ORPEA

LIFE GOES ON WITH US

2012 REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This registration document was filed with the Autorité des Marchés Financiers on 14 May 2013 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.

Pursuant to Article 28 of Regulation (EC) no. 809/2004 of the European Commission, this document incorporates by reference the 2010 registration document filed on 8 June 2011 under no. D.11-0549 (including the update filed on 14 November 2011 under no. D.11-0549-A01) and the 2011 registration document filed on 24 May 2012 under no. D.12-0537.

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

www.orpea-corp.com

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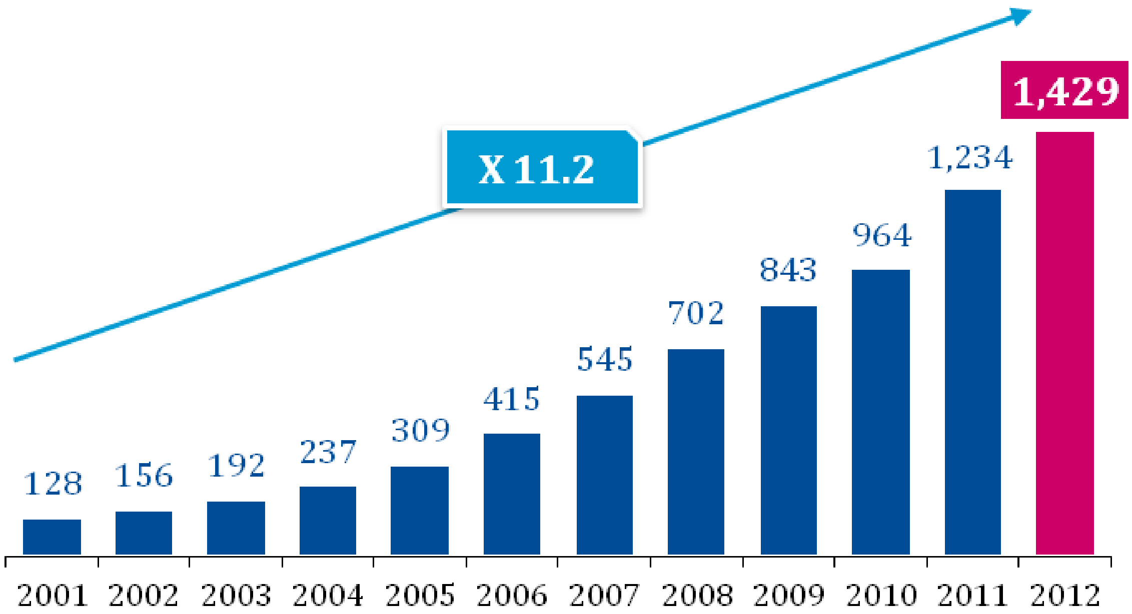
CHAPTER I: KEY FIGURES & SELECTED FINANCIAL INFORMATION

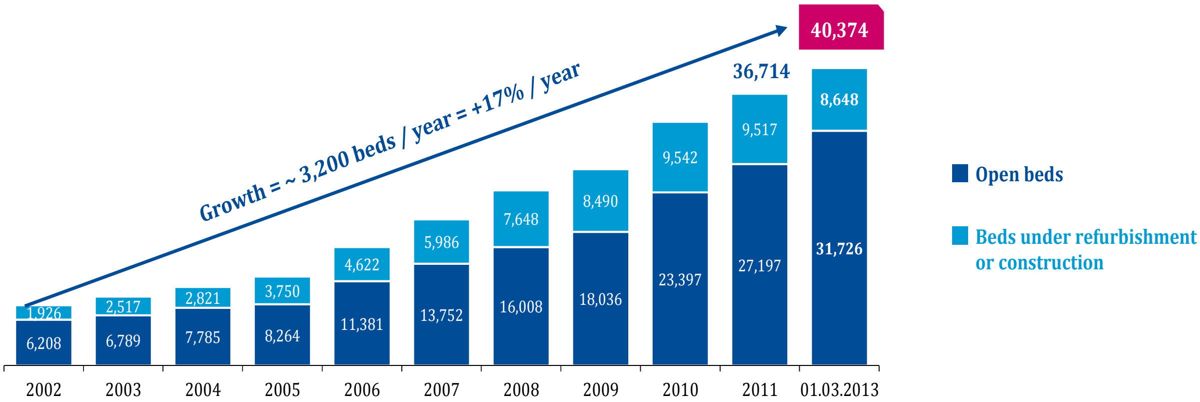
1. REVENUE

In €m	2012	2011	2010
France	**1,227.4**	1,094.5	846.6
% of total revenue	***86%***	*89%*	*88%*
International	**201.8**	139.6	117.6
% of total revenue	***14%***	*11%*	*12%*
Belgium	**105.6**	67.5	55.8
Spain	**48.7**	30.5	29.9
Italy	**32.2**	26.8	17.1
Switzerland	**15.4**	14.8	14.8
Total	**1,429.3**	1,234.1	964.2



2. EXPANSION OF THE ORPEA NETWORK

Number of beds in the Orpea network



<u>Summary of beds in operation, under redevelopment and under construction by geographical region over the last three years:</u>

The beds under construction are not in operation, while the beds under redevelopment are only partially in operation.

						Beds*		
	Number of facilities*	Number of beds*	2012 revenue	% 2012 revenue		of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which beds under construction
France	339	29,477	1,227.4	85.9%		24,154	2,334	2,989
Spain	22	2,938	48.7	3.4%		2,938	0	0
Belgium	56	6,518	105.6	7.4%		3,598	912	2,008
Italy	12	1,276	32.2	2.3%		871	0	405
Switzerland	2	165	15.4	1.1%		165	0	0
TOTAL	431	40,374	1,429.3	100.0%		31,726	3,246	5,402
						Beds**		
	Number of facilities**	Number of beds**	2011 revenue	% 2011 revenue		of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which beds under construction
France	322	28,590	1,094.5	88.7%		21,037	2,771	4,782
Spain	21	2,938	30.5	2.5%		2,938	0	0
Belgium	36	3,799	67.5	5.5%		2,330	650	819
Italy	12	1,222	26.8	2.2%		817	40	365
Switzerland	2	165	14.8	1.2%		75	0	90
TOTAL	393	36,714	1,234.1	100.0%		27,197	3,461	6,056
						Beds***		
	Number of facilities***	Number of beds***	2010 revenue	% 2010 revenue		of which operational beds excluding beds under redevelopment	of which beds under redevelopment	of which 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

** Figures to 1 march 2013*
*** Figures to November 2011*
**** Figures to March 2011*

3. SELECTED FINANCIAL INFORMATION

Selected financial information – consolidated income statement

In €m	**31/12/2012**	31/12/2011	31/12/2010
Revenue	**1,429.3**	1,234.1	964.2
EBITDAR[1]	**370.1**	311.4	236.4
EBITDA[2]	**257.9**	218.2	172.3
Recurring operating profit	**194.4**	163.2	129.8
Operating profit	**221.3**	190.0	151.1
Net financial cost	**(72.8)**	(65.0)	(52.7)
Income tax	**(52.4)**	(45.5)	(30.9)
Consolidated net income	**97.1**	80.3	66.3
Net profit (Group share)	**97.0**	80.3	66.3

Selected financial information – consolidated statement of cash flows

In €m	**31/12/2012**	31/12/2011	31/12/2010
Cash flow	**212.3**	184.2	137.2
Net cash flow from operating activities	**208.1**	202.3	135.6
Net cash flow from investing activities	**(279.4)**	(349.5)	(296.7)
Net cash flow from financing activities	**124.0**	180.1	302.3
Change in cash and cash equivalents	**52.8**	32.9	141.2
Cash and cash equivalents, end of period	**362.3**	309.5	276.5

Selected financial information – consolidated balance sheet

In €m	**31/12/2012**	**31/12/2011**	**31/12/2010**
Equity attributable to owners of the Company	1,214	1,152	865
Current financial liabilities	624	587	509
Non-current financial liabilities	1,670*	1462	1,459
- Cash and cash equivalents	(362)	(309)	(277)
Net debt	**1,932***	**1,739**	**1,691**
Goodwill	380	323	431
Intangible assets	1,306	1,129	835
Property, plant and equipment[3]	2,490	2,338	2,030
Total assets	**4,955***	**4,482**	**3,880**

** Different from the French version to correct a manifest error*

Selected financial information – earnings per share

In €	**31/12/2012**	31/12/2011	31/12/2010
Net earnings per share	**1.83**	1.87	1.71
Dividends	**0.60**	0.50	0.23

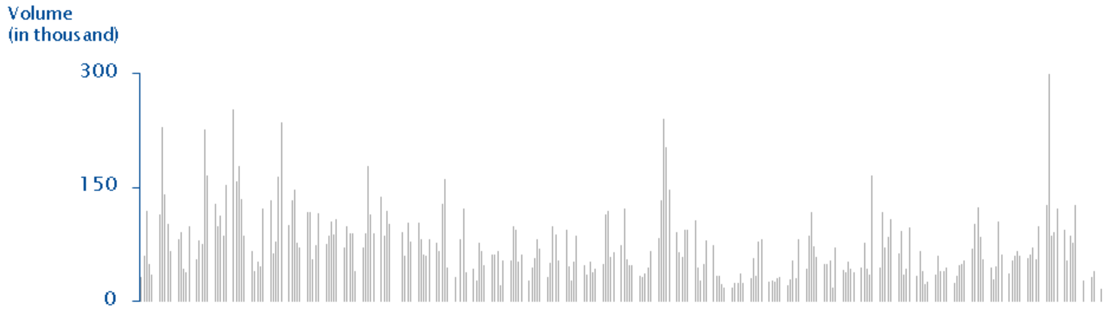
[1] EBITDAR = **current EBITDA before rents,** including provisions relating to "external charges" and "staff costs"

[2] EBITDA = **recurring operating profit before depreciation, amortisation and provisions,** including provisions relating to "external charges" and "staff costs"

[3] Of which assets held for sale

4. Stock Market data

Share price trend:



Indices:

- Compartment A of NYSE Euronext Paris
- Member of the Mid 60 and SBF 120
- Eligible for DSS

Historical annual stock market data:

In €m	2012	2011	2010
Closing price at 31 December	**€33.50**	€25.19	€32.35
12-month high	**€34,00**	€34.32	€34.50
12-month low	**€23.66**	€23.82	€26.30
Number of shares at 31 December	**52,998,062**	52,997,892	42,352,795
Market capitalisation at 31 December	**€1,775m**	€1,335m	€1,370m
Annual performance	**+33%**	-22%	+10%
Average daily trading volume (in nbr of shares)	**76,416**	76,515	63,223
Average daily trading volume (in €m)	**€2.1m**	€2.5m	€2.2m
12-month turnover	**37%**	46%	42%

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, France.

1.2 – Date of incorporation and term

The company was incorporated on 22 May 1995 as a French limited company (*société à responsabilité limitée*) and converted into a public limited company (*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 no. 401 251 566.

Its APE code is 8710 A.

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.

Meetings are called in accordance with the provisions of the 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 matters and 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.

If so stated by the Board of Directors in the convening notice, 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.

► Composition of general meetings

All shareholders are entitled to attend ordinary and extraordinary general meetings and participate in discussions, in person or by proxy, in accordance with article L. 225-106 of the French Commercial Code.

The right of shareholders to attend ordinary or extraordinary general meetings is subject to the registration in the accounts of the shares in the name of the shareholder – or of the intermediary registered on his behalf if the shareholder is resident abroad – on the third working day prior to the meeting at midnight, Paris time:

- 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 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.

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.
Each share entitles the owner to one vote, with the exception of shares having a double voting right in accordance with and within the limits of article L. 225-123 of the French Commercial Code as stipulated in article 7 above. 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 which, the assembly itself elects a chairman.

Minutes of meetings are drawn up and copies are certified and delivered in accordance with the provisions of the law.

The Company is entitled to claim at its expense, from the clearing house authorised by decree, the name and address of holders of bearer shares of the Company, conferring, immediately or subsequently, the right to vote at the meetings of shareholders and the number of securities held by each shareholder

In the case of registered shares, giving immediate or deferred access to the capital, the intermediary registered pursuant to article L. 228-1 of the French Commercial Code will be obliged, under the conditions set out in the decree of the Council of State, to reveal the identity of the owners of these shares at the request of the Company or of its authorised representative, which may be made at any time.

► **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 2012, the total gross number of voting rights amounted to 70,832,358 (excluding treasury shares, that number stood at 70,811,476).

► **Crossing of legal thresholds**

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 Regulation.

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 2012 was €66,247,577.50 divided into 52,998,062 fully paid shares all of the same class each with a par value of €1.25, including 3,482 nominative shares held by Orpea and 17,400 bearer shares held under the liquidity agreement.

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 **combined general meeting of 30 June 2011**, and the use made thereof.
The full text of these resolutions can be found on the website of the French Legal Announcements Bulletin (Bulletin des Annonces Légales Obligatoires) of 23 May 2012 and on the Company website (www.orpea-corp.com, see section "Shareholders / Shareholder meeting").

The Combined General Meeting of 30 June 2011, pursuant to its **twenty-fifth resolution**, in accordance with article L. 225-129-2 of the French Commercial Code, fixed at **€30,000,000 (thirty million euros)** or the equivalent in foreign currencies **the total** par value of immediate or future capital increases made pursuant to the **14th to 24th 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 in the Company.

The amounts of the authorities granted to the Board of Directors under **Resolutions 26 and 27** are independent and distinct.

Type of authority	Term	Use during the year
14th resolution – **Rights issues** of shares in the company and/or securities carrying rights to shares (articles L. 225-132 and L. 228-91 of the French Commercial Code). *- Total par value of capital increases: €30,000,000* *- Maximum par value of debt securities: €250,000,000* Amounts included in the overall ceiling set by the 25th resolution.	26 months	8/12/2011 Par value: €13,249,447.50 10,559,558 new shares
15th resolution – **Non-rights** issues of shares and/or securities carrying rights to shares by public offer (article L. 225-136, paragraph 1 of the French Commercial Code). *- Total par value of capital increases: €30,000,000* *- Maximum par value of debt securities: €200,000,000* Amounts included in the overall ceiling set by the 25th resolution.	26 months	
16th resolution – **Non-rights issues** of Company shares and/or securities carrying rights to Company shares through private investments governed by paragraph 2 of article L. 411-2 of the Monetary and Financial Code (articles L. 225-1, paragraph 3 of the French Commercial Code). Issue of up to 10% of the capital: price freely determined by the Board of Directors within the limits set by the 17th resolution: 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%. Issue greater than 10% and up to 20%: price determined in accordance with legal provisions, i.e. the weighted average with a maximum discount of 5%.	26 months	

- Total par value of capital increases: €30,000,000 *Amount included in the ceiling specified in the 15th resolution* *- Maximum par value of debt securities: €200,000,000* Amounts included in the overall ceiling set by the 25th resolution.		
17th resolution- Issue of securities under the 15th and 16th resolutions, the issue price being set freely, within the limit of 10% of the capital per year (article L. 225-136 paragraph I of the French Commercial Code). Price: 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%. Amount included in the ceiling under the 15th or 16th resolution	26 months	
18th resolution- Delegation of powers to the Board of Directors to make 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 (article L. 225-47 of the French Commercial Code). Amount included in the ceiling specified in the 15th resolution	26 months	
19th resolution- Issue of financial securities and/or transferable securities giving access to capital in a public exchange offer initiated by the Company (article L. 225-148 of the French Commercial Code). *Maximum par value: €20,000,000* Amount deducted from the Overall Ceiling set by the 25th resolution	26 months	
20th resolution- Increase in the amount of a rights or non-rights issue (article L. 225-135-1 of the French Commercial Code). - within the limit of 15% of the initial issue - at the same price as the initial issue Amount deducted from each of the issues decided under the 14th, 15th, 16th and 17th resolutions	26 months	
22nd resolution- Issue of shares reserved for members of an employee share ownership plan (articles L. 225-138-1 of the Commercial Code and L. 3332-1 *et seq.* of the French Labour Code). *Maximum par value: €400,000* Amount deducted from the Overall Ceiling set by the 25th resolution	26 months	
23rd resolution- Bonus shares for company officers and employees (articles L. 225-197-1 *et seq.* of the French Commercial Code). *Total number of shares that can be granted: 300,000 shares* Amount deducted from the Overall Ceiling set by the 25th resolution	38 months	
24th resolution- Stock options for company officers and employees (articles L. 225-177 *et seq.* of the French Commercial Code). *Total number of shares that can be acquired: 300,000 shares* Amount deducted from the Overall Ceiling set by the 25th resolution	38 months	
25th resolution- Overall Ceiling for capital increases. *- maximum par value: €30,000,000* *- maximum par value of debt securities: €350,000,000*		
26th resolution - Capitalisation of share premiums, reserves, profits or other capitalisable sums (article L. 225-130 of the French Commercial Code). *Maximum par value:* €30,000,000	26 months	
27th resolution- Issue of securities carrying rights to the allotment of debt securities and not giving rise to a capital increase. *Maximum par value: €300,000,000*	26 months	

1.12 – FINANCIAL INSTRUMENTS GIVING ACCESS TO CAPITAL

► Warrants for Subscription and/or Acquisition of Redeemable Shares ("stock warrants")

1,190,787 stock warrants were issued as part of the issue of bonds with redeemable share subscription and/or purchase warrants (OBSAAR) on 14 August 2009. The arrangements are set out in the prospectus after AMF approval was received on 15 July 2009, approval no. 09-225.

On issue, from 14 August 2011 to 14 August 2015 each warrant granted the right to purchase one share at €1.25 par value (exercise parity) at a price of €37.90.

Following the rights issue carried out on 8 December 2011, exercise parity was adjusted according to the terms of the warrants. As of that date, each warrant grants entitlement to subscribe 1.062 share (€1.25 par value each) at a price of €37.90.

During FY 2012, 236 redeemable warrants were exercised:

- 151 warrants resulted in the issuance of 170 new shares;
- 85 warrants resulted in the allotment of 95 shares already in issue;

At 31 December 2012, there were 1,163,473 redeemable warrants outstanding.

On the basis of the share capital at 31 December 2012 and given the new exercise parity, the potential dilutive effect of the warrants still in circulation at that date was 2.33%.

► OCEANE BONDS (bonds convertible and/or exchangeable for new or existing shares)

On 15 December 2010, the Company issued at par 4,069,635 convertible bonds, each with a face value of €44.23, bearing interest at an annual rate of 3.875% and redeemable at par on 1 January 2016. The arrangements are set out in the prospectus after AMF approval was received on 7 December 2010, approval no. 10-429.

On the date of issue, each convertible bond carries the right to receive shares on the basis of one share of €1.25 par value (the share allocation ratio) for one bond.

Following the distribution of a dividend of €0.23 per share on 12 September 2011, by decision of the General Meeting of Shareholders on 30 June 2011, the share exchange ratio was adjusted pursuant to the bond terms to 1.008 shares (€1.25 par value each) for one bond.

Following the rights issue on 8 December 2011, the share exchange ratio was adjusted in accordance with the terms of the bonds to 1.071 shares (€1.25 par value each) for one bond.

Following the distribution of a dividend of €0.50 per share on 11 September 2012, by decision of the General Meeting of Shareholders on 29 June 2012, the share exchange ratio was adjusted pursuant to the bond terms to 1.089 shares (€1.25 par value each) for one bond.

At 31 December 2012, there were 4,069,534 OCEANE bonds outstanding, no such bonds having been exercised during FY 2012.

On the basis of the share capital at 31 December 2012 and given the new share allocation ratio, the potential dilutive effect of convertible bonds still outstanding at that date was 8.36%.

► **Stock options**

There are no options to subscribe to the Company's shares.

► **Allocation of free new shares**

There is no free allocation of new or existing shares.

1.13 – 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 April 2002	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	204,595		81,838	18,356,197	€45,890,492
31 July 2007	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 Neo Gema and Société de Participation Française	1.25	4,376,155	109,403,846	3,500,923	42,352,795	€52,940,993
17 October 2011	Exercise of stock options	1.25	22,950	85,282.20	18,360	42,371,155	€52,963,943.75
17 October 2011	Exercise of warrants	1.25	33,826.50	991,785.65	27,061	42,398,216	€52,997,770
9 November 2011	Exercise of warrants	1.25	21.25	623.05	17	42,398,233	€52,997,791.25
8 December 2011	Issue for cash	1.25	13,249,447.5	189,732,088.2	10,599,558	52,997,791	€66,247,238.80
15 December 2011	Bond conversion (OCEANE)	1.25	126.25	4.89	101	52,997,892	€66,247,365
06 July 2012	Exercise of warrants	1.25	212.50	6,230.50	170	52,998,062	€66,247,577.50

1.14 – SHAREHOLDERS

1.14.1 – Orpea's shareholders as at 28 January 2013

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights
JC MARIAN	*10,686,468*	*20.16%*	*20,488,814*	*29.99%*
SANTE FINANCE ET INVESTISSEMENT	*1,015,000*	*1.92%*	*1,015,000*	*1.49%*
MARIAN family	*533,482*	*1.01%*	*1,048,514*	*1.53%*
JC Marian and family	**12,234,950**	**23.09%**	**22,552,328**	**33.01%**
SEMPRÉ	4,262,284	8.04%	8,181,660	11.98%
NEOGEMA	1	0.00%	1	0.00%
FFP Invest	3,811,353	7.19%	3,811,353	5.58%
Treasury shares	20,882	0.04%		
Public sector	32,668,593	61.64%	33,767,684	49.43%
Total	**52,998,062**	**100.00%**	**68,313,025**	**100.00%**

On 24 January 24, 2013, Neogema, a private limited company incorporated under Belgian law (controlled by Philippe Austruy), disclosed that on 18 January 2013 it had fallen below the thresholds of 5% of the share capital and 5% of the voting rights of Orpea, as a result of the selling of Orpea shares off-market.

1.14.2 – Orpea's shareholders as at 31 December 2012

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights
JC MARIAN	*10,686,468*	*20.16%*	*20,488,814*	*28.93%*
SANTE FINANCE ET INVESTISSEMENT	*1,015,000*	*1.92%*	*1,015,000*	*1.43%*
MARIAN family	*533,482*	*1.01%*	*1,048,514*	*1.48%*
JC Marian and family	**12,234,950**	**23.09%**	**22,552,328**	**31.84%**
SEMPRÉ	4,262,284	8.04%	8,181,660	11.55%
NEOGEMA	2,653,018	5.01%	5,153,941	7.28%
FFP Invest	3,811,353	7.19%	3,811,353	5.38%
Treasury shares	20,882	0.04%		
Public sector	30,015,575	56.64%	31,133,076	43.95%
Total	**52,998,062**	**100.00%**	**70,832,258**	**100.00%**

1.14.3 - Orpea's shareholders at 31 December 2011

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights
JC MARIAN	*10,695,968*	*20.18%*	*20,507,814*	*30.21%*
SANTE FINANCE ET INVESTISSEMENT	*1,005,500*	*1.90%*	*1,005,500*	*1.48%*
MARIAN family	*533,482*	*1.01%*	*959,114*	*1.41%*
JC Marian and family	**12,234,950**	**23.09%**	**22,472,428**	**33.11%**
SEMPRÉ	4,262,284	8.04%	8,181,660	12.05%
NEOGEMA	4,348,783	8.21%	4,348,783	6.41%
FFP Invest	3,811,353	7.19%	3,811,353	5.61%
Treasury shares	25,483	0.05%		
Public sector	28,315,039	53.43%	29,065,692	42.82%
Total	**52,997,892**	**100.00%**	**67,879,916**	**100.00%**

1.14.4 - Orpea's shareholders at 31 December 2010

Shareholder	Number of shares	% of 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
Public sector	20,452,565	48.29%	21,250,554	35.45%
Total	**42,352,795**	**100.00%**	**59,953,289**	**100.00%**

1.14.5 - Shareholders' agreement

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

1.14.6 - 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 2009, as well as the applicable tax regime:

Financial year	Net dividend received (€)	Distributed income giving entitlement to 40% reduction (€)	Distributed income not giving entitlement to 40% reduction (€)	Total (€)
2009	0.15	0.15	N/A	0.15
2010	0.23	0.23	N/A	0.23
2011	0.50	0.50	N/A	0.50

1.14.7 - 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 bonus shares to Group employees (currently representing 0.16% of the share capital), with the beneficiaries agreeing to hold the shares until 31 December 2010.

1.15 - 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 to 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;
- at end-2012, there were no agreements to pay the corporate officers severance benefits in the event of termination or change of office following a public offering;
- The €217 million OBSAAR bond issue made in 2009 and the €180 million OCEANE bond issue made in 2010 contain an early 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 bond issues carried out in December 2012 (a €193 million bond with two tranches having

maturities of five years and 1.5 months and 6.5 years, respectively; a €20 million bond with a six-year maturity; and a €95 million bond with a 14-year maturity) contain an early redemption clause at the holders' option in the event of a change in control of the Company (change in majority of voting rights or change in more than 40% of voting rights if no other shareholder holds a higher percentage);
- The Group also has various other loans, notably bonds, which contain an early repayment clause should the percentage of voting rights held by the majority shareholder (Dr Jean-Claude Marian) fall below 10 or 20%;

  All in all, the amount of debt covered by these clauses on 31 December 2012 was €836 million;
- At the combined general meeting of 29 June 2012, 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.

1.16 – SHARE BUYBACK PROGRAMME

1.16.1 – 2012 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 29 June 2012, 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 is also committed to the principle of proportionality set out in the charter. Thus, resources held on the liquidity account must be commensurate with the purpose of the liquidity contract.

Under the liquidity contract, the Company has:
- bought 3,334,248 shares for a total of €108,847,010, representing a weighted average value of €32.65 per share;
- sold 3,316,848 shares for a total of €108,224,915, representing a weighted average value of €32.63 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 2012, the Company held 20,882 shares directly, with a par value of €1.25, representing 0.04 % of its share capital, with a market value of €697,876 (based on the share price at 30 December 2012, i.e. €33.42).

These shares were allocated as follows:

- 17,400 bearer shares allocated for the purpose of ensuring liquidity; and
- 3,482 registered shares allocated to cover stock option plans or other employee shareholding schemes, as well as subscription warrants.

1.16.2 - 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 the shareholders on 20 June 2013.

1) Breakdown of the shares held directly or indirectly by the issuer as at 31 December 2012 by purpose.

At 31 December 2012, Orpea held a total of 20,882 shares directly, allocated as follows:

- 17,400 bearer shares under a liquidity contract with Gilbert Dupont for the purpose of ensuring the shares' liquidity; and
- 3,482 shares in registered form.

The Company has not used any derivatives under its share buyback programme. No shares have been cancelled.

2) Description of the treasury shares buyback programme to be submitted to the general meeting called to approve the accounts ended 31 December 2012

Related securities: ordinary shares

3) 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) 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, bonus share 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 authority granted at the combined general meeting of 29 June 2012 under its 9th resolution;

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

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 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: €264,989,460,
- Terms and conditions: shares may be purchased, sold, transferred or exchanged by all means on or off the market, including block trades and use of derivatives, bearing in mind that the proposed resolution does not limit the amount of the programme that may be used to make block purchases.

Term of buyback programme

This programme will be valid for a period of 18 months from the annual general meeting of 20 June 2013.

2. CORPORATE GOVERNANCE

2.1 – 2012 REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

2012 Report of the Chairman of the Board of Directors on internal control (article L. 225-37 of the French Commercial Code)

This chapter includes the Chairman's report on corporate governance and internal control procedures implemented by the Company.

The following is contained in chapter II of this registration document:

- Information relating to shareholders' participation in the annual general meeting is provided in section "1.9 – General meetings of shareholders";
- Factors likely to have an impact in the event of a public offering are provided in section "1.15 – Factors likely to have an impact in the event of a public offering"; and
- Orpea capital allocation as at 31 December 2012, in paragraph "1.14 – Shareholders of the Company."

The information referred to in article L. 225-100-3 of the French Commercial Code is contained in section 1 of this registration document (section "Principal information about the Company").

Pursuant to article L. 225-37 of the Commercial Code, the Board of Directors of the Company approved this chapter at its meeting on 25 March 2013.

I – COMPOSITION, ORGANISATION AND FUNCTIONING OF THE BOARD OF DIRECTORS

Code of corporate governance

Orpea abides by the AFEP-MEDEF Code of April 2010 on corporate governance of listed companies (hereinafter the "AFEP-MEDEF Code"). The AFEP-MEDEF Code can be found at: www.medef.com.

Pursuant to article L. 225-37 of the French Commercial Code, paragraph 6, this report identifies the provisions of the AFEP-MEDEF Code which are not implemented and indicate the reasons for this choice.

I.1– Composition and operating procedures of the Board

I.1.1 – Members of the Board of Directors

The Board of Directors consists of a minimum of three members and a maximum of 18, natural or legal persons.

In accordance with the AFEP-MEDEF Code, Board of members are appointed for four-year renewable terms.

However, to ensure that the terms of office are staggered so as to prevent a block renewal of the Board of Directors, as recommended by the AFEP-MEDEF Code, the Combined General Meeting of 30 June 2011 appointed/reappointed administrators for periods of two, three or four years.

The Combined General Meeting of 30 June 2011 therefore reappointed Dr Jean-Claude Marian and Mr Yves Le Masne for a period of four years, Ms Brigitte Michel and Mr Alexandre Malbasa for a period of two years, and appointed Mr Jean-Patrick Fortlacroix for a three-year term.

The Ordinary General Meeting of 17 October 2011 appointed two new directors for four-year terms: Société Foncière, Financière et de Participations (FFP) and Neo Gema, whose permanent representatives are Thierry Mabille de Poncheville and Philippe Austruy, respectively.

On 15 February 2012, the Board of Directors duly noted the resignation of FFP as a director following the contribution of its entire shareholding in the Company to FFP Invest, and co-opted FFP Invest for the remaining term of office of FFP; its permanent representative is Thierry Mabille de Poncheville. The General Meeting of 29 June 2012 ratified the appointment of FFP Invest.

<u>The current Board of Directors</u>

The Company is managed by a Board of Directors, currently consisting of seven members:

Director's full title	Age	Term ends	Number of Orpea shares held	Number of warrants held (ii)
Dr Jean-Claude MARIAN	74	2015 AGM	11,701,468(i)	706,547(iii)
Yves LE MASNE	50	2015 AGM	25,779	-
Brigitte MICHEL	55	2013 AGM	508	-
Alexandre MALBASA	54	2013 AGM	2	-
Jean-Patrick FORTLACROIX	55	2014 AGM	153	-
FFP Invest, represented by Thierry MABILLE de PONCHEVILLE	57	2015 AGM	3,811,353	-
NEO GEMA, represented by Philippe AUSTRUY	64	2015 AGM	1	-

(i) including 1,015,000 shares owned by SANTE FINANCE ET INVESTISSEMENT, controlled by Jean-Claude Marian.

(ii) redeemable stock warrants (BSAAR) exercisable at any time until 14 August 2015, each warrant capable when exercised of generating 1.062 Orpea shares at a unit price of €37.90 warrants to subscribe for or purchase shares (warrants)

(iii) 706,547 warrants held directly and indirectly through FORINVEST, a company controlled by Jean-Claude Marian

All Board members and permanent representatives are French, with the exception of Neo Gema, which is a Belgian company.

The list of offices held in any company during FY 2012 and over the last five years by each of the officers is attached to this Report.

The terms of office of two directors, Brigitte Michel and Alexander Malbasa, expire.

Given their profiles, professional backgrounds and knowledge of the group, the General Meeting of 20 June 2013 will be asked to renew the terms of these directors for a period of four years.

<u>A Board whose composition is diverse and complementary</u>

The composition of the Board reflects a diversity of professional backgrounds and expertise. This diversity enriches the debates and the strategic vision of the Board.

Co-founder of the Orpea Group, Jean-Claude Marian 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.

Yves Le Masne, a member of the group for 20 years, trained as a computer science engineer specialising in management audit and finance. He has served in the group as Head of Management Audit and as Chief Financial Officer. In 2006 he was appointed Chief Operating Officer, and became a member of the board. Since 15 February 2011, he has served as Orpea's CEO. His long career in the group has given him a thorough knowledge of the group's activities and its organisation.

Ms Brigitte Michel and Mr Alexandre Malbasa are lawyers and they provide their expertise in legal and judicial matters, as well as a good knowledge of the company and its business.

Mr Jean-Patrick Fortlacroix, accountant and auditor, has expertise in real estate, tax, and consolidation, particularly in the health and medico-social sector.

Neo Gema is the holding company owned and represented on the Board by Mr Philippe Austruy, a recognized professional in the health and long-term care sector. Mr Austruy is a co-founder of Générale de Santé and the founder of Medidep.

FFP Invest is a company renowned for the selectivity of its investments and for its long-term support to leading companies in their industry with good growth prospects. It is represented on the Board by Mr Thierry Mabille de Poncheville, who brings to the Board expertise drawn from very broad professional experience and good knowledge of the rules of governance.

A woman has sat on the Board since 1998.

The Board seeks to find a balanced composition of men and women, and the proportions to be achieved by 2014 and 2017 will be met in accordance with the law of 27 January 2011.

