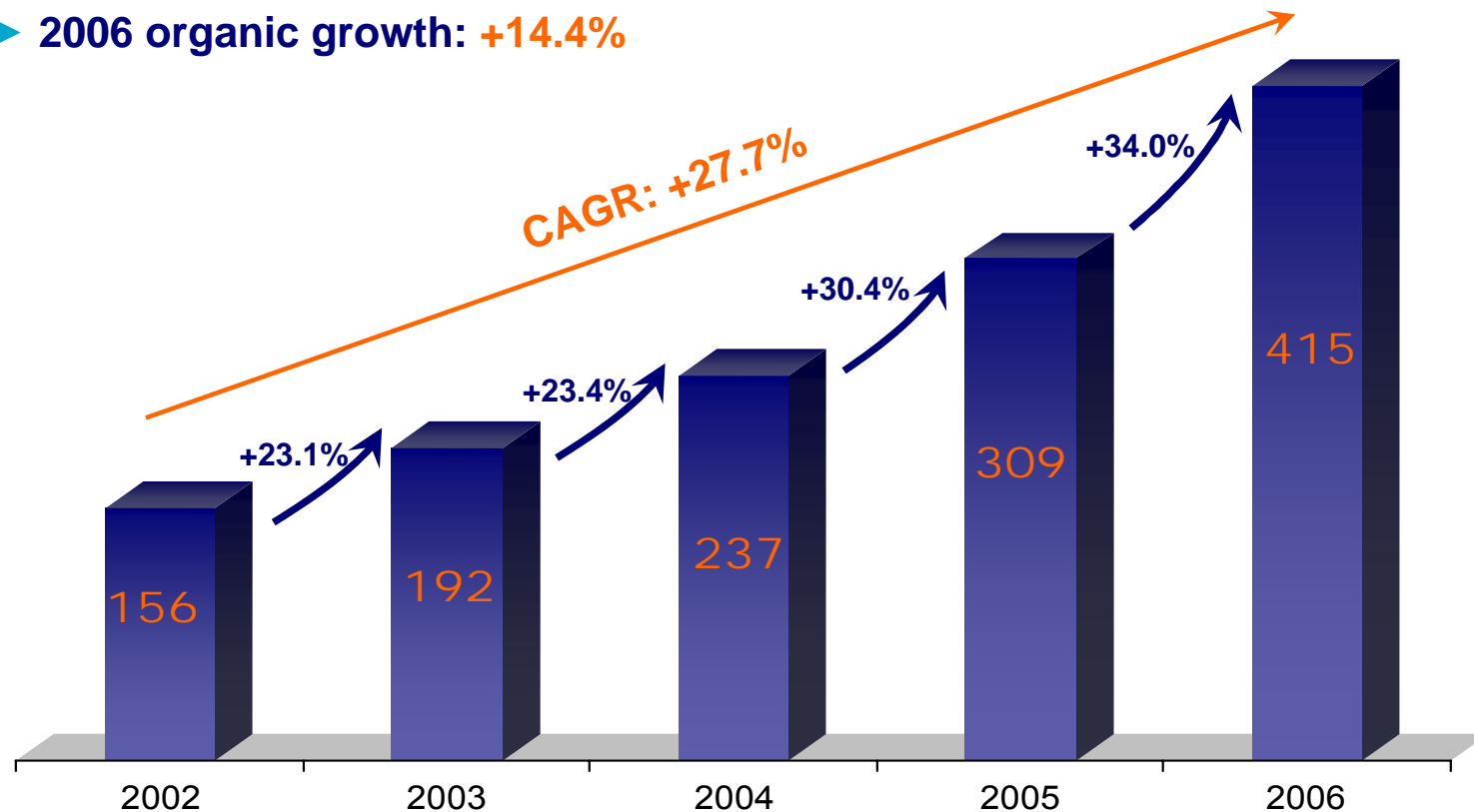
+ 14.4%

Acceleration in
Group development

Recurring operating margin:
13.8%

