



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



2007 Half-Year Results

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

Yves LE MASNE
Chief Operating Officer

Dr Linda BENATTAR M.D.
Medical Director

ORPEA OVERVIEW



ORPEA

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

► **ORPEA's sector: Long-Term and Temporary Care**

Long-Term Care:

Long-term stays
Short-term stays
Special Alzheimer's units
Day care

**15,120 beds spread over
162 facilities:**

12,269 operational beds
(1,289 of them being renovated)
+ 2,851 beds under construction

Temporary Care:

Post-Acute Care (general care, geriatrics, cancerology)
Rehabilitation centres (post-orthopaedic surgery, trauma, neurology)
Cardio-rehab centres
Psychiatric care

**4,618 beds spread over
51 facilities:**

3,861 operational beds
(1,089 of them being renovated)
+ 757 beds under construction

A European network of 19,738 beds spread over 213 facilities:
16,130 operational beds (2,378 of them being renovated)
3,608 beds under construction

An extended quality network in Europe

France
180 facilities
16,368 beds



Belgium
9 facilities
835 beds



Switzerland
1 facility
75 beds



Spain
16 facilities
1,676 beds



Italy
7 facilities
784 beds



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
 - ✓ A **Medical department** common to all establishments
 - ✓ An **Ethical Charter** “Les Engagements de l'équipe” (Team Commitments) drawn up by each facility's team
 - ✓ A **Quality Charter** “Les Engagements d'ORPEA” (ORPEA's Commitments) drawn up after consultation with residents and their families
- ▶ A Quality policy that aims to **control risks, involve personnel** and develop the traceability of care and treatment
- ▶ **Quality addressed at all stages of a facility's life:** from building design to staff training
 - ✓ Buildings not only comply with statutory safety standards, but are designed to offer **comfortable and pleasant living environments** (lighting, colour, organisation, climate control etc.)
 - ✓ All staff receive **ongoing training** in order to improve the service provided to residents and patients
 - ✓ **Centralised management** allows facility managers to focus on conditions in their particular home or clinic



Daily involvement of all players to ensure well-being of residents and patients

Proactive Human Resources policy

- ▶ **Active recruitment policy:**
 - ✓ Hiring talented staff on the basis of technical criteria and personal qualities
 - ✓ Diverse recruitment sources: advertising, website, "Salon des infirmiers" nursing show etc.
- ▶ **Ongoing training leading to qualifications - central to the HR policy**
 - ✓ Nursing school set up in Saint-Rémy-lès-Chevreuse in 2004
 - ✓ Active promotion of VAE experience validation 100 staff per year
 - ✓ Skills updated through short themed courses
- ▶ **Attractive career opportunities:**
 - ✓ Geographical mobility, due to the extensive network in France and Europe
 - ✓ Diverse range of activities: opportunities to move between CLINEA and ORPEA
 - ✓ Managerial posts filled through internal promotion
- ▶ **Remuneration policy designed to ensure staff motivation and loyalty:** incentive plans, insurance, bonus share issues (32,000 free shares granted in January 2007)
- ▶ Permanent quest to **enhance the status** of care activities



A staff with a strong personal service culture

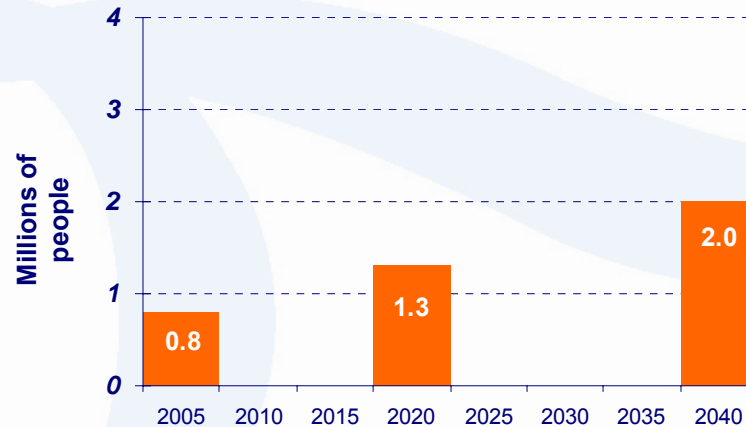
ALZHEIMER'S: A MAJOR ISSUE



Alzheimer's: a national public health issue

- ▶ **Sharp increase in the number of sufferers** expected in the next few years:

Estimated number of people aged over 75 affected by dementia (Alzheimer's and related illnesses) in France:

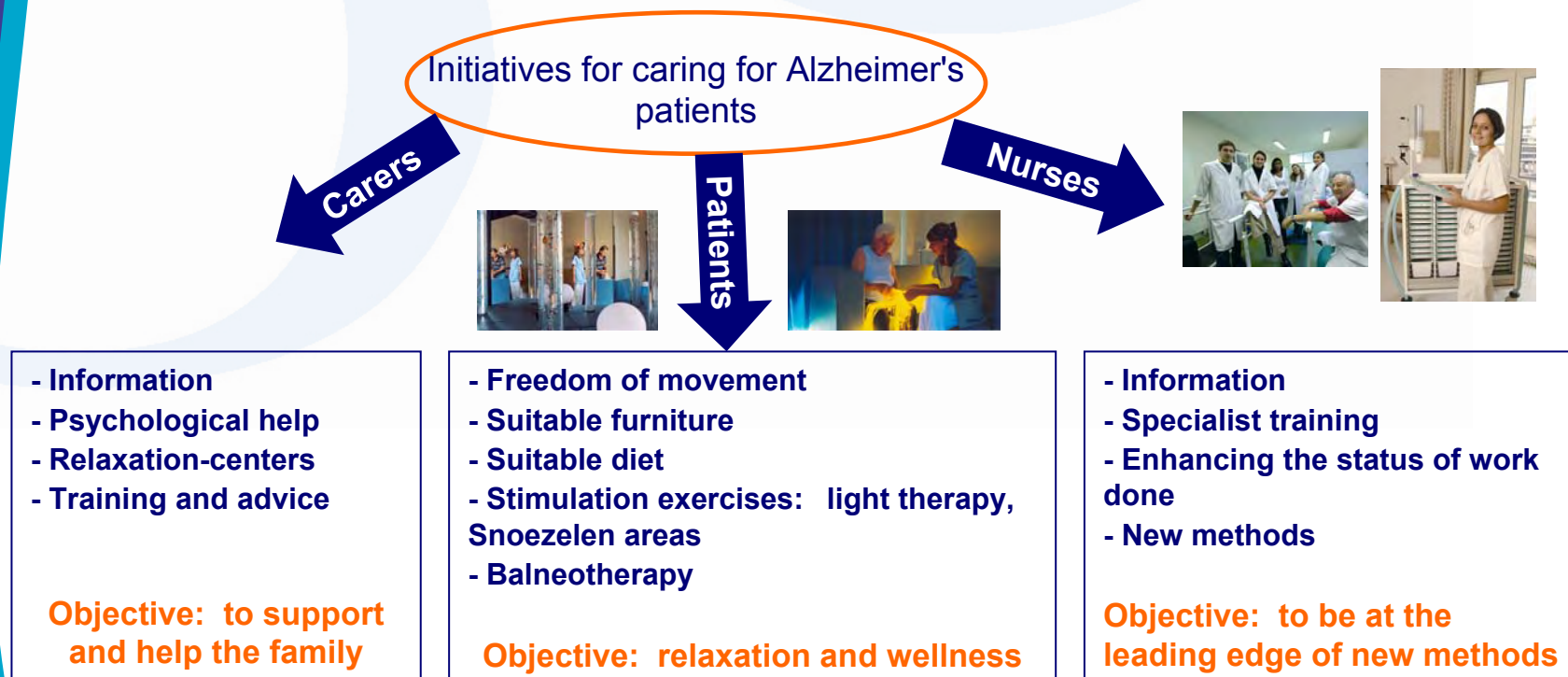


Source: report by the parliamentary office for assessing health policies, Assemblée Nationale no. 2454 and Sénat no. 466

- ▶ **Insufficient and unsuitable care capacity:**
 - ✓ More than 60% of institutional residents suffer from disorientation symptoms
 - ✓ Specific facilities and staff trained in this type of illness are required
 - ✓ Current supply limited to 110,000 beds for patients suffering from intellectual deterioration
- ▶ **Increased national awareness:**
 - ✓ Alzheimer's designated a "Grande Cause Nationale" (major national cause) in 2007
 - ✓ A large-scale Presidential Plan will be announced on 1st November 2007

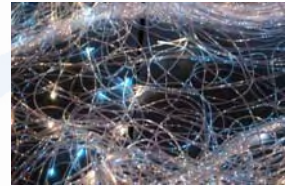
Orpea: a global approach

- ▶ **For the last few years, Orpea has been taking steps and deploying resources to respond to these new requirements:**
 - ✓ Creation of protected Alzheimer's units within facilities
 - ✓ Development of temporary accommodation and day-care facilities
 - ✓ Information days concerning memory loss and disorientation
 - ✓ Involvement in a European research programme
- ▶ **A global approach involving targeted and innovative initiatives**



Suitable facilities

- ▶ **Most of Orpea Long-Term Care facilities** have specialist Alzheimer's units
- ▶ **Snoezelen areas:** stimulation using colour, touch, sound etc.



- ▶ **A model facility, the benchmark in the sector:**
Résidence La Fontaine in Marly-le Roy
 - ✓ Architecture designed to optimise natural light
 - ✓ Patients free to move around without constraint and in full safety
 - ✓ Suitable infrastructure and furniture
 - ✓ Day care



A concept that can be rolled out across all group facilities

EUROPEAN AND FRENCH DEVELOPMENT



New European developments

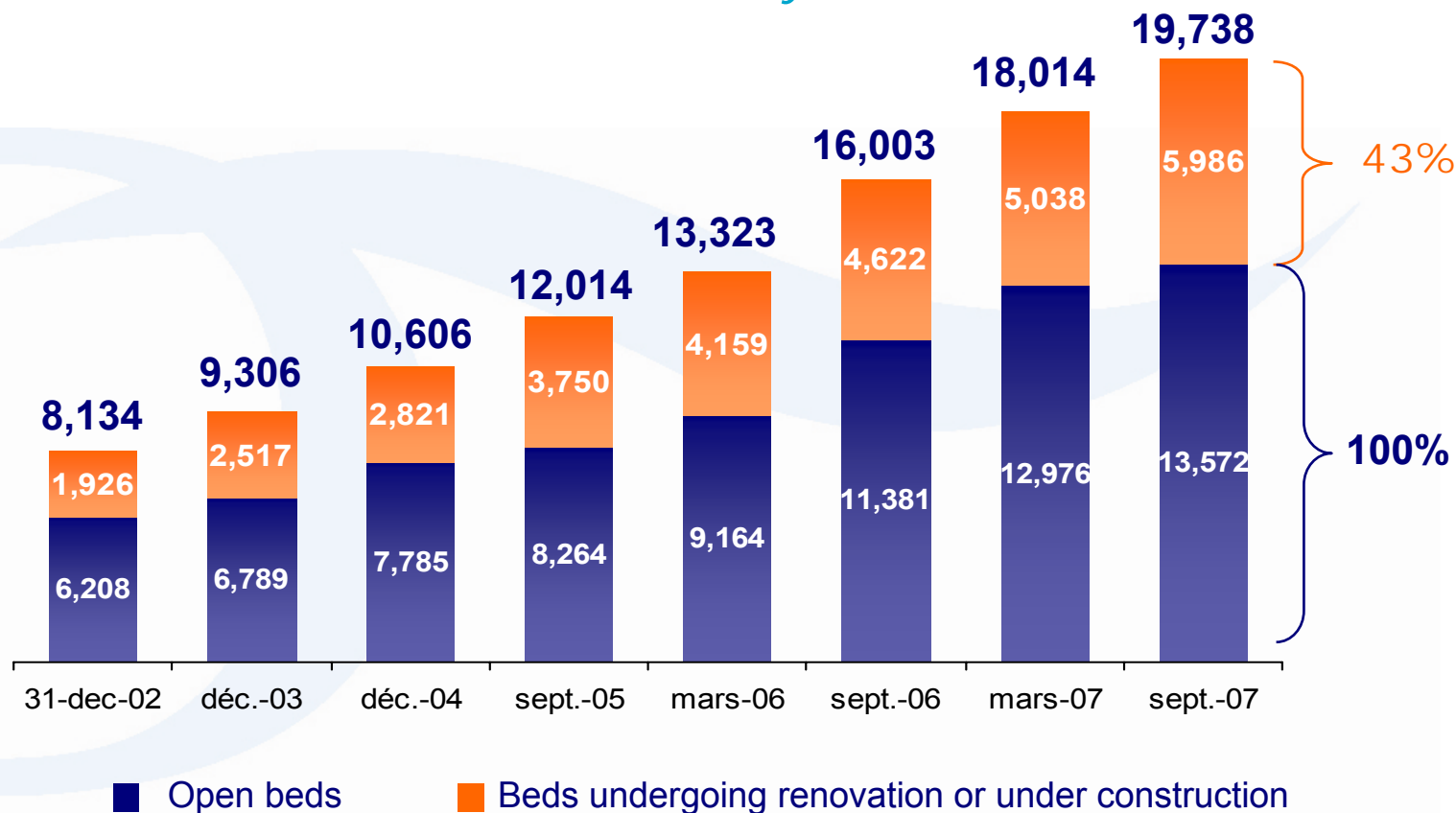
- ▶ **Acquisitions and authorisations over 6 months (March-07 to Sept-07): 1,724 beds** corresponding to 19 facilities and further authorisations (extensions for existing facilities)
- ▶ **A European development :**
 - ✓ **France: 1,392 beds** (735 in long-term care and 657 in temporary care) = 15 facilities (9 under construction, 4 to be renovated and 2 operational) and further authorisations.
 - ✓ **Italy: 184 beds** = 2 facilities (1 under construction and 1 to be renovated)
 - ✓ **Belgium: 148 beds** = 2 facilities (operational by year end)
- ▶ In the long term, these 1,724 beds will **represent additional revenue of €77m**