<u>Independence of directors</u>

Under the definition of an independent director and criteria set by the AFEP-MEDEF Code, at its meeting on 25 March 2013 the Board of Directors considered independent the following members: Jean-Patrick Fortlacroix, FFP Invest and Neo Gema, as well as their permanent representatives (Thierry Mabille de Poncheville and Philippe Austruy, respectively).

The provision of the AFEP-MEDEF Code which stipulates that the proportion of independent directors must be at least one third is respected because, of the seven directors, three are considered independent.

<u>Additional information about the members of the Board (Annex 1 to EU Regulation No. 809/2004)</u>

<u>Absence of family ties between officers</u>

No officer of the Company has any family tie with another.

<u>No conflict of interest</u>

To the company's knowledge, there are no potential conflicts of interest between the duties of the corporate officers to the Orpea Group and their private interests. The Chairman of the Board of

Directors, the Managing Director and Chief Operating Officer do not hold any professional or corporate office outside the group that might generate a business relationship with the group. There are no contracts or agreements between directors and the group with the exception of those employment contracts hereinafter mentioned. There are no financial flows between the directors and the group, with the exception of Mr Malbasa, who received fees during FY 2012. These flows are not considered significant.

The mode of organisation and functioning of the Board of Directors, including the procedure of regulated agreements, would be capable of preventing such conflicts, if relevant.

<u>No conviction or criminal liability of corporate officers</u>

During the past five years, none of the company's officers has, to the Company's knowledge, been investigated or sentenced for fraud, or incriminated and/or penalised by statutory or regulatory authorities (including designated professional bodies), or a court order preventing them from acting as a member of an administrative, managerial or supervisory body or managing or conducting business for an issuer.

<u>Contracts between Board Members and Orpea</u>

At 31 December 2012, Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, had employment contracts with the Company.

<u>Directors' duties defined in the Rules of Procedure of the Board of Directors</u>

► Shareholdings
Each director must own at least one share in the Company.

Shares held by the Director, his/her spouse, his/her child below voting age, or any other nominee, must be in registered form: either registered in the name of the Company officer, or registered in the name of a nominee whose details will be communicated to the Secretary of the Board of Directors.

The provision of the AFEP-MEDEF Code which recommends the holding by the director of a relatively significant number of shares was not adopted by the Board, insofar as it believes that the involvement and skills of a director does not necessarily reflect the number of shares held.

► Managing conflicts of interest
The Directors are required to act in all circumstances in the interests of the Company and all its shareholders.

In accordance with the AFEP-MEDEF Code, the Rules of Procedure of the Board of Directors require directors to inform the Board of any conflict of interest, even potential, in which they could be directly or indirectly involved. They would then refrain from participating in related discussions and deliberations.

► Professional secrecy
Directors undertake not to speak individually outside the internal deliberations of the Board on issues raised at Board meetings.

Outside the company, only a collective statement is possible, especially in the form of press releases intended as market information.

With regard to non-public information acquired in the course of their duties, Directors shall consider themselves bound by genuine professional secrecy that goes beyond the obligation of discretion stipulated by article L. 225-37 paragraph 5 of the French Commercial Code.

► Market Conduct

Privileged information should only be used by Directors in connection with the execution of their mandates. It should not under any circumstances be communicated to a third party other than in the course of exercising their duties or for any purpose or activity other than those for which it is held.

Each Director has a duty to refrain from or prevent any other person from trading in the securities of the Company, on the basis of this information, insofar as this information is not made public.

It is the personal responsibility of all Directors to determine to what extent information held by them is privileged and, consequently, to determine whether they are free to engage in or conversely should refrain from any use or transmission of this information, as well as trading in Company securities.

The Directors shall also refrain from any speculative trading in the securities of the Company; they are therefore prohibited from conducting any short selling or stock market lending transaction on any financial instruments relating to securities issued by the Company.

During the period preceding the publication of any privileged information known to them, members of the Board, in their capacity as insiders must, by law, abstain from any trading in Company securities.

In addition, they are prohibited, as recommended by the AMF, to perform any transactions on the securities during the following periods:
- at least 30 calendar days before the date of the press release of the annual and half-yearly results, as well as on the day of said press release;
- at least 15 calendar days before the date of the press release on the quarterly results, and on the day of said press release.

The same rule will apply, where applicable, to the disclosure of provisional annual and interim results.

Directors and persons closely associated with them must report transactions on Orpea stock to the AMF. There is a summary of transactions on Orpea securities performed in 2011 in paragraph I-3 below.

Regulated related-party agreements and commitments

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

I.1.2 - Organisation of the Board

Conduct of 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.

The Board of Directors approves, at the end or beginning of year n, the schedule of the Board meetings for year n.

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.

Decisions are taken by majority of members present or represented, except the choice of exercising general management, which is made unanimously. The Chairman has the casting vote.

The minutes summarise the discussions and clarify decisions.

Rules of Procedure for the Board of Directors

Adopted by the Board at its meeting on 14 November 2011, the Rules of Procedure are intended to supplement the statutory rules, regulations and statutory requirements so as to specify how the Board operates and, where relevant, its Study Committees, in the interests of Orpea and its Shareholders.

These Rules of Procedure were amended by the Board of Directors on 15 December 2011 to enable the CEO to grant securities, endorsements or other guarantees with a unit value not exceeding €50m.

Assessment by the Board of Directors

The Board's Rules of Procedure stipulate that the Board will conduct an annual evaluation of its composition, its organisation and its operations as well as those of its Committees. A formal evaluation, under the authority of the Chairman of the Board, will be conducted every three years. The Board will, where appropriate, implement any improvement measures.

On the recommendation of the Appointments and Remuneration Committee, at its meeting on 14 November 2012 the Board of Directors decided to entrust the evaluation scheduled for 2013 to an outside firm.

Study Committees

The Board has established two Study Committees: the Audit Committee and the Appointments and Remuneration Committee.

The Audit Committee

Members of the Audit Committee

The Rules of Procedure require that the Audit Committee consist of at least three members, non-executive directors of the Company. At least one member must have specific expertise in finance or accounting and be independent.

The current Audit Committee is made up of three members: Jean-Patrick Fortlacroix, Chairman, Thierry Mabille de Poncheville and Alexander Malbasa.

The term of office of committee members is the same as that of their directorships.

The provisions of the AFEP-MEDEF Code, which recommend that at least two thirds of the directors on the audit committee must be independent, are met.

Duties of the Audit Committee

The Audit Committee monitors issues relating to the preparation and control of accounting and financial information in order to prepare decisions of the Board in the finance and accounting field. Without prejudice to the powers of the Board and General Management, the Committee is responsible specifically for monitoring:

a) the process by which financial information is compiled;
b) the effectiveness of internal control and risk management procedures;
c) the statutory auditing of the financial statements and, where applicable, the consolidated financial statements by the Statutory Auditors;
d) and for issuing a recommendation on the Statutory Auditors proposed for appointment by the General Meeting and ensuring their independence.

This monitoring allows the Committee to issue recommendations to improve existing processes and/or establish new ones, as needed.

The Audit Committee may be consulted, notably by the Board or General Management when deemed necessary, on any matter concerning procedures to control unusual risks.

Operation of the Audit Committee

The Committee is convened by its Chairman and meets as often as deemed necessary by the Chairman or the Board and at least two times each year.

A meeting agenda is set by the Chairman of the Committee, in conjunction with the Board if the latter called the meeting. The agenda is circulated to the members of the Committee prior to their meeting, along with any information relevant to their discussions.

The secretariat of the Committee is the secretariat of the Board.

In order to carry out its duties successfully, the Audit Committee hears, as it deems necessary, the Statutory Auditors and the Company's management, in particular the persons responsible for establishing the financial statements and for internal control, in the absence of General Management.

The Appointments and Remuneration Committee

Members of the Appointments and Remuneration Committee

The Rules of Procedure require that the Appointments and Remuneration Committee consist of at least three members, non-executive directors of the Company.

The current Appointments and Remuneration Committee is made up of three members: Thierry Mabille de Poncheville, Chairman, Brigitte Michel and Philippe Austruy.

The term of office of Committee members is the same as that of their directorships.

The provisions of the AFEP-MEDEF Code, which recommend that at least two thirds of the directors on the Appointments And Remuneration Committee must be independent, are met.

Duties of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee's main duties within the framework of the Board's work are:

- to assist the Board in deciding how to exercise General Management and on the status of corporate officers;
- to make proposals to the Board for selection of Directors;
- to discuss the qualification of independent director, which is reviewed annually by the Board prior to publication of the Annual Report;
- to issue an opinion on the proposals by the Chairman of the Board for appointment of the Chief Executive Officer;
- to ensure implementation of the Code of Corporate Governance to which the Company refers;
- to prepare Board decisions on updating its Rules of Procedure;
- to develop proposals relating specifically to
    - the fixed and variable remuneration of the Chairman and any other benefit received,
    - the fixed and variable remuneration of the Chief Executive Officer and any other benefit received (retirement, severance pay, etc.),
    - the amount of the total directors' fees to be submitted for approval to the General Meeting and their method of distribution,
    - the establishment of long-term incentive plans, such as those involving distributions of stock options or bonus shares to corporate officers.

Operation of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee is convened by its Chairman and meets as often as deemed necessary by the Chairman or the Board. A meeting agenda is set by the Chairman of the Appointments and Remuneration Committee, in conjunction with the Board if the latter called the meeting. The agenda is circulated to the members of the Appointments and Remuneration Committee prior to their meeting, along with any information relevant to their discussions.

The Appointments and Remuneration Committee may meet more frequently as it sees fit.

The Chairman of the Board is involved in the works of the Committee, except when matters of personal interest are considered.

I.1.3 – Procedures for General Management

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 of Directors shall represent the Board of Directors. He shall organise and manage the Board's work and report on it to the general meeting of 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 General 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/she shall exercise these powers within the limits of the company object and subject to those that the law expressly allocates to meetings of shareholders and to the Board of Directors.

Restrictions on the powers of the Chief Executive Officer imposed by the Board of Directors

The Chief Executive Officer shall obtain the Board's prior approval for the following decisions:

- investment in or acquisition of any asset or holding worth over €20 million;
- divestment/sale of any non-real estate asset worth over €5 million;
- divestment/sale of any real estate asset worth over €30 million per transaction;
- obtaining any new loan or financing worth over €50 million, or modification of an existing loan or financing worth over €50 million;
- the constitution of securities, endorsements or other guarantees with individual amounts over €50 million;
- any decision regarding the strategic direction of a Group company or any substantial change in the orientation or activity of such company;
- the approval and amendment of the Orpea or Group annual budget or business plan;
- any capital transaction (including, but not limited to: merger, demerger, asset contribution, capital increase or reduction of capital, issue of any securities, and creating a class of shares);
- distribution policy for dividends or any other distribution made by the Company to its shareholders;
- remuneration of the Company's corporate officers;
- any significant recruitment (gross annual salary exceeding €200,000); and
- any plan or award concerning stock options, bonus shares, incentive bonuses or profit sharing.

I.1.4 – The Board's work in 2012

The Board met seven times during financial 2012, with an attendance rate of 100%.

During FY 2012, the Board discussed the group's financial position at the time of closing the annual accounts and reviewing the interim financial statements.

The commitments given by the Company were reviewed and authorised on the occasion of each financing transaction. To facilitate financing and increase responsiveness, the Board of Directors authorised the Chief Executive Officer, for a period of one year, to grant securities, endorsements and other guarantees on behalf of the Company up to a maximum commitment of €300 million, provided that no security, endorsement or guarantee exceeds the sum of €50 million. The Chief Executive Officer regularly presented a statement of commitments granted under this authorisation to the Board.

The Board also advised on major Group development and strategy decisions. It also stated its position on the bonds issued in late 2012.

Board discussions were enriched by the work of the two study committees: the Audit Committee and the Appointments and Remuneration Committee. These committees act strictly within the framework of the duties entrusted to them by the Board. Their work has facilitated the discussions and decisions of the Board of Directors.

I.1.5 – The Study Committees' work in 2012

The Audit Committee's work in 2012

The Audit Committee met three times in 2012, with an attendance rate of 100%.

The Audit Committee met for the first time on 21 March 2012 to review the 2011 financial statements. It appointed Jean-Patrick Fortlacroix as its Chairman. The CEO, CFO and Legal Director attended this meeting. The accounts review was also accompanied by a presentation by the Company's Statutory Auditors.

The Audit Committee also met to approve the interim financial statements for the period ended 30 June 2012.

It also advised on the budget forecast and the Group's short- and medium-term debt outlook.

The Appointments and Remuneration Committee's work in 2012

The Appointments and Remuneration Committee met two times in 2012, with an attendance rate of 100%.

This Committee met for the first time on 21 March 2012, when it appointed Thierry Mabille de Poncheville as its Chairman.

The Appointments and Remuneration Committee made recommendations to the Board of Directors on the qualification of the Board members, the remuneration of directors and, more generally, on the terms of office of Messrs Le Masne and Brdenk under the AFEP-MEDEF Code.

I.2 – Remuneration of corporate officers

The Appointments and Remuneration Committee makes recommendations on, and the Board of Directors sets the general principles of the remuneration policy and the remuneration of corporate officers.

No stock options, share awards or performance shares were granted to the directors or corporate officers in 2012.

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

The Ordinary General Meeting of 29 June 2012 capped the maximum overall fees allocated to directors at €225,000.
The gross remuneration of directors with respect to FY 2012 was €211,000, broken down as follows, taking into account the three meetings of the Audit Committee and the two meetings of the Appointments and Remuneration Committee (the Chairman of each committee receiving double the amount of directors' fees of regular committee members):

DIRECTORS	GROSS AMOUNT PAID WITH RESPECT TO FY 2012	GROSS AMOUNT PAID WITH RESPECT TO FY 2011
Jean-Claude MARIAN	€25,000	€6,250
Yves LE MASNE	€25,000	€25,000
Brigitte Michel	€28,000 of which €3,000 with respect to the Appointments and Remuneration Committee	€25,000
Alexandre MALBASA	€31,000 of which €6,000 with respect to the Audit Committee	€25,000
Jean-Patrick FORTLACROIX	€37,000 of which €12,000 with respect to the Audit Committee	€12,500
Thierry de PONCHEVILLE	€37,000 of which €6,000 with respect to the Audit Committee and €6,000 with respect to the Appointments and Remuneration Committee	€6,250
Philippe AUSTRUY	€28,000 of which €3,000 with respect to the Appointments and Remuneration Committee	€6,250
TOTAL	€211,000	€106,250

Directors' fees with respect to year n are paid at the beginning of year n+1.

In 2011, for the first time, Jean-Claude Marian collected directors' fees solely in respect of sessions in which he participated over the last three months of 2011, although he was present at all Board meetings held in 2011 (nine in total) as, in his opinion, the combination of his duties as Chairman of the Board and Chief Executive Officer was inconsistent with the payment of directors' fees.

Thierry Mabille de Poncheville and Philippe Austruy were appointed permanent representatives of FFP and NEO GEMA, respectively, in October 2011.

<u>Remuneration of the Chairman of the Board of Directors – Jean-Claude Marian (with respect to FY 2012)</u>

Mr Marian received gross annual remuneration totalling €450,514, plus €25,000 in directors' fees in his capacity as a Company Board member.

The Chairman of the Board receives no options, free shares, performance shares, commitments or severance benefits of any kind.

He does not have any specific supplementary pension plan ("top hat" plan authorised under article 39).

Remuneration of the Chairman of the Board of Directors with respect to FY 2012 – Summary

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

	FY 2012		FY 2011	
Dr Jean-Claude Marian, Chairman of the Board of Directors	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration	450,514	450,514	450,932	450,932
Variable compensation	None	None	None	None
Benefits in kind	None		None	
Directors' fees	25,000	None (paid in 2013)	6,250	None (paid in 2012)
Benefits in kind	None		None	
Stock options	None		None	
Bonus shares	None		None	
Supplementary (top hat) pension	None		None	
Severance benefits clause	None		None	
Non-compete benefits	None		None	

Remuneration of the Chief Executive Officer – Yves Le Masne (with respect to FY 2012)

At its meeting on 15 February 2011, the Board of Directors appointed Yves Le Masne as Chief Executive Officer and authorised the continuation of his employment contract in his capacity as Group Chief Financial Officer.

In this respect, Yves Le Masne received gross annual remuneration of €720,000.

At its meeting on 26 March 2012, the Board of Directors decided to pay Yves Le Masne a bonus in the gross amount of €330,000 with respect to FY 2011.

Yves Le Masne has been covered by an unemployment insurance policy, the premiums for which have been paid by the Company since 2009. The premiums amounted to €1,775 in 2012.

Mr Le Masne receives no options, bonus shares or performance shares.

He did not, over FY 2012, have any entitlement to severance benefits in the event of termination or change of duties (severance benefits clause).

Mr Le Masne does not have any specific supplementary or "top hat" pension plan (article 39).

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Remuneration of the Chief Executive Officer (with respect to FY 2012) – Summary

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.

	FY 2012		FY 2011	
Yves Le Masne, Chief Executive Officer	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation Under the employment contract As corporate officer **Total**	 520,000 200,000 720,000	 520,000 200,000 720,000	 520,000 200,000 720,000	 520,000 200,000 720,000
Variable compensation	330,000	253,914	250,000	250,000
Directors' fees	25,000	None (paid in 2013)	25,000	25,000 (paid in 2012)
Benefits in kind	Company car		Company car	
Stock options	None		None	
Bonus shares	None		None	
Supplementary (top hat) pension	None		None	
“Severance benefits” clause	None		None	
Non-compete benefits	None		None	

Remuneration of the Deputy CEO – Jean-Claude Brdenk (with respect to FY 2012)

At its meeting on 15 February 2011, the Board of Directors appointed Jean-Claude Brdenk as Deputy CEO and authorised the continuation of his employment contract in his capacity as Chief Operating Officer.

The Board of Directors of 26 March 2012 decided to set Jean-Claude Brdenk’s gross remuneration under his employment contract at €425,000 (his remuneration as Deputy CEO being maintained at €50,000).

Jean-Claude Brdenk receives no stock options, bonus shares or performance shares.

He did not, over FY 2012, have any entitlement to severance benefits in the event of termination or change of duties (severance benefits clause).
Jean-Claude Brdenk does not have any specific supplementary or "top hat" pension plan (article 39).

Remuneration of the Deputy CEO with respect to FY 2012 – Summary

	FY 2012		FY 2011	
Jean-Claude Brdenk, Deputy CEO	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation				
Under the employment contract	424,451	424,451	360,000	360,000
As corporate officer	50,000	50,000	50,000	50,000
Total	470,000	470,000	410,000	360,000
Variable compensation	135,000	135,000	135,000	135,000
Directors' fees	None	None	None	None
Benefits in kind	Company car		Company car	
Stock options	None		None	
Bonus shares	None		None	
Supplementary (top hat) pension	None		None	
Severance benefits clause	None		None	
Non-compete benefits	None		None	

Other compensation

In addition to directors' fees, in 2012 Alexandre Malbasa was paid €43,152 in fees for his assistance with pre-litigation and litigation.

Summary of remuneration with respect to FY 2012

Directors Corporate officers	Employment contract		Supplementary pension scheme		Compensation or benefits payable on transfer or on change of duties		Non-compete benefits	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Claude Marian *Chairman and Chief Executive Officer* Date appointed: 2011 AGM Term ends: 2015 AGM		X		X		X		X
Yves Le Masne *Director* Date appointed: 2011 AGM Term ends: 2015 AGM	X			X		X		X
Jean-Claude Brdenk *Deputy CEO*	X			X		X		X
Brigitte Michel *Director* Date appointed: 2011 AGM Term ends: 2013 AGM		X		X		X		X
Alexandre Malbasa *Director* Date appointed: 2011 AGM Term ends: 2013 AGM		X		X		X		X
FFP *Director* Date appointed: 2011 AGM Term ends: 2015 AGM		X		X		X		X
Neo Gema *Director* Date appointed: 2011 AGM Term ends: 2015 AGM		X		X		X		X

I.3 - Summary of transactions performed in 2012 by Orpea's corporate officers (Article 223-26 of the AMF General Regulations)

By Jean-Claude Marian or persons associated with him

Person	Date of transaction	Type of transaction	Unit price	Total
Santé Finance et Investissements	14 May 2012	Transfer	€25,655	€243,722.50
Jean-Claude Marian	14 May 2012	Acquisition	€25,655	€243,722.50

By NEO GEMA

Person	Date of transaction	Type of transaction	Unit price	Total
NEO GEMA	11/12/2012	Transfer	€31.00	€32,726,700
NEO GEMA	10/12/2012	Transfer	€31.0849	€2,567,609.00
NEO GEMA	07/12/2012	Transfer	€31.00	€13,072,700.00
NEO GEMA	05/12/2012	Transfer	€32.90	€167,691.30
NEO GEMA	04/12/2012	Transfer	€32.90	€92,350.30
NEO GEMA	03/12/2012	Transfer	€32.8518	€397,374.90
NEO GEMA	19/10/2012	Transfer	€31.3943	€1,426,212.00
NEO GEMA	18/10/2012	Transfer	€31.202	€311,490.00
NEO GEMA	17/10/2012	Transfer	€31.1035	€95,485.00
NEO GEMA	15/10/2012	Transfer	€31.0821	€260,810.00
NEO GEMA	12/10/2012	Transfer	€31.0153	€2,036,682.00

By Yves Le Masne or persons associated with him

Person	Date of transaction	Type of transaction	Unit price	Total
Yves Le Masne	31/12/2012	Transfer	€33.4011	€100,203.30

I.4 - Process of bringing the status of Yves Le Masne and Jean-Claude Brdenk into compliance with the AFEP-MEDEF recommendations

The Company has initiated in recent years a process to improve the operation of the Board of Directors, in particular by gradually bringing its governance into compliance with the recommendations of the AFEP-MEDEF Code on corporate governance of listed companies, as laid out in its latest version of April 2010 (the "AFEP-MEDEF Code").

Against this background, the Board again discussed the situation of Yves Le Masne and Jean-Claude Brdenk, each of whom had an employment contract with the Company, in addition to their corporate offices. Previously, on 15 February 2011, after noting that Yves Le Masne and Jean-Claude Brdenk each had an employment contract with the Company, the Board of Directors had concluded that it did not seem fair given their successful career with the Group and for the simple reason of having accepted the office of Chief Executive Officer and Deputy CEO, respectively, for Messrs Le Masne and Brdenk to lose the benefits they would have enjoyed if they had refused these offices and retained their employment contract. Therefore, the Board decided to maintain their employment contract.

It should be noted that Yves Le Masne has been with the group for 20 years, and Jean-Claude Brdenk for 16 years.

After careful consideration, especially during the Appointments and Remuneration Committee meetings, the position of the Board of Directors changed in 2013. At its meeting of 25 March 2013, the Board of Directors decided to terminate these employment contracts, in an effort to strengthen the process of achieving compliance with the recommendations of the AFEP-MEDEF Code, which in paragraph 19 states that "when a senior executive is appointed as corporate officer, it is recommended to terminate his or her employment contract with the company or with a company affiliated to the group, whether through termination by mutual consent or resignation".

In view of the seniority and the important contribution to the Group of Messrs Le Masne and Brdenk, the Board of Directors authorised the termination by mutual consent of their employment contracts (as provided by Article L. 1237-11 of the French Labour Code) related to their roles of Group Chief Financial Officer and Chief Operating Officer, respectively. Under these agreements, they will receive severance benefits in the amounts of €302,000 and €312,000, respectively.

Following the termination of the employment contracts of Yves Le Masne and Jean-Claude Brdenk, at its meetings on 25 March 2013 and 25 April 2013, and on the recommendation of the Appointments and Remuneration Committee, the Board of Directors conducted a comprehensive review of their situation.

1- Early reappointment of the Chief Executive Officer and the Deputy CEO

At its meeting on 25 March 2013 the Board of Directors confirmed, as required, Yves Le Masne and Jean-Claude Brdenk in their respective roles of Chief Executive Officer and Deputy CEO, and, to this end, on the recommendation of the Appointments and Remuneration Committee, renewed in advance their terms as Chief Executive Officer and Deputy CEO for a period of four years (these terms will expire at the end of the first Board of Directors' meeting following the ordinary general meeting that will be called in 2017 to approve the financial statements for the year ended 31 December 2016).

2 - Fixed remuneration of Yves Le Masne and Jean-Claude Brdenk

As the employment contracts of Yves Le Masne and Jean-Claude Brdenk were terminated, they no longer receive related remuneration. Consequently, at its meeting on 25 March 2013, the Board of Directors fixed the annual gross remuneration for corporate offices held, on the recommendation of the Appointments and Remuneration Committee and in accordance with the guidelines of the AFEP-MEDEF Code, as follows:

Yves Le Masne, Chief Executive Officer

The annual gross remuneration of Yves Le Masne as Chief Executive Officer, since the date the conventional termination of his employment contract came into effect, can be broken down as follows:

- Fixed gross annual remuneration of four hundred eighty thousand euros (€480,000). This amount may be reviewed on an annual basis by the Board of Directors;

Taking into account the gross annual remuneration of two hundred forty thousand euros (€240,000) paid to Mr Le Masne by Clinea, a subsidiary of Orpea, for his duties as Chairman of that Company, the total fixed gross annual remuneration paid by all Orpea Group entities to Yves Le Masne stood at seven hundred twenty thousand euros (€720,000).

- Gross annual variable compensation, capped at 40% of the total gross fixed annual remuneration paid by the Company or 70% for transactions or under circumstances deemed exceptional by the Board, in addition to the gross annual variable compensation paid by Clinea;

This variable remuneration is subject to criteria established by the Board of Directors for each financial year.

At its meeting on 25 March 2013, the Board of Directors approved the quantitative criteria for FY 2013 (determined on the basis of economic and financial targets such as revenue, financial performance ratios and debt) for three-quarters of this variable portion and qualitative criteria (determined on the basis of financial reporting targets) for the balance.

Jean-Claude Brdenk, Deputy CEO

The annual gross remuneration of Jean-Claude Brdenk as Deputy CEO, since the date the termination by mutual agreement of his employment contract came into effect, can be broken down as follows:

- Fixed gross annual remuneration of three hundred thousand euros (€300,000). This amount may be reviewed on an annual basis by the Board of Directors;

Taking into account the gross annual remuneration of two hundred twenty thousand euros (€220,000) paid by Clinea, a subsidiary of Orpea, for his duties as Chief Operating Officer of that Company, the total fixed gross annual remuneration paid by all Orpea Group entities to Jean-Claude Brdenk stood at five hundred twenty thousand euros (€520,000).

- Gross annual variable remuneration, capped at 50% of the total gross fixed annual remuneration paid by the Company or 70% for transactions or under circumstances deemed exceptional by the Board, in addition to the gross annual variable compensation paid by Clinea.

This variable remuneration is subject to criteria established by the Board of Directors for each financial year.

At its meeting on 25 March 2013, the Board of Directors approved the quantitative criteria for FY 2013 (determined on the basis of economic targets such as revenue and financial performance ratios) for three-quarters of this variable portion and qualitative criteria (determined on the basis of mainly management targets) for the balance.

3 – Subscription of unemployment insurance for the Chief Operating Officer

On 25 April 2013 the Board of Directors authorised the company to take out unemployment insurance for the Chief Operating Officer, the premiums of which will be paid by the Company.

4 – Participation of the Chief Executive Officer and Deputy CEO in the collective provident and health care expense scheme for Orpea Group employees

At its meeting on 25 March 2013, the Board of Directors authorised the participation of Yves Le Masne and Jean-Claude Brdenk in the collective provident and health care expense scheme for Orpea Group employees, as the Company’s Chief Executive Officer and Deputy CEO, respectively.

5 – Severance benefits in the event of termination of duties as an executive corporate officer

At its meetings on 25 March 2013 and 25 April 2013, the Board of Directors authorised severance benefits payable to Yves Le Masne and Jean-Claude Brdenk in the event of termination of their duties as executive corporate officers.

In accordance with the maximum amount defined by the AFEP-MEDEF Code, the amount of these benefits was set to twenty-four (24) months of gross fixed and variable remuneration (a multiple of average monthly remuneration due and paid with respect to the last two financial years), and is subject to performance-related conditions.

In view of the multi-year involvement of Yves Le Masne and Jean-Claude Brdenk in the Group, their significant contribution to the Group’s growth, and the termination of their employment contract, the Board decided go beyond the eligibility criteria set by the AFEP-MEDEF. Thus, severance benefits are due in the event of:

- forced departure: departure on the initiative of the Board of Directors, irrespective of how this termination of office occurs, notably by revocation, requested resignation or non-renewal of mandate (excluding termination of office as a result of a serious offence);

or

- a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

The payment of these benefits shall also be subject to the following condition: the average variable remuneration with respect to the two years preceding the departure of the corporate officer concerned must be equal to or greater than 75% of the target regular variable remuneration (excluding exceptional variable remuneration).

In the event that the average variable remuneration with respect to the two years preceding departure is between 74% and 50% of said target regular variable remuneration, the amount of benefits are reduced in proportion to the rate of completion of the above conditions. If the completion rate is under 50%, no benefits are paid.

No compensation shall be paid if Yves La Masne and Jean-Claude Brdenk can exercise their rights to basic retirement benefits at the full rate in the six months following the termination of their duties.

II – INTERNAL CONTROL AND RISK MANAGMENT 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.

Promoted by General Management and implemented by the Quality and Medical Department and the Finance Department, as well as by the Operational Departments, risk management translates daily into the attention paid by each facility, through its management team, to the management of its activities: actions to train staff and raise awareness, self-assessment and audits (see Internal Control chapter), risk surveillance committee, etc.

Furthermore, the relatively low number of hierarchical levels, the presence of short decision-making circuits and the contribution of Operational Departments to strategical thinking help to identify and report risks and, consequently, to act efficiently.

II.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 General 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.

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

The Group's General Management ensures that its directives are clearly communicated to all 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.

II.2.1 - Composition of the Board of Directors

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 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.

II.2.2 - Charters

The core value that underlies all these values is clearly ethics. To ensure the proper understanding and implementation of these ethical values, the Group has drawn up two charters reflecting:

- Orpea’s commitments to residents and their families;
- the management team’s commitments to employees.

The "Quality for families and residents" charter, which is common to all Group facilities, summarises Orpea’s commitments. The Group undertakes vis-à-vis its residents and patients to adhere to best practices in the following areas: reception, staff and medical care, meals, accommodation, accessibility, information and activities. This charter is posted in each of the Group facilities, and its implementation is regularly monitored by the Quality department.

In order to unite employees around Orpea’s values, the Group has drawn up a "Team commitments" charter. The originality and strength of this charter is that it has been developed by the teams of all facilities.

Independent consultants specialising in the ethics of care advise the facilities, offering all teams the option to choose a certain number of values that seem the most significant to them (respect, responsiveness, competency, support, trust, professional ethics, good mood, etc.). At least six of these were selected by the teams as the top values and then communicated and formally written down so that the teams take ownership of them.

All staff (maids, nurses, invoicing clerks, waiting staff, care workers, waitresses, doctors, cooks, directors and support staff) were involved in these discussions to establish an ethics charter that is displayed throughout the facility and solemnly launched by the entire staff.

These team commitments are especially strong and respected as they have been proposed and appropriated by the employees themselves.

The commitments and the respect of ethics are supported by the Group training policy. 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 promotion. 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", "well-being" and "nutrition" - or through e-learning modules for in-house software training such as pharmacy management, schedule management and payroll management.

II.2.3 - Other references

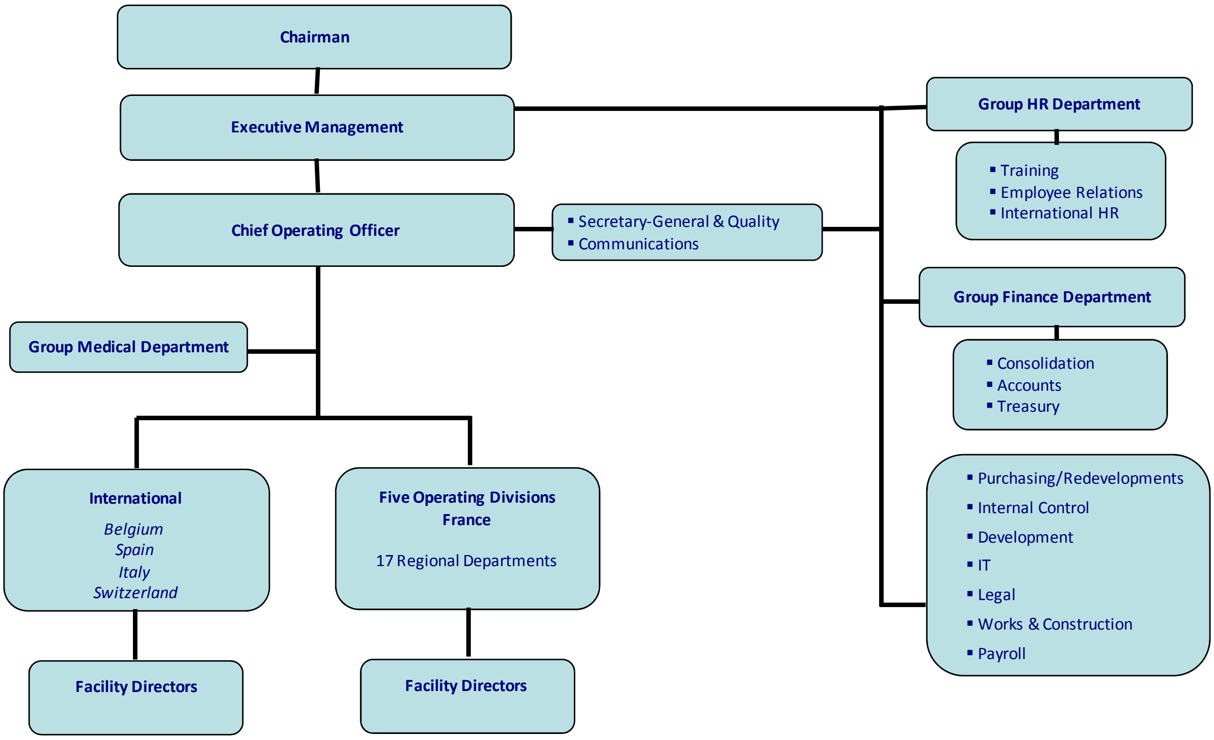
Orpea also has a legal team specialising primarily in health care law, regulations for post-acute and psychiatric care facilities and nursing homes, commercial law and property law. This team informs Executive Management, regional and divisional departments, the Quality department and the Medical management of changes in regulations, which are then reflected in internal procedure, with a view to ensuring optimal management of the Group's activities.