Sales growth

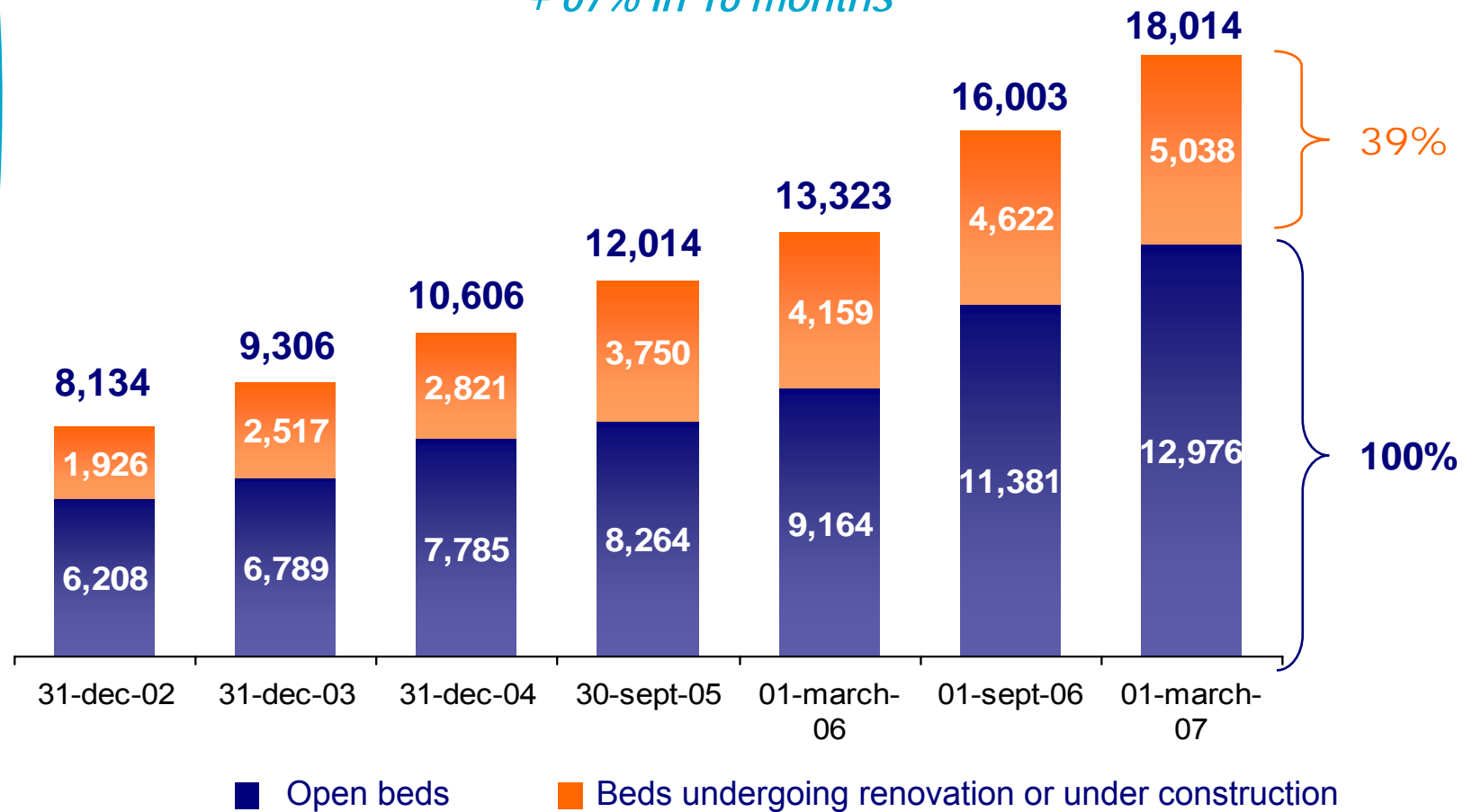
- ▶ 2006 Sales: **+34.0%**
- ▶ 2006 organic growth: **+14.4%**