Increase of the network to 3,735 beds (+25%)
Respect of strict financial and quality criteria
Target : mid and long term value creation

Network development: 19,738 beds

+ 64% in 2 years



**Increasing additional revenue- generating capacity:
Close to 6,000 beds undergoing renovation or under construction**

France: organisation of the sector

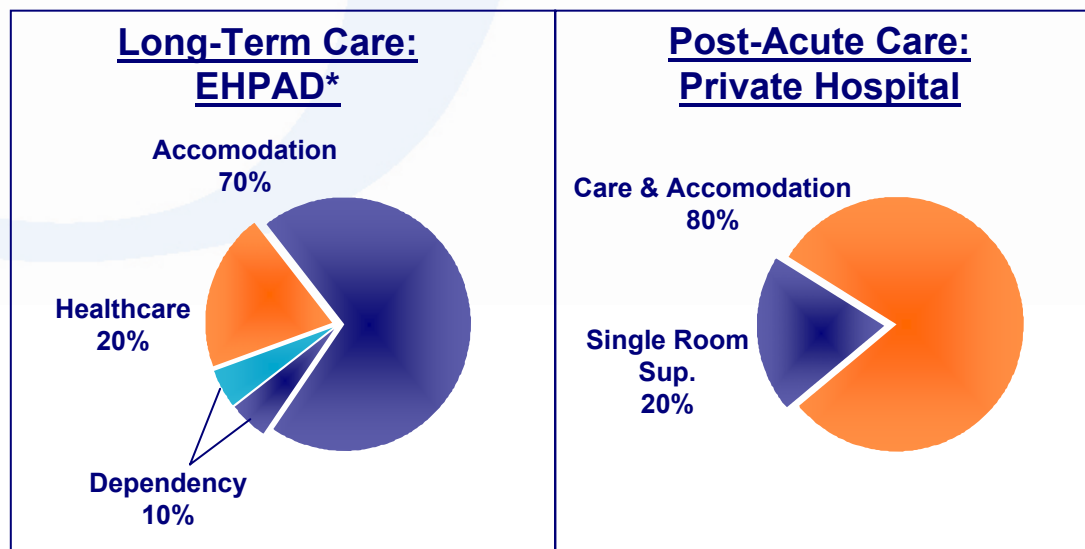
► Significant needs for an insufficient offer:




- ✓ Increasing number of over 85s people between 2005 and 2015: + 78%
- ✓ 20% of the over 85s must be cared for in LT care facilities
- ✓ A substantial need for beds in facilities: number of beds to be created in the next 10 years: more than 100,000 beds (according to specialists within the sector)

► A fragmented sector:

- ✓ Low representativity of the private commercial sector: Public Sector 55%, Non-Profit Private Sector 25% and Private Commercial Sector 20%
- ✓ A private commercial sector still fragmented: 5 major groups (> 4,000 beds), 15 mid-sized groups (500 to 4,000 beds) and more than 900 individual owners

► Breakdown of per diem prices (effective after the price reform _“convention tripartite”)



-  Met directly:
 - in EHPAD*, by the residents**,
 - in private hospitals, by patients and/or mutual insurance company
-  Personal dependency allowance paid directly to the facility by the General Local Council, represents on average 5% of the daily dependency price (based on iso-resources scale groups)
-  Paid directly:
 - in private hospitals by Health Insurance
 - in EHPAD by the CNSA (National Autonomy Support Fund)