The Group also has a Director of Healthcare Safety, responsible for ongoing monitoring of changes in applicable regulations.

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

II.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 head office, thereby encouraging facility and or regional/division directors to focus their efforts on the quality of care for residents and patients, and on staff management.



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;
- security and reducing the risk of fraud, particularly financial fraud. Only six officers are authorised to conduct financial transactions (checks, bank transfers, etc.).

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.

II.3.2 – Effective operational committees

► **Operations committees ("Comex")**

The Group has operations committees ("COMEX") 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 always cascaded and their implementation explained during monthly meetings with the Division Director, Regional Directors and Operating Directors.

► **The works and safety committee**

The Works and Safety Committee meets monthly, with General Management in attendance, and the Works and Maintenance Department and the Business Development Manager (all of whom are Group employees) in order to review all construction sites in progress (buildings and renewals). The architects in charge of projects in progress may also be invited to committee meetings depending on the agenda content.

► **The approval committee**

The approval committee meets monthly, with General Management and the Works and Maintenance Department in attendance, in order to make decisions on works commitments. This committee is now separate from the Works and Safety Committee because its objective is to explore various project options for a given project and make the final decision regarding investment.

► **The development committee**

The development committee meets once every two months, with General Management, business development managers, the directors of medical, legal and works and maintenance departments, to study the progress made by development projects: obtaining authorisations, mergers, acquisitions, etc. Each project is reviewed in detail with its benefits and drawbacks and the committee decides whether to continue the project.

II.3.3 – 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 his position. These procedures and protocols are updated on a regular basis and are disseminated via the Group’s Intranet site. Updates are systematically sent by post to operating directors, who must confirm their successful implementation at each facility. Each procedure describes the appropriate approval process that needs to be observed so that decisions are made on the basis of comprehensive and relevant information at the appropriate level and in a timely manner.

Before taking up his or her duties, the Operations Manager 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 new manager works side by side with the existing manager and is involved in all of the facility's activities.

Various 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 the review of 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 on the Group's intranet site, which consolidates all information twice daily.
In addition, information from self-diagnosis questionnaires and satisfaction questionnaires resulting from 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.

II.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.

II.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.

II.4.1.1 – General Management, the Executive Committee and the Management Committee

General Management defines the guiding principles of internal control and ensures their effective implementation.

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 as necessary in order to make quick decisions relating to the implementation of the Group's strategy and the arbitrage operations required between the various departments.

Since the second half of 2011, a **Management Committee (CODIR)** consisting of the Chief Executive Officer, the Chief Operating Officer, the Director of Human Resources, the General Secretary & Director of Quality, and five Department Directors meets quarterly and discusses all issues related to the Group's strategy, policy and development. A forum for exchange and discussion, the Management Committee plays a supervisory role, ensures the proper operation of the Group as a whole and contributes to better internal communication of the Group's policy.
All decisions made by the committee at one of its meetings are followed by specific action plans, the implementation of which is monitored at the next meeting.

The **Audit Committee**, which was set up in late 2011, is responsible for monitoring the effectiveness of internal control and risk management. It reports to the Board on its duties.
Its composition, duties and activities are detailed in chapter 1 of this report.

II.4.1.2 – Operational internal audit

II.4.1.2 – Objectives

An ongoing Group internal audit is intended to:

- identify and assess risks;
- take corrective measures;
- develop procedures and document templates in relation to these corrective measures and determine processes for the Group as a whole to secure its operations.

II.4.1.2.b – Stakeholders

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 physician, 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;

– the Quality department, which carries out a specific internal audit of operations on an ongoing 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 quality team works in close collaboration with the operating Departments and reports to General Management;

–the Project Management department, which performs audits of the buildings in which the Group's facilities operate, to ensure that security procedures are observed and the buildings are properly maintained;

–management controllers, who analyse the economic indicators for the performance of the Group's facilities, identify gaps and improvement opportunities, in close cooperation with the operating Departments.

II.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.
This risk map has facilitated the setting up of a preventive approach and a procedure for managing risks.

► **Preventive measures**
Each group facility has a register of potential risks describing the corrective action to take immediately should the event occur. This register also has a preventive aim; each institution must implement recommended actions as a preventive measure.

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, etc.). The purpose of the business continuing plan is to describe all of the measures to be taken in this context.

There is also a "*Plan Bleu*" (nursing homes) or a "*Plan Blanc*" (post-acute and psychiatric care facilities), which lists all of the human, equipment and logistic resources to be used 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 provide 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.

► **Responsiveness at the onset of risk**
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 managers 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 Manager then informs the Divisional Manager and the Chief Operating Officer, who are then responsible for implementing and monitoring corrective action plans and taking measures to avoid the occurrence of unusual events of this kind, in accordance with the risk management objectives described above, and for informing the supervisory authorities.

A procedure for managing adverse events has been developed and implemented by all our facilities. It defines the methods for reporting information (using the process described above), validating corrective actions to be implemented immediately and analysing the causes of the adverse events in order to adapt the necessary preventive measures.

Moreover, to allow the greatest responsiveness possible in handling any possible incident or event deemed undesirable that may happen in a facility and that may invoke its liability and/or damage its image, the Group has defined and set up a crisis unit.

This responsiveness is essential specifically to delineate the scope of such incidents in terms of their consequences and their severity, and to prevent them from gaining more momentum.

This crisis management unit, formed mainly of the Chief Operating Officer, the Legal Director, the Quality Director, the Group Medical Director, the Communications Manager and the Head of Supervision, is to assist the Division Manager and/or the Regional Manager and the manager of the facility in organising an immediate and thorough investigation. In parallel, it aims to establish

communication with the complainant and/or with the person concerned. The cell members also arrange contact with the regulatory authorities, which must be notified of the incident as soon as it has been clarified and defined precisely to facilitate an initial investigation.
As regards incidents that fall under civil liability, and where it is considered that the procedure initiated may affect the group image, the group's policy, in agreement with the insurance company to instruct systematically his own counsel to defend the interests of the relevant facility. This method of operation allows for greater responsiveness, since the group's counsel already has a thorough knowledge of its business and operations and can concentrate on the issues to be dealt with more immediately than a colleague who does not usually represent the group and does not necessarily, at the outset, have a good understanding of its operations.

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

► The Administration and Finance Division

Its mission is to work with and advise operational staff on financial, legal and administrative matters. It has set up systems and procedures that apply to all group operatives in terms of financial reporting and cash pooling.
It is located at Company headquarters in Puteaux.

► Composition of the Finance Department

The Chief Executive Officer is responsible for investor relations, financial disclosure and all corporate finance activities. The Chief Financial Officer is responsible primarily for the organisation and coordination of the Group’s accounting units, conventional financing activities and management of financial flows.

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 general accounting, consolidation, cash management and financial services .

For accounts processing, the accounts department is managed in each country where the group operates by an accounting manager.
In France, the Accounting department consists of two divisions: one handling general accounting, specifically patients and residents, the other handling suppliers.

Consolidation is supervised by the Group accounting manager.

Under the responsibility of the Chief Executive Officer, the management reporting team is in charge of drawing up and monitoring budgets, in partnership with the Chief Operating Officer, Divisional Managers, and the Works Department for the investment aspect.

► Economic and financial performance monitoring tools

Operational management control

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 tasks of management audit are wide-ranging and it is closely associated with both financial and operational management:

- preparation of annual budgets for each facility;
- drafting a monthly budget tracking and reporting system;
- development of new tools or optimization of existing tools for improved responsiveness;
- analysis on ad hoc matters for a simulation or a budgetary adjustment, for example.

On budget development, the objective is to have an identical budget template for all facilities. This template is pre-populated by management audit with the various existing databases. The budget is subsequently amended and supplemented by facility managers and Regional Managers. The budget is built on the basis of a permanent dialogue between operations and management audit. After validation, it serves as a roadmap for each facility and allows management audit to carry out continuous monitoring throughout the year.

A budget control document is compiled each month to monitor sales movements and overheads. This therefore allows for monthly analysis of financial information relating to operations.

This report is drafted on the 15th of the following month and includes payroll information, sales information, other expense items and customer care.
This information is given to the Chief Operating Officer and to Divisional and Regional Managers during Operations Committee Meetings, at which plans of action are drawn up if necessary with the headquarters engineering managers (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.

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.

Real Estate management

Real estate and construction monitoring is subject to dedicated management reporting.
For each construction or major renovation of a facility, a global budget and schedule are drawn up by the project management department. This budget is entered into a database developed in-house, detailing each line item. The budget is then converted into a "contract" corresponding to the agreements signed with various stakeholders. Invoices are entered daily, enabling real estate management audit to monitor expenditure and compliance with the schedule.
A monthly report for each site is presented to senior management and project management to monitor compliance with the schedule and any differences with the budgets and thereby take the necessary corrective measures.

An annual budget is set for maintenance investment in mature facilities and a database also enables monitoring.

Since September 2012, the real estate management function has been restructured to consolidate all administrative, accounting and financial transactions related to the Group's real estate portfolio.

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 six people in management positions. These authorities are governed by different provisions: independent and/or joint signatures, based on caps and 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

The significant growth of the Orpea Group in recent years involves updating its internal organisation, procedures and information systems to address the challenges related to risk management, quality of the accounting and financial information, and observation of the financial disclosure deadlines. In this context, the Group continues to strengthen its organisation and its tools.

► Preparation of the financial statements

The Finance Department prepares the Group's consolidated financial statements on the basis of the financial statements prepared by each entity.

Each country has its own accounts system and posts its line items daily. The French accounting teams use the Harmony software, along with continuous monitoring software developed in-house. Internationally, each country uses the Navision software.
Through daily importing operations, the Finance Department can consult transactions posted by foreign subsidiaries.
A monthly report by facility is also drawn up for the attention of the Finance Department.

The consolidated accounts are prepared on a biannual and annual basis, this process being overseen by the Group head of accounts and his team.

The financial statements also involve all accounts teams in France and abroad. The closing process takes place in three steps:

1. Prior to closing, a schedule of the various milestones is established and communicated to stakeholders;
2. Each entity must send its financial statements and each country its individual balances within one month of the closing date. In Spain, local teams draft a first set of sub-group consolidated accounts;
3. Once all financial statements are received, the teams draft the consolidated financial statements using dedicated software. The work consists of verifying compliance with legal and regulatory obligations and the correct application of accounting principles and standards.

The Finance Department is also conducting an ongoing review on the changes to accounting standards, taxation or new legal obligations. To assist in its decision making on the technical issues involved, the Finance Department may use external advice, in particular where legal or tax matters are involved.

Orpea maintains contact throughout the year with the Statutory Auditors, who may be consulted on certain technical points as necessary.

► The Audit Committee

The tasks of the Audit Committee are described in I-1-2 of this Report.

► 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.

The website dedicated to financial communication (www.orpea-corp.com) publishes all available information including presentations to the financial community, news releases, regulatory information, etc.

Twice a year, General Management presents the Group's results to the financial community.
The Group strives to communicate throughout the year and to keep in regular contact with its shareholders and new institutional investors in France, Europe and the United States, including participation in thematic conferences organised by banks and brokers.

▸ 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 of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer, who attest to the quality, reliability and comprehensiveness of the financial information provided, is sent to the Statutory Auditors at the end of each reporting period.

Having examined the terms and settlement of all accounts, the auditors certify the accounts. They certify the truthfulness, consistency and fair presentation of annual and consolidated accounts.

ORPEA
Life goes on with Us

NOTES

List of offices held by officers at 31 December 2012

► Jean-Claude Marian

Chairman of the Board of Directors: Orpea

Director: Casa Mia Immobiliare (Italy), Orpea Iberica (Spain), Residencial Senior 2000 (Spain), CM Extremadura Dos 2002 (Spain), DINMORPEA (Spain), Orpea Belgium (Belgium)

Mandate outside the Group: SCI 128 RUE DANTON

► Yves Le Masne

Chief Executive Officer: Orpea

Chairman of S.A.S: Clinea, La Saharienne, Résidence Saint Luc, La Clairière, Clinique de Champvert, , MDR La Cheneraie, Organis, Société de Champvert, Maja, Résidence La Cheneraie, Immobilière Leau Bonneveine, Château de Villeniard, Le Vigé, Mediter, 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, GeroneCorp, Mex, Clinique Beau Site, Hôtel de l'Espérance, La Chavannerie, Home la Tour, Emeraude Participations, Holding Mandres, Le Château de Bregy, Le Clos d'Aliénor, Les Jardins d'Aliénor, L'Occitanie, Holding Mieux Vivre, Les Grands Pins, Château de Champlatreux, Les Jacourets, Emcejidey, Château du Bel air, Le Clos Saint Grégoire, Clinique Marigny, Sud Ouest Santé, Maison de Santé Marigny, La Cigalière, Clinique St Joseph, Medic Agir, Clinique du Parc, Clinique Gallieni, Château de Goussonville

Chairman of SPPICAV: Amundi Immobilier Novation Santé OPCI

Orpea Permanent Representative (Director): Paul Cézanne, Résidence du Moulin, Le Vieux Chateau, Les Charmilles

Douce France Santé Permanent Representative (Director): Clinique du Cabirol

Associate Director: Association Maisons de Retraite de la Picardie,

Director of SPPICAV: Amundi Immobilier Novation Santé OPCI

Legal Manager of SNC: Les Jardins d'Escudié, Margaux Pony, Than.Co, De la Maison Rose, Brechet, SNC Des Parrans, Les Acanthes,

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, OrpeaDev, 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, Douce France Santé Arcachon, Douce France Santé Dourdan, Regina

Renouveau, Marc Aurele Immobilier, DFS Immobilier, ADC 09, Gueroult, Clinique du Château de Loos, Résidence Les Cédres, SARL Ancienne Abbaye, Le Verger d'Anna, Les Buissonnets

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 Orangers, Du Grand Parc, Ansi, BRBT, Du Jardin des Lys, De la Rue de Londres, Château de Loos, Berlaimont, Les Oliviers, Portes d'Auxerre WB, SCI Barbusse, SCI Normandy Cottage Foncier, SCI du Bois Guillaume Rouen, SCI Rezé, SCI Caserne de Draguignan, Livry Vauban 2020, Sequoia, SCI du Parc St Loup, SCI Larry, SCI Ardennaise,

Directorships and offices outside the Group: SCI Villa de la Maye

► Alexandre Malbasa

Director: Orpea

► Brigitte Michel

Director: Orpea

► Jean-Patrick Fortlacroix

Director: Orpea

Chairman of SAS: Add Equation

Legal Manager of SARL: Cadeco

► Société FFP Invest

Director: Orpea, LT Participations, Ipsos

Chairman of SAS: Financière Guiraud

Legal Manager: FFP-Les Grésillons, Valmy-FFP

Member of the Supervisory Board: IDI

► Thierry Mabille de Poncheville

Permanent Representative of FFP Invest: Orpea

Director: Groupe PSA SA, SICAV M.O. Select

Legal Manager: Deputy Manager of Société Civile du Bannot

► Neo Gema

Director: Orpea

Deputy Manager: Cedimmo SA, Rest Home Invest SA

Director: Medidep Belgium

► Philippe Austruy

Permanent Representative of Neo Gema: Orpea

Legal Manager: SPRL Neo Gema, SPRL Gema Development, SPRL Vinibelge, SPRL SIMS, SCI Amigo

Deputy Manager: SA Wima, SA Classic Gallery

2.2- STATUTORY AUDITORS' REPORT ON THE CHAIRMAN'S REPORT

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of French company law on the report prepared by the Chairman of the Board of Directors on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.
This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

Saint Honoré BK&A
140 rue du Faubourg Saint-Honoré
75008 Paris

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

Orpea

Société Anonyme (public limited company)

115 rue de la Santé
75013 Paris

Statutory Auditors' Report
prepared in accordance with article L. 225-235 of the French Commercial Code
on the report by the Chairman of the Board of Directors

Financial year ended 31 December 2012

To the 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, in accordance with the provisions of article L. 225-37 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors for the year ended 31 December 2012.

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 under 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 contains the other information required by article L. 225-37 of the French Commercial Code. It is not our role 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 May 2013

The Statutory Auditors

Saint Honoré BK&A	Deloitte & Associés
Frédéric Burband	Joël Assayah

CHAPTER III: THE ORPEA GROUP'S ACTIVITIES

The Orpea Group's purpose and business is to offer global dependency care, both physical and mental, in the short, medium and long term, via a network of specialised facilities: 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. The Group has therefore become the leader in the treatment of dependency care in Europe with almost 40,374 beds

1. ORPEA'S EXPERTISE: OVERALL DEPENDENCY CARE

The Orpea Group's business has been built around different forms of dependency care: loss of independence 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 the introduction of the APA (Aide Personnalisée à l'Autonomie) or Personal Independence 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*".

Specifically, six levels of loss of independence or physical or psychological dependency were defined, allowing people to benefit or not from the APA. These levels are set out in the AGGIR (Gerontological Independence Group Iso-Resources) scale, based on the observation of everyday tasks or activities 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 who are 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 independence, 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 once 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 two to five weeks, or "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 patients 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-haematological 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 provide 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, in 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, Italy and Switzerland.

2.1 – HISTORY AND DEVELOPMENT OF THE COMPANY

1989: the Orpea Group is founded by the 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: the creation and management of 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.

2011: Orpea continues to grow both in France and abroad, and strengthens its financial structure with a capital increase of €203 million.

2012: The Group's international expansion continues with the acquisition of Artevida in Spain (1,162 beds and places) and transition to 100% ownership of MEDIBELGE in Belgium. The Group also diversifies its sources of funding by placing its first private bond issue with major French institutional investors.

On 1 March 2013, the Orpea Group had 40,374 beds at 431 sites in Europe, 34,972 of which were operational and 5,402 under construction

France
29,477 beds
339 facilities

Operational beds: 24,154
Beds in restructuring: 2,334
Beds under construction: 2,989

Belgium
6,518 beds
56 facilities

Operational beds: 3,598
Beds in restructuring: 912
Beds under construction: 2,008

Spain
2,938 beds
22 facilities

Operational beds: 2,938
Beds in restructuring: 0
Beds under construction: 0

Italy
1,276 beds
12 facilities

Operational beds: 871
Beds in restructuring: 0
Beds under construction: 405

Switzerland
165 beds
2 facilities

Operational beds: 165
Beds in restructuring: 0
Beds under construction: 0

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 dependency care services.

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

- strong regulation with a numerus clausus ("restricted numbers") system on the number of beds constituting a significant barrier to entry;
- a sharp increase in the number of elderly people;
- a supply of beds that is insufficient in both quantity and quality.

2.2.1 – France

The Orpea Group has a network of 339 facilities, representing 29,477 beds (including 2,334 beds under redevelopment and 2,989 under construction), comprising:

- long-term care facilities;
- post-acute and rehabilitation care facilities;
- psychiatric clinics.

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

The Group is particularly strong in the regions of Ile-de-France, Provence-Alpes-Cote d'Azur, Aquitaine and Poitou-Charentes: 42% of French facilities are in Ile-de-France or PACA (59% including Aquitaine and Poitou-Charentes).

The Group's facilities are modern, with an average age of below ten years, providing a pleasant quality of life for patients and residents.

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.

Orpea broke into the Belgian market in 2006 and has actively pursued its expansion policy both by obtaining licences to open new facilities and by making acquisitions.
Orpea now owns 6,158 authorised beds at 56 sites, with 912 beds currently under redevelopment and 2,008 under construction.
Belgian institutions are located throughout the territory: 39% of beds are in the region of Brussels, 27% in Wallonia and 33% in Flanders.

In just a few years, Orpea Belgium SA has 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.
Further to the acquisition of the remaining 51% share in Medibelge, in 2012, Orpea became the second largest private sector operator in Belgium, with an 8.8% share of the private sector market and became the largest private sector operator in Brussels (22% market share).

2.2.3 – Spain

Following the acquisition of Artevida, finalised in January 2012, the Spanish subsidiary, Orpea Ibérica has 22 facilities and 2,938 beds in major Spanish cities.

Orpea rolled out its business model in Spain to create a network of highly attractive facilities:

- to offer high-quality care services for the elderly;
- protected units intended specifically for elderly persons suffering from Alzheimer's disease;
- modern facilities;
- 80% single rooms, i.e. a significantly higher percentage than average in the Spanish dependency care sector;
- strategic locations (51% of facilities in Madrid).

Orpea Iberica's expertise was recognised by the newspaper "Negocios y Gestion Residencial", published by the Jubilo Group, which in 2008 elected Orpea Iberica "best retirement homes group in Spain" for the quality of its services and care. On this occasion, particular recognition was paid to the establishment of high quality management, with an effective work methodology and procedures adapted to organise work teams on a daily basis.

2.2.4 – Italy

The Orpea Group has a network of 1,276 beds, of which 405 are under construction, at 12 facilities.
Orpea only has a presence in northern Italy and, more specifically, in two regions: Piedmont and the Marches region. 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 specialised units: convalescence, stabilised psychiatric patients, disabled 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 created by Orpea, unlike in France, Belgium and Spain, where a number of sites are the result of acquisitions.
Since 2011, the Italian subsidiary has also grown in the field of psychiatry, with the acquisition of a clinic in Turin.

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. The clinic is a centre of excellence in the field of addiction and burn-outs.

- A post-acute and rehabilitation care facility, with 90 beds, was opened on the same site in early 2013. This new private hospital is a Treatment and Rehabilitation Centre (CTR), which forms part of a care network comprising hospital clinical and surgical departments and doctors working in private practice

3. ORPEA RENOWNED EXPERTISE AND DEVELOPMENT FUELLED BY GROWING NEEDS

It is proven that as they advance in age, the elderly lose their independence 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

"We are undergoing a revolution: that of longevity" as France's Solidarity with the Aged Plan (Plan Solidarité Grand Age) stated.
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.

Between 1981 and 2011, life expectancy rose by 8 years for men and 6.5 years for women. This increase is, above all, linked to the progress made, in particular, in the treatment of cardiovascular disease in the over 65s, as well as to the drop in adult male mortality. In 2012, life expectancy reached 78.4 years for men and 84.8 years for women.
This is why there has been an increase in the number of centenarians living in France: with 15,000 in France on 1 January 2010, in other words, 13 times more than in 1970. The French population is therefore continuing to age and people aged 65 or over now represent 16.8% of the population.
(Source: INSEE Première – no.1319 – October 2010 + no.1332 – January 2011 + INSEE Tableau de l'économie française, 2013 edition)

In its forecasts for 2060, INSEE expects the ageing of the French population to accelerate: 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 greater in the oldest section of the population: the number of people aged over 75 years is likely to increase from 5.2 million in 2007 to 11.9 million in 2060, while the number of people over 85 years is likely to rise from 1.3 million to 5.4 million. The number of centenarians is expected to reach 200,000 people.
This sharp increase of people aged over 85 years is particularly marked in the short term: today there are an estimated 1.5 million people aged over 85 and this will rise to 2 million by 2015, an increase of 33% in four years.
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 – no. 1319 + no.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 Igas (General Inspectorate of Social Affairs), the number of dependent persons will double by 2060, rising from 1.15 million to 2.3 million people.
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, to reach the critical threshold at 85. Persons with the heaviest dependence (severe mental + physical dependence) are most numerous among those aged 85 and over. Among others 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 institutions inevitably increases with age, representing 10% of people aged 75 or over, and rising to 24% of people aged over 85 (as evidenced by the INSEE Première survey no. 1319, the number of people living at home are able-bodied or assisted).

Finally, the increase 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. In fact, this rate has dropped sharply over a ten-year period: from 166 places for every 1,000 elderly people aged over 75 in 1996, to 140 for every 1,000 by the end of 2003, finally ending up at 122 places by the end of 2010.
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 no. 689 - May 2009 + FHF memorandum - September 2012).

France has to face up to a scarcity and inadequacy of beds.
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. Industry professionals believe that it will be necessary to create 20,000 to 30,000 beds in the next three to five years to cope with the increasing number of dependent people. In addition, the Caisse Nationale de Solidarité pour l'Autonomie (CNSA, the National Solidarity Fund for Autonomy), in its December 2011 report (*Investment in medical/social care facilities*), estimates the modernisation requirement to be 116,900 places, i.e. around 17% of places available in the sector nationally. With the CNSA assessing the current cost of modernising one place at €100,000, the investment requirement would be €11.7 billion.

3.2 - THE CONSEQUENCES OF THE AGEING OF THE POPULATION: INCREASING MEDICALISATION AND 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 two months at the end of 2007, compared with 81 years and ten 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 in late 2007, 2 percentage points more than in 2003.

(Sources: DREES "Etudes et Résultats" no. 689 - May 2009 and no. 699 - August 2009)

This increasingly delayed entry of residents into institutions leads to an increased dependency ratio: 84% of residents are assessed in GIR 1 to 4, against 75% in 2005.

With residents entering retirement homes at a later age and with increasingly heavy levels of dependence, there is also a shorter average length of stay. It is now an average of 18 months, compared with 36 months in the years 1990 to 2000.

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 show signs of early or confirmed dementia.
The PAQUID study assessed the prevalence in France of Alzheimer's disease and related syndromes with age. If 5% of people over 65 are affected, the disease is observed in 25% of people over 80 years. Based on this study and taking into account the figures from INSEE for the French population in 2009, the number of people affected by the disease or related disorders is estimated at 865,000.

The number of patients will increase with an ageing 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 is 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 an even 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 signing 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 no.108, February 2008 + DREES Etudes & Résultats no. 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:

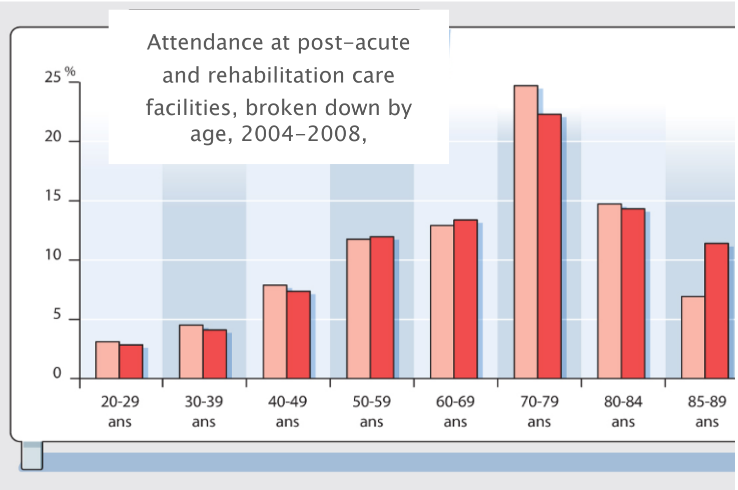
Breakdown of residents by GIR group			
Legal status	GIR 1-2	GIR 3-4	GIR 5-6
Private for-profit sector	54%	32%	14%
Associations	41%	32%	27%
Public sector	35%	41%	24%

(Source: DREES, Etudes et Résultats no. 379 and no. 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 has risen sharply in recent years. Thus, in 2009, while the average age of patients treated was 69.3, the median age was 75 and 20% of patients were aged over 83.



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 34.3 days at post-acute and rehabilitation care facilities. (Source: DREES - Panorama des établissements de santé - 2011 edition).

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.
Among admissions to post-acute and rehabilitation facilities, 60% are for rehabilitation, 18% for recovery following surgery and 17% for chemotherapy, radiotherapy or palliative care.

3.3 – AGEING POPULATION TRENDS AND A GREAT NEED IN OTHER COUNTRIES FOR ORPEA TO OPERATE

3.3.1- Belgium

Belgium will experience a sharp increase in its elderly population over the next few years. According to the latest demographic projections from the Bureau fédéral du Plan (2011) the percentage of the most elderly (85 and over) will grow spectacularly, accounting for 3% of the population in 2025 and 5.8% in 2050 compared with 2.2% in 2010.

The distribution of the population aged over 70 in 2010 between the different regions was as follows: 60% in Flanders, 31% in Wallonia and 8% in Brussels.

The current offering is around 130,000 beds. According to a study conducted by the KCE (Belgian Healthcare Knowledge Centre), depending on different scenarios based on trends in morbidity, dependency or the availability of informal carers, the requirement for the creation of additional beds is between 27,000 and 45,000 by 2025, i.e. an annual increase of between 1,800 and 3,000 beds (3,500 beds if all the worst-case scenarios are taken into consideration).
The trend to institutions for the elderly is identical to that of France: increasingly later entry with a higher dependency level. Institutions are therefore forced to increase the amount of drugs they use.

3.3.2 – Spain

In Spain, there were 1.25 million dependent people in 2010, of which nearly 13% were in Madrid. The number is expected to increase by 250,000 by 2020. (Source: Situacion del Servicio de Atencion Residencal en Espana – July 2010 – PricewaterhouseCoopers)

There is also a large shortfall of high quality beds for the elderly. In a 2010 report, the World Health Organization estimates the need for new beds at 70,000.

3.3.3 – Italy

Italy is already one of those European countries where the percentage of elderly people is the largest and is expected to increase sharply. According to the 2007 ITSTAT study, the number of people aged over 75 will more than double between 2010 and 2050, from 6 million to 12.5 million. Those aged over 85 are estimated at 1.7 million people today and should reach 4.7 million by 2050.
27% of the population aged over 85 is concentrated in the northern regions of Italy (Lombardy, Piedmont and Liguria).

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" [RESTRICTED NUMBERS]

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 – Orpea: a key player in a regulated activity, characterised by a "numerus clausus" in France and in those countries where it operates

► 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:

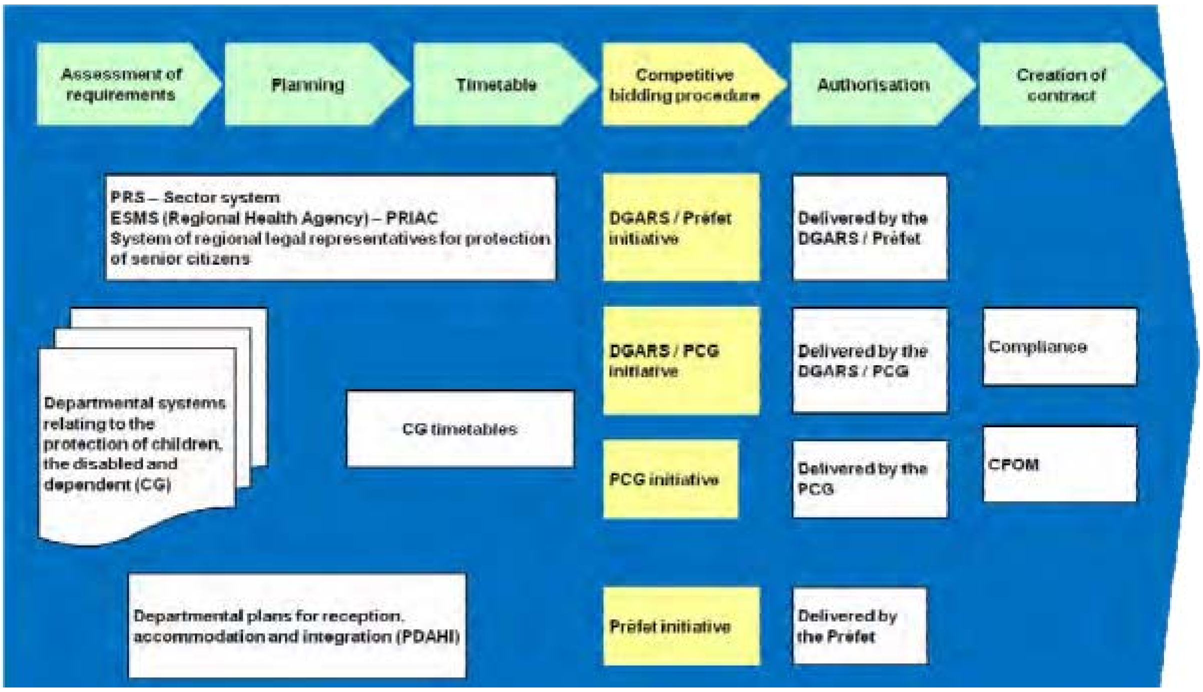
- PRIAC sets regional and interdepartmental priorities for financing the creation, extension and conversion of nursing home places over a three-year period. Each year, on the basis of PRIAC's analysis of each region, the CNSA is able to negotiate the national health spending target (ONDAM) and then allocate 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" (Schèmes Gérontologiques) are drawn up over a five-year period by the Local Authority (Conseil Général) and submitted to the local Prefect (Préfet) for approval. They define priorities - which operators must consider in developing creation projects - for territorial needs for equipment, as well as the preferred type of accommodation: specific units for disoriented elderly people, beds dedicated to respite care, etc. In addition, some local authorities go further and also develop specifications, particularly for protected units for disoriented elderly people, with capacity from 12 to 14 beds, architectural features, the average ratio in terms of nursing staff, etc.