An average annual growth rate of 27.5%
Strong increase in 2006: €415m

Network development: 18,014 beds

+ 67% in 18 months



Increasing additional revenue- generating capacity:
5,038 beds undergoing renovation or under construction

Full-Year results – key figures

In €m	2006	2005	▲ %
Sales	414.9	309.6	+34.0%
EBITDA	76.5	57.6	+32.8%
Recurring Operating Profit	57.2	43.8	+30.6%
Operating Profit	60.6	74.8 / 49.2 ⁽¹⁾	N.S.
Net Profit	32.4	38.1 / 23.6 ⁽¹⁾	N.S.

⁽¹⁾ Excluding exceptional profit from the sale of the Medidep stake and the contribution of Medidep's 2005 results

Strong growth in all performance criteria

Full-year operating profit

In €m	2006	2005	▲ %
Sales	414.9	309.6	+34.0%
Salaries	(209.9)	(154.9)	+35.5%
Expenses	(77.8)	(59.2)	+31.6%
Taxes and duties	(22.5)	(16.7)	+34.9%
Other costs and products	(1.4)	(1.1)	
EBITDAR (EBITDA before rents)	103.4	77.9	+32.8%
Rental expenses	(26.9)	(20.3)	+32.5%
EBITDA	76.5	57.6	+32.8%
	18.4%	18.6%	
Amortization & depreciation	(19.2)	(13.8)	+39.3%
Recurring Operating Profit	57.2	43.8	+30.8%
	13.8%	14.1%	
Non recurring items	3.3	31.0 ⁽¹⁾	N.S.
Operating Profit	60.6	74.8 ⁽¹⁾	N.S.

⁽¹⁾ Including profit from the sale of the Medidep stake

Change in net profit

In €m	2006	2005
Operating Profit	60.6	74.8
Cost of the net financial debt	(15.3)	(21.2)
Profit before tax	45.3	53.6
Tax	(12.8)	(16.8)
Equity Method Impact	0.0	1.8
Minority interest		(0.4)
Net Profit	32.4	38.1
Net Profit excluding profit from Medidep sale	32.4	23.6

- ▶ **2005 includes** profit from the sale of the Medidep stake, the contribution of Medidep's H1 2005 results and Convertible Bond transaction
- ▶ Excluding non recurring items, the **strong increase in net profit, +37%** demonstrates the strength of ORPEA Business Model

Recurring operating profit by geographical sector

In €m	2006			2005		
	Sales	ROP	ROM	Sales	ROP	ROM
France	386.0	56.4	14.62%	306.9	45.0	14.66%
Europe other	28.9	0.8	2.7%	2.7	(1.4)	(51.9%)
Total	414.9	57.2	13.8%	309.6	43.6	14.1%

ROP: Recurring Operating Profit – ROM : Recurring Operating Margin

- ▶ « Europe other » only concerns Italy in 2005, facilities acquired in Belgium and Switzerland that will be included in the Group structure only in 2006, Spain to be included in Group structure in August 2006
- ▶ The **13.8% group operating margin** results from the sum of:
 - ✓ positive margin from matured facilities
 - ✓ negative margin from facilities under renovation and undergoing opening

Consolidated balance sheet

	In €m	31-dec-06	31-dec-05
ASSETS	Fixed asstes	982.9	746.3
	Goodwill	53.4	9.7
	Intangible assets	357.6	308.8
	Tangible assets & inventories	555.6	417.0
	Others non current assets	16.2	10.8
	Current asstes	207.1	107.7
	<i>Of which available & marketable securities</i>	11.5	25.5
	TOTAL ASSETS	1 190.0	854.0
LIABILITIES	Shareholders' equity and Quasi shareholders' equity	348.5	307.6
	Shareholders' equity	260.9	234.9
	Quasi shareholders equity (in diferred tax)	87.6	72.7
	Fixed liabilities	455.8	326.3
	Other differred tax liabilities	45.4	28.9
	Provisions for risks and charges	25.9	14.8
	Long-term financial debt	384.6	283.5
	Current liabilities	386.6	220.1
	<i>Of which short-term debt (bridge loans)</i>	181.4	52.0
	TOTAL LIABILITIES	1 190.0	854.0