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

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

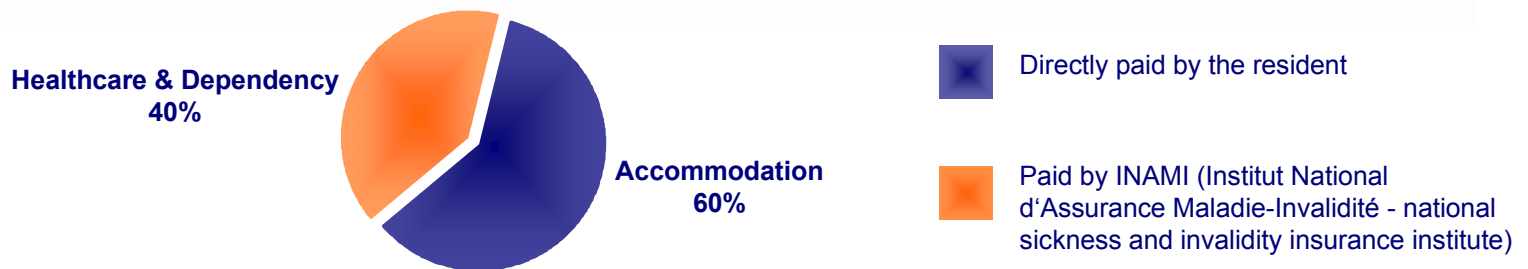
France: 180 facilities

- ▶ **New developments** (Acquisitions, extensions and authorisations): **1,392 beds**, corresponding to 15 facilities (9 under construction, 4 to be renovated and 2 operational) + further authorisations
 - ✓ Long-term care: 735 beds
 - ✓ Temporary care: 657 beds
- ▶ **A network of 16,368 beds** spread over 180 facilities: 12,998 operational (2,050 of them being renovated) + 3,370 under construction
 - ✓ Long-term care: 11,825 beds
 - ✓ Temporary care: 4,543 beds



Belgium: organisation of the sector

- ▶ **Sector organised around three types of facility:**
 - ✓ Serviced residences ("Seniories"): able-bodied residents
 - ✓ Rest homes (RH): able-bodied and semi-able-bodied residents
 - ✓ Rest and care homes (RCH): dependent residents
- ▶ **A fragmented sector, dominated by the public sector**
 - ✓ Sector size: around 1,800 facilities representing 122,000 beds
 - ✓ Dominated by the public sector and non-profit organisations, which make up 70% of the sector versus 30% for commercial private-sector operators
 - ✓ A fragmented private sector: 3 Belgian private groups (managing more than 10 facilities) and around 15 mid-sized groups (between 3 and 10 facilities) including several French groups
- ▶ **The sector works on a regional basis, and involves authorisation systems**
 - ✓ An organisation based around 3 regions
- ▶ **Breakdown of per diem price**



Belgium: 9 facilities

- ▶ **New development:** 148 beds corresponding to 2 new facilities and 2 nouveaux établissements (operational by year end)
- ▶ **A network of 835 beds** spread over 9 facilities: 835 operational (225 of them being renovated)



Italy: organisation of the sector

► Rapid ageing of the population

- ✓ The number of people aged over 80 is expected to double to 2m between 2000 and 2020
- ✓ Limited capacity: 127,000 beds in 2003, 140,000 estimated in 2007

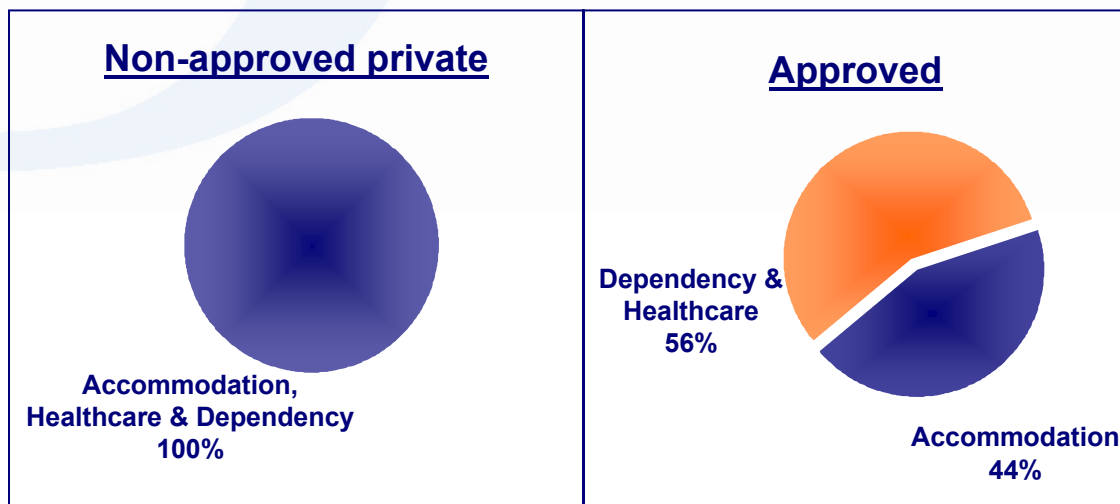
► Sector based on authorisations similar to France

- ✓ Regional organisation and financing
- ✓ Authorisations granted on the basis of the region's financial capacity and the operator's compliance with standards

► A highly fragmented sector

- ✓ No operator accounts for more than 2% of the private sector
- ✓ Wide variation in supply between regions: 94% of supply concentrated in the north

► Breakdown of per diem prices



Directly paid by the resident



Paid by ASL (*Aziende Sanitarie Locali* – local healthcare agency)

Italy: 7 facilities

- ▶ **New development:** 184 beds, corresponding to 2 facilities (1 under construction and 1 to be renovated)
- ▶ **A network of 784 beds** spread over 7 facilities: 546 operational (66 of them being renovated) + 238 under construction.



Spain: organisation of the sector

► Strong needs and an insufficient offer:

- ✓ 1.3 million dependent elderly people
- ✓ Social and cultural changes: families are less available, putting the elderly into retirement homes has become commonplace
- ✓ A very insufficient offer with a low number of equipped facilities: 143 beds for every 1,000 people over 80 years old

► A fragmented sector:

- ✓ Predominance of the private sector (80%)
- ✓ A plethora of small structures: the 10 largest groups account for just 8.8% of beds
- ✓ Small facilities, with an average of 55 beds

► A similar system to France

- ✓ Retirement homes protected and overseen by supervisory bodies (notably regional authorities)
- ✓ Similar structures to those in place for the elderly in France
- ✓ The State has set up a National Assistance System for Dependent Persons that will come into force in 2007 with a budget of 1% of GDP spread throughout the regions from the State

► Daily price

- ✓ Private Commercial Sector: 100% met by the resident
- ✓ Within the Private Commercial Sector, possibility of “regulated” beds (entirely financed by the Region, with a set price): 100% covered by the Region
- ✓ 35 to 40% of Orpea’s beds are thus regulated