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:

The 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 inspection is carried out.
The facility will also have to request an inspection of 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 the 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 independence 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 agreement and internal regulations.

► Italy

There are various types of facility 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, disabled 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 authorisation 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. As in France, authorisation is granted following a review of the application presenting the proposal and a site inspection 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 authorisation 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 the strategic direction of the facilities on the basis of regional health projects (PRS) and, more specifically, on the basis of one of its component parts, the regional healthcare organisation plans (SROS) The CPOM describes the changes that the facility needs to make in its activities and cooperation measures. In particular, it incorporates an annex on "operating licences and activity management". This annex has a dual purpose:

- to set operational targets for the facility relating to the implementation conditions for authorised care activities;
- to set guidelines and targets in terms of activity volume for the facility's authorised care activities. However, activity volumes are now indicative rather than enforceable.

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 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 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.

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 the decrees and order of 26 April 1999 and the 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 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. By way of example, the maximum revaluation set by the Order of 18 December 2012 was set at 2.3%.
  However, the pricing of accommodation is free for any new entrant.

- **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 APA currently represents an expenditure of €5.3 billion for 1.15 million beneficiaries. This allocation is 72% financed by the Conseils Généraux and 28% by the government.(Source: Synerpa White Paper – March 2012).

- **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. Care homes therefore do not make any profit on these services.

► Belgium

- Determining accommodation fees

Accommodation fees are set by prior application to the SPF (Services Publics Fédéraux), Pricing Department.
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.
Several procedures exist according to the request made:

  - Setting a new price (opening or creating a new service): notification simply given to the SPF, with no waiting time;
  - Automatic index-linking to the consumer price index: notification documents simply sent to the SPF, with a ten-day response time;
  - Fee increase over and above the indexation increase, in the event of major works or an event-related financial loss: submission of related documents arguing the case for the increase, with an SPF response time of 60 days. Failure to respond within 60 days implies approval.

- 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, C and D, from the least dependent to the most dependent, are given by a nurse and sent to the insurers (private top-up insurers) within seven days of the resident entering the facility. Any change following an assessment must be validated by the person's doctor and resubmitted to the insurer. A review is carried out with every change in the individual's state of health. 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" [section 3], which subsidises some of the staff engaged on top of INAMI standards as well as staff other than care staff.

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" [voucher] 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 for SSR and Psychiatry;
- 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.

ONDAM
National health spending target

Set by the Social Security Budget Act (LFSS)

OQN
National financial target

Set by ministerial order

Fee revaluation rate
National average rate
Rates for each region
Rates for each activity

Set by agreement signed with the government
and representatives of healthcare facilities (FHP/FEHAP)

A budget for each facility

Allocated by ARS (Regional Health Agencies)

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 etc. These additional charges are paid directly by the patient, who requests reimbursement of all or part of the cost from his/her 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.

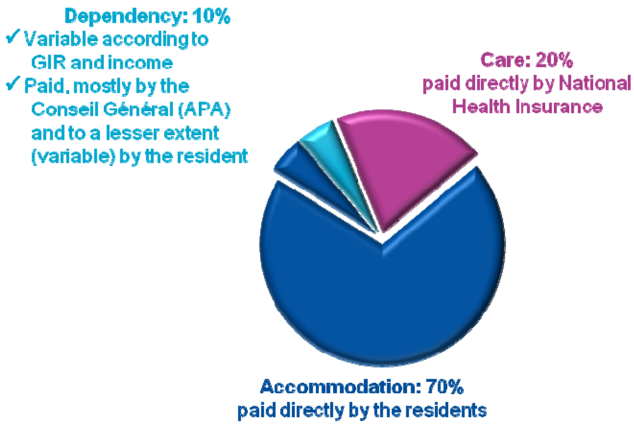
The T2A system created a new means of financing for healthcare facilities. Instead of charging per diem rates or on the basis of services for private clinics, the T2A system aims to standardise means of financing in the public and private sectors.
There are three categories of rates under the T2A system:

- 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: actions funded as a single service 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.

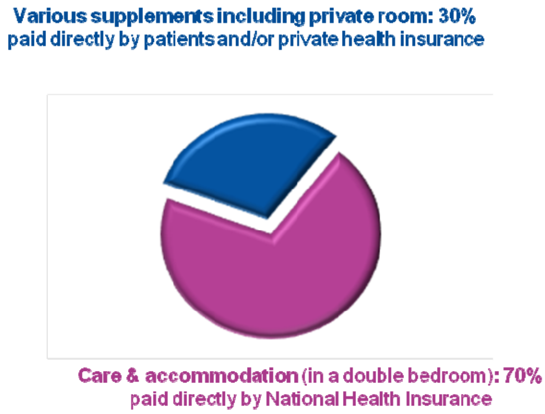
Since 1 March 2005, the T2A system has applied to facilities with medical, surgical and obstetric (MCO) authorisation, as well as home hospitalisation services. It does not apply at this time to post-acute and rehabilitation care or psychiatric care facilities.
An experimental phase covering targeted post-acute and rehabilitation care facilities is planned to start in 2013.

Summary of per diem rates for facilities in France:

► **Nursing homes**



► **Post-Acute and Psychiatric facilities**



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 carers.

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.

The Group also developed approaches called "non-drug" with the objective of maintaining as long as possible the independence of residents, promoting their welfare and developing their potential, while consolidating their gains. The Medical Department has designed specially-adapted furniture and has led many initiatives to encourage cognitive and sensory stimulation, such as:

- the Snoezelen area, an area of multisensory stimuli which, together with a philosophical approach to the elderly, provides relaxation and recreation and encourages other modes of communication than language;
- art therapy and music therapy;
- the gentle exercise and fitness trail.

For this reason, in April 2012, Orpea received a Trophée du Grand Age in the "Alzheimer's Initiative" for its "Memory Box" concept: this project aims to break the isolation of Alzheimer's patients and foster new modes of communication involving symbolic objects which vector memories. The Trophées du Grand Age reward the best initiatives in the sector, as well as innovations or geronto-technologies, to improve the quality of life of elderly people, both at home and in institutions.

In addition, specific procedures (particularly in terms of staff training) were also implemented to meet that special 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 it is 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 treatments 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 independence.

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 concerning 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.

Finally, 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.
The specific resources include: multi-disciplinary staff with specific training, including physiotherapists and occupational therapists, rehabilitation treatment in suitable premises, and finally 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 high-end technical resources, 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.
The resources are adapted, specialised facilities, staffed by people trained in geriatric care services, such as 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). The Group's Clinics provide psychiatric treatment and psychotherapeutic monitoring:

- mood disorders (depression, bipolar disorder, adjustment disorders, dysthymia;
- anxiety disorders (obsessive compulsive disorder, panic disorder, generalised anxiety, simple phobias, social phobia, impulsion phobia);
- addictions: alcohol and drug dependencies, behavioural addictions. These addictions are often co-morbidities with other psychiatric diagnoses;
- overuse or burn-out syndromes;
- recently discovered disorders: chronic fatigue syndrome, fibromyalgia;
- sleep disorders: insomnia, hypersomnia, dysomnia, parasomnia, sleep apnoea;
- eating disorders:
  - restrictive: anorexia, bulimia with vomiting,
  - hyperphagia with obesity;
- Borderline personality disorders;
- age-related psychiatric disorders: grief reactions, delusions of injury, geriatric cachexia, neurodegenerative diseases with psychiatric symptoms, classic side effects of drug interactions due to the French predilection for over-prescribing;
- certain psychotic disorders.

Overall clinical leadership is provided by a psychiatrist acting as international coordinator; the creation of an additional post of child psychiatrist coordinator has made it possible to harmonise the operation of the division's eight adolescent units. The role of these two practitioners is to ensure the scientific validity and ethical nature of practices, to take part in continuing professional development for doctors and teams, as well as recruiting new practitioners, auditing documentation, regularly attending CMEs and finally, and most crucially, being on hand to listen to colleagues, especially when incidents have occurred.

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 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 Yound Adults Unit* receives patients aged between 16 and 25, mainly with behavioural disorders, which could go 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 Adolescent Unit* receives young patients mainly with behavioural disorders, which may go 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.

► Treatment

Treatments are individual or group-based and are psychotherapeutic or pharmacotherapeutic.

Depending on their culture and training, practitioners use one or more psychodynamic, cognitive and behavioural, interpersonal, hypnosis, support and systemic models, all in terms of integrative institutional psychotherapies. In other words, all these theoretical practices are used in all the clinics, generally with a particular emphasis on one direction or another, whilst at the same time attempting to incorporate them into as harmonious a whole as possible.

The level of care largely depends on the general atmosphere at the clinic. Caregiver/administration meetings, multi-disciplinary staff, supervisions, enable professionals to compare notes and to work towards a common goal which is the well-being and recovery or our patients.

Furthermore, the therapeutic life of an institution is heavily influenced by the leadership of its care team and is dependent on the quality of the therapeutic groups available to patients. These may be:

- open and take the form of therapeutic education or discussion groups such as: welcome groups, discussion groups, medication, sleep, self affirmation, managing emotions, relaxation, introduction to cognitive and behavioural therapies, etc.;
- closed and be reserved for particular categories such as: TCA, OCD, alcohol, self worth, preparation for leaving, etc.;
- with mediation: occupational therapy, art therapy, sports therapy, 'photolangage', 'sensimage', self play (alcoholics), etc.

5.4 – A POLICY OF INNOVATION AND SCIENTIFIC REFLECTION

► Development of a telemedecine project

In 2012, Orpea submitted a telemedicine project to the Ile de France Regional Health Agency's project selection committee. Out of the 26 projects submitted, nine were selected, including the Orpea project.

The objective of this project is to improve ways in which long-term care facilities can manage emergencies, offering remote medical advice, by taking advantage of the skills of the specialist medical teams at the Group's Post-acute and Rehabilitation and Psychiatric clinics.

The project will be tested from May 2013 onwards at three clinics and 17 long-term care facilities.

The expected results are clear: to reduce outside consultation travel time for residents and waiting times for specialist advice, to limit hospitalisations and help to optimise national health (Assurance Maladie) expenditure whilst improving the quality of care given.

► Creation of scientific panels [Collèges de réflexions scientifiques]

The creation of a certain number of panels means that professionals in different fields can meet, exchange ideas, compare practices, inspire one another and occasionally pool their resources. These panels promote a sense of belonging and foster professionals' loyalty to the Group.

- Panel of psychologists [Collège des psychologues]: this is the most established panel and regularly brings together practitioners working in psychiatric units, post-acute and long-term care facilities. Over 150 professionals are involved. For a number of years now, psychologists have been working on developing original care tools ('sensimage', self play), have held seminars, organised conferences, created a new half-yearly collection with the publisher Eres (Clinics, practitioners' discussions in institutions). A unit comprising 20 practitioners trained in "institutional emergencies" who intervene immediately to assist teams in the event of trauma (suicide, aggression etc.) has also been created;
- Panel of Private Clinic Heads [Collège des présidents de CME] and coordinators: peer-elected psychiatrists meet three times a year, keep themselves up-to-date with the law, organise continuing professional development, inform their colleagues of news about each of the

institutions and oversee the ethical and work-ethics dimension of the division (Clinéa psychiatric charter). The division's international coordinator visits each of the Group's different psychiatric clinics on a regular basis in order to audit documentation, propose training for care workers, lead supervision meetings and role plays;

- Panel of pharmacists [Collège des pharmaciens]: meetings of professionals to share know-how, develop drug dispensation procedures and attend continuing professional development presentations;
- Panel of head nurses and directors of care [Collège des infirmiers surveillants chefs, directeurs des soins]: recently set up, intended to harmonise nursing practices.

An annual meeting in the form of a conference brings together all of the division's psychiatrists.

► Research Unit and Medical Publications

In October 2010, the Group set up a "Research & Publications" unit to respond to an ongoing demand from our care staff and doctors.

The Unit's objectives are to promote the areas of research conducted within the Group's long-term, psychiatric or post-acute and rehabilitation care facilities and to enhance the skills of the Orpea/Clinéa teams.

The Research & Publications unit's activities are split into three areas:

- support for research programmes coordinated by Dr Benattar;
- participation in the work of the Collège des psychologues;
- preparing scientific or professional articles and works.

<u>Support for research programmes (Dr L. Benattar)</u>

- Doctoral thesis supervision:
  - Food science doctoral thesis: "Food and Alzheimer's disease" (supervision: Dr Linda Benattar) (Virginie Pouyet/Institut Paul Bocuse/AgroParisTech)
  - Doctoral thesis in science and management of risk activities: "Burnout of healthcare professionals - The example of Alzheimer's disease management" (supervision: Dr Linda Benattar) (Philippe Zawieja/Centre for research into risks and crises, Mines ParisTech)
- Participation in external scientific studies: for example, study on atrial fibrillation in long-term care facilities, led by Pr Olivier Hanon (hôpital Broca, Assistance publique - Hôpitaux de Paris): approximately 1,700 patient records collated within the Group
- Orpea internal network moderation
  - Medical newsletter for doctors who are long-term care facility coordinators
  - Bibliographic aid for Group employees preparing research papers or on training courses

<u>Collège des psychologues</u>

- Participation in the preparation of the 'Cliniques' journal (selection and correction of texts)
- Help with referencing the journal in international bibliographic databases (American Psychological Association, etc.)

<u>Science and professional research writing</u>

- 11 articles already published in 2012 and two works due to appear in 2013 and 2014

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

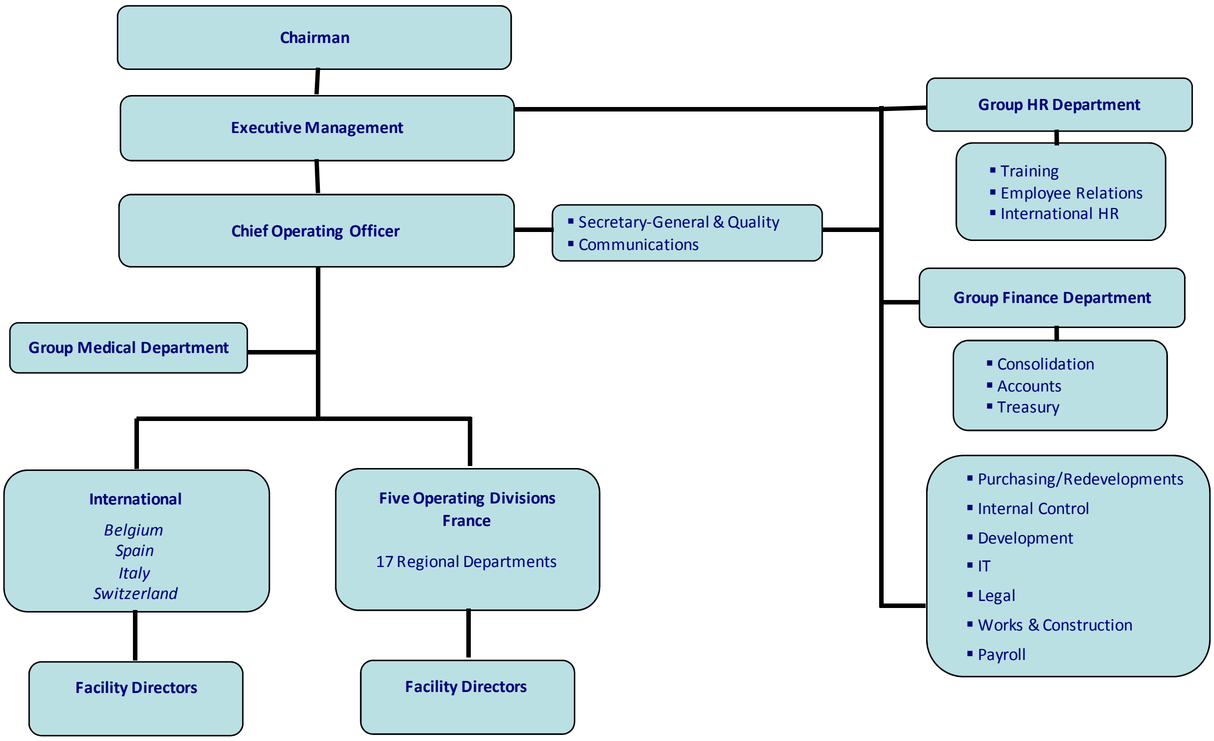
6.1 – AN ORGANISATIONAL STRUCTURE SUPPORTING THE QUALITY OF THE GROUP'S SERVICES

Thanks to a highly organised head office, facility directors are relieved of administrative duties and can therefore focus the majority of their efforts on helping residents and patients and in managing their teams.
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 services at the head office (accounting, purchasing, payroll, legal, billing, etc.);
- an operating organisational structure 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 meet 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 diagnosis-related group 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, data extractions and medical and financial analyses.

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 users.

6.2 – LEGAL ORGANISATIONAL STRUCTURE

In order to simplify its legal organisational structure and streamline its costs, mainly administrative and accounting costs, in 2012, the Group carried out complete transfers of the assets and liabilities of its wholly-owned subsidiaries, in the form of dissolution without liquidation.

Subsidiaries absorbed by SAS CLINEA:

- SAS CENTRE DU LAVARIN
- SAS CLINIQUE DE L'ISLE-LE MOULIN
- SAS SOCIETE D'EXPLOITATION CLINIQUE PARASSY
- SAS CRF CLINEA LIVRY
- SARL LES COURTILS, via SAS HOTEL DE L'ESPERANCE, a 100%-held subsidiary of SAS CLINEA

Subsidiaries absorbed by SA ORPEA:

- SARL SAINT SULPICE
- SAS RESIDENCE KLARENE
- SAS ONDINE
- SAS CENTRE GERONTOLOGIQUE
- SAS LES JARDINS DE LA CRAU
- SAS LES JARDINS DU MAZET
- SARL NORMANDY COTTAGE, via SAS HOLDING MANDRES, a 100%-held subsidiary of SA ORPEA

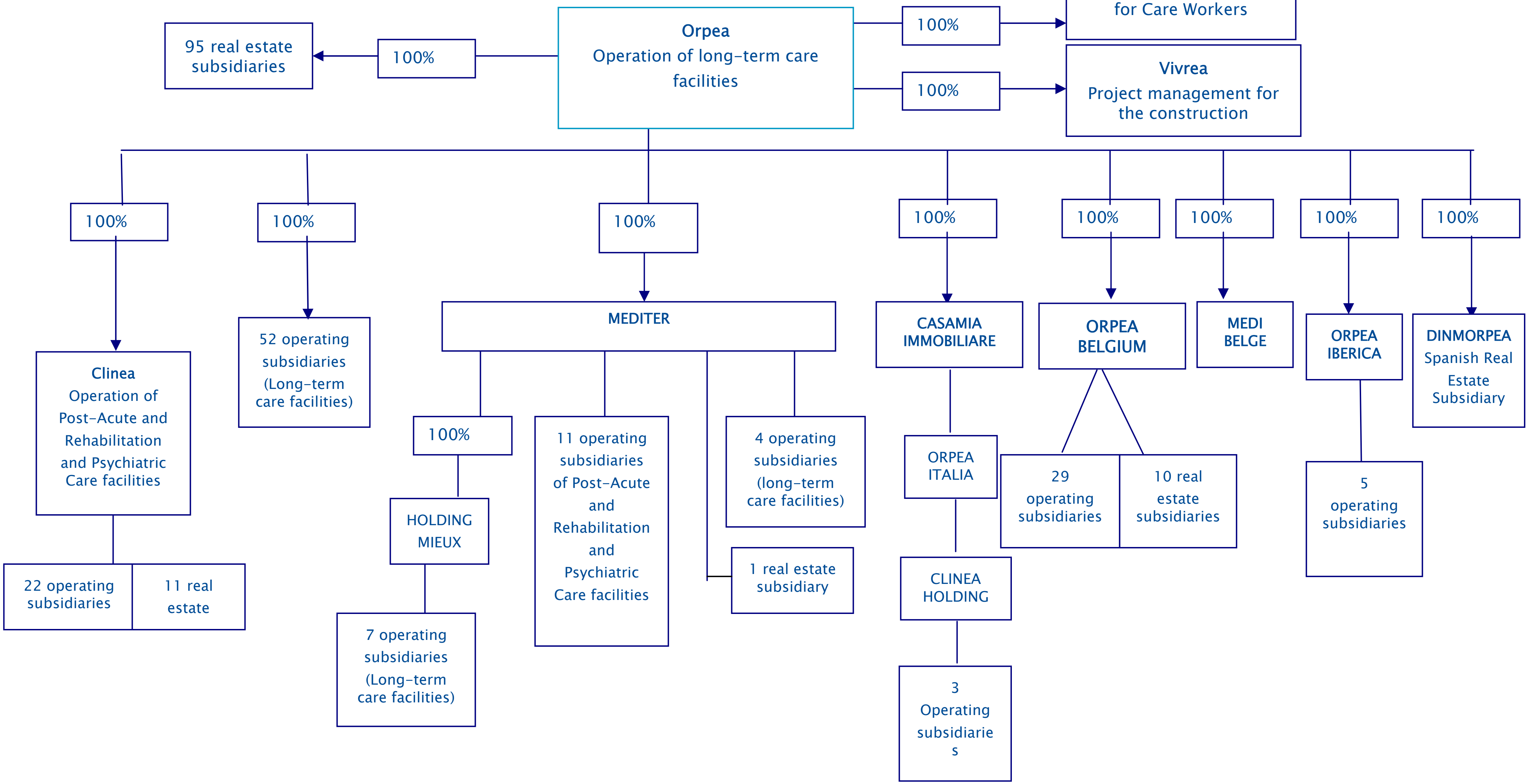
Subsidiaries absorbed by SAS MEDITER, a subsidiary of SA ORPEA:

- SAS MEDIPART
- SARL TREVISE
- SAS LAS PEYRERES, via SAS CA SANTE, a 100%-held subsidiary of SAS MEDITER

Subsidiaries absorbed by SAS HOLDING MIEUX VIVRE, a subsidiary of MEDITER, itself a subsidiary of ORPEA:

- SARL LE CLOS THIERRY
- SAS LES JARDINS DE ROMILLY
- SAS RESIDENCE DE L'ISLE
- SAS LE CLOS D'HEIMSBRUNN 68
- SARL MAISON SAINT MICHEL
- SAS LES LYS
- SAS LE CLOS D'ETRECHY 91
- SAS LE CLOS DE L'OSERAIE 95
- SAS LE CLOS D'ARNOUVILLE 95
- SAS LES PIVOINES
- SAS LE CLOS D'ARVERT 17
- SARL L'ARCHE
- SAS RESIDENCE DU CHATEAU DE MONS
- SARL HOTEL DE RETRAITE PERIGORDIN
- SAS RESIDENCE NOTRE DAME
- SAS BELLEVUE 33
- SAS SOLEIL D'AUTOMNE
- SARL MELODIE

- SARL LE CLOS DES PEUPLIERS
- SARL LE CLOS DE L'ILE DE MACE
- SAS LES TILLEULS
- SARL RESIDENCE ROGNAC, via SAS LES GRANDS PINS, a 100%-held subsidiary of SAS HOLDING MIEUX VIVRE


Orpea
Operation of long-term care facilities
100%
95 real estate subsidiaries
100%
Domea
Training Institute for Care Workers
100%
Vivrea
Project management for the construction
100%
Clinea
Operation of Post-Acute and Rehabilitation and Psychiatric Care facilities
22 operating subsidiaries
11 real estate
100%
52 operating subsidiaries (Long-term care facilities)
100%
MEDITER
100%
HOLDING MIEUX
7 operating subsidiaries (Long-term care facilities)
11 operating subsidiaries of Post-Acute and Rehabilitation and Psychiatric Care facilities
4 operating subsidiaries (long-term care facilities)
1 real estate subsidiary
100%
CASAMIA IMMOBILIARE
ORPEA ITALIA
CLINEA HOLDING
3 Operating subsidiarie s
100%
ORPEA BELGIUM
29 operating subsidiaries
10 real estate subsidiaries
100%
MEDI BELGE
100%
ORPEA IBERICA
5 operating subsidiaries
100%
DINMORPEA Spanish Real Estate Subsidiary

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 offer

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.

The fact that the Group was founded and is directed 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 core value that underlies all these values is clearly ethics, and it is this fundamental value that guides 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.

Based on a task that began nearly 15 years ago and was performed with two consultants, independent of the Group and specializing in care ethics, all the teams were invited to choose a number of values that they considered to be the most important (such as respect, listening skills, competence, cooperation, trust, professional conscience, etc.). Five to seven of these values were 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 detailed comments on these charters.

Almost 200 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 an attempt to paint 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 Conseil Général.

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 objective 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 link for providing quality care.

The Orpea Group's Quality policy is structured around:

- protocols and care procedures that are harmonised and subject to continuous improvement;
- satisfaction surveys;
- internal and external assessments;
- competitions and other prizes;
- staff training.

This quality approach is driven by a team of over 20 people led by the Quality Manager, in collaboration with the Medical Director.

For over 15 years, strict procedures - standardised across the network - have been implemented and are constantly evolving.

The role of the Group's Quality Department is:

- to provide facilities with methodological assistance in the context of the implementation and oversight of their quality and risk management initiatives;
- to support facilities within the context of their certification and internal and external assessment initiatives;
- to develop training:
    - and assessment tools with a view to improving planning teams' know-how,
    - and overseeing standard audit initiatives,
    - such as scorecards, indicators, quality, etc.;
- to set up the Orpea/Clinea Quality Award;
- to organise the annual satisfaction survey;
- to conduct audits, as a team training exercise, or to audit the quality of services delivered to residents/patients;
- to monitor regulations and documents within the context of quality, risk management or regulatory initiatives as they relate to the various activities carried out at our care facilities.

The Quality Department reports to the Chief Operating Officer and works in close collaboration with the Operating Divisions and Head Office Departments.

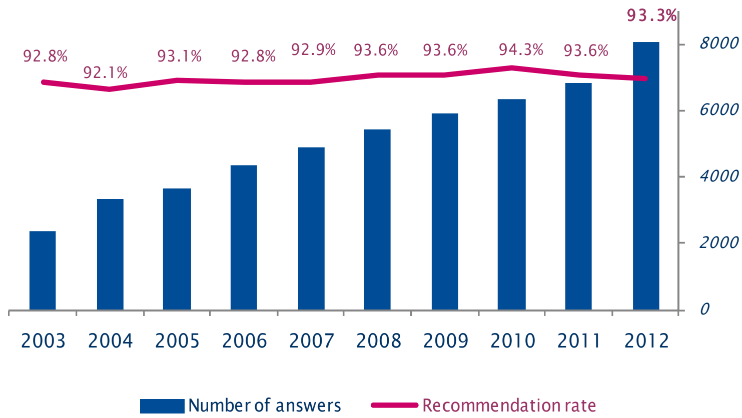
7.2.1- Satisfaction surveys of residents and patients

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

For the Group’s clinics, questionnaires are systematically handed out to patients on admission. They 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 France in 2012, nearly 14,185 satisfaction questionnaires were sent to all residents and families and 8,067 questionnaires were returned and analysed, representing a 56.9 % response rate. 93.3 % of residents and families said that they would recommend the Group's facilities.

Trends in satisfaction survey results in France



This satisfaction survey was also extended to our European facilities: 6,308 questionnaires were sent out and 4,090 were returned, representing a 64.8% response rate; 90.9% of respondents said that they would recommend our facilities.

The results of this satisfaction survey in France and in Europe 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 certifications of its facilities.

► In the 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. It concerns all 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 the certification (called "V2010") began in 2010;
- A fourth version "V2014" is now being tested. It aims to return to a patient-centred approach.

The Group's clinics which have already taken this certification have obtained satisfactory results:

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.

► 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 based on 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 for "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.

These 19 facilities obtained Qualicert certification on the basis of 21 key characteristics, following an independent audit carried out over two days.

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. The certificate was renewed in 2012. In 2013, other facilities will take part in this initiative.

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:

- both with regard to 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;

- and in terms of form:
  - clean residences that are pleasant to live in,
  - a wide variety of therapeutic activities and events.

This certification policy has enabled the Orpea Group to anticipate external assessment, an obligation defined as part of the Decree of 15 May 2007, by preparing our facilities' teams for the audit process to be conducted by external operators.
This advance preparation has also been recognised insofar as the Decree of 30 January 2012 acknowledges the certification process as part of the external assessment.

7.2.3 - The ORPEA - CLINEA Quality Awards

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 instituted 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).

At the end of the competition, six prizes are awarded - three for nursing homes and three for clinics. In 2012, the prize winners were:

- first prize: the L'Oliveraie des Cayrons post-acute and rehabilitation care clinic in Vence (06) and Résidence de Saint Palais sur Mer (17);
- second prize: the Les Glenan post-acute and rehabilitation care clinic in Benodet (29) and the Résidence de Crampel in Toulouse (31);
- third prize: the Lyon Lumière clinic in Meyzieu (69) and the Résidence des Pastoureaux in Valenton (94).

These facilities are awarded a prize fund allowing them to carry out an innovative and original project to improve the care given to residents or patients. This project is designed by all of the facilities' teams.
During an evening awards ceremony held in their honour, teams are awarded a trophy and a gift, adding to the valuation and recognition of their daily work.

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 city centres or in exceptional surroundings, with the constant aim of allowing for synergies with families and prescribing medical specialists.

A study conducted in 2011 by Drees (Study no. 18 - Institutional living accommodation for the elderly from the perspective of residents and their families) with residents and their relatives confirmed this strategy: it pointed out that the first selection criterion by residents and their families is the location of the facility (69%).

The Group's assets are often located in dynamic regions such as Ile-de-France (Paris and west of the Paris region), Provence-Alpes-Côte d'Azur (Mediterranean coast), Aquitaine and Poitou-Charentes.

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;
- compliance with environmental standards and the search for energy savings.

7.3.2 - The Group's real estate portfolio

For many years, Orpea's real estate strategy has been to remain the owner of approximately 50% of its housing stock. The objective of this real estate policy is to:

- control its operation to provide the best quality service and maintain the flexibility to perform any work needed;
- increase the Group's net worth through acquiring new and well located assets;
- secure Orpea's profitability in the medium and long term.

At 31 December 2012, the Group's real estate portfolio comprised 248 buildings, including:

- 142 fully owned
- 106 partially owned. Partial ownership represents condominiums in which the Group owns a portion of lots primarily intended for services in common: restaurant, entertainment rooms, first-aid room, staff facilities, etc.

This portfolio represents a built area of 825,000m² over more than one million m² of land. The group also owns land and assets under construction.

The real estate assets (including assets under construction) thus accounted for a figure in the balance sheet of €2,452 million, after deducting assets held for sale on 31 December 2012, for an amount of €121 million.
All of the fully or partially owned real estate assets operated by the Group (under joint ownership, for the parts owned by the Group) are recognised at fair value, without the valuation method differing according to the type of ownership.

The Group's real estate is financed by long-term loans or lease financing agreements.
The Group is a leaseholder under a number of lease financing agreements concerning 80 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 value representative of the right of use. Operating leases will therefore be recognised in a similar way to lease financing agreements, although only lease financing will allow the Group to become the final 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 (the debt), this ownership strategy is a source of value creation. This is why Orpea has continued to use it since it was founded.

7.3.3 – A flexible and controlled property policy

This strategy enables the Group to optimise its financial structure, controlling the overall cost of its real estate. It also allows it to maintain its pace of development while maintaining a satisfactory financial balance, disposing of property assets through several methods:

- Disposal by lots to individual investors;
- Direct transfer of entire buildings to property companies, family offices or institutional investors seeking a secure long term investment. It appears that insurers, particularly life insurers, show a strong interest in the Group's assets;
- Transfer via a strategic partnership such as that signed with Cofinimmo in 2011;
- If necessary, transfer to the Orpea Group's OPCI (Amundi Immobilier Novation Santé OPCI), [Property Collective Investment Organisation], approved on 28 November 2008 by the AMF.

As part of these disposals, regardless of the purchaser, Orpea's strategy is to get attractive terms in order to control its rental expenses over the long term: a low initial yield but an attractive indexing overall.

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.

7.3.4 – 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 properties in operation.

► 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 Manager, who is supported by business managers who are qualified engineers or architects, and a works accounting department.
With 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. The 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 independence 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** 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 for 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 include all the needs for N + 1: 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).