Pending certification

Ambitious investments for future growth

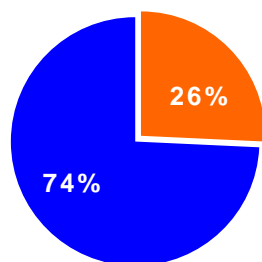
In €m	2006
Operating intangibles	67.9
Property acquisition	130.7
Construction and major renovation work	77.7
Maintenance	16.4
Total	292.7

Ebitda 2006 / 2005: +32.8%

Investments dedicated to a strong sustainable growth of EBITDA

Essentially property-based financial debt

- Net Financial Debt: **€54.5m** (€66m gross – €11.5m cash & holdings)



■ Operational acquisitions: **€145m**

■ Property debts: **€421m**

- **€202m** long-term debt
- **€219m** stocks & liabilities (land & buildings)

- **Gearing**: Net financial debt / shareholders equity (incl. quasi shareholders equity)

$$\frac{\text{Net financial debt}}{\text{Shareholders equity} + \text{quasi equity}} = 1.6$$

- **Restated financial** (Financial debt / Ebitda over 12 months)

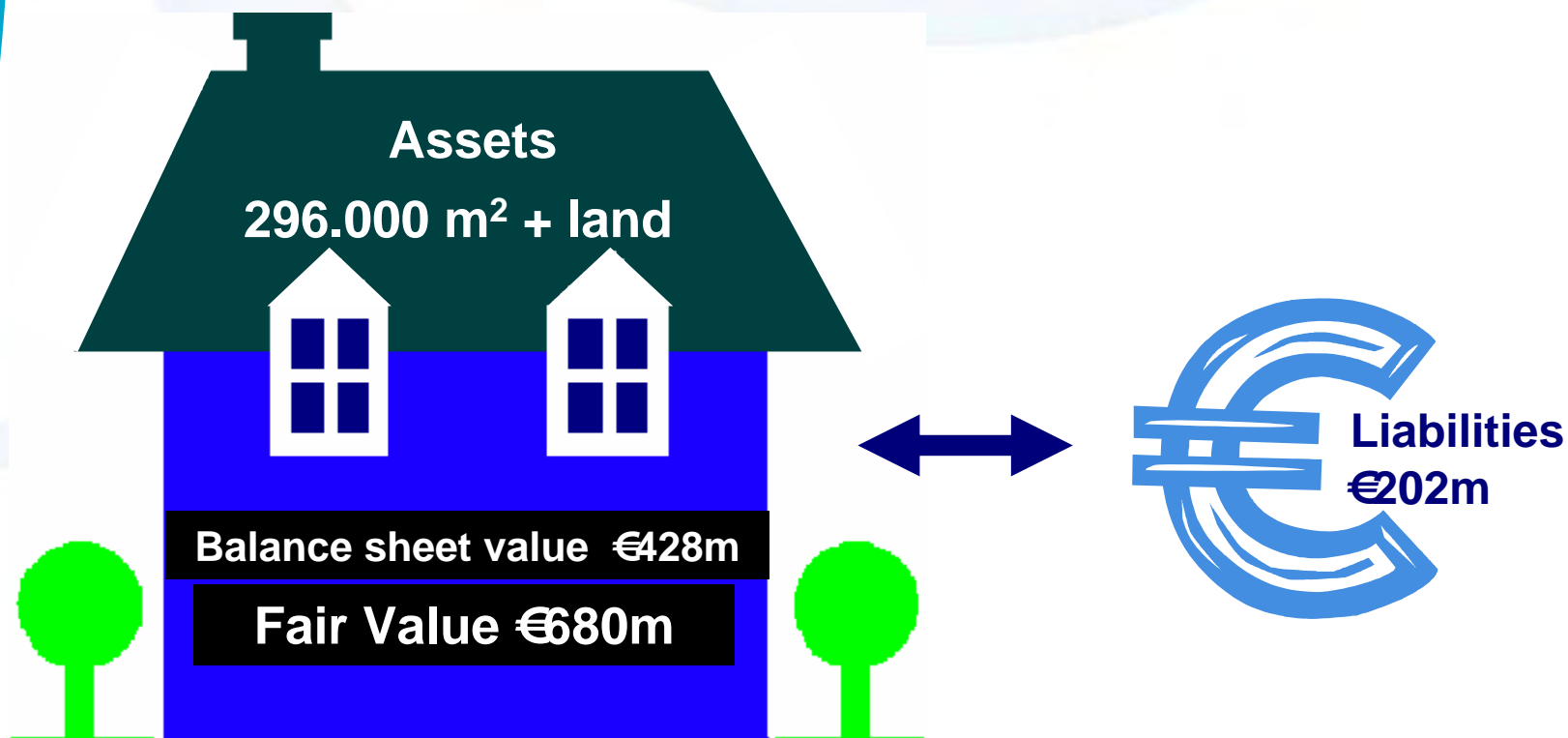
NB: Ebitda is reduced by 6% of the total property debt, with this debt including €219 million in property loans, corresponding to future Ebitda not taken into account in this ratio