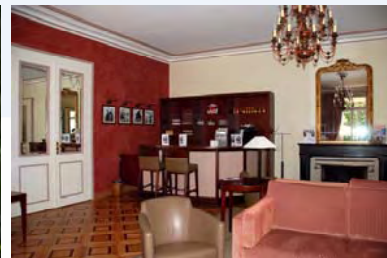
Spain: 16 LT Care facilities

- ▶ **Acquisition of Grupo Care in July 2006: 16 modern facilities in line with ORPEA's quality standards**
- ▶ **A network of 1,676 beds spread over 16 facilities**



Switzerland: 1 psychiatric clinic

- ▶ Clinic « La Métairie », in Nyon (close to Geneva)
- ▶ High-renown clinic, acquired in January 2006
- ▶ **75 beds** on 1 facility: 75 operational (37 of them being renovated)



2007 FIRST-HALF FINANCIAL PERFORMANCE



H1 2007 achievements

2007 TARGETS

Sales: €520m (+25%)
Revised to €535m (+29%)

Strong organic growth

Increase Group visibility
& Sales potential



2007 H1 ACHIEVEMENTS

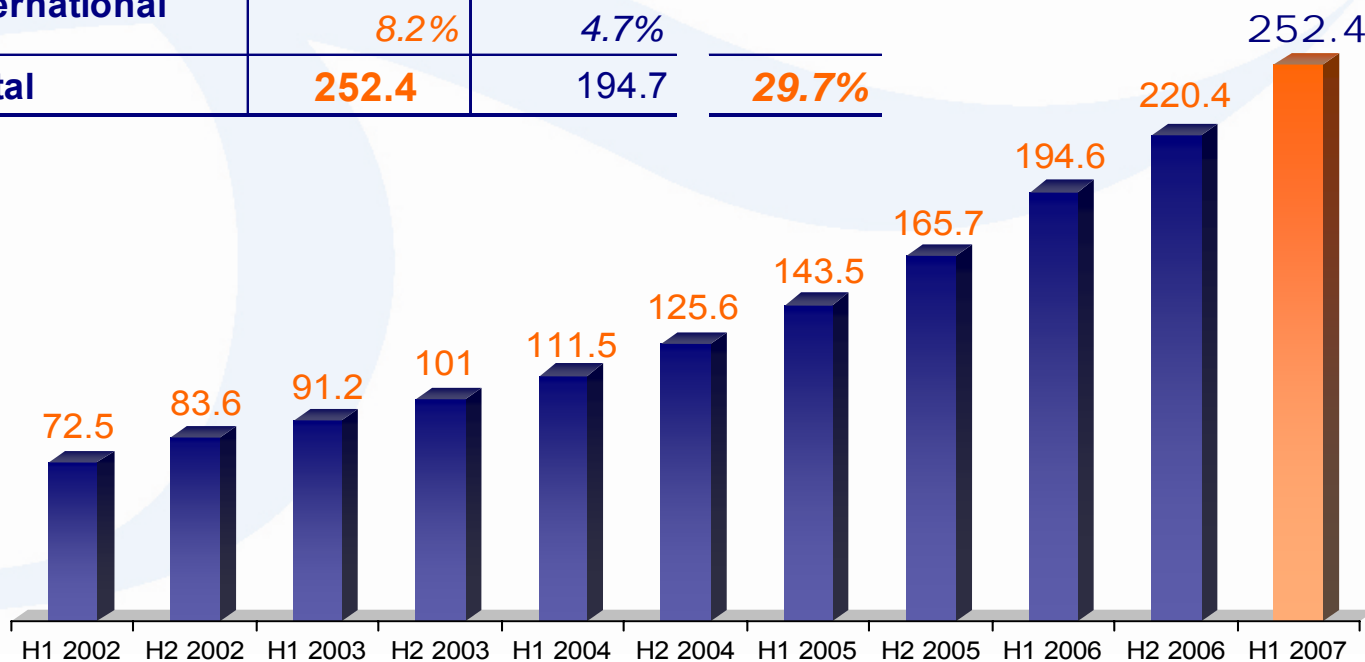
+29.7%

+ 11.4%

+1,724 beds in 6 months
€77m sales in LT

Sales growth

In €m	H1 2007	H1 2006	▲ %
France	231.6 91,8%	185.5 95.3%	24.9%
International	20.8 8.2%	9.2 4.7%	126.1%
Total	252.4	194.7	29.7%



An average half-year growth rate of 13.25%
Strong increase in H1 2007: +29.7%

Half-Year results – key figures

In €m	2007 H1	2006 H1	▲ %
Sales	252.4	194.6	+29.7%
EBITDA	45.3	36.0	+25.9%
Recurring Operating Profit	33.6	26.2	+28.2%
Operating Profit	42.0	28.5	+47.6%
Net Profit	22.9	15.9	+44.0%



Strong growth in all performance criteria

Half-year operating profit

In €m	2007 H1	2006 H1	▲ %
Sales	252.4	194.6	+29.7%
Salaries + Expenses	(176.1)	(135.4)	+30.0%
Taxes and duties	(13.0)	(10.2)	+27.4%
Other costs and products	(1.0)	(0.6)	
EBITDAR (EBITDA before rents)	62.4	48.4	+28.8%
Rental expenses ^(*)	(17.0)	(12.4)	+37.3%
EBITDA	45.3	36.0	+25.9%
	18.0%	18.5%	
Amortization & depreciation	(11.7)	(9.8)	+19.8%
Recurring Operating Profit	33.6	26.2	+28.2%
	13.3%	13.5%	
Non recurring items	8.4	2.2	N.S.
Operating Profit	42.0	28.5	+47.6%

(*) Increase of 4.57% on a like for like basis

Change in net profit

In €m	2007 H1	2006 H1	▲ %
Operating Profit	42.0	28.5	+47.6%
Cost of the net financial debt	(10.0)	(6.0)	+67.4%
Profit before tax	32.0	22.5	+42.3%
Tax	(9.1)	(6.7)	+36.6%
Equity Method Impact	(0.1)	0.0	
Minority interest	0.0	0.0	
Net Profit	22.9	15.9	+44.0%

Ebitda by geographical sector

In €m	2007 H1			2006 H1		
	Sales	Ebitda	% sales	Sales	Ebitda	% sales
France	231.6	44.6	19.3%	185.5	35.1	18.9%
Spain	10.9	(0.29)				
Italy	2.8	0.18		1.7	(0.63)	
Belgium	4.1	0.89		2.5	0.78	
Switzerland	3.0	(0.01)		5.0	0.82	
International	20.8	0.76	3.7%	9.2	0.97	10.5%