In 2012, the private commercial sector accounted for 115,000 long-term facility beds and the top 15 groups accounted for 70% of this sector, but for only 14% of all beds in long-term care facilities (public, voluntary and private sector). *Source: Mensuel des Maisons de retraite- January 2013 and Synerpa's 2012 White Paper.*

Four major operators have more than 5,000 beds each, offering residential facilities for dependent elderly people:

Group	France in 2012		Internationally in 2012
	Number of beds in operation	Number of facilities in operation	Number of beds
ORPEA	18,285	217	7,992
DOMUSVI	15,115	191	2,000
MEDICA	11,996	155	2,105
KORIAN	11,152	128	9,672

Source: Mensuel des Maisons de retraite – January 2013

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	7 facilities	37 facilities
GÉNÉRALE DE SANTÉ	25 facilities	20 facilities
MEDICA	7 facilities	31 facilities
CAPIO	1 facility	4 facilities

Sources: for Générale de Santé, Company website, for the others, Mensuel des Maisons de Retraite – January 2013

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

More generally, for medium-stay facilities, France has around 106,608 post-acute and rehabilitation beds, distributed among 1,797 establishments, and 55,500 general psychiatry beds (inpatient hospitalisation) *(Source: DREES, Panorama des établissements de Santé, 2011 edition).*
The public and voluntary sectors predominate, as they account for 71% of capacity in post-acute and rehabilitation care and 79% of capacity in general psychiatry.

Breakdown by status of facility in mainland France on 31 December 2009
Units: number of fully hospitalised beds

	Public sector	Private non-profit sector	Private commercial sector	Total
Medical, surgical and obstetric	148,558	18,529	56,137	223,224
Post-acute and rehabilitation care	42,377	33,833	30,398	106,608
Long stay	56,152	4,755	912	61,819
General psychiatry	36,580	7,280	11,630	55,500

For post-acute and rehabilitation care, the private for-profit sector accounted for 28.5% of capacity in France and 29.2% of full-time admissions for hospital care in 2009.
In terms of specialisation, in the private sector, convalescence institutions and rest and rehabilitation services account for 75% of capacity.
The private for-profit sector activity is predominant in the southern regions of France: Provence-Alpes-Côte d'Azur (61% of the region's post-acute and rehabilitation activity) and Languedoc Roussillon (51%).

In general, the post-acute and rehabilitation care market has grown over the last few years. In 2008, over three million post-acute and rehabilitation stays (representing 30 million days) were recorded in France (an increase of 6.7% over the previous year, and 36.2% since 2002). Partial hospitalisation has driven this growth in activity, which saw an 8.7% increase in the number of admissions in 2008 and the number of authorised places increase by 7.4%. In 2009, post-acute and rehabilitation activity generated over 33 million days, an increase of 10% over the previous year.
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 21% of beds opened, with 23% of admissions in 2009. However, the weighting of the private sector has tended to increase over the last few years – with an increase of 0.8% in the number of admissions and an increase of 0.4% 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 no. 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.

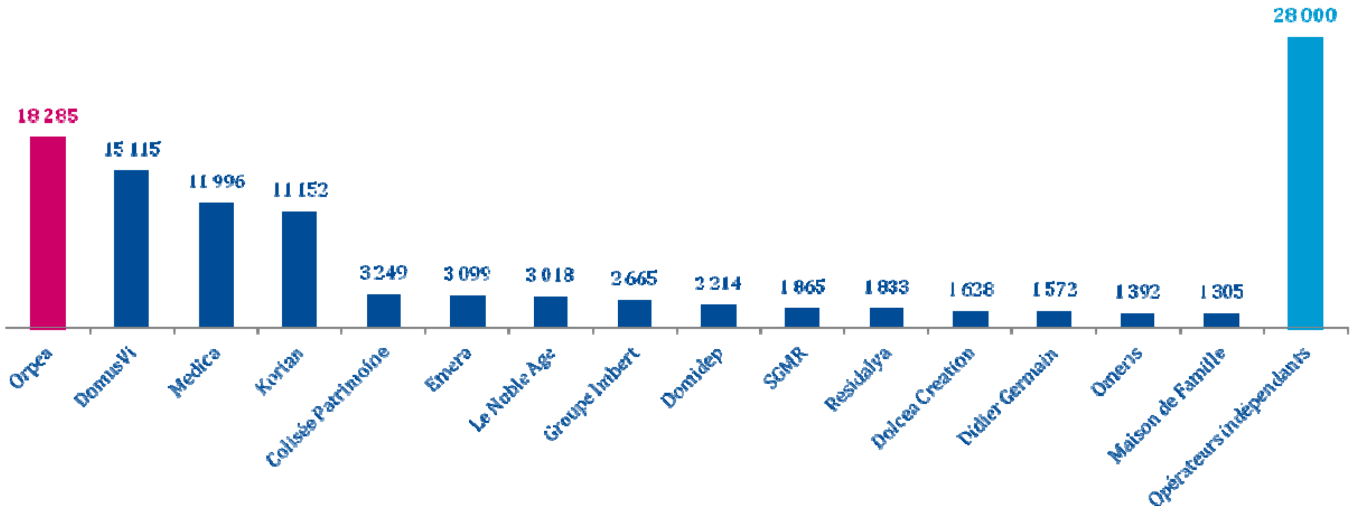
At the end of 2007, there were a total of 10,305 facilities for elderly people (dependent or non-dependent), offering 684,159 places.

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 the voluntary sector. (Source: SYNERPA - press release of 23 February 2007).
In recent years, the private business sector has been particularly active in creating new facilities, but its weight on the whole sector remains weak.

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.

Rankings of private business groups – (Source: Mensuel des Maisons de Retraite, January 2013)



► Belgium

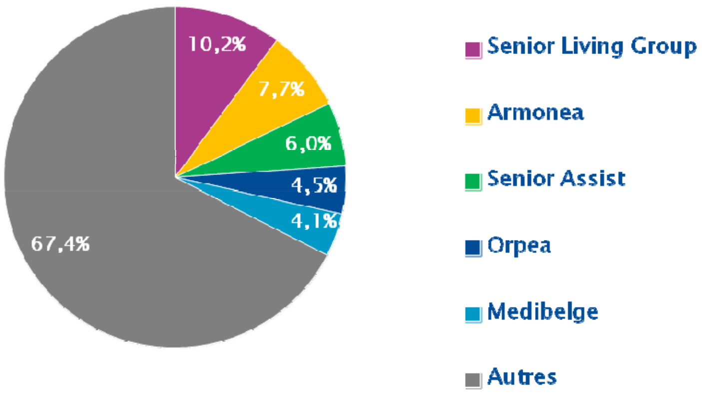
The Belgian long-term care facilities sector consists of 133,370 authorised beds at 1,300 facilities. (Source: INAMI, List of nursing homes on 16/09/2011. Of these beds, 69% are managed by the public and voluntary sectors and 31% by the private commercial sector.

From a geographic perspective, 12% of beds are located in Brussels, 36% in Wallonia and 52% in Flanders.

Belgium's Social Security department, the INAMI, allocates 9% of its budget to the elderly.

The private commercial sector is growing and remains highly fragmented.

Private sector market share (Source: INAMI, List of nursing homes on 16/09/2011)



Further to recent developments and the 100% acquisition of Medibelge, Orpea is now the leading private commercial sector operator in Brussels (22% of market share) and the second largest in the country with an 8.8% share of the private commercial sector market.

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.

► Italy

The Italian long-term care facilities sector is even more fragmented than the French sector, 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 in long-term care facilities or RSAs, with an estimated need for 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. (S*ource: ISTAT study "L'assitenza residenziale in Italia"*).

► Spain

There are 4,350,000 beds for dependency care in Spain, of which 80% are in the commercial private sector and associations. More than half of these "private" beds are managed as public service concessions on behalf of regional authorities. (Source: Situacion del Servicio de Atencion Residencial en Espana - July 2010 - PricewaterhouseCoopers)
The equipment rate is relatively low, with 29 beds for every 100 people requiring dependency care.
The Spanish market for nursing homes is still, as in France, particularly fragmented. In fact, the ten largest companies account for only 9.1% of national intake capacity (*Source: MSI Study, September 2007*). In addition, there are a majority of small structures, as 50% of establishments have fewer than 50 beds.
Many institutions are not adapted to accommodate dependent persons and the average comfort level has still to be improved. For example, 85% of rooms are double.

The Spanish sector is extremely buoyant due to insufficient supply to cope with the ageing of the population.

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 Independence and Care for Dependency (SAAD), managed by the government and autonomous regions. This service has operated since January 2007 and 61,000 persons were covered at the end of 2011.

The Orpea Group has operated in Spain since July 2006. It increased its representation at the start of 2012 with the acquisition of Artevida, representing six institutions, all located in the Madrid region where the Group now has 51% of its coverage in Spain.

CHAPTER IV: 2012 MANAGEMENT REPORT

This management report provides details of the operations of Orpea SA and the Orpea Group in 2012. The Chairman's report is attached to this report and provides additional 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 2012

Pursuant to the strategy announced, FY 2012 showed Orpea's ability to bring together solid growth, increases earnings, development that creates value and controlled financial flexibility.
Thus, Orpea strengthened its network through strategic acquisitions, in particular at the global level, and continued its internal development by opening over 2,000 beds, mainly in France. Thanks to a long-term projection, a business which is largely uncorrelated with the financial and economic environment, the Group was able to benefit from attractive financing conditions to issue its first bonds on the Euro PP market.

1.1 – DEVELOPMENT THAT CREATES VALUE

During the 2012 financial year, Orpea continued to implement its development strategy, consisting in:
- Organic growth through the opening of over 20 new facilities;
- Selective external growth through several acquisitions of independent businesses and two major international deals: the acquisition of Artevida in Spain and the acquisition of a 100% controlling interest in Medibelge in Belgium.

1.1.1 – Strong internal growth: new facilities and redevelopments

► 22 new facilities opened
During 2012, Orpea opened 22 new facilities totalling 2,000 beds, comprising facilities created from scratch and major redevelopments.

In France, the Orpea Group opened 20 facilities during the year, eight of which involve new operating licences, the remainder being redevelopments. These facilities have capacity for at least 80 beds and private rooms. They are highly attractive in terms of the residential services and their excellent locations: Paris, Saint-Vrain, Saintry sur Seine, Roquebrune Cap Martin, Sainte Maxime, Saint-Sulpice de Royan, etc.

In Italy, building and redevelopment operations of Italian sites continued. Redevelopment and expansion works for the Trofarello psychiatric clinic – near Turin – were completed during the first quarter of 2012. The capacity of this clinic was raised from 64 to 80 beds and the entire building was upgraded. The clinic provides care for psychotic and depressed patients, 17 of whom are in acute care, 50 in rehabilitation and 13 in long-term care.

In Belgium, Orpea completed construction of a property near Brussels station and transferred 120 beds from an ageing facility. The Group also continued redevelopment and construction launched to improve the quality and services in Belgian facilities.

In Switzerland, construction of the 90-bed Bois Bougie post-acute care and rehabilitation clinic was completed at the end of 2012. This is a new facility and it opened at the start of 2013.

► New licences acquired during the year

In France, Orpea also obtained new licences or additional licences to open new facilities, either from scratch or by combining licences acquired, and to extend care capacity to develop new services, such as day care or outpatient facilities and Alzheimer's units.

For instance, Orpea acquired a licence to create a long-term care facility with 90 beds, located in Lille's suburban area.

1.1.2 - Two strategic acquisitions in Europe

► Acquisition of Artevida in Spain

On 25 January 2012, Orpea Iberica finalised the acquisition of the three ARTEVIDA Group companies previously owned by property group GEDECO AVANTIS.
This transaction saw Orpea Iberica integrate six facilities located in and around Madrid with total capacity of 1,162 beds and places.

Through this acquisition, Orpea implemented its expansion plans for Spain and consolidated its position as a key player in the industry of care and support for the elderly, with 22 retirement homes representing 2,938 beds and places.

This acquisition provides a unique opportunity, as a result of both the quality of the properties - of very recent construction - and their location (Madrid and its surrounding area). Furthermore, 80% of places are private rooms, a significantly higher percentage than the industry standard in Spain.

These facilities were made compliant with Orpea's quality standards in the first half of 2012: Centralisation of support functions for the Spanish head office, implementation of Quality procedures, staff training, reorganisation of resources.

The six sites acquired now offer all the services that are the hallmark of the Group:

- Quality control guaranteed by qualified and trained professionals;
- Modern, suitable and comfortable facilities;
- Customised support to ensure the residents' well-being;
- Premium residential services.

► Acquisition of 100% controlling interest in Medibelge

As of 1 July 2012, Orpea holds 100% of Medibelge, following the acquisition of the remaining 51% stake. Thus, as from the second half of 2012, Medibelge is consolidated, 100% fully integrated in Orpea's financial statements.
Medibelge has 1,915 beds (of which 89 in development and 150 under construction), in 17 facilities, mainly in Brussels and its outer suburbs.

This acquisition allowed Orpea to strengthen its regional presence, thus becoming a major player in Belgium - with a network of 6,518 beds in 56 facilities - and in particular the leading private operator in Brussels.

The operational integration process started in the month of July and ended at the end of 2012.

1.1.3 - Development in the home services business

With a view to offering additional services to its residents and patients, Orpea established a partnership with Domidom Services, a key player in the self-sufficiency support field through home services, acquiring a (30%) minority stake in the company through a reserved capital increase.
Established in 2003, Domidon has almost 60 agencies located throughout France and over 1,500 permanent staff.

Encouraged by public authorities and driven by users' needs, this partnership helps ensure continuous care to ensure independence between home, post-acute care and rehabilitation clinics and long-term care facilities.
Thus, the alliance makes it possible to provide a global offering throughout the person's care cycle, at all its stages, with the utmost respect for the patient's freedom of choice.

By combining their know-how, the two Groups will be able to provide an innovative offering, both for hospital discharge (post-acute care and rehabilitation) and for long-term care residents, aiming to ensure they return home and to foster the social ties of the elderly.

1.1.4 - Selective external developments continued

Orpea has pursued its policy of targeted acquisitions of facilities in operation in France and Belgium. These activities concerned the entire dependency care sector and provide strong growth and profitability leverage opportunities for the coming years.

In Italy, the Group acquired two facilities in the Turin area, thus strengthening its position in this region.

Summary of 2012 external development in France

Acquisition of goodwill:

- Revin (94) : 64-bed long-term care facility
- Charleville Mezieres (08) : 30-bed long-term care facility
- Ustaritz (64) : 30-bed long-term care facility

► **Licences acquired**:

- St Maixent l'Ecole (79) : 15-bed long-term care facility
- Draguignan (83) : Post-acute and rehabilitation care facility with 40 beds

► Interests and controlling interests:

By Orpea S.A		
SAS MEDIC AGIR	100% of share capital	Nursing home in Orleans (45)
Via MEDIC AGIR		
SCI DU PARC SAINT LOUP	100% of share capital	Signatory of a lease financing agreement for the property where the nursing home, located in Orleans (45)
SARL LES BUISSONNETS	100% of share capital	Post-acute and rehabilitation care facility in Olivet (45)
SCI LARRY	100% of share capital	Signatory of a lease financing agreement for the property where the facility operates, located in Olivet (45)
SAS LA CIGALIERE	100% of share capital	Nursing home in Cannes (06)
SA IDS	49.99% of share capital	Owner of properties operated by Holding Mieux Vivre Group companies
SARL DOMIDOM SERVICES	30% of share capital	Personal support business

Furthermore, Orpea completed the following acquisition:

SAS LES OLIVIERS DE SAINT LAURENT	100% of share capital *(90% of the share capital acquired on 23/07/2010)*	Nursing home in Saint Laurent du Var (06)

Via subsidiary CLINEA (wholly-owned by Orpea)		
SAS CHATEAU DE GOUSSONVILLE	100% of share capital	Holding company and also owner of the property in Goussonville (78)
Via CHATEAU DE GOUSSONVILLE		
SA SOCIETE DE LA CLINIQUE MEDICALE DE GOUSSONVILLE	100% of share capital	Post-acute and rehabilitation care facility in Goussonville (78)
SAS CLINIQUE GALLIENI	100% of share capital	Post-acute and rehabilitation care facility in Le Blanc Mesnil (93)
SAS CLINIQUE DU PARC	100% of share capital	Holding company
Via CLINIQUE DU PARC		
SCI ARDENNAISE	100% of share capital	Owner of a property in Charleville Mezieres (08)

CLINEA also completed the following acquisitions:

SAS CLINIQUE SAINT JOSEPH	100% of share capital *(50% of the share capital acquired on 15/12/2010)*	Post-acute and rehabilitation care facility in Perpignan (66)
SAS SUD OUEST SANTE	100% of share capital *(50% of the share capital had been acquired on 30/12/2010)*	Holding company
Via SUD OUEST SANTE		
SAS CLINIQUE MARIGNY	100% of share capital	Psychiatric clinic in Saint Loup Cammas (31)
SAS MAISON DE SANTE MARIGNY	96.14% of share capital	Sub-lease of the property operated in Saint Loup Cammas (31)

Via subsidiary Niort 94 (wholly-owned by Orpea)		
SCI LIVRY VAUBAN 2020	100% of share capital	Signatory of a lease financing agreement for the property where the CRF CLINEA LIVRY clinic operates, in Livry Gargan (93)
SCI MARSEILLE 9ème Boulevard du Chalet	49% of share capital	Beneficiary of a purchase agreement for land belonging to the Group (13)

1.2 – DIVERSIFICATION OF FINANCING SOURCES

1.2.1 – First private bond issues

In 2012 Orpea significantly improved the diversification of its financing sources launched in 2010 with the issuance of OCEANE.

Orpea was able to benefit from the start of banking dis-intermediation in France, which was launched a long time ago in the USA.

Several factors lde to this movement in Europe, in particular for mid-cap stocks:

- the enforcement of new banking regulations, know as Basel 3;
- the enforcement of new banking regulations, known as Solvency 2;
- the search for alternative returns to sovereign debt by investors such as insurers and mutual insurers.

Orpea offers all the features its investors desire and, in particular, strong visibility and a long-term development outlook.

The Group thus carried out four transactions during the 2012 financial year:

- A Schuldschein (private debt contract under German law) worth €35 million with a five-year maturity;
- A private bond issuance worth €193 million aimed at large French institutional investors (insurance companies and mutual insurance groups). This is the first bond issuance in France, with two tranches:

- Tranche A, for €65 million and maturity at 5 years and 1.5 months (matures on 10 January 2018) with a 4.10% yield,
- Tranche B, for €128 million and maturity at 6.5 years (matures on 30 May 2019) with a 4.60% yield;

- A private bond issuance worth €20 million and maturity at 6 years (matures on 30 November 2018) with a 4.20% coupon;
- A private bond issuance worth €90 million and maturity at 14 years (matures on 4 December 2026) with a 5.25% coupon.

The goal of these non-dilutive transactions is to optimise the Group's financial structure, without impacting the global amount of net debt:

- Diversify financing sources;
- Extend average debt maturity;
- Benefit from especially attractive conditions.

1.2.2 – Conventional sources of financing continued

Orpea also continued with conventional sources of financing in 2012, by:
- obtaining new property leases to finance its property activity;
- obtaining new loans repayable over the medium to long term to finance its expansion.

These transactions were carried out under especially attractive terms, considering the historically low interest rates and the Group's credit quality.

1.3 – Property policy continued

Orpea's property strategy – consisting in maintaining ownership of approximately half of its properties – was continued in 2012.

In 2012, Orpea sold properties worth €300 million at market value, versus €125 million in 2011.
It became apparent that a number of investors (individuals, insurers, particularly life insurers, family offices, etc.) were showing a keen interest in Group assets. Indeed, these players are seeking investments offering both security and visibility over the long term and are faced with investment constraints on equity and government bond markets. The interest in property assets operated by Orpea is in line with this approach, all the more so as the conditions offered by these investors are extremely attractive.

During the 2012 financial year, Orpea continued to implement its policy of selling certain property assets:

- Sales to private LMP or LMNP investors (registered and unregistered lessees of furnished properties). The virtual disappearance of tax allowances linked to the Scellier regime did not have an impact on the attractiveness of this type of property investment. As a matter of fact, investors are primarily looking for a guaranteed return and Orpea's visibility meets this desire;
- Sales to insurers: Three properties in Brussels to Ethias for €55 million and three properties completed or under construction in Belgium to Belfius Insurance SA for €55.5 million;
- Sale of a property located in Paris to Cofinea SAS, a French company held at 51% by Cofinimmo, and by the Orpea Group's OPCI, Amundi Immobilier Novation Santé OCPI, at 49%. The sale was valued at €20.9 million. This transaction was the first for the joint-venture between the Orpea Group OPCI and Cofinimmo.

As part of these disposals, regardless of the purchaser, Orpea's strategy is to get attractive terms in order to control its rental expenses over the long term: a competitive initial return rate, but also attractive indexation.

The holding strategy was also continued with the acquisition of a 49.99% stake in the share capital of Société Immobilère De Santé (JDS), owner of the Groupe Mieux Vivre properties.

2. OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31/12/2012

2.1 – CONSOLIDATED RESULTS

in thousands of euros	31-Dec-12	31-Dec-11
REVENUE	**1,429,263**	**1,234,130**
Cost of materials consumed and other external charges	(387,906)	(333,891)
Staff costs	(716,175)	(625,010)
Taxes other than on profit	(67,265)	(58,439)
Depreciation, amortisation and provisions	(63,456)	(55,063)
Other recurring operating income	4,419	5,035
Other recurring operating expense	(4,472)	(3,588)
Recurring operating profit	**194,407**	**163,173**
Other non-recurring operating income	336,407	211,223
Other non-recurring operating expense	(309,512)	(184,430)
OPERATING PROFIT	**221,302**	**189,966**
Financial income	16,906	16,968
Financial expense	(89,718)	(81,952)
Net finance cost	**(72,812)**	**(64,984)**
PRE-TAX PROFIT	**148,490**	**124,982**
Income tax expense	(52,448)	(45,531)
Share in profit (loss) of associates and joint ventures	1,037	835
CONSOLIDATED NET PROFIT	**97,079**	**80,286**
Attributable to minority interests	51	(29)
Attributable to owners of the Company	**97,028**	**80,316**
Number of shares	52,998,062	52,997,892
Basic earnings per share (in euros)	1.83	1.87
Diluted earnings per share (in euros)	1.79	1.82

▸ The Orpea Group's consolidated sales in 2012

In 2012, Orpea's consolidated sales increased by +15.8% to a record €1,429 million, in excess of the €1,425 million target announced in November 2011.

This solid, lasting growth, against the backdrop of the turbulent economic and financial environment in 2012, confirms that the Orpea Group's performance is not particularly affected by the economic climate, as dependency care meets a structural requirement that cannot be deferred.
This 2012 performance was due to the roll-out of Orpea's model which combines:

- Solid organic growth (+8.2%), corresponding to record additional sales for approximately €100 million, in particular thanks to the opening of 2,000 beds in 2012 and to the persisting high occupancy rate;
- Sustained international growth, with a 44.3% expansion of business outside France, in particular thanks to strategic acquisitions in Spain (Artevida) and Belgium (Medibelge) completed in 2012;
- a controlled development strategy through selective acquisitions.

International business accounts for 14% of 2012 consolidated sales, versus 11% in 2011.

In €m IFRS	2012	2011	% change	2010
France	1,227.4	1,094.3	*+12.2%*	846.6
% of total sales	*86%*	*89%*		*88%*
International	201.8	139.8	*+44.3%*	117.6
% of total sales	*14%*	*11%*		*12%*
including:				
Belgium	105.6	67.5		55.8
Spain	48.7	30.6		29.9
Italy	32.2	26.9		17.1
Switzerland	15.4	14.8		14.8
Total sales	1,429.3	1,234.1	*+15.8%*	964.2
O/w organic growth [1]			*+8.2%*	

The Group's organic growth of sales comprised: 1. the change in the sales (N vs N-1) of existing facilities following the changes to their occupancy rates and per diem rates; 2 the change in the sales (N vs N-1) of redeveloped facilities or sites with capacity growth in N or N-1, and 3. the sales recorded in N by facilities created in N or N-1. It includes the improvement in revenue relative to the equivalent year-earlier period at recently acquired facilities.

In France, 2012 sales rose +12.2% to €1,227.4 million, illustrating the attractiveness of the Group's facilities and the successful integration of recently acquired facilities.
Orpea maintained high occupancy rates at its mature facilities thanks to the quality of its up-to-date offering, which meets the changing needs of people requiring dependency care. The opening of over 20 facilities under construction or redevelopment also contributed to this good performance. All these new facilities boast a high-quality residential environment, strategic locations in dynamic cities (Boulogne, Paris, Sainte-Maxime, Saint Maure des Fossés, among others) and modern equipment.

In **Belgium**, sales grew strongly over the year, by +56% to €105.6 million.
This increase is mainly due to the 100% consolidation of Medibelge in Orpea's financial statements starting from the second half of 2012, following the acquisition of the remaining 51%. Previously Medibelge was consolidated with the equity method. Medibelge has 1,915 beds (of which 89 in development and 150 under construction), in 17 facilities, mainly in Brussels and its outer suburbs.
This rise was also driven by:

- the ramp-up of facilities opened and redeveloped in 2011 and 2012, in particular the Cinquantenaire home in Brussels or the new facility in Destelbergen, Flanders;
- the preservation of the high occupancy rates and the strong attractiveness of the Group's facilities;
- additional selective acquisitions.

In **Italy,** Orpea's sales stood at €32.2 million, up by 20.1%. This solid performance was helped by the acquisition of two facilities, the ramp-up of a high-quality retirement home with 104 beds, immediately outside Venice, as well as by the effects of the end of the redevelopment of the Trofarello facility.

In **Spain**, sales growth strongly accelerated (+59.7%), reaching €48.7 million, mainly thanks to the acquisition of Atrevida in the first quarter.
Artevida consists of six facilities, representing a total of 1,162 beds and places. Thanks to the Group's proven know-how, integration was completed quickly.
These facilities are highly attractive as they are all located in Madrid and its suburbs. The properties are new or recently built, residential services are of the highest standards and 80% of rooms are private.

Finally, in **Switzerland**, Clinique La Métairie's sales increased slightly, by +4.1% to €15.4 million, with occupancy rates remaining high.

► Profitability and net profit

In €m (IFRS)	2012	*% of sales*	2011	*% of sales*
Sales	1,429.3	*100 %*	1234.1	*100 %*
EBITDAR (EBITDA before rents)	370.1	*25.9%*	311.4	*25.2 %*
EBITDA	257.9	*18.0%*	218.2	*17.7 %*
Recurring operating profit	194.4	*13.6%*	163.2	*13.2 %*
Operating profit	221.3	*15.5%*	190.0	*15.4 %*
Net finance cost	(72.8)	*n/a*	-65.0	*n/a*
Pre-tax profit on ordinary activities	148.5	*10.4%*	125.0	10.1%
Net profit	97.0	*6.8%*	80.3	*6.5 %*

All operational performance indicators rose faster than sales, driven by the ramp-up of facilities opened in the last two years, and by the solid performance by mature facilities.

EBITDAR (recurring EBITDA before rents, including provisions relating to "external charges" and "staff costs") rose by +18.9% to €370.1 million, accounting for 25.9% of sales versus 25.2% in 2011. This growth of 70 basis points in the EBITDAR margin is due to:

- controlled staff costs thanks to a dynamic human resources policy focused on internal promotion and training. Staff costs, which rose +14.6%, account for 50.1% of revenue, compared with 50.7% in 2011;
- rigorous centralised purchase management enabling economies of scale. The ratio of purchases to other external charges went down, accounting for 19.3% of revenue against 19.5% in 2011;
- the growing number of new or redeveloped facilities opened in the last two years that are reaching maturity.

Recurring EBITDA (recurring operating profit before depreciation, amortisation and provisions, including provisions relating to "external charges" and "staff costs") grew by +18.2% to €257.9 million. Operating lease payments amounted to €112.2 million, +20.5%, essentially due to the effect of acquisitions and property asset disposals. On a like-for-like basis, lease payment fluctuations were limited to +1.6% thanks to the good management of rent indexation.

Recurring operating profit increased by +19.1% and accounted to 13.6% of revenue, i.e. an increase of 40 basis points over 2011. This performance is due essentially to the growth in the number of facilities having reached maturity, producing higher profits than beds under development: mature beds now account for 79% of the network's total, versus 65% in 2011.

Operating profit stood at €221.3 million, up by +16.5%. They comprise non-recurring net income for €26.9 million, versus €26.8 million in 2011, linked in particular to the disposal of property assets.

Net finance cost stood at €72.8 million, an increase of 12% over 2011, thanks to well-controlled debt levels under the company's development plan.

The income tax expense for the year was €52.4 million compared with €45.5 million the previous year.

The Net profit (Group share) for FY 2012 was €97 million, up by +20.8% despite the unfavourable impact of the tax increase in 2012.

2.2 – PROPERTY PORTFOLIO

The Orpea Group's operating properties are included in assets, representing a total development area of 825,000 sq.m. (over one million sq.m. of land), with 248 buildings, 142 of which are wholly owned and 106 partially owned. Partial ownership represents condominiums in which the Group owns a portion of lots primarily intended for services in common: restaurant, entertainment rooms, first-aid room, staff facilities, etc.

The total value of the portfolio is €2,452 million[4], of which €554 million in land and properties under construction or redevelopment. Year-on-year, the total value of the portfolio grew 6.9%.
All of the fully or partially owned real estate assets operated by the Group (under joint ownership, for the parts owned by the Group) are recognised at fair value, without the valuation method differing according to the type of ownership.

This real-estate portfolio, comprising new and recent buildings located in dynamic economic areas, represents a significant asset value for the Group and secures medium- and short-term profitability. It

[4] Minus available for sale assets worth €121 million

is also a particularly attractive portfolio for many individual and institutional investors (family offices, life insurers, etc.) seeking a secure, long-term investment.

Orpea took advantage of the interest shown by investors in the Group's properties and of particularly attractive conditions in terms of rent and indexation, accelerating the pace of its disposals in 2012 to reach €300 million versus €124 million in 2011.

As a whole, property charges - including rent and depreciation of property assets wholly or partially owned - represented €168 million in 2012 (€55.8 million for depreciation and €112.2 million in rent), versus €141.8 million in 2011 (€48.7 million in depreciation and €93.1 million in rent).

2.3 – FINANCIAL STRUCTURE AND DEBT

Consolidated Balance Sheet

In thousands of euros	31-Dec-12	31-Dec-11
Assets		
Goodwill	379,866	323,005
Net intagible assets	1,306,292	1,128,915
Net property, plants & equipment	1,898,047	1,746,391
Properties under construction	553,881	470,738
Investment in associates and joint ventures	45,422	49,530
Non-current financial assets	22,534	18,998
Deffered tax assets	22,549	19,210
Non-current assets	**4,228,593**	**3,756,787**
Inventories	5,001	4,233
Trade receivables	100,289	93,536
Other assets, accruals and prepayments	138,134	196,758
Cash and cash equivalent	362,292	309,457
Current Assets	**605,716**	**603,984**
Assets held for sales	**120,700**	**121,012**
TOTAL ASSETS	**4,955,009**	**4,481,784**
Liabilities		
Capital	66,248	66,247
Consolidated reserves	845,761	693,426
Revaluation reserve	205,242	311,662
Net profit of the year	97,028	80,316
Equity attributable to owners of the Company	**1,214,279**	**1,151,650**
Non-controlling interests	1,487	2,897
Total equity	**1,215,766**	**1,154,547**
Non-current financial liabilities	1,669,510	1,461,868
Provisions	28,018	17,335
Post-employment and other employee benefits	28,798	24,419
Deffered tax liabilities	692,617	639,032
Non-current liabilities	**2,418,943**	**2,142,654**
Current financial liabilities	503,669	465,505
Provisions	12,220	10,072
Trade payables	154,673	171,703
Tax and social security liabilities	185,937	177,966
Current income tax liability	19,528	0
Other liabilities, accruals and prepayments	323,572	238,325
Current liabilities	**1,199,599**	**1,063,570**
Liabilities associated with assets hel for sale	**120,700**	**121,012**
TOTAL LIABILITIES	**4,955,009**	**4,481,784**

At 31 December 2012, shareholders' equity (Group share) stood at €1,214 million, versus €1,152 million at 31 December 2011.

At end-2012 the Group had net cash of €362 million compared with €309 million at end-2011, notably thanks to the proceeds of the private bond issuances executed at the end of 2012.

Net debt amounted to €1,810 million[5] (Different from the French version to correct a manifest error);practically the same as at 30 June 2012. It can be broken down into:

- Current financial liabilities: €504 million;
- Non-current financial liabilities: €1,670 million (Different from the French version to correct a manifest error);
- Cash and cash equivalents: €362 million.

Debt is mostly property-related (85%) and is therefore backed debt as it is linked to high-quality property assets with low volatility.

Net current financial liabilities stood at €262 million at 31 December 2012. They consisted primarily of property bridging loans financing properties that have been recently acquired or are under redevelopment or construction. This debt is therefore primarily property-related. 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.

Non-current financial liabilities comprise 40% in property liabilities (conventional liabilities and property leases) and 36% in bonds, a large part of which is used to finance property assets.