$$\frac{\text{Net financial debt} - \text{property debt.}}{\text{Ebitda} - (6\% \text{ property debt})} = 2.6$$

3/4 of financial debt = Property = Secured assets easy to divest or outsource

Property assessment – Fair value

- ▶ **Property stocks** (buildings under construction + land):
 - ✓ Booked amount : €219m, 100% financed by bridge loans
 - ✓ 30 projects currently under construction (Neuilly, Boulogne, Turin, Chartres...)
- ▶ **Owned building complexes** (financed by loans or CBI property leasing)



58 buildings held in their entirety + 47 buildings partly held

Intangibles assessment – Fair Value

► Intangible assets (operational)

Assets
Intangibles on balance sheet: €406m
Market value: €720m



Liabilities
€145m

► Balance sheet value of intangibles

- ✓ Valorisation defined in 1998 for establishments held at that time
- ✓ Fair value (in year of acquisition) for establishments acquired after 1998
- ✓ Zero value for facilities created since 1998

► Market value: 1 to 1.25 times revenues, depending on establishments

► DCF value substantially above market value

2006 & 2007 OPENING



ORPEA

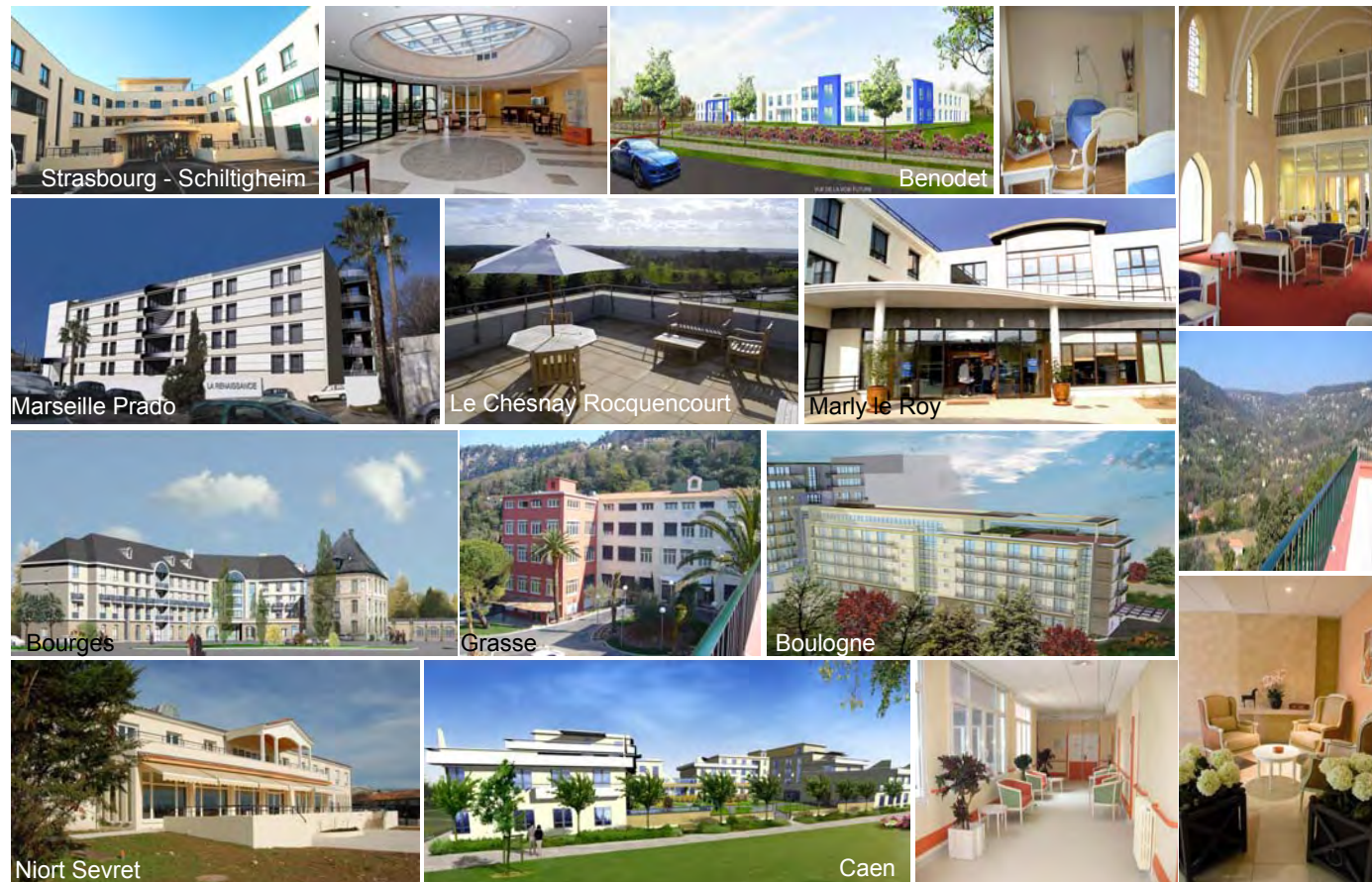
2006 new facilities

- ▶ **Long-Term Care: 130 beds spread over 2 facilities**
- ▶ **Clinics: 255 beds spread over 3 facilities**



2007 new facilities

- ▶ Long-Term Care: 844 beds spread over 9 facilities
- ▶ Clinics: 161 beds spread over 2 facilities



EUROPEAN AND FRENCH DEVELOPMENT



ORPEA

New European developments

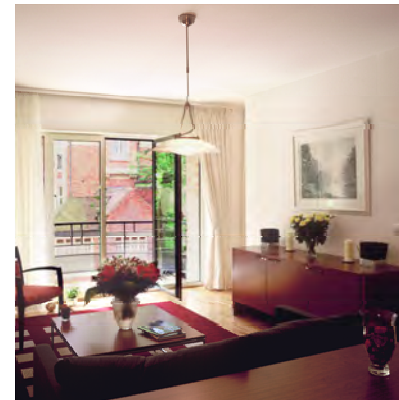
- ▶ **Increase of 2,247 beds** in Long-Term Care in 1 year (March-06 to March-07)
- ▶ **Acceleration of the increase of European implementation:** Belgium, Spain and Italy
- ▶ **Countries with characteristics similar to France:**
 - ✓ A regulatory and supervisory system
 - ✓ Strong demographic trends
 - ✓ A fragmented sector



Controlled and opportunistic development

Belgium: 7 LT Care facilities

- ▶ **New development:** acquisition of 5 LT Care facilities and X located close to Brussels
- ▶ **A network of 687 beds** spread over 7 facilities