Ebitda: Reccurring operating profit before amortization and depreciation

- The **13.3% 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	30-June-07	31-Dec-06
ASSETS	Fixed assets	1 323.9	1 077.5
	Goodwill	94.9	53.4
	Intangible assets	431.8	357.6
	Tangible assets & inventories	752.7	655.3
	Others non current assets	44.6	11.2
	Current assets	155.7	89.6
	<i>Of which available & marketable securities</i>	11.5	11.5
	<i>Of which dues on property divested</i>	31.1	
	TOTAL ASSETS	1 479.5	1 167.1
LIABILITIES	Shareholders' equity and Quasi shareholders' equity	395.7	348.5
	Shareholders' equity	284.2	260.9
	Quasi shareholders equity (in diferred tax)	111.5	87.6
	Fixed liabilities	664.7	442.5
	Other differed tax liabilities	48.9	40.2
	Provisions for risks and charges	20.5	17.3
	Long-term financial debt	595.3	384.6
	Current liabilities	419.2	376.1
	<i>Of which short-term debt (bridge loans)</i>	150.9	181.4
	<i>Of which short-term debt on property divested but as yet unpaid</i>	31.1	
	TOTAL LIABILITIES	1 447.0	1 167.1

Ambitious investments for future growth

In €m	2007 H1	2006 H1	▲ %
EBITDA	45.3	36.0	+26%
Net cash flow from operating activities	38.9	21.2	+83%
Net investment cash flow	(210.6)	(208.5)	+1%
Net financing	171.8	171.5	+0%
Change in cash position	0.1	(15.8)	n.s.



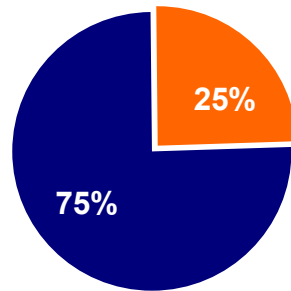
Investments dedicated to a strong sustainable growth of EBITDA

→ Ebitda 2007 H1 / 2006 H1: +26%

→ Change on 3 years (2007 H1 / 2004 H1): +135%

Essentially property-based financial debt

► Net Financial Debt: €735.0m *



■ Operational acquisitions: €181m

■ Property debts: €553m

- €227m long-term debt

- €326m stocks & liabilities (land & buildings)

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

$$\frac{\text{Net financial debt}}{\text{Shareholders equity} + \text{quasi equity}} = 1.9$$

$$\text{Max authorized by the Banks} = 2.2$$

► Restated financial (Financial debt / Ebitda over 12 months)

NB: Ebitda is reduced by 6% of the total property debt, with this debt including €326m in property loans, corresponding to future Ebitda not taken into account in this ratio

$$\frac{\text{Net financial debt} - \text{property debt.}}{\text{Ebitda} - (6\% \text{ property debt})} = 3.6$$

$$\text{Max authorized by the Banks} = 5.5$$

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

Orpea Operations

	Nb of beds	Book Value*	Debt
Operating beds	13,752		
Operational beds			
Under renovation	2,378	€432m	€181m
Beds under construction	3,608		

* Intangible assets

2007 sales target with 13,752 operating beds:
€535m



Once the 5,986 beds fully renovated and built,
the 19,738 operating beds will represent potential sales
within 3 to 4 years of €800m

Orpea Property

In €m	Book Value	Faire Value	Property debt
Stocks & liabilities (land & buildings) 6,000 beds to be restructured or to be built	326	-	326
Operating property: 342,000 sqm 70 buildings + 48 partially owned	470	760	227

► **Fair value independent from Property Market fluctuations:**

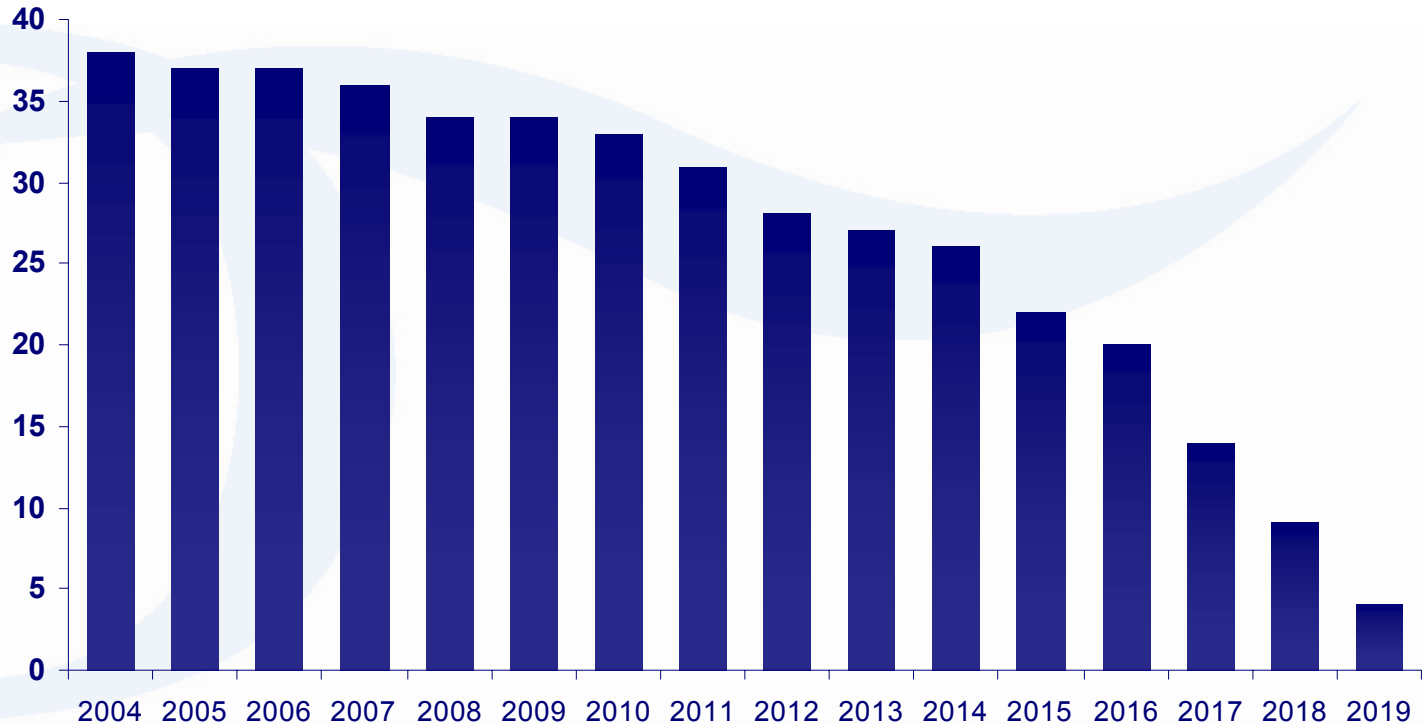
- ✓ Recently-built or fully-renovated assets
- ✓ Prime locations
- ✓ Secure value, established in function of discounted cash flow paid by Orpea