The Group's two main debt ratios ("covenants") went down compared to 30 June 2012 and, at 31 December 2012, stood at:

- restated financial leverage of property = 1.7 against 2.1 at 30 June 2012 (authorised level 5.5);
- restated debt-to-equity ratio = 1.2 against 1.3 at 30 June 2012 (authorised level 2.0).

Covenant levels are thus far from the imposed limits.

Thanks to the various private investments made in 2012, the financial structure was optimised:

- at 31 December 2012, 29% of net debt is non-banking, versus 11% at the end of 2011;
- the average maturity of net debt went from 4.1 years at the end of 2011 to 5 years at the end of 2012.

Benefiting from particularly low rates, the Group continued its hedging optimisation: approximately 90% of its debt is hedged for 2013. For the 2014-2017 period, approximately 95% of debt is hedged at especially attractive rates, which will automatically trigger a reduction of debt over the next years.

At 31 December 2012, on the asset side of the balance sheet, goodwill amounted to €380 million, compared with €323 million at 31 December 2011. Intangible assets (mainly comprising operating licences) totalled €1,306 million compared with €1,129 million at end-2011.

Impairment testing of goodwill and intangible and property assets has not revealed any impairment losses.

Changes in other receivables and liabilities were in line with the Group's growth strategy and mostly involved construction projects and sales of property assets as well as external growth operations.

[5] Excluding liabilities associated with assets held for sale, €121 million

2.4 – CASH FLOWS

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

In €m	2012	2011	*Change (%)*	2010
Recurring EBITDA	+258	+218	*+17%*	+172
Cash flow from operating activities	+208	+202	*+3%*	+136
Cash flow from investing activities	(279)	(349)	*-23%*	(297)
Cash flow from financing activities	+124	+180	*N/A*	+302
Change in cash and cash equivalents	+53	+33		+141

2.5 – DIVIDEND PROPOSED AT THE ANNUAL GENERAL MEETING

The Board of Directors has decided to propose a dividend of €0.60 per share (up +20% on the previous year) to shareholders at the annual general meeting called to approve the 2012 financial statements. Total distributions will amount to €31.8 million, and represent a payout ratio of 33% of net profit for 2012.

3. REVIEW OF STATUTORY FINANCIAL STATEMENTS AT 31/12/2012

3.1 – STATUTORY INCOME STATEMENT

(in euros)	31-Dec-12	31-Dec-11
REVENUE	494,474,847	442,591,056
- Increase (decrease) in work in progress	(33,887,413)	(38,889,794)
- Other operating income	23,863,502	21,540,807
- Purchases and other external charges	171,262,238	142,484,304
- Taxes other than on profit	23,848,181	21,335,426
- Staff costs	227,580,280	205,644,563
- Depreciation, amortisation and provisions	23,169,516	17,943,085
- Other operating expense	752,072	332,800
OPERATING PROFIT	37,838,649	37,501,890
- Financial income	54,980,261	42,280,756
- Finance expense	78,151,356	65,214,685
NET FINANCE COST	(23,171,095)	(22,933,928)
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	14,667,554	14,567,962
- Exceptional items	(31,738)	(8,300,901)
- Employee profit-sharing		
- Income tax	6,283,056	3,734,267
NET PROFIT	8,352,759	2,532,795

Sales:
2012 sales came to €494.5 million, up +11.7% on 2011.

Orpea's core business line of operating long-term care facilities generated sales of €456.2 million, up 11.6 % compared with €408.6 million in 2011. This growth reflects Orpea's expansion policy, as described above, which combines organic growth and acquisitions.

Revenues from the sale of property assets came to €38.2 million compared with €34.0 million in 2011.

Operating profit:
"Purchases and external charges" increased by 20.2% to €171.3 million, due to the effects of the opening of new facilities and of development.

Taxes rose by 11.7% to €23.8 million, in line with revenue growth.

Staff costs remained under control, rising 10.7% to €227.6 million.

Depreciation, amortisation and provisions went up by 30% to €23.2 million, versus €17.9 million in 2011, notably due to provisions covering the risk of assessment differences between the Orpea and the tax authorities in the application of VAT pro-rata calculation rules in the amount of €4.4 million (at 31 December 2012 - this provision totalled €9.7 million).

Operating profit was 1.5% higher than last year, at €37.8 million as at 31 December 2012.

Net finance cost

The net finance cost was €(23.2) million against €(22.9) million in 2011, comprising mainly an expense net of interest relating to the Company's net debt.

Exceptional items

Exceptional items were close to zero, compared to €(8.3) million in 2011. The unfavourable impact of redevelopment and development costs for €(4.1) million was compensated notably by a capital gain linked from a property disposal.

Net profit

After a tax expense of €(6.3) million, net profit came to €8.3 million compared with €2.5 million in 2011.

3.2 – STATUTORY BALANCE SHEET

ASSETS (in euros)	31-Dec-12 Gross	31-Dec-12 Depr., amort. and provisions	31-Dec-12 Net	31-Dec-11 Net
Non-current assets				
- Intangible assets	203,495,579	1,222,116	202,273,463	178,900,089
- Property, plant and equipment	238,692,258	89,286,108	149,406,150	126,376,814
- Financial assets	434,273,958	1,989,107	432,284,851	384,137,253
TOTAL NON-CURRENT ASSETS	**876,461,794**	**92,497,330**	**783,964,464**	**689,414,160**
Current assets				
- Inventories and work-in-progress	42,707,369	1,188,655	41,518,714	46,964,494
- Advances and downpayments made	2,558,239		2,558,239	1,877,102
- Trade receivables	15,907,262	4,480,049	11,427,213	9,580,217
- Other receivables	1,300,425,296	1,158,553	1,299,266,743	1,088,834,004
- Marketable securities	187,506,401		187,506,401	209,300,351
- Cash	72,797,624		72,797,624	13,365,109
- Prepaid expenses	2,602,083		2,602,083	4,505,876
TOTAL CURRENT ASSETS	**1,624,504,274**	**6,827,257**	**1,617,677,017**	**1,374,427,155**
- Deferred charges		-	-	-
TOTAL ASSETS	**2,500,966,069**	**99,324,587**	**2,401,641,482**	**2,063,841,316**

EQUITY AND LIABILITIES (in euros)	31-Dec-12	31-Dec-11
Equity		
- Share capital	66,247,578	66,247,365
- Share premiums and reserves	385,500,175	385,474,268
- Retained earnings	8,112,989	32,205,930
- Net profit for the year	8,352,759	2,532,794
- Special tax-allowable reserves	2,522,265	1,625,203
TOTAL EQUITY	**470,735,767**	**488,085,561**
Provisions for liabilities and charges	15,888,008	11,334,156
Liabilities		
- Borrowings and financial liabilities	1,442,249,743	1,217,866,387
- Advances and downpayments received	3,387,145	2,880,292
- Trade payables	33,807,557	37,268,221
- Tax and social security liabilities	64,882,468	56,597,816
- Other liabilities	364,339,189	229,054,211
- Prepaid income	6,351,606	20,524,293
TOTAL LIABILITIES	**1,915,017,707**	**1,564,191,219**
Translation gains		230,380
TOTAL EQUITY AND LIABILITIES	**2,401,641,482**	**2,063,841,316**

Orpea S.A.'s **net non-current assets** totalled €784.0 million at 31 December 2012 compared with €689.4 million a year earlier, illustrating the Company's brisk rate of expansion: growth of all non-current assets – intangible, tangible and financial. This growth is explained notably by complete transfers of assets and liabilities.

Current assets totalled €1,618.5 million compared with €1,374.4 million at 31 December 2011, in particular due to the rise in other receivables (comprising mainly current accounts of subsidiaries for which Orpea S.A finances development operations), from €1,088.8 million in 2011 to €1,299.3 million in 2011.

Equity stood at €470.7 million at 31 December 2012, against €488.1 in 2011, due to the distribution of dividends.

Borrowings and financial liabilities – the Company's main debt item – came to €1,442.2 million at 31 December 2012, versus €1,217.9 in 2011, in particular following the bond issuances.

Total assets amounted to €2,401.6 million (Different from the French version to correct a manifest error) at 31 December 2012 compared with €2,063.8 million at 31 December 2011.

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 at the end of the last two financial years, amounts owed to suppliers broke down as follows by due date (the payment times for trade payables at the end of the year were determined by comparing the date of each invoice with the effective date of payment):

		31/12/2012	31/12/2011
Trade payables		19,645,248	23,087,988
	Less than 30 days	2,404,203	464,841
	30-60 days	5,525,819	7,288,761
	60-90 days	11,275,963	13,561,430
	More than 90 days	439,263	1,772,955

3.4 – SUBSIDIARIES AND OTHER EQUITY INTERESTS

3.4.1 – Clinea: performance and results

Sales
2012 sales came to €378.2 million, up 14.4% on 2011.

Sales for the operation of care facilities amounted to €366.2 million, up 14.0 % compared with €321.1 million in 2011. This growth reflects the Group's expansion policy, as described above, combining organic growth and acquisitions.

Revenues from the sale of property assets came to €12.0 million compared with €9.4 million in 2011.

Operating profit
"Purchases and other external charges" rose by 16.5 % to €120.9 million.
Taxes increased by 10.9% to €27.5 million due to the company's development.
Staff costs remained under control, rising 10.6 % to €185.7 million.

Operating profit came to €33.6 million, up by 25.8% over 2011.

Net finance cost
The net finance cost was €(16.7) million against €(13.9) million in 2011, comprising mainly an expense net of interest relating to the Company's net debt.

Exceptional income or expense

Exceptional expenses amounted to €(3.1) million, compared with €(8.8) million in 2011, due to the impact of redevelopment and development costs.

Net profit

After a tax expense of €(5.7) million, net profit came to €8.0 million compared with €3.2 million in 2011.

Balance sheet:

Net non-current assets for CLINEA SAS totalled €515.3 million at 31 December 2012 compared with €425.1 million a year earlier, illustrating the Company's brisk rate of expansion. This growth is explained notably by complete transfers of assets and liabilities.

Current assets totalled €160.8 million compared with €147.3 million at 31 December 2011, in particular due to the rise in other receivables (comprising mainly current accounts of subsidiaries for which CLINEA S.A finances development operations), from €72.3 million in 2011 to €78.1 million in 2012.

Equity stood at €77.8 million at 31 December 2012, against €69.5 in 2011.

Borrowings and financial liabilities rose to €68.2 million at 31 December 2012, against €39.7 million at 31 December 2011.

Total assets amounted to €676.0 million at 31 December 2012 compared with €572.4 million at 31 December 2011.

3.4.2 - Performance and results of other main subsidiaries

NIORT 94, a property development subsidiary required for the Group's business, generated sales of €152.5 million against €17.7 million in 2011. This derives from sales of property assets (€149.4 million), recognised on completion, and rental income received (€3.0 million). The subsidiary generated a net profit of €18.4 million.

Sales of **Belgian subsidiaries** stood at €105.6 million versus €67.5 million in 2011, i.e. an increase of 56%, due in particular to the 100% consolidation of Medibelge in the second half of 2012. EBITDA came to €13.1 million, up 28% year-on-year (€10.2 million in 2011).

Spanish subsidiaries generated sales for €48.7 million in 2012 versus €30.5 million in 2011, up by 60% due to the acquisition of Artevida at the beginning of the financial year. EBITDA was €6.1 million compared with €1.8 million in 2011.

Italian subsidiaries generated sales of €32.2 million in 2012, up 20% (€26.8 million). EBITDA was €2.3 million compared with €1.9 million in 2011.

3.4.3 - Main equity interests

See Annexe 1: Main investments.

4. EVENTS OCCURRING SINCE 1 JANUARY 2013 – OUTLOOK

4.1 – EVENTS OCCURRING SINCE 1 JANUARY 2013

► New developments in Flanders

In accordance with its international expansion strategy, in early 2013 the Group executed new developments generating high value in Belgium, representing 900 beds, under favourable conditions.
Orpea acquired 900 beds in Flanders to accelerate its penetration in this region with a significant lack of facilities for dependant elderly people. This acquisition has great potential, with 300 beds in operation and 600 under construction.

► New international development phase: plans to enter China

Almost 10 years after it stepped into the international market, and motivated by its position as European leader, Orpea has launched a new long-term development stage, with plans to enter China.

China is already facing a major challenge with the ageing of its population, which will gain momentum in the coming years. As a matter of fact, the number of people over 60 will increase by a multiple of 2.5 by 2050, from 185 million to 450 million, 30% of whom – i.e. 150 million – will be over 80.
In light of this population explosion, the accommodation and care offering is very limited. Thus, the country will have to acquire a formidable number of medical establishments, able to care for highly dependent people and persons with Alzheimer-type neurodegenerative diseases.
Even if the public system will meet most of these needs, a significant part of the industry will remain entirely private, in particular for people and families with a high purchasing power seeking high-quality services.

After several months of research and many contacts, Orpea has thus decided to enter this market and a Chinese subsidiary is currently being established. Orpea will bring its know-how, already successfully adapted to the international market, in four different areas:

- building modern facilities;
- implementing Quality procedures in both care and residential and entertainment services for the facilities' daily life;
- recruiting and training teams to ensure the well-being of the elderly and staff loyalty.

These projects, currently being reviewed, are led by Orpea's development teams and will be run by local teams. They will be adapted to the local Chinese culture and environment, in terms of both care – with a strong Chinese medicine influence – and life projects, which will be adapted to the daily habits of Chinese elderly people.

These projects will be executed exclusively through the construction of new facilities and consequently with limited investments and high-value generation.
Many local and international investors have already shown great interest in supporting the Group, in particular with property investments, with Orpea focusing on running the facilities.
The goal is to progressively develop nursing homes in major Chinese cities, such as Shanghai and Beijing, to meet the needs of highly-dependant people, and offer very high-quality care, services and accommodation.

► 2013 first quarter sales

Orpea recorded a strong start to the year, with consolidated sales up 14.2% to €384.5 million in the first quarter of 2013, ended on 31 March.

In €m	Q1 2013	Q1 2012	*Var.*
France	320.3	298.7	+7.2%
% of total sales	*83%*	*89%*	
International	64.2	37.8	+69.6%
% of total sales	*17%*	*11%*	
Belgium	39.0	18.6	
Spain	12.6	9.3	
Italy	9.0	7.1	
Switzerland	3.7	2.8	
Total sales	384.5	336.5	+14.2%
O/w organic growth[6]			+7.0%

4.2 – OUTLOOK

In 2013 Orpea expects another year of strong business growth (sales target of €1,600 million), accompanying a new increase in profitability, controlled debt and new selective developments.

The strategy launched in 2012, combining profit increase, cash-flow generation, debt control and value-generating development, will be continued in 2013 and the coming years.

Orpea has everything it needs to implement this strategy serenely:

- The unique ability to identify development opportunities under favourable conditions requiring limited investments;
- A network of mature beds representing 79% of the network total, generating strong cash flows;
- Guaranteed organic growth in the coming years thanks to a pipeline of 8,648 beds being constructed and redeveloped;
- A flexible, optimised financial structure.

[6] The Group's organic growth of sales comprised: 1. The change in the sales (N vs N-1) of existing facilities following the fluctuation of their occupancy rates and per diem rates; 2 the change in the sales (N vs N-1) of redeveloped facilities or sites with capacity growth in N or N-1, and 3 the sales recorded in N by facilities created in N or N-1. It includes the improvement in revenue relative to the equivalent year-earlier period at recently acquired facilities.

5. RISK MANAGEMENT

5.1 – RISK IDENTIFICATION AND GENERAL MANAGEMENT POLICY

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.

This is why the Orpea Group implements an active risk management policy aiming to ensure that the risks related to its business are kept under controlled as best as possible, and to protect the interests of its shareholders, staff, customers, suppliers and stakeholders.
To this end, the Orpea Group has put into place a global risk identification and management system enabling risk prioritisation based on criticality.
Thus, the Quality Department and Medical Department created a map of the risks, which led to mitigation actions for key risks through preventive measures, but also to the implementation of crisis management plans (Plan Blanc, Plan Bleu, Business Continuity Plan).

Promoted by Executive Management and implemented by the Quality and Medical Department as well as by the Operational Departments, risk management translates daily into the attention paid by each facility, through its management team, to the management of its activities: actions to train staff and raise awareness, self-assessment and audits, risk surveillance committee, etc.

Furthermore, the relatively low number of hierarchical levels, the presence of short decision-making circuits and the contribution of Operational Departments to strategical thinking help to identify and report risks and, consequently, to act efficiently.

5.2 – RISKS RELATED TO THE GROUP'S BUSINESS SECTOR

5.2.1 – 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 Agency (Agence Régionale 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).

The terms of application for this new regulation were set out in the circular of 28 December 2010 and the first bidding procedures were published in the second half of 2011. In the last two years, they have mainly related small-scale projects (Meuse: 41 beds; Drôme: 60 beds), or projects intended exclusively for the beneficiaries of legal social aid (facility fully authorised for social security support in

Batignolles, in the 17th arrondissement of Paris). This scheme is set to be ramped up in 2013 with criteria that should enable Orpea to position itself on profitable projects.

The Group has therefore been able to adapt its organisation to prepare for these bids as effectively as possible, thanks in large part to the experience of its teams.

As regards funding, the competitive bidding procedure enables quicker funding for authorised facilities as Health Insurance credits must be available or planned upon starting the procedure.

Given the strain on some local authority budgets, 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 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.

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 continued since: in 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 provision.

The Group's pro-active approach has bore fruit as, under the Decree of 30 January 2012, certification is now required for external assessments. This recognition scheme means facilities can considerably simplify their external assessment requirements as both approaches are complementary. Ministerial orders to be published in the first half of 2013 will clarify the degree to which each certification standard is equivalent to external assessment specifications.

In the last quarter of 2012, Orpea selected the four companies accredited by the ANESM (National agency for the assessment of the quality of social and health/social facilities and services) to carry out external assessments and established a schedule for these assessments for each of the Group's facilities.

► **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, obtained within application windows set by Regional Health Agency (ARS) Directors.

Under this regime, health-care facilities must obtain authorisations, which last for five years, during specific time windows established by the General Managers of Regional Health Agencies. These windows are opened for a minimum of two months, twice yearly. Two weeks prior to the opening of these windows, an assessment of quantified on-site care targets is published to determine the admissibility of applications. These assessments are based on quantified on-site care targets as defined in regional health projects (PRS) and more specifically within regional medical care plans (SROS) which form part of the regional health project according to the needs of the local population.

On the basis of these quantified targets, Regional Health Agencies (ARS) issue operating licences to healthcare facilities for a given care activity, set out in the multi-year objectives and resources contract (CPOM)*, in the annex "operating licences and activity management". This annex has a dual purpose:

- to set operational targets for the facility relating to the implementation conditions for authorised care activities;
- to set guidelines and targets in terms of activity volume for the facility's authorised care activities. However, activity volumes are now indicative rather than enforceable.

"Decree no. 2013-0126 of 7 February 2013 sets the maximum extension of multi-year contracts and resources to one year from the publication of regional health projects. All multi-year objectives and resources contracts (CPOM) for facilities will be renewed within 12 months of the publication of the regional health project. The publication of regional health projects will be take place between December 2011 and December 2012.

Thus, under the regional medical care plan & health project (SROS-PRS), quantified care targets (OQOS) in terms of activity volume under SROS III, enforceable against the care facility, have been replaced by non-enforceable activity management guidelines (IPA), aimed at providing a structure for dialogue management between Regional Health Agencies and facilities on activity volumes. These indicators must be designed to be markers that can be used to monitor facility activity.

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 four 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 eight days, injunction, suspension, formal notice, withdrawal or amendment of licence after opinion from the Special Health Organisation Committee - CSOS);
- Emergency involving patient or staff safety (suspension, formal notice, opinion from CSOS, 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 SROS-PRS contains provisions for cooperation, conversion, disposal, change of location, closure or merger of certain facilities, the Regional Health Agency 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-PRS. 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-PRS 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's (Regional Hospital Agency) General Manager will issue an injunction, stating the reasons. The holder of the licence will then submit a renewal application following the usual procedure (submission within a time frame, opinion by the CSOS, decision by the Regional Health Agency's (ARS) GM).

Implementation procedure and application of the decrees of April 2008

Prior to 2008, three medical-pricing disciplines (DMT) defined the same sector, namely rest and convalescence care, post-acute and rehabilitation care and physical therapy.

These three disciplines no longer reflected reality or care expectations in the post-acute care sector.

This led to the decrees of 17 April 2008, which set the establishment conditions and technical operating conditions and introduced a breakdown of specialities. The circular of 3 October 2008 set out the rules for applying specifications relating to these specialities.

In short, the two decrees and the circular resulted in:
1- the unification of the discipline under a single name: post-acute and rehabilitation care;
2- the definition of specialities linked to specific national and transposable rates under the future T2A;
3- the definition of a national regulatory framework.

The application of these new regulations saw all French facilities authorised to provide post-acute and/or rehabilitation care and physical therapy applying for authorisation in 2010 to confirm their post-acute and rehabilitation care activity in addition to general care provision through the specialities below:

- 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-haematological disorders,*
  - *burns,*
  - *addictions,*
  - *elderly people with multiple pathologies, dependent or at risk of dependency.*

Facilities have two years from the new orders to bring their care facilities into line with the specifications resulting from the circular of 3 October 2008. 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.

At the end of this process, the authorisations of all of the Orpea Group's post-acute and rehabilitation care clinics were renewed and confirmed by order.

60% of the Orpea Group's long-term care facilities are classified as "specialised" and therefore fall under one of the specialities above.

5.2.2 - Management of regulatory risks related to pricing for Group facilities

► For long-term care facilities

Article L313-12 of the French Code of Social Action and Families 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" (long-term care facility) 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.

Furthermore, care and dependency budgets allocated to facilities by the tripartite agreement are linked to the expense of dependency and care for residents. 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 2013, prices cannot go up by more than 2.3% compared with the previous year for residents already in situ 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. In any case, the resident remains responsible for nominal user fees.
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.

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.
Every year, the facilities draw up budget proposals for the following year. The proposals must be submitted before 31 October to the Regional Health Agency and the local authority. Should it fail to submit its budgets before said date, the facility runs the risk of seeing the previous year's budget 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 a 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 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. However, this simplification project has been deferred due to the debate on ageing care that should take place by the end of 2013.

The Government has confirmed that it will submit a bill on ageing care by the end of the year.
Several preliminary reports were submitted to the Prime Minister in March 2013, regarding:

- Ways to prevent ageing;
- Measures to adapt housing and cities to ageing.

In his speech on 25 January 2013, the French President specified the following in relation to the funding of this reform: "The burden will be shared between the solidarity required because we are a country of social cohesion, and the indispensable individual, personal responsibility. "
He added that these additional funds will be spread out over his five-year presidential term.

► For post-acute and psychiatric care facilities

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

- the care and accommodation component: the day 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 2011, the average national increase in rates for short-term care facilities was set at 0.5%. The 2012 increase was similar.
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 indicative 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 more in line with the activities carried out. In the longer term, this will provide greater transparency between the private and public sector by imposing an identical pricing method on everyone, even if this price convergence currently seems to have been called into question.

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. Consequently, today it has 60% of specialised beds in post-acute care facilities. The Group's facilities provide a wide range of care services, both in full-time hospitalisation and outpatient care:

- general or specialised post-acute and rehabilitation care provision for disorders of the musculoskeletal system, the nervous system, the cardiovascular system, the respiratory system, for addictions, for elderly people with multiple pathologies, dependent or at risk of dependency and for units specialising in caring for patients in a chronic vegetative state and for cognitive-behavioural units;
- general, geriatric or cardio-vascular medicine;

- general psychiatry for adults and for children and young people, obsessive compulsive disorders, eating disorders, etc.

5.2.3 - Management of 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 in medical, surgical or 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, the Court of Audit (Cour des Comptes) concluded that an "all home-care" scenario was unworkable. 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 was preferred. 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**

Announced by the Deputy Minister for Elderly People, the reforming law on dependency should be ready by the end of 2013 on the basis of reports to be submitted in late February/early March 2013.

However, it should be noted that during the last few years several reports have put forward various reform possibilities, which could include:

- A change in the allocation of the Personal Autonomy Allowance (APA); 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 between 2005 and 2020.

Lastly, another possibility being considered is the introduction of an optional "long-term care insurance" contribution from an as yet unspecified age (40 has been mentioned), 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.

5.2.4 - Management of social risks

► **Risk identification**

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.

► Risk management

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 chapter 6 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, the establishment of DOMEA, the dedicated training institute for care assistants, approved by prefectural order, provides the group with a pool of future qualified professionals.

Likewise, the Orpea Group has established a number of partnerships with major schools and universities (ESCP, Institut Paul Bocuse, Université Sophia Antipolis, Université Paris VI Pierre et Marie Curie, Ecole des Mines de Paris, Institut supérieur de rééducation et psychomotricité, among others) ensuring a pool of applications for intermediate management positions such as facility director, head chef, general supervisor/coordinating nurse, re-educator, etc.

5.2.5 - Management of climate risks

► Risk identification

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.

► Risk management

The Orpea Group's facilities are equipped to cope with heat or cold fronts 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.

Agreements have been signed with a nearby health facility in order to set out terms of cooperation and in particular how to care for residents weakened by a heatwave.

Cooled rooms are available in all facilities and some facilities in the south of France are fully air-conditioned.

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.

The Electrical Failure Risk Analysis Document (DARDE) has been implemented in all Group facilities.

This document sets out what to do in terms of the risks affecting each facility should the power supply be interrupted . Preventive risk management measures have thus been defined, as well as measures to be adopted when risks arise.

Electricity generators have been installed in most facilities to tackle this risk. Where technical and/or architectural constraints did not allow the installation of such equipment, specific instructions have been included in the DARDE (installation of a source inverter, lease agreement for an electricity generator, etc.).

5.2.6 - Management of risk of pandemic

► **Risk identification**
An epidemic on a local or national scale could disrupt the smooth running of the Group's facilities and have an 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.

► **Risk management**
The Orpea Group took all appropriate preventive measures when faced with the potential risk of an external epidemic (such as the H1N1 flu epidemic in the second half of 2009):

- preparation and circulation of the Plan Bleu (for long-term care facilities) and Plan Blanc (for clinics) 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;
- informing visitors through posted notices, limiting visits and giving recommendations in terms of good hygiene practices;
- 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 Group facilities have drawn up a business continuity plan (PCA) for their operations designed to cope with a pandemic (alert Level 6) or localised infection, whilst ensuring continuity of care and offering support to residents.

Finally, every year the Group's facilities ensure improved communication with patients, residents and staff in order to raise awareness and encourage them to get immunised.

5.2.7 - Management of competitive risks

► **Risk identification**
The dependency care sector's offering is highly diversified in both the type of facilities and modalities of care: home care, sheltered housing, serviced residences and long-term care facilities. Industry players come from very different backgrounds and are part of the public, associative or private sector, offering different services and prices. Consequently, residents and their families and patients must choose a facility based on several criteria (location, quality, cost, etc.). In this context, Orpea Group facilities must remain competitive and highly attractive.

► **Risk management**
Residents and patients mostly come from hospitals, in the case of healthcare facilities; and from families, referring physicians or social services in the case of long-term care facilities. They advise future patients and residents on choosing a facility based on a number of criteria, in particular its location, expected quality of care, team expertise and bed availability. This is why Orpea is always striving to make its facilities more attractive: investment and redevelopment of buildings, locations in city centres and quality optimisation and audit. Each facility manager cultivates local relationships with prescribing medical specialists, often inviting them to visit their facility.

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.

5.3 – RISKS SPECIFIC TO THE ORPEA GROUP OR RELATED TO ITS STRATEGY

5.3.1 - Management of risk of maltreatment

► **Risk identification**

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.

Taking into account the Group's business, said liability action could mainly relate to the risk of maltreatment as the Group's facilities care for dependant and/or disoriented elderly people.

► **Risk management**

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.

In addition to these preventative measures, each Orpea Group facility is committed to providing good treatment.

The concept of good treatment was introduced in industry regulations by the Act of 2 January 2002 and reaffirmed in 2007 and 2008 by ministerial plans and ANESM recommendations.
Good treatment is founded on respect for the person, their dignity and their individuality.
Originating in a shared culture, a professional attitude geared towards good treatment is a way of being, acting and talking whilst respecting the other person, meeting their needs and requests and accepting their choices and refusals.
Good treatment requires at the same time a collective reflection on practices, ensuring regular objective assessment by professionals, and the rigorous application of the measures generated and recommended by this collective reflection to improve practices.
In this sense, it is a culture that involves continuous self-reflection, including in terms of changes in skills and discoveries in human, social and medical sciences.
Striving to provide good treatment entails continuous reflection by and cooperation among professionals, users and close relatives, as well as other stakeholders in the initiative, with a view to best meeting needs identified at any given time.

It is to this end that the Orpea Group has decided to appoint two good treatment advisers in each facility.
These advisers will be trained beforehand by the Medical Department.
Their role will be to support all teams on a daily basis by:

- Contributing to a cooperative environment in the team and ensuring new employees are well received;
- Anticipating residents' needs, by listening to them and making themselves available in an attentive and kind manner;
- Leading the team in an ethical reflection on its daily practices and conducting mini training sessions if required;
- Taking part in the drafting of a facility plan ensuring objectives are complied with;
- Warmly welcoming residents and their relatives and supporting them at difficult times.

A good treatment register is available for staff, residents and their relatives to acquire information on the actions carried out to develop and monitor the facility's good-treatment approach.

Good treatment is really a task and a reflection that must be shared by everyone to ensure respect of people and their dignity and well-being. The appointment of advisers will ensure the long-term development of this team culture.

The Orpea Group therefore endeavours to continually 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 with a customised version included in each facility's "Staff Commitments".
Difficulties identified whilst caring for a resident/patient are discussed at the weekly briefing meetings held in each facility. Equally, the best solutions to respect the patient's freedom and rights, their individuality and dignity, are identified by participants working as a team.

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.

5.3.2 Risk related to safety of premises

► **Risk identification**
Like all premises open to the public, the Group's facilities are subject to strict regulations in terms of safety.
The Orpea 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.

► **Risk management**
To prevent this risk, the Orpea Group pays close attention to compliance with safety standards in 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.

- *Maintenance and safety policy*

In addition, the Group has adopted an investment policy to ensure regular maintenance and repair of all its facilities.

A preventive and remedial maintenance book has been developed and circulated in all of the Group's facilities.
Checked daily, this book keeps track of all preventive maintenance operations to be executed to ensure our buildings are safe and their quality optimised.

All remedial operations (repairs, etc.) are also systematically tracked so that a given problem, the corrective measure, the interlocutor and the execution date can be identified.

In parallel, the Orpea Group has hired specialised independent companies to verify the safety of installations and premises:

- Framework agreements have been signed with THYSSENKRUPP for lift maintenance, with CHUBB for the fire system, SUD OUEST INCENDIE for fire extinguisher and fire ventilators, among others;
- Safety inspection company APAVE periodically checks compliance with regulations in relation to safety (fire, lifts, power, gas, etc.) and after its inspection sends a report to the Works Department and facility managers so that they can take the required measures based on the safety recommendations made.

- *Fire risk*

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.).
Each of the Group's facilities has a fire safety register which can be accessed 24/7 by emergency services.
Safety instructions and evacuation plans are displayed in each facility, showing the exact route to follow and the meeting point.
Tests are regularly carried out in our facilities to verify staff's reaction times in the event of a fire alarm.

- *Risks linked to hot water (legionella)*

Risk identification:

The microbiological quality of water is an important issue in controlling the risk of nosocomial infection.
There is also a risk of water contamination by legionella.
Legionnaire's disease is one of the main risks of infection linked to sanitary hot water.
Amongst the bacteria most commonly isolated in biofilms, legionella is specifically monitored due to its health impact.
As a matter of fact, it can cause two types of conditions: a benign, flu-like illness (Pontiac fever) and an acute respiratory infection (Legionnaire's disease) transmissible through the inhalation of contaminated aerosols.
Mortality increases in frail persons (immunodepressed) and the elderly.

Risk Management:

Orpea's facilities comply 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 and the order of 1 February 2010 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.

The water system has been checked in all of the Group's facilities by a registered company.

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.

Therefore, all Group facilities take daily and weekly temperature measurements based on a fixed planning and a registered laboratory takes bacteria samples yearly from potentially risky sites.

In addition, taps, flexible hoses and shower heads are cleaned, descaled and disinfected every six months to prevent all legionella risks.

A protocol of actions to be taken in the event of unsatisfactory results has also been drawn up. It sets 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, records of maintenance and cleaning operations, work carried out on the water system, implemented action plans, etc.

The local authorities are responsible for checking that the water is drinkable and results are communicated to the facility on request.

In parallel, the Orpea Group has organised a bacteriological and physical-chemical check of the water used by its facilities (known as D1 analysis), executed by an external registered laboratory.

Water dispensers are maintained daily and undergo yearly preventive maintenance based on a specific protocol.

- *Risk linked to asbestos*

Ensuring the physical safety of persons within its health and social-medical facilities is paramount for the Orpea Group. Regulations in the field of health protection are increasing in number and are becoming increasingly complex and restrictive.

Every year the Orpea Group invests the amounts required to allow its facilities to comply with the orders given by public authorities in terms of health protection measures.