Italy: 5 LT Care facilities

- ▶ High quality facilities **developed by ORPEA**, since 2004, in the state of « **Piemont** » and « **Marches** »
- ▶ **New development:** acquisition of a new LT Care facility
- ▶ **A network of 610 beds** spread over 5 facilities



Spain: 16 LT Care facilities

- ▶ **Acquisition of Grupo Care in July 2006:** 16 modern facilities in line with ORPEA's quality standards
- ▶ **Implementation of ORPEA protocols and a Spanish Head Office** in line with the model developed in France
- ▶ **A network of 1,676 beds** spread over 16 facilities



Switzerland: 1 psychiatric clinic

- ▶ Clinic « La Métairie », in Nyon (close to Geneva) – **75 beds**
- ▶ High-renown clinic, acquired in January 2006



Ongoing development in France

- ▶ **Acquisitions, extensions and authorisations: 2,444 new beds in 1 year**
(March 2006 to March 2007)
 - ✓ **Long Term Care: 1,282 beds**
 - ✓ **Post-Acute, Rehabilitation and Psychiatry Care: 1,162 beds**
- ▶ **An uniform French network:**
 - ✓ **122 LT Care facilities (11,080 beds)**
 - ✓ **42 clinics (3,886 beds)**



STRATEGY & PROSPECTS



ORPEA

International strategy

- ▶ Ongoing **controlled acquisition strategy** on markets with similar demographic and legislative situations to France
- ▶ **Focus on high-potential markets:** Italy, Spain...
- ▶ **Structuring and integration** of the establishments acquired so that they meet ORPEA's quality and management standards



Controlled and value-creating European development

Ongoing value-creating strategy

- ▶ Maintaining of buoyant **organic growth**
- ▶ Targeted and controlled **external growth** in France and abroad in temporary and long-term care by meeting ORPEA's qualitative and financial criteria
- ▶ Ongoing profitable development with operating margins maintained
- ▶ **Property:** flexible optimisation in function of opportunities



2007 revenue target: €520m

APPENDICE



ORPEA

ORPEA and the market

► Market Data:

Average daily trading volume: 27,042 shares/day

Price: €72.65

High: €75.20

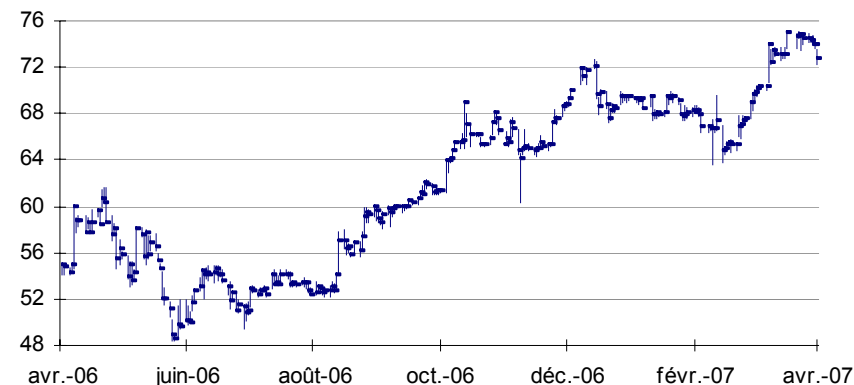
Low: €48.27

Turnover: 38% en 12 mois

Mkt Cap: €1,324m

Nb of shares: 18,223,937

Data as of 20 April 2007



► Indices:

Compartment A of Eurolist by Euronext Paris

Member of **SBF 120 Index**

Member of **SRD**

► Financial calendar*:

Q1 2007 Sales: 09.05.2007

Shareholder meeting: 28.06.2007

► Contacts:

Yves Le Masne – COO – Tel.: +33 (0)1 47 75 78 07

NewCap – Financial Communication & Investors Relations – Tel.: +33 (0)1 44 71 94 94

orpea@newcap.fr



*Subject to modifications