**Planned creation of a Property company in 2008:
60 new buildings + 10 new ones per year + new acquisitions**

Evolution and expiry of Leasing contracts

► Number and year of expiry of leasing contracts over 2004 - 2019

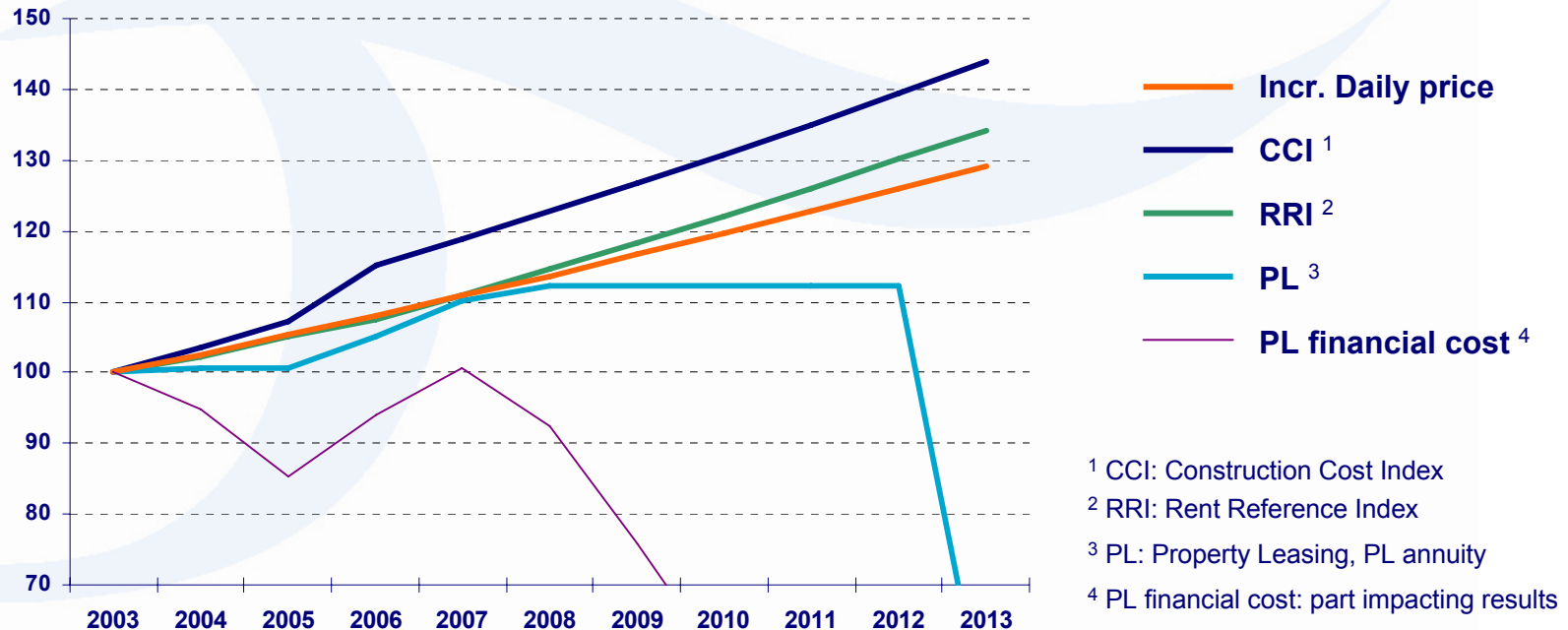


**Optimisation of financing through the use of leasing:
12-year commitments, as with standard rents, benefiting
from a key advantage: being the owner at expiry**

Comparison of property-related expenses

► Hypotheses used for rate forecasts:

- Projected indexation rate (CCI): average of the last three years
- Property Leasing:
 - 12-year property lease (2001-2012) with zero residual value and
 - ECB interest rate of 4.25% at end-2007, then no change.



The impact of higher interest rates on property-related expenses is less than the impact of rent indexation