In this context, the Orpea Group has focused especially on the risk linked to asbestos and compliance with the applicable regulations (articles R. 1334-14 to R. 1334-29-9, R.1337-2 to R. 1337-5 and annexe 13-9 of the French Public Health Code).

Thus, all facilities built before 1 July 1997 were checked for asbestos in accordance with decree 96-96 of 7 February 1997 (search for asbestos in thermal insulation, sprayed coatings and false ceilings).
Upon publication of decree 2001-840 of 13 September 2001, these facilities were checked again, including for other materials which could contain asbestos and a Technical Asbestos File was drawn up (the DTA, making it possible to check the conservation state of elements containing asbestos but also the risk of degradation).

In 2012, a filing cabinet containing the complete documentation (the DTA, updated summary sheets, elimination statements, applicable legislation) was installed in all of these facilities. The filing cabinet can be accessed by supervisory authorities and companies carrying out works or maintenance tasks.

Regular internal audits are carried out by the Works Department and/or Quality Department to identify any potential risk and check that preventative actions have been correctly implemented in each facility. Any identified discrepancy is reported in an audit report, drawn up systematically and sent to Management to immediately implement corrective measures.

5.3.3 - Management of risks linked to provision of care and good practices

- *Risk of infection*

The Group could be held liable in the event of infections in its facilities.

All nursing facilities have an efficient committee for the prevention of nosocomial infections, which is responsible for supervision and prevention plans (protocol, training, audit, etc.) designed to control the risk of infection.

Within the framework of the 2011-2013 National infection prevention programme for the socio-medical sector, long-term care facilities are asked to establish procedures that ensure that each site can assess the risk of infections and determine its level of control over them, through a self-assessment tool developed by the Hospital Hygiene Practices Assessment Group (GREPHH), combining the five committees for the prevention of nosocomial infections.

Once this review has been completed, each facility draws up an action plan to be detailed in an Infection Risk Review Document (DARI).

In order to prevent the risk of exposure to infection of its residents/patients, the Orpea Group has implemented procedures in terms of both compliance with hygiene rules (washing hands, standard precautions) and specific measures to limit the risk of contamination of other residents/patients (isolation measures).

The Group's public health specialists have been trained in the prevention and management of the risk of infection for the teams in each facility.
In parallel, awareness campaigns have been executed with staff, notably through yearly Days on hand hygiene and/or resident/patient safety.

The generalised use of hydro-alcoholic solution in our facilities allows a reduction of the risk of infection through hand contact.

Lastly, audits are carried out regularly by the Quality and Medical Departments to ensure hygiene rules are complied with, systems are under control (laundry, waste, etc.) and to ensure awareness-raising among staff, residents/patients and visitors.

- *Management of potentially infectious health-care waste (DASRI)*

<u>Risk identification:</u>
As they handle certain healthcare waste, staff are exposed to risks of infection.
Healthcare and similar potentially infectious waste contain viable micro-organisms or their toxins, which we know or we have good reasons to believe cause disease in humans or other live organisms due to their nature, quantity or metabolism (article R. 1335-1 of the French Public Health Code).
<u>Risk Management:</u>
In order to prevent contamination risks, the Group's facilities must comply with rigorous logistical and organisational procedures in accordance with the regulations in force with regard to the management of waste from potentially infectious healthcare activities (DASRI).

All facilities are equipped with special receptacles for collecting this type of waste: containers for 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 Regional Health Agency.

The Orpea Group has developed a management protocol to identify good practices to follow, which has been circulated in all facilities.
Each facility has an up-to-date cabinet file for managing potentially infectious healthcare waste, ensuring traceability.

A training DVD has been created in partnership with our supplier, to raise staff awareness in all our facilities about the proper management of this waste: compliance with hygiene rules, compliance with procedures, compliance with sorting, storage and removal rules for this waste.

- *Medical equipment and devices*

Risk identification:
The use of medical devices may give rise to a risk. This can be due to its operation, caused by use or by a series of other causes. This risk may affect the patient, the user or third parties.
It can arise from all medical devices of the same type, model or supplier.

Risk Management:
Incidents generated by this risk can be prevented by ensuring comprehensive supervision on all medical devices.
Within the Orpea Group, medical devices are checked and an annual maintenance plan has been drawn up, as well as maintenance protocols for these medical devices.
In parallel, a materials vigilance officer has been appointed in clinics where medical devices are used more commonly, and is in charge of supervising medical devices: reporting incidents, approval of measures to be implemented, etc.

The implementation of a materials vigilance system is an integral part of risk management and safety and quality improvement in each facility.

- *Medical error or negligence*

Risk identification:
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.

Risk Management:
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.

- *Medication errors*

Risk identification:
According to the National Medicine and Health Product Safety Agency (ANSM), a medication error is an omission or non-intentional action during the provision of care involving medication, which may cause a risk or an undesirable event for the patient.

A medication error is considered proven if it leads to the administration of the wrong drug to a patient, an incorrect dose, an erroneous delivery, according to an incorrect treatment plan, etc. It is considered potential if the error is identified before the product is administered to the patient, or latent if it is an observation of a potential risk for the patient.

The facility may be liable in the case of a medication error with consequences on the resident/patient's health.

Risk Management:

The error may be due either to poor design of the medication and its information (name confusion; inappropriate packaging, labelling or information; leaflet problems; etc.) or to the systemic organisation of the patient's treatment process (medication management procedure, human factors, environmental factors, professional practices, etc.).

This is why the Orpea Group has drawn up a control policy for the medication management procedure.
In health facilities, the medication management procedure is strictly supervised by COMEDISM, a committee comprising the pharmacist, doctors and nurses responsible for the medication management policy (defining good practices, team training, etc.).

In medical and social facilities, the medication management procedure is set out by an agreement signed with the dispensing pharmacy as well as by an agreement signed with the prescribing physicians working as independent contractors with the facilities.
Good practice procedures complete the safety measures for medication management: receipt of medications, storage conditions, preparation, administration, management of expired products, withdraw of batches, etc.

Medication prescription is now computerised in all facilities, allowing:

- the prescribing physician to have detailed, updated information for each chosen medication, in relation to:
    - a detailed list of medications included in the facility's treatment plan,
    - indications, precautions and counter-indications through a link to the database in force (Claude Bernard),
    - potential drug interactions,
    - recommended administration and preparation conditions.

- the carers to:
    - have a drug administration plan including correct usage information,
    - prevent any recopying, in compliance with regulations.

Any drug distribution incident is tracked and immediately reported so as to prevent any risk to the resident/patient.

At the end of each month, incidents are reviewed by the team to identify the causes and prevent their re-occurrence.

To complete this medication management process, every quarter each facility self-assesses its procedure to identify potential risks and adopt the required corrective measures.

- *Runaways*

Risk identification:

Population ageing and the increase in Alzheimer patients have led to a rise in the risk of patients running away from health and long-term care facilities.
Running away (or rather wandering) by senile patients or patients with psychiatric conditions may lead to significant harm and the facility may be held responsible.

Risk Management:

Prevention of the risk of residents/patients wandering is an integral part of the good practices applied by the Orpea Group.
From admission and in light of the assessment by the facility's doctor, residents/patients who are potentially at risk are identified and sent to appropriate and protected units. Otherwise, appropriate surveillance measures are taken (anti-wandering bracelets, etc.). These different measures are always discussed with the doctor, staff and the resident's legal representative, safeguarding the resident's/patient's well-being, rights and freedoms.

Staff have been trained to identify any behaviour which could lead to a wandering risk. All incidents are immediately reported to Management and to staff in order to take the best possible measures and adjust the resident's life and care plan.

Should a resident/patient run away, the Orpea Group has drawn up a very strict protocol for all its facilities to enable all search resources to be accessed very rapidly based on a detailed alert sheet (description of patient/resident, clothes, photograph, previous address, etc.).

- *Fall*

Risk identification:

Repeated falls are frequent, with the prevalence amongst elderly people over 65 calculated at between 10 and 25%. They mostly occur during simple daily activities such as walking, standing up from a seated position or sitting down.
Repeated falls are associated with high morbidity/mortality, accelerating loss of independence and self-sufficiency, and with a high hospital admission rate.
5% of falls lead to fractures; 10% to the need for care.

Risk Management:

Prevention of the risk of falls is an integral part of the good practice procedures drawn up by the Orpea Group, in terms of both fall prevention and risk management.
The doctor assesses the resident's risk of falls starting from admission. The physical examination is confirmed by simple tests carried out by the paramedical teams (occupation therapists, psychomotricians, physiotherapists, etc.).
Training activities are conducted to raise staff awareness about all the risks relating to falls: removal of obstacles in corridors, room layout, assistance for patient transfers, etc.
In parallel, all facilities are equipped with significant resources which also contribute to reducing this risk (Alzheimer beds, bed barriers, handrails, ramps, etc.).

All falls are immediately reported and identified for traceability (resident's name, time of fall, cause, consequence, measures immediately implemented and in particular care provided).
Preventive measures adapted to the patient are taken based on a review by a multi-disciplinary team, in particular the adjustment of their personal plan.
The family and treating physician are informed of the resident's fall and actions are taken.

A subsequent analysis will identify the collective measures required, in particular in the case of repeated falls due to the same cause.

- *Suicide*

Risk identification:

2009 data put the number of deaths in France at 540,000, of which 10,499 were suicides (source: Inserm).

Suicide and suicidal crisis are a public health issue and a real concern for the population in our facilities, most and foremost in our psychiatric clinics, but also in nursing homes, considering that even though suicide rates decrease with age, mortality rates remain higher amongst elderly people who decide to take their lives.

Risk Management:

The health-care team assesses the potential suicide risk from admission, taking into account the resident/patient's background and/or current situation, signs of vulnerability and impulsiveness, the individual, family and psychosocial factors.
In the case of a person at risk, in addition to the required close surveillance, the treating team (doctor, nurses, care workers, psychologist) also establish protective measures such as the strengthening of family and social connections or projects allowing the resident/patient to build a future and/or find alternative life options.
In any case, the patient/resident is cared for in a protected environment: limited opening of windows, no access to areas identified as "dangerous" for residents/patients, removal of hazardous objects.

In parallel, a care plan is adjusted to take into account the resident/patient's suicidal risk.

The training module "Preventing suicide risks" has been developed and is currently being rolled out throughout the Group to improve prevention in our facilities and train all staff members.

In the case of suicide, a procedure describes the good practices to follow to manage the event.

Care is immediately provided to the family and close relatives and the facility's teams are debriefed.
An internal unit, comprising a doctor, the facility's Manager and a psychologist, coordinate the actions to be taken.
For more delicate cases, the Group established an Orpea/Clinea institutional emergency psychological unit in 2009, comprising 20 psychologists especially trained to provide care for post-traumatic syndromes, who can lead group or one-to-one therapy sessions in the 24 hours following the incident.

5.3.4 - Management of risks related to food products

► Risk identification

A failure in the food chain may lead to the risk of collective food poisoning, which can negatively impact the residents'/patients' and employees' health as well as the facility's reputation. The facility may be liable in the case of such an infection.

► Risk management

The Orpea Group has introduced a HACCP (Hazard Analysis Critical Control Point) plan in all its facilities.
Each facility has drawn up a food safety management plan. The plan describes the measures taken by the facility to ensure hygiene and safety against identified risks, which can range from setting out good practices to be followed to ensuring traceability.
This set of procedures ensures perfect control of food safety throughout the product's life cycle: delivery, storage, production, serving and consumption.
Hygiene audits are carried out monthly in our kitchens and are supplemented by microbiological analyses of prepared products and surfaces.
Our kitchen staff are also trained to manage food risks.

5.3.5 - Management of risks related to the Group's development

► **Competitive risk in acquisitions**

For many years now, Orpea has carried out an active development policy, in particular through the acquisition of existing facilities or small Groups of facilities.

More significant competition is emerging in light of the concentration push observed in the dependency care sector in the last few years. As a matter of fact, 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, for the moment the number of possible targets remains high as, with the exception of a few Groups (Medica, Korian, DVD, etc.), the industry remains fragmented: with 80,388 beds at the end of 2012, the 15 largest French private Groups accounted for only 15% of the total number of beds in French long-term care facilities (Mensuel des Maisons de Retraite - January 2013). There are another 30,000 beds approximately (i.e. about 700 facilities) held by independent facilities, typically family-run. Generally these facilities 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. Thus, opportunities continue to abound in the private commercial sector. On the other hand, following the funding difficulties faced by local authorities, certain association facilities are struggling and therefore represent a source of development for the Group.

Finally, ORPREA is also active abroad, where the industry is fragmented or the need for facilities for elderly dependant people is significant.

► **Risks related to the integration of facilities recently acquired by the Group**

The number of Orpea Group facilities has increased sharply in the last few years, through internal and external growth: the Orpea network has grown by an average of 3,200 beds per year since 2002, equal to +17% a year.

The Group 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, whether in shareholders' equity or debt.

However, Orpea's banking partners are confident in the Group due to the excellent visibility over future cash flows, which are not particularly affected by the current economic crisis.

Furthermore, Orpea can rely on a flexible financial structure, with covenants that are significantly lower than the authorised limits. In 2012, Orpea also expanded its financing sources through its first private bond issuances for large French institutions (insurance companies and mutual insurance Groups).

5.3.6 - Management of property risks

► 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 5.3.2 - Management of the risk related to safety of premises.

The Group complies with all 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.
Furthermore, in order to keep the facilities appealing, the Group has adopted a policy of investing in renovation and maintenance so that it can provide a quality offering to its residents and patients.

► 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. This Department 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.

Consequently, the properties owned by Orpea stand out from office and residential real estate due to their visibility and ability to maintain high occupancy rates.

► Risks related to property disposal

The Group regularly sells operating properties in a block or by lots to third-party investors. Where these disposals are off-plan, the Group may face construction uncertainties which may significantly increase the cost of the building and result in losses.

To limit these risks, the Group has an in-house Property Development Department, which oversees all construction projects and a Financial Control Department in charge of monitoring construction budgets.

► Risks related to property leases

Orpea sells a part of the properties it operates and leases them for a given period of time. There is a risk of rent increase based on rent indexation and of increase upon renewal of the lease.

To keep rental costs under control, most leases are indexed yearly, at a fixed or capped rate, so as to protect the Group against the risk of inflation.

Upon renewal, Orpea has some flexibility because the Group holds the operating licence for the facility.

5.3.7 - Management of 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 Orpea 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.

5.3.8 - Management of risk related to subcontractors and suppliers

► Risk identification

Although the Orpea Group does not consider itself to be dependent on one or more subcontractors or suppliers, discontinuance of service or failure to pay by one or more of them or low-quality services or products could affect the Group, in particular by lowering the quality of its services as well as increasing the associated costs, notably because of the replacement of non-performing subcontractors with more expensive service providers.

► Risk management

This risk is reduced primarily by the Group's drive to keep most functions in-house: food catering, works, cleaning, etc.

Orpea has a central Purchasing Department which has been managing the Group's purchase policy for over 10 years. Its mission goes well beyond the mere selection of suppliers or subcontractors. This department monitors the quality of suppliers, cost rationalisation and implementation of purchasing procedures at Group level, and contributes to the successful integration of new facilities.

Not only does this Purchase Policy allow cost optimisation, but it also ensures traceability and, more generally, the quality of purchased products and services (purchased food, outsourcing of laundry services, medications, medical devices, etc.).

The Group is careful not to rely on a single provider for its supplies or services.

5.3.9 - Management of 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 20 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 subsequently with ESCP, helps Orpea to develop the skills of employees who may, in time, be transferred to new positions within the Group.

5.3.10 - Risks linked to Orpea's international operations

Approximately 14% of Orpea's consolidated revenue in 2012 were generated by international operations: Belgium accounted for 7.2% of consolidated revenue, Spain 3.5%, Italy 2.2% and Switzerland 1.1%.

The operation of dependency care facilities in these countries is subject to regulations that are relatively close to the French model. The main risks for this business sector and the risks inherent to the Orpea Group, in particular the risks described above, are applicable in the context of international operations.

Changes in the regulatory framework and requirements applicable to international operations could have a negative impact on the Orpea Group's strategy, financial position, income and expansion outlook in these countries.

However, Orpea has a head office and a dedicated local team in each country, maintaining trustworthy relationships with Supervisory Authorities and continuously monitoring any changes in regulations.

5.3.11 - Management of environmental risk and environmental impacts of the Group's business

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 14 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:

- Taking advantage of opportunities offered by the environment: to design a project that blends in with the local surroundings (number of storeys, green roofs, tree-covered areas, etc.);
- Orienting land with respect to the sun: North-South exposure of the building facilitates the use of solar panels;
- Accessibility of facility for persons with reduced mobility: this criterion 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.).

5.4 - MANAGEMENT OF FINANCIAL RISKS

5.4.1 - Management of 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.

5.4.2 - Credit, liquidity and treasury risk

► Liquidity risk associated with the Orpea 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 €2,294 million (Different from the French version to correct a manifest error) at 31 December 2012.

Thanks to the growth of the bond market in Europe, the Group's financing can be broken down into four categories:

- financing operating properties through finance leases or bank loans repayable over a typical period of 12 years;
- financing of properties or business acquisition through private bond issuances with maturity ranging from 5 to 14 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 85% 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 excluding bonds.

The repayment schedule is provided in Note 3.12 of the notes to the 2012 consolidated financial statements.

At 31 December 2012, the Group had net cash of €362 million, notably thanks to the proceeds from the bond issues carried out at end-2012.

The majority of depreciable loans taken out by the Group, other than 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 which were well below the contractual limit at 31 December 2012.

► 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 is to hedge its interest rate risk on around 90% of its consolidated net debt. To do this, the Group uses a portfolio of financial instruments in the form of interest rate swaps under which it receives mainly three-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 of these derivatives at fair value are recognised in equity at the year end.

Interest rate derivatives portfolio:
At 31 December 2011, the average notional amount of the derivatives portfolio with maturity at 1 year was €1,256 million.
At 31 December 2012, the average notional amount of the derivatives portfolio with maturity at 1 year was €1,410 million. As at 31 December 2011, the portfolio comprised fixed for floating (mainly three-month Euribor) interest rate swaps and interest rate options. These derivative instruments have either 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 its hedging instruments is sensitive to changes in interest rates and in volatility, which is assumed to be constant in this analysis.

At 31 December 2012, net debt amounted to €1,932 million (Different from the French version to correct a manifest error), of which around 25% was 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 €1.7 million (before tax and capitalisation of financial expenses);
- the impact of a 0.2% drop (20 basis points at current interest rate levels) would reduce financial expense by €0.3 million.

Details of the Group's hedging positions are provided in Note 3.13.1 of the notes to the 2012 consolidated financial statements.

► **Exchange rate risk**
Orpea is not exposed to exchange rate risk as virtually all its operations are in the euro zone. Only one facility is located outside this area: Clinique La Métaire, in Switzerland, close to Geneva. However, with revenue of €15.4 million, this facility only represents 1% of the Group's consolidated total business.

Consequently, exchange rate risk cannot have an adverse impact on the Group's operations, results and financial position.

5.4.3 - Legal risks: 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.

5.5 ORPEA GROUP INSURANCE AND QUALITY POLICY

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 executive officers 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.

6. COMPANY INFORMATION

6.1 – EMPLOYMENT: AN ACTIVE RECRUITMENT POLICY

The Group employs a total of 23,000 employees in its care facilities and clinics in France and abroad.

▸ Distribution of employees and job stability

	Group	France	International	Belgium	Spain	Italy	Switzerland
Employees[1]	23,057	18,750	4,307	2,229	1,359	587	132
Recruitment	5,724	5,535	189	NC	27	162	0
% average permanent contract	85%	86%	83%	83%	83%	89%	69%
% average temporary contract	15%	14%	17%	17%	17%	11%	31%
% average full-time	79%	81%	70%	53%	89%	88%	77%
% average part-time	21%	19%	30%	47%	11%	12%	23%
% average male	18%	18%	18%	21%	11%	19%	29%
% average female	82%	82%	82%	79%	89%	81%	71%
% average managers[2]	12%	12%	N/A	N/A	N/A	N/A	N/A
% average non-managers	88%	88%					

[1] in physical persons present, all contracts combined
[2] The concept of "cadre" (manager) is specific to French

At 31 December 2012, almost 82% of the workforce (18,750 staff) were located in France; the rest were located in other countries where the Group is active (Belgium, Spain, Italy and Switzerland).

These figures reflect the Orpea Group's policy of consistency, particularly in terms of staff distribution by length of employment, across all European countries.
To achieve this, Orpea has maintained a coherent employment policy which aims to give all its staff job stability and security.
This policy focuses primarily on permanent, full-time contracts. The breakdown by type of employment contract and working hours provided above reflects this policy:

- 85% of the Group's employees in Europe have a permanent contract;
- 79% were employed full time in 2012, of which 81% in France.

In addition, this policy helps the Orpea Group to avoid creating job insecurity when developing the network by restricting fixed-term contracts to a bare minimum where they are required by law and by promoting full-time employment for the largest possible number of people.

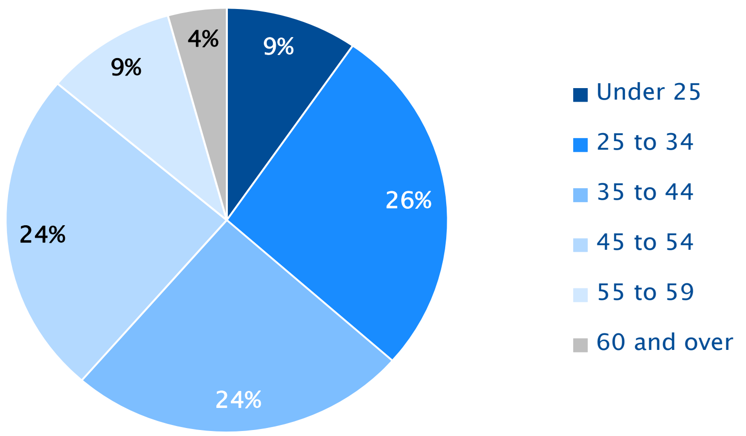
When a full-time job is created or becomes available in the Group, it is offered in priority to employees initially recruited on a part-time basis. Consequently, most employees are working part-time by choice, particularly those on permanent contracts. This is partly due to the nature of the roles filled 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.

To ensure a diverse workforce and improve the sharing of experience, all age groups are represented in the workforce with a certain uniformity in the various countries where the Group is active. In France those aged over 55 account for 15% of the workforce, reflecting the positive effect of the company agreement on older employees.

	Group	France	International	Belgium	Spain	Italy	Switzerland
Under 25	**9%**	10%	8%	13%	5%	NC	4%
25 to 34	**26%**	27%	24%	30%	27%	NC	15%
35 to 44	**24%**	24%	25%	31%	26%	NC	36%
45 to 54	**24%**	25%	21%	20%	29%	NC	29%
55 to 59	**9%**	10%	6%	5%	9%	NC	10%
60 and over	**4%**	5%	2%	2%	4%	NC	7%

Breakdown of Group workforce by age group:



► **Job creation and recruitment policy**
Thanks to its expansion and new facility creation policy, Orpea is a committed player in the local economy and creates many new jobs every year. Over the last five years, the Group has created over 7,000 long-term, fixed-location jobs throughout France. In 2012, Orpea opened over 2,000 beds, creating 1,300 jobs.

At the same time, with the acquisitions and recruitments resulting from natural attrition, the Group's workforce has grown by 5,724 staff on permanent contracts in 2012: 57.4% were carers and 11% were managers.
With capacity of close to 8,000 beds under construction or being redeveloped, Orpea is also helping to keep thousands of construction workers in employment.

The vast majority of vacant positions in the Orpea Group are under permanent contracts, in the fields of medicine, care, hospitality - catering and administrative services.

Orpea uses many tools to successfully implement its recruitment policy at the facility level and at the nationwide level.
For non-medical staff, the Group also uses job centres and advertisements on its website, in its dedicated career management section.
The Group also attends general (Paris pour l'emploi) and specialist job shows, where it promotes careers in services for the elderly.
For care and medical staff, Orpea benefits from the prestige of its network and its involvement in French conferences and events such as the Congrès des internes. The Group also advertises in specialist journals, such as the Mensuel des Maisons de Retraite, and builds local partnerships with higher education establishments connected to all its fields of activity.

The Group's recruitment policy pays attention to the experience and qualifications of candidates, but also their values, ensuring that they fit into the Group's culture and share the founding values of Orpea.

Due to the visibility of its sector and its expansion policy, the number of dismissals is insignificant. In fact, there are no redundancies; the only dismissals are of an individual nature, and happen as a result of professional misconduct, usually suspicion of mistreatment.

► Wage policy

Orpea has always had a fair and attractive wage policy. The Group's wage policy offers many benefits: company agreements negotiated with the social partners in addition to individual compensation - incentive plans and death and disability insurance - social welfare budget for the works council, profit-sharing premiums, etc.
The gross average monthly wage paid by Orpea in France was €1,804 in 2012, an increase on 2011. However, this average is not representative in view of the wide range of positions and qualifications within the Group: specialist doctors, nurses, care workers, care assistants, administrative staff, etc.
In Spain, the gross average monthly salary is €1,253, €1,784 in Italy, €1,795 in Belgium and 4,536 CHF in Switzerland.

► Career management: cornerstone of the Group's social policy

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.
Orpea has always placed great importance on the real values and skills of its staff, rather than on qualifications. Several of our directors were promoted from within the Company: Care workers, nurses, health supervisors and secretaries by training have reached positions of responsibility, thanks to their motivation, commitment and potential.
Orpea is committed to bringing out individual strengths and energising the careers of each employee to improve the quality of patient care and boost staff motivation and qualifications.

The Group's motto, "Build your career with us", meets the standards the Group has set itself. Above and beyond the primary, fundamental work tasks any group should offer its employees, Orpea supports its valued people in their 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.

6.2 – ORGANISATION OF WORKING TIME

The specific nature of the Orpea Group's work requires several factors to be taken into account when organising working time:

- adherence to applicable rules on working times;
- the service provided to people taken in, both in terms of care and reception;
- responding to staff aspirations.

In France, all staff benefit from a working time equivalent to an average of 35 hours per week (full-time basis), for which the weekly hours may vary depending on organisational or operational needs, according to the cyclical shift patterns of the teams.

The absenteeism rate is calculated by comparing the actual hours of absence with the number of hours that should have been worked (Total of hours absent/Total hours that should have been worked). This rate was 8.6% in 2012 in France for Orpea. In Spain, it was 8.4%, 12.3% in Italy, 10.5% in Belgium and 4.6% in Switzerland. Thus, the Group average, weighted by staff per country, is 8.8%.
According to the Alma Consulting study, the average absenteeism rate in 2011 in the health sector was around 6.61% in France.
That is why Orpea always tries to improve working conditions for its teams, by signing company agreements with the social partners.

6.3 – REGULAR AND CONSTRUCTIVE SOCIAL DIALOGUE TO PREPARE FOR THE FUTURE

► **The framework: employee representative institutions**

In addition to the obligatory consultations, Orpea maintains constant social dialogue throughout the year, both with trade unions and with all staff in the field.
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 matters raised by employees about the facility's operations. Answers are provided by management in the Staff Delegates register, after approval 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 Councils**: two Works Councils were set up in 2011, replacing the eight Regional Works Councils. They meet every month. Extraordinary meetings can also be arranged to handle specific issues if needed. Members are elected for a term of four years. The last elections to the Works Councils took place in the first quarter of 2011 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.
  The Works Councils also manage social welfare initiatives, which allow staff, via employer subsidies, to receive various benefits (gift vouchers, holidays, involvement in sporting or cultural activities, etc.)

The Works Councils also have an operating subsidy paid by the employer, so that they can fulfil their remit.

- **Regional Health and Safety Committees**(CHSCT): 12 Regional Health and Safety Committees 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.
  The newest members were 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.

The Group also has trade union representatives who meet during company negotiations. These negotiations are 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 have been in place for several years (13/12/2000 and 20/11/2001).

The incentive agreements were renewed for three years in 2011.
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 gender equality

Ensuring gender equality is a major concern within the Company, in a sector where women represent the majority of the workforce.

The purpose of the agreements entered into by the Company in 2011 is to ensure that there is no gender disparity and/or to achieve equal treatment if disparities are noted, particularly in terms of employment access conditions, recruitment, training, etc.

- 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.

At end 2010, the Company and trade unions agreed to continue with this pro-active, responsible disability policy by renewing the 2008 agreements.

In this context and thanks to the involvement of all the relevant stakeholders, workers with disabilities make up 5.47% of Group employees in 2012 in France.

According to a study by the Office for research, studies and statistics (Dares) conducted in November 2012, the employment rate of workers with disabilities in private companies subject to the policy (full-time equivalent) was 2.8% in 2010.

The Group intends to continue with its commitment and to promote:

- the employment of disabled workers;
- the implementation of qualitative measures to facilitate the integration of disabled workers;
- development of relations with the "protected sector", which provides employment for disabled people;
- access to all professional training solutions;
- priority monitoring of disabled employees to keep them in employment and adapt their working environment accordingly;
- the development of work/study programmes for disabled workers to train them and help them gain qualifications in our sector (care workers, medical support, etc.).

To do this, a special unit ("Mission Handicap") is constantly developing communication strategies to promote the employment of disabled workers among directors to raise awareness and improve the integration of disabled workers into their structure.

In addition to the in-house guide for directors and numerous regional contacts (MDPH, AGEFIPH, Cap Emploi, CFA, etc.), new partnerships were concluded in 2012:

- with the French disability integration association (FIH) to promote the hiring and recognition of disabled workers at all sites in the greater Paris region, via an awareness-raising campaign (posters, DVDs, etc.) and an employee information hotline,
- with the UGECAM for access to training and employment for the disabled, with the signature of a partnership agreement,

Training sessions were also organised in 2012 ("Welcoming and integrating people with disabilities into a team", delivered by Hamploi) and a specific guide for the recruitment of workers with disabilities has been produced.

- Agreements on the employment of older workers

Agreements on the employment of older workers were also signed in September 2009 and renewed in 2012.

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 the end of 2012, the majority of targets set - particularly in terms of keeping older workers in employment - had been achieved. Orpea intends to continue with this commitment at all newly acquired facilities concerned.

- Agreements on difficult working conditions

The prevention and reduction of difficult working conditions is a key component of the Orpea Group's employment policy, and is in line with its policy to prevent risks in the workplace and to protect employees' physical and mental health.

As part of its commitment to sustainably improve working conditions and extend employees' working lives, the Company entered into agreements in 2011 aimed at preventing difficult working conditions and reducing factors likely to cause them, including parallel schemes to bolster its action in the prevention of stress and 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.

6.4 – PREVENTING RISK AND PROTECTING THE HEALTH OF EMPLOYEES

► Health and well-being at work: HR policy priority

The Group is also committed to maintaining and improving the working conditions of its employees. Steps are taken to prevent the risk of workplace accidents when new structures are built and during renovation or extension projects.

The company has geared its work towards looking to build professional risk prevention into its projects at the earliest possible stage.

In addition to protecting their health, the company also wants to allow its employees to work in an environment conducive to well-being at work: staff rooms are more spacious, comfortable and well equipped; the buildings are constructed so as to allow as much light as possible to enter the rooms, allowing workers to see outside from their work stations, with windows at eye level, wherever possible in front of work stations, in each building and in the staff rooms; etc.

The Group has also delivered many training sessions on preventing back problems, materials handling, etc.

The commitments made in this regard by the Group are about to result in a Charter being signed with the authorities in charge of workplace accident prevention (Work Accidents Branch/Workplace Illnesses, Social Security).

► Statistics on workplace accidents

The frequency of workplace accidents as defined by the INRS (French National Institute for Research and Safety for the Prevention of Workplace Accidents and Illnesses) is the number of workplace accidents which made employees unable to work (i.e. which led to an interruption of work of one full day in addition to the day the accident took place and which gave rise to compensation in the form of a first daily indemnity payment) for 1,000,000 hours worked. According to statistics published by the French National Health Insurance Fund for employees (CNAMTS) for 2010, the average frequency rate of workplace accidents in France was 29.1 for the Health sector. In 2012, in France, Orpea had a frequency rate of 27.2, lower than the national average.

The level of seriousness is defined by the INRS as the number of days lost due to temporary incapacity for 1000 hours worked. According to the CNAMTS, the national average for the Health sector was 1.8. For Orpea, in France, in 2012, it was 1.15, much lower than the average.

However, the Group is not satisfied with these results and is constantly develops its efforts to improve working conditions for its employees.

Due to its area of business, the number of workplace illnesses is not high at all.

► Establishment of psychological unit

In addition, and to support staff undergoing emotional changes due to our area of business, the Group has had a so-called psychological unit for "intervention in urgent institutional situations" since 2009, which is mainly made up of qualified psychologists.

The main objectives of this department are as follows, through setting up Working Groups/Support Groups:

- to support and help an institution in an emergency situation linked to a potentially traumatic violent event which disrupts institutional life and threatens the emotional and/or physical integrity of members of the institution,
- to deal with the anxieties and resistance of teams,
- to help care teams cope with events by restoring their collective care capacity,
- to identify people at risk, who are emotionally fragile and excessively affected by the event.