2007 RESTRUCTURATIONS AND OPENING



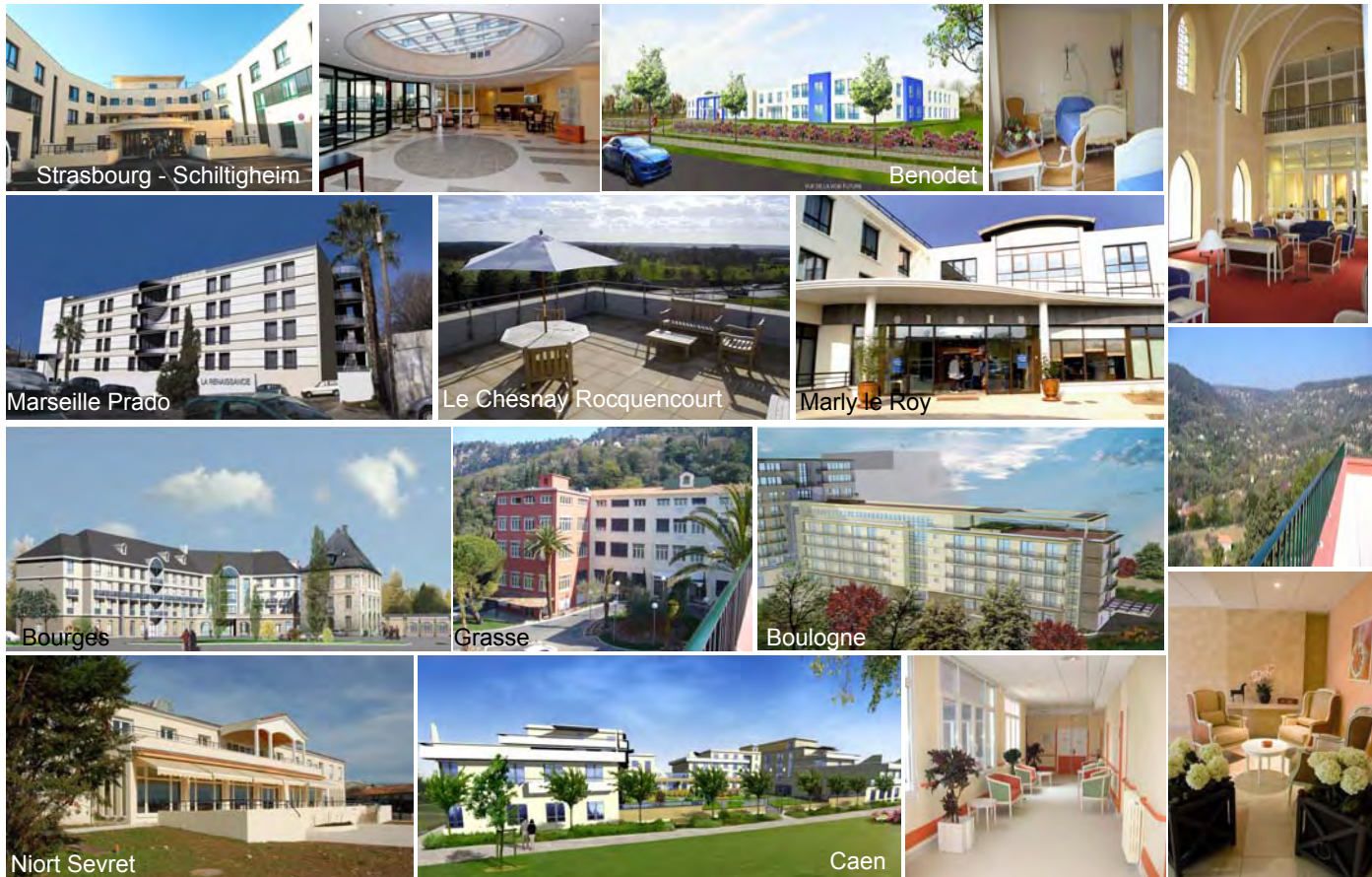
A very intense operating half

► Acquisition, takeover, opening and closing operations involving close to 2,000 beds over the first 6 months

- ✓ Acquisition of 105 Post-Acute beds in use in Brittany
- ✓ Closure of 66 beds in Montmorency acquired in 2006 (for 15 months of renovation)
- ✓ Acquisition of 107 Long-Term beds in use in Paris 19th
- ✓ Acquisition of 28 Long-Term beds in use in Paris 16th
- ✓ Acquisition of 50 beds in use in Seine & Marne (ongoing construction of 92 beds)
- ✓ Acquisition of 35 beds in use (out of 85 authorised) in Marseille
- ✓ Closure of the 35 beds in Marseille to enable the renovation of 85 beds
- ✓ Acquisition of 50 Post-Acute beds in use (out of 87 authorised) in the Bouches du Rhône
- ✓ Acquisition of 62 Post-Acute beds in use in the Var
- ✓ Acquisition of 70 Psychiatric Care beds in use in Brittany
- ✓ Closure of 30 Post-Acute beds in Suresnes (for opening of 80 beds nearby in Rueil in 2008)
- ✓ Opening of 80 Long-Term beds in Niort with partial transferral of a former site
- ✓ Acquisition of 118 beds in use in Montpellier
- ✓ Closure of 30 out of 75 Psychiatric Care beds in Nyon-Switzerland (15-months renovation)
- ✓ Opening of 80 Long-Term beds in Chesnay Rocquencourt (78)
- ✓ Opening of 80 Long-Term beds (Alzheimer's) in Marly le Roi (78)
- ✓ Acquisition of 60 beds in use (out of 73) in Limoges (for renovation of 100 beds)
- ✓ Acquisition of 66 Long-Term beds in use in the Bordeaux suburbs
- ✓ Acquisition of 93 Post-Acute beds in use in Marseille
- ✓ Acquisition of 174 beds in use in Lyon
- ✓ Acquisition of 112 Psychiatric Care beds in the Bouches du Rhône
- ✓ Closure of 30 beds in Saint Maur
- ✓ Acquisition of 52 Post-Acute beds in the Val d'Oise (for future transferral)
- ✓ Acquisition of 50 Post-Acute beds in the Dordogne
- ✓ Closure of these 50 beds (12-month renovation)
- ✓ Acquisition of 70 Psychiatric Care beds in use in Toulon
- ✓ Acquisition of 50 beds in use in Arcachon
- ✓ Opening of 80 Long-Term beds in Grasse (65 existing beds + 15 more)

2007 new facilities

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



STRATEGY & PROSPECTS



Ongoing international and value-creating strategy

- ▶ Maintaining of buoyant **organic growth and integration** of the facilities acquired so that they meet ORPEA's quality and management standards
- ▶ Targeted and controlled **external growth** in France and abroad (Spain, Italy and Belgium) in temporary and long-term care by meeting ORPEA's qualitative and financial criteria
- ▶ **Property:** investigation into setting up a property company, either a subsidiary, a SIIC (French REIT) or an OPCI



2007 REVENUE TARGET: €535m

APPENDICE



ORPEA and the market

► *Market Data:*

Average daily volume: 68,860 shares/day

Price: €43.67

High (52 weeks): €44.45

Low (52 weeks): €29.12

Turnover: 37% in 12 weeks

Mkt Cap: €1,603m

Nb of shares: 36,712,394

Data as of September 24th, 2007

► *Indices:*

Compartment A of Eurolist by Euronext Paris

Member of **SBF 120 Index**

Member of **SRD**

► *Financial calendar*:*

2007 Q3 sales: 24.10.2007

► *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