Since 2009, about 30 interventions have taken place which restored a feeling of security or serenity among the teams.

Finally, this employment development policy allied to a strategy of ensuring good employee working and health conditions is backed up by a proactive approach to professional training.

6.5 – TRAINING: COMMITMENT TO QUALITY AND CONTINUING PROFESSIONAL DEVELOPMENT

2012 saw major changes in the system for financing continuing professional development, as well as additional obligations being created in terms of updating the knowledge of our employees. Orpea has had to rethink its training system to meet the new economic and legal requirements.
In 2012, Orpea delivered almost 208,515 hours of training, including 165,000 hours in France, i.e. over 10 hours per employee on a permanent contract, on average. This figure covers a diverse range of training options, in various formats and with different durations.
Internationally, the training dynamic is just as intense:

- 12,100 hours in Belgium; i.e. 7 hours per employee on a permanent contract
- 25,200 hours in Spain; i.e. 22 hours per employee on a permanent contract, mainly due to the takeover of Artevida
- 6,215 hours in Italy; i.e. almost 10 hours per employee on a permanent contract.

► General training policy

For Orpea, training must not only be of high quality; it must also and especially be of operational use. Training programmes have been developed to meet this requirement. Partnerships have been built and developed with institutions which sometimes go beyond the context of training.

► Specific training to develop knowledge

The Group's training offer is undergoing many changes; our staff has, over the years, become increasingly qualified and Orpea must develop their knowledge and skills through specific contents. Thus, 2,200 days of training (not leading to a qualification) have been organised; 7,000 employees have been able to benefit from these short training days in 2012. The training topics covered all roles represented within the Group.

The quality of the accommodation we provide at our facilities proves this. This allows directors to be at the heart of the recommended training system and to reflect on a process of continued improvement in partnership with their team on the ground.

Training must naturally fit into the daily life of the company so that it is not seen as a constraint, but as a means of assistance, as support or even as an opportunity.

In 2012 the Group reached a new peak of knowledge sharing reflected in communication of know-how between each speciality (long-term care, post-acute and rehabilitation care and psychiatric care). Care workers having to deal with ageing and increasingly frequent psychiatric illnesses in patients have seen their training requirements shift away from their basic care tasks. The training meets these new requirements by drawing on in-house resources so that everyone can benefit. DOMEA, the Group's care school, has delivered training from the "Alzheimer's plan" for long-term care facilities, with Gerontology Care Assistant training for medical-social and healthcare workers (AS and AMP roles). 24 people accessed the advanced psychiatric care university diploma and the Qualitology university diploma offered by the Group's Psychiatry Department in partnership with the University of Amiens.

► Training leading to a qualification

Orpea is fully committed to ensuring that the work experience of its employees is recognised via Validation of Learning Experience (VAE) or Validation of Work Experience (VAP) for its administrative staff. 60 VAE (AS/AMP roles) and 15 Master 2s or vocational qualifications of the equivalent level started in 2012.

DOMEA, the carer training institute which the Group set up in 2005 (IFAS approved by prefectoral order), has played an active role in this commitment by supporting 50 of its employees in acquiring VAE AS and AMP.
In addition to continued training, DOMEA can accommodate young apprentices in cohorts of 16 people per year from February to June. DOMEA endeavours to train employees, students and interns using practical, interactive teaching methods, as well as through individual support in direct liaison with employers, tutors and apprenticeship leaders.

This school proves the Orpea Group's dedication to training quality staff, and providing training which combines technical skills and respect for the dignity of the elderly and patients.

► Partnerships with schools to promote jobs in the services for the elderly industry

The Group has measured all the importance of making its business sector more attractive. The Group has built strong local partnerships with care worker schools, nurses, business schools or universities. These partnerships, confirmed by the payment of the apprenticeship tax to over 290 educational institutions, result in many interns being accepted to initial training (almost 4,000), hiring new staff on work/study contracts (almost 100 contracts signed in 2012), the development of specific training programmes or the promotion of our facilities among their students.

Partnerships have been established with the Institut Supérieur de Rééducation Psychomotrice, the Université Sophia Antipolis, Université Paris VI Pierre et Marie Curie, the Ecole des Mines de Paris and with the French Red Cross' care worker and nurse training institutes.
The partnership with the Ecole des Mines involves subsidies for the teaching and research activities of the Risk and Crisis research centre (CRC) at the Ecole des Mines de Paris.
Orpea partners Pierre et Marie Curie in the Master II "advanced gerontology" course aimed at students with a Master1 planning a career in this field or health and medico-social professionals with a Master1 or equivalent qualification.

The ESCP EUROPE promotes the CADRELAN Stratégique and has approved the vocational qualifications of participants who do not have the level required to take the Specialised Master's in Medical and Hospital Management. Its programmes are aimed at employees with management and/or team leadership roles who want to become Directors or perform crossover roles within the Group.
The CADRELAN days offer a wide range of training to our employees, so that they can create tailored training modules to meet the specific needs of their jobs. In 2012, 250 employees attended CADRELAN training days on 12 different themes (team management, improved time management, being an ambassador for their facility, etc.).

► Training: a way to improve working conditions
Orpea is involved in personnel development training by promoting training through the Individual Training Fund (DIF), presented in a specific in-house catalogue, "ThémaDIF" in place since 2006.

This catalogue is now distributed widely to all employees, across all Group facilities.

The popularity of these courses among staff 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. There are many training options relating to health, well-being and leisure.

Directors and Team Leaders also receive training to optimise their management roles. Communication and team leadership training has been given as well as, more recently, training on the prevention of psycho-social risks. One of the objectives is to give managers the tools they need for the proper management of their teams (assessment interviews, stress management, delegation of skills, leading meetings, risk prevention, conflict management, etc.)

► Orpea, committed to promoting training in the sector
In 2012, Orpea invested fully in the Branch "training policy" by participating in Joint Bodies such as the Board of Directors of OPCA-PL (New OPCA appointed by the Branch) or the Commission Paritaire de l'Emploi et de Formation Professionnelle, working to promote the Branch's training policy and increased employment.
Finally, for the Joint Bodies, training has been part of the Group's HR policy and has helped boost the qualifications of our Staff Representatives on issues such as psycho-social risk prevention or difficulties at work, representing 1,750 internship-hours in 2012.

► A firm commitment by the Psychiatry Department to continuing professional development
The Psychiatry Department takes the professional excellence of its staff very seriously and has a generous budget for external and in-house training. Its main initiatives include a university diploma in partnership with the University of Amiens, to improve psycho-pathological and clinical knowledge for nursing staff. The division has also created the classification of primary care (CISP) internally with the same aim: to recreate a psychiatric nurse specialisation.

The yearly Clinéa conference allows the department's doctors to meet the best specialists according to the topics chosen.

Also aimed at carers and paramedical staff to optimise their care of individuals and groups, other training such as "legal protection of minors"; "managing digital tools"; "introduction to cognitive behavioural therapy"; " the CSPP" (Child Psychiatry Care Certificate); "care-giving"; "preventing suicide risks"; a nine-day training session called "bienvenue chez les psys", for administrative managers (Directors, Deputies, etc.). This helps our Clinics to run smoothly through a perfect understanding of their function.

Finally, the Training department allows professionals from all categories to improve the way they work in their respective areas.

6.6 – THE COMPANY'S EQUAL OPPORTUNITIES POLICY

Orpea has always had an equal opportunities policy in all areas: gender equality, people with disabilities, senior workers, inclusion of younger people, etc.

As indicated in part 6.3, several company agreements have been signed in this regard:

- agreements on professional gender equality;
- agreements on improving integration of people with disabilities in the Group;
- agreements on the employment of senior employees.

6.7 PROMOTING AND ADHERING TO THE FUNDAMENTAL CONVENTIONS OF THE ILO

► Respect for freedom of association and the right to collective bargaining

For years, the Orpea - Clinea Group has focused on labour dialogue to balance employee interests and social progress with the company's economic constraints.

Effective and constructive social relations for all are part of the proper functioning of the company and freedom of association, freedom of expression, freedom of assembly and the right to information are essential components of social stability and economic development.

Against this backdrop, mandates are fulfilled freely and employees can express themselves freely, with a mutual respect for legal and regulatory provisions and employees' fundamental rights.

The company continues to ensure harmonious social dialogue involving negotiation of various aspects of labour relations to promote and defend employee interests.

► Elimination of employment and professional discrimination

Through its recruitment, training and promotion policy, the Orpea-Clinea Group has always shown non-discriminatory practices, considering that equality at work involves everybody having the same chances to develop the knowledge, abilities and skills necessary for the company's business activity. Discrimination prevents victims from achieving their full potential and deprives society of the contribution they could make.

Effective mechanisms have been implemented to combat all forms of discrimination: agreements on gender equality, employment of people with disabilities, employment of older workers etc.

The diverse range of cultures, languages, family situations, education levels, racial or social origins, religions, opinions, etc. make Orpea a Group where everyone can find their place and thrive, and where everyone is respected and social cohesion ensures economic efficiency.

► **Elimination of forced labour and abolition of child labour**

Due to the kind of business it is involved in and the direct link its staff have with residents, families and patients, Orpea has of course always adhered to the main conventions of the International Labour Organisation.

7. Environmental information

7.1 – General Orpea Group's environmental policy

Environmental constraints are mainly a result of regulations applicable to all of the Group's facilities: managing infectious waste, managing water quality, managing the health security of residents and patients, etc.

Beyond the regulations, Orpea has been working for several years to continually improve the quality and security of treatment, and, as the property developer of its facilities, the Group has also sought to develop a quality process in the construction of its buildings, to limit the impacts of its buildings on the external environment, while providing healthy and comfortable living conditions inside the facilities. Orpea also received the green business prize at the "prix de l'entrepreneur" awards in 2010.

Orpea now wants to work on a wider sustainable development approach, by bringing partners and suppliers together to help cut energy use (water, gas, electricity), and promote environmentally responsible, little or non polluting products.

To make this approach more formal, an action plan has been set out for the next three years, after the carbon assessment conducted at the end of 2012 and an organisation was established to harmonise environmental practices within the facilities, and to coordinate actions.

A steering committee has been set up to implement this action plan. It is made up of the Purchasing, Works-Construction and Project Management, Quality and Communication departments and meets every two months; a "group" representative has also been appointed to monitor progress.

Four main components were chosen to guide the Orpea group's environmental protection actions:

- reducing energy use (essentially gas, water and electricity),
- managing and reducing waste production,
- environmentally responsible purchasing,
- cutting CO^2 emissions caused by travel.

The group will also work to develop ways to prevent environmental damage and raise awareness about environmental protection at the facilities, aimed at both employees and residents, patients and visitors, to provide general information on sustainable development and circulate good practice and environmentally responsible attitudes.
Communication kits are being produced with this in mind, based on the recommendations of the ADEME (environment and responsible energy use institute) and other recognised authorities on the

matter, and will complement the actions which have already been implemented in some facilities, as part of their Quality certifications.

7.2 – PREVENTING POLLUTION AND MANAGING WASTE

The maintenance officer for each facility is responsible for removing waste, in line with a clear protocol.

► Clinical waste management

Unlike obstetric medicine and surgery (MCO), long term care presents few environmental risks.

These mostly relate to the obligation to manage personal care waste, which the group's facilities adhere to as part of current regulations on the management of infectious waste from dependency care activities (DASRI).
The facilities have the equipment they need to collect this waste: 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 documents are kept available for the relevant authorities.

► Action plan to reduce general waste production

A check and analysis of each facility's waste production will be implemented with our collector partners and the management control function. The aim is to identify and correct any cases of poor practice.

Training and awareness-raising initiatives will be implemented with teams and suppliers to remind them of good practice when compacting waste (cardboard boxes, bottles, etc.) and sorting rubbish, and to reduce waste.

We are looking at waste recovery options

- In the coming months, we will be piloting a composting scheme for canteen waste as part of our "Green Spaces" service to study its feasibility in a care facility, and the benefits in terms of waste reduction will be observed.
- recycling of waste paper at the administrative headquarters.

7.3 – SUSTAINABLE USE OF RESOURCES

As part of its ongoing action plan, the Orpea Group wants to make a commitment to reducing energy use in its facilities by optimising the use of resources.

To do this, monthly checks and analyses of energy use have just been implemented to identify problems (leaks, etc.) and facilities with high energy consumption. The objective is to ultimately identify future renovations and the equipment needed to limit energy use.

Also, maintenance staff for all the facilities and regional technical assistants will be retrained and updated in 2013 on optimal facilities management (particularly centralised technical management).

► Eco-design and eco-management of buildings

For its new building projects

As Orpea has an in-house project management department, the Group quickly realised the importance of sustainable development in its business. For several years, Orpea has been committed to considering environmental aspects and energy-saving problems in the specifications for these new building projects.

To meet its environmental commitments, Orpea's Property Development Department has reviewed the 14 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.

The Property Development Department applies these rules to new projects which need to be more energy efficient and integrate into the environment (accessibility, landscape, urban integration, etc.) The 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 of living areas, which prioritises the independence and well-being of residents, using materials, colours and lighting in particular.

Moreover, to ensure that the building blends in well with its immediate environment, other issues are also reviewed, including:

- Taking advantage of the opportunities offered by the facility's immediate environment: to suggest a project which is consistent with the character of the area (number of floors of the building, landscaped roofs, external spaces planted with trees etc.);
- The positioning of the land in relation to the sun's course: building exposure on a North - South axis is favourable to the use of solar panels;
- Accessibility to people with reduced mobility: this criterion is crucial as the Group's facilities care for dependent people;
- The use natural materials, where possible found close to the site (e.g. cellulose or hemp wool insulation).

For older facilities

We are currently thinking about performing an energy diagnostic on some pilot facilities, to identify priority actions to be implemented to effectively reduce their energy use (presence detectors to limit electricity use, roof insulation work to limit heat loss, etc.)

More generally

The building project department ensures that all sites, for both construction and renovation work, undergo special studies to limit environmental disturbance; the consequences on rain run-off are identified early on.

► Water use and management

On water use

Orpea monitors the meters and of course, the bills. Any anomalies are immediately identified and dealt with. Each facility has an independent agent responsible for the everyday maintenance and repairs of the building, including water leaks.

To cut water use and promote renewable energy, the group's new building projects include a water storage tank for sanitary water heated by solar cells, as well as the retrieval and management of rainwater, to maintain green spaces for example.

As part of the Group's overall environmental policy, which aims to balance energy saving and quality of life at its facilities for residents, patients and staff, Orpea is installing thermostatic mixing valves.

On monitoring water quality

Orpea is also committed to ensuring the quality of the water in its facilities, and complies with the recommendations on the prevention of legionella risk set out in DGS/SD7A/SD5C-DHOS-E4 no. 243 of 22 April 2002 and DGS/SD7A/DHOS-E4/DGAS/SD2/2005/493 of 28 October 2005 for health and 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.

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 the event of unsatisfactory results has also been drawn up. It sets out the various stages of remedial treatment to be taken by the facility to ensure resident, patient and staff safety.

► Gas and electricity use and management

Orpea wants to reduce its buildings' energy use as much as possible, by implementing energy saving equipment (some of which is highly innovative). As such, the Group's new buildings have:

- improved thermal insulation;
- solar cells in the roof which provide hot sanitary water and complement the natural gas heating system;
- natural lighting in the building;
- energy-saving lights

Some examples:

- Bénodet clinic: 132 m² of solar panels for hot sanitary water
- Paris long-term care facility: integration of RT 2005 regulations, with additions such as connection to the Paris municipal heating grid, to avoid the need for independent heating and cooling plants
- Marseille long-term care facility: integration of renewable energy sources on the creation of the facility with the fitting of underground heat exchangers and solar cells for hot sanitary water
- Clamart long-term care facility: external thermal insulation, condensing gas boiler (+10% performance compared to standard boilers), variable-flow air/water (energy efficient) heat pump, heat recovery ventilation, with CO^2 probe to adjust flows according to the presence of people, energy-efficient fan coils, light activation when presence is detected, up to 10W/m², and external lighting connected to a twilight sensor

7.4 – MANAGING THE CHALLENGES OF CLIMATE CHANGE

At the end of 2012, Orpea performed a carbon review on greenhouse gas emissions generated by its facilities, with the help of a specialist carbon consulting firm which is a member of the APCC (ECO 2 initiative).

This review covered all facilities controlled by Orpea in France. 100% of the emissions of the assets and activities over which Orpea has operational control were taken into account.
This review showed that the Orpea Group generated 130,000 tonnes of CO^2 in 2011, 500 tonnes per facility, mainly from energy use (38%).

The energy efficiency of buildings is the most important area of focus for the Orpea Group in its sustainable development approach.
Orpea has already committed to a strategy of reducing the future CO^2 emissions from its facilities, contributing to the fight against climate change, both for new buildings under construction (renewable energy, eco-design and eco-management) and for existing facilities with the ongoing actions set out in its multi-year plan.

Also, to reduce CO^2 emissions from transport, Orpea is working to optimise its fleet of company cars, by listing vehicle models by their CO^2 rating.
Also, video-conference equipment is being installed at the registered office, then in the Regional Head Offices, to reduce the number of journeys.
Finally, we will consider implementing regional supply chain platforms to reduce the distances and number of on-site deliveries.

7.5 – PROTECTING BIODIVERSITY

Orpea's activity has little effect on biodiversity.

Because Orpea wants to involve its partners and suppliers in its environmental strategy, it will continue to develop its environmentally-responsible purchasing policy, which has been implemented by including environmental criteria in its calls for tender and by systematically selecting environmentally-responsible products in our purchasing lists.
A dashboard is being produced to assess the actions undertaken and supplier proposals.

8. INFORMATION ON SOCIAL COMMITMENTS

8.1 – A SERIOUS COMMITMENT TO PROMOTING EMPLOYMENT AND REGIONAL LIFE

► **Recruitment and job creation**
Through its network of over 400 facilities in Europe, Orpea is a dynamic player in regional employment markets. The Group offers a wide range of roles in all its facilities: carers, residential services, administrative roles, etc.
Orpea's policy of development and new facility creation means that it is regularly creating new long-term jobs in fixed locations.
With capacity of close to 8,000 beds under construction or being refurbished, Orpea is also helping to keep thousands of construction workers in employment.

► **Numerous partnerships with schools and training institutes**

To promote its image and its business sector, the Group builds strong local partnerships with care worker schools, nurses, business schools or universities. These partnerships, confirmed by the payment of the apprenticeship tax to over 290 educational institutions, result in many interns being accepted to initial training (almost 4,000), hiring new staff on work/study contracts (almost 100 contracts signed in 2012), the development of specific training programmes or the promotion of our facilities among their students.

The Group has always fostered close relationships with educational establishments, as well as pursuing a local recruitment policy to become more involved in local economic life and attract new talent.

8.2 – A COMMITMENT TO PROMOTING EDUCATION AND HEALTH IN THE REGIONS

► **Facility open days**

All of the Group's facilities regularly hold open days to give the public information and help them on different matters relating to elderly care, and thus helping them to learn to look after their health and to adequately monitor:

- Help for carers;
- Balance and preventing falls;
- Diet and nutrition;
- Sleep;
- Supporting a relative with Alzheimer's disease.

These open days are an opportunity for the local population to get information and advice via practical conferences and workshops, to meet health professionals, and share experiences with other families. The aim is to support carers and promote the proper care of people at home.

These days are also an opportunity for constructive contact with local authorities and are a way to better inform the local media about the challenges of ageing.

► **Defibrillators in the facilities accessible to all**

To help prevent the risk of heart failure, the Orpea Group has chosen to fit all of its French retirement homes with medical facilities with a defibrillator.

The installation of these appliances in the retirement homes is a strategic move, not only because these places are particularly accessible (being open to the public seven days a week), but also because they are used by vulnerable elderly people.

Also, the Orpea Group's wide regional network covers several départements, helping to provide optimum coverage in France, promoting greater access to defibrillators by more people.

Therefore, to make these 161 defibrillators accessible to as many people as possible, the Orpea Group has approached the Association RMC/BFM and its life-saving strategy, by sending it the list of Orpea facilities with a defibrillator. The 161 defibrillators will appear on the Association's "cardiac arrest" Iphone app.

The information days and defibrillator unveiling days were an opportunity to remind locals that these devices are available to all, including non-medical staff (the instructions are shown on a diagram and read out over a loudspeaker) as well as providing usage recommendations (such as cardiac massage instructions).

8.3 – INVOLVEMENT IN LOCAL AND COMMUNITY LIFE

► The Orpea Group's charity work and community involvement

Each residence or region conducts a number of charity and local community initiatives, notably on inter-generational issues. Orpea believes that teams are often more involved with programmes they have initiated at the local level.

The Group supports several associations such as France Alzheimer, or associations involved in medical research.

At the local level, many initiatives mainly directed at children are being implemented, as inter-generational exchanges are beneficial to the elderly long-term care residents who rediscover their role as elders, responsible for transmitting knowledge.

► Some local examples

The Tréboul Rehabilitation centre in Douarnenez (29) has worked to help people with disabilities.

The Tréboul CRF has taken part in a project to build a boat accessible to people with disabilities, named Andy 27, whose port of registry is the municipal nautical centre. The construction of this single hulled vessel was undertaken by the students of the Lycée Professionnel Ferdinand Fillod, in Saint-Amour in Jura. From Douarnenez, where teachers and pupils go each year on a trip to the seaside, they work on this project to boost the image of their future profession. Many partners helped to finance this ambitious project, which was also supported by Damien Seguin, a champion at the Paralympic Games in Athens in 2004.

Orpea residences in the Rhône-Alpes region came together to support the La Maison de Sagesse charity. For almost 18 months, the ten residences in the region worked to collect funds for the educational support programme "Programme Fil d'Or d'Accompagnement à la Scolarité" set up by La Maison de Sagesse. All teams, residents and even families contributed to this project, by organising fêtes, shows, charity dinners, craft sales, etc.

Orpea Residences in the PACA region meet every year to support a charity which works for the well-being of children

As part of its inter-generational policy, the Orpea Group's regional PACA offices choose a charity each year for which it organises fund-raising events. In 2012, the selected charity was "L'ombre et la lumière", which received a cheque for €15,000 from the facilities.

Orpea residences in the Loire promoted children's rights and handed over a €3,000 cheque on 26 June, at its event to present the Official Hymn for Children's Rights, in the presence of Yannick Noah, who sponsored the project.

Mozac residents support the Chaine des Puys

To protect the landscapes of Auvergne, the residents and teams at Orpea Mozac supported the application of the Chaine des Puys to become a UNESCO World Heritage Site. In the summer, they went on an expedition to the Chaine des Puys and had photos taken with banners and stickers to boost the local authority's lobbying campaign. A conference was held when the photos were presented to the local authorities, and was attended by children from the local school. It was an opportunity for our elderly residents to explain to the younger generations the importance of protecting and enhancing local heritage, which is so important to them.

Orpea and the Telethon

€8,000 were raised for the Telethon through charity events, show-sales, yard sales, etc., while a number of events were organised across France to support the work of AFM volunteers.

► **Research subsidies**

An association based on the 1901 law called ARP (Psychiatry Research Association) based in Meyzieu and heavily subsidised by the Group principally conducts research into epidemiology, and provides training and support for the individual initiatives of the Group's professionals. Articles have been submitted to the best international journals.

8.4 – RESPONSIBLE PURCHASING POLICY

The Orpea Group has a centralised organisation whose Purchasing department is particularly concerned with social and environmental matters in its supplier relations.

In its national purchasing database, the Group favours companies with an environment charter or which are developing environmentally-friendly procedures or solutions. Orpea also pays special attention to fair trade by working with suppliers and subcontractors that are sensitive to ethical and social rules.

All criteria are an integral part of the calls for bids and are thus taken into account when we select our Partners.

► **Respecting the environment**

Orpea is committed to encouraging its suppliers, partners and subcontractors to work with companies who do as much as possible to protect the environment.

Travel

Orpea is trying to minimise the impact of its business travel, by travelling only when necessary and only flying when absolutely necessary. Wherever possible, the Group holds teleconferences.

Managing maintenance products

Orpea has replaced the various chemical products used with multi-purpose biodegradable cleaning products. Special attention has been paid to the level of toxicity of the products (volatile organic compounds, preservatives with bio-accumulative potential, phosphates, mercury, etc.). Priority is given to products with NFE certification or European eco labels. Clear instructions are circulated to avoid excessive amounts being used.

Waste management

Paper is the main consumable used in the Group. That is why Orpea uses recycled or eco-labelled paper, or paper from responsibly managed forests.

Also, the Group has implemented a policy to reduce the use of paper by encouraging all team members to retrieve and use the reverse of printed pages, as scrap paper for example.

All internal correspondence is done by email only. External relations are done by post or fax only when absolutely necessary.

Electronic filing is also encouraged.

Sorting and recycling

For all facilities and the head office, Orpea has selected responsible partners with which it has developed waste separation and recycling procedures for different waste types. They have been provided with special equipment.

No matter the weight or size, any item or electrical component is retrieved. For example, printer cartridges are collected by companies which are specialists in recycling these items.

Printing

Printers which can print on both sides of the paper are favoured to save paper. Ink cartridges are chosen according to their longevity so that they do not have to be replaced as often. Therefore, printers are automatically set to print in black and white, rather than in colour.

► Responsible building construction policy

When designing a building, Orpea makes sustainable, environmentally-responsible choices:

- Respect for the layout of the land;
- Choosing a location for the building in line with the layout of the land;
- Placing the main façades to the East and West and making sure they are well lit;
- Using support of an acoustician in the classification of passages and the handling of the façade;
- Conducting impact study of future installations on the environment (neighbours, etc.);
- Imposing results on the designated companies;
- Separating the structure's equipment;
- Placing all work areas in a place where they will receive natural light;
- Separating storage for everyday waste and special storage for food waste;
- Adhering to local environmental regulations (water law, ESC solar panel if the yield is favourable, etc.).

The technical choices in the building phase also aim to preserve the environment and promote the well-being and safety of residents, patients and employees:

- Building adaptability: façade supporting structure/circulation/superior façade, load increased to 250kg/m² so it can be adapted to purposes other than accommodation;
- Solar protection: rolling shutters, aluminium doors and heat strengthened windows;
- Water management: dual capacity flush, thermostatic taps at the water drawing point;
- Adherence to RT 2012;
- ECS: water distributed at over 60°C (legionella) and taps have thermostatic mixing valves at the water drawing points to avoid scalding;
- GTB implemented to monitor and control the building's energy use and detect anomalies;
- Waste rooms are kept at 14°C.

Also, for sites in densely-populated urban areas, Orpea implements neighbourhood respect charters.

8.5 FAIR COMMERCIAL PRACTICE

► Preventing corruption and fraud

Orpea pays special care to prohibiting and preventing anti-competitive and unfair commercial practice, and corruption.

Strict auditing and approval procedures are in place to avoid any risk of corruption in all business areas. Each authorisation or acquisition project is subject to a systematic due diligence procedure:

several teams visit the facility; operational, financial and social audit is performed; the regulatory authorities, the families, are contacted in advance. Depending on the value of the project, it is approved either by an approval committee or by the Board of Directors.

The fight against fraud is of importance to all staff and memos are regularly sent out to alert staff of this risk. To better deal with this, six people have been authorised to sign cheques or payment orders for any amount for the whole Group. No financial flows may take place in the facilities.

► Health and safety of residents and patients

Orpea's main ambition is to provide care and support to those who have chosen to live in a Group facility, by ensuring their safety and well-being.
The health and safety of residents and patients lies at the heart of Orpea's business and is the main aim of all teams.
Care is optimised by applying medical and paramedical monitoring procedures developed by the Group's medical department to meet all safety regulations.
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 treatments 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.

Orpea has identified all risks linked to the health and safety of dependent people in its facilities and for many years has applied suitable tools to manage these risks, such as:

- climate risk;
- pandemic risk;
- risk of mistreatment;
- care risks;
- food risks;
- building safety risks.

All procedures implemented are outlined in the "risk management" section of this document.

► Dialogue and transparency with residents, patients and families

Listening is one of Orpea's founding values. That is why the main concern of facility directors is to maintain dialogue with and meet the expectations of families:

- Special attention is paid to complaints made by residents and their families;
- Constructive dialogue within the commissions (menus, leadership, etc.);
- Teams trained to be attentive and listen;
- Available management due to the centralised layout of the Group.

Independent satisfaction surveys are conducted every year and their results are reviewed facility by facility to best meet residents' and families' needs. The results and improvement plans set for each facility are presented to the residents and families.

The Group takes special care to regularly convene the Council on Social Life (Conseil de la Vie sociale) at each facility. This Council is made up of management representatives, residents and families to discuss various matters:

- the facility's internal organisation and daily life,
- socio-cultural activities and therapy services,

- construction and renovation projects,
- maintenance of premises.

Building a relationship of trust with residents and their families is essential to quality care.

▶ **Respecting the rights of patients and residents**

The aim of Orpea's social responsibility is:

On the one hand, to ensure the health and quality of life of its employees at work, in line with local legislation, human rights and freedom of association. Orpea has always engaged in dynamic social dialogue within a trusting relationship between managers and their staff, and actively promotes the fight against discrimination, diversity and gender equality.

On the other hand, to ensure the health, safety, care and quality of life of residents and patients who have chosen to live in one of the Group's facilities, in adherence with the founding principles of human rights, as well as the hospitalised persons' charter and the charter on elderly people living in care homes.
To do this, the support and care offered by the Group's facilities aim to maintain independence for as long as possible and are done focusing on the comfort, dignity, individuality and freedom of choice at all stages of dependence, even at the end of life.
With this in mind, Orpea teams are trained in end of life care, in terms of both managing pain and discomfort, and in terms of psychological support of the resident/patient, but also their relatives. Training involves the listening skills, kindness and availability that teams need in order to maintain the resident/patient's dignity so that they do not feel abandoned, while creating a secure atmosphere.

Orpea teams engage the resident/patient and always explain the care they are giving them, so that they can make a free choice; they are always asked for consent while care is being provided. They have the right to refuse any treatment and can express their end-of-life wishes through guidelines provided beforehand. The Group's facilities obviously adhere to legislation in force in the field, particularly the 1999 law which ensures the right to access palliative care and the Leonetti law of 2005 (paying special attention to the fact that suspending or no longer providing "curative" care does not mean "neglecting" or "abandoning" the person, on the contrary).

A feeling of belonging, a person's culture, traditions and religious identity are strictly respected and the teams have an objective attitude.

9. ORGANISATION OF THE BOARD OF DIRECTORS

This is discussed in point I.1.2 - 2012 Chairman's Report - in Chapter II of the registration document.

10. NOTES TO THE FINANCIAL STATEMENTS

Appendix 1: details of main equity interests

Company	Capital	Reserves and Retained earnings 2012	Share of equity held	Share of equity held	Profit for the financial year ended	Equity 2012	Carrying amount of securities 2012	
							Gross	Net
SCI Route des Ecluses	303,374	1,337,857	300,340	99%	137,726	1,778,957	303,374	303,374
SCI Les Rives d'Or	1,524	1,330,145	1,509	99%	172,559	1,504,228	933,755	933,755
SCI du Château	1,524	1,640,101	1,509	99%	329,153	1,970,778	1,353,340	1,353,340
SCI Tour Pujols	1,524	1,029,012	1,509	99%	319,653	1,350,189	1,364,795	1,364,795
SCI La Cerisaie	1,524	1,718,403	1,509	99%	142,437	1,862,364	47,224	47,224
SCI Val de Seine	1,524	(1,905,198)	1,509	99%	(505,319)	(2,408,993)	711,307	711,307
SCI Cliscouet	1,524	463,967	1,509	99%	96,025	561,516	1,494	1,494
SCI Age d'Or	2,549,161	9,085,953	2,523,669	99%	920,378	12,555,492	6,234,540	6,234,540
SCI Gambetta	1,524	3,876,534	1,509	99%	450,813	4,328,871	1,509	1,509
SCI Croix Rousse	1,524	4,219,327	1,522	99%	520,787	4,741,638	1,509	1,509
SCI Les Dornets	1,524	480,832	1,522	99%	239,786	722,142	1,494	1,494
SCI Château d'Angleterre	1,646	988,186	1,631	99%	3,112,079	4,101,911	1,763,577	1,763,577
SCI Montchenot	1,524	9,921,554	1,509	99%	285,253	10,208,331	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	9,603,753	1,372	90%	781,639	10,386,916	1,372	1,372
SCI Abbaye	1,524	(2,595,432)	1,372	90%	(336,987)	(2,930,895)	344,410	344,410
SCI Les Tamaris	1,524	809,573	1,509	99%	146,657	957,754	1,357	1,357
SCI Passage Victor Marchand	1,524	2,903,076	1,509	99%	512,179	3,416,779	1,509	1,509
SCI Fauriel	1,524	(4,087,451)	1,509	99%	(2,111,050)	(6,196,976)	1,618,841	1,618,841
SCI Port Thureau	1,524	734,192	1,509	99%	157,579	893,295	63,708	63,708
SCI de l'Abbaye	1,524	(241,149)	1,509	99%	271,080	31,455	1,509	1,509
SCI Les Maraichers	1,524	226,986	1,509	99%	431,962	660,472	99,595	99,595
SCI Bosguerard	1,524	605,441	1,509	99%	142,652	749,617	1,274,306	1,274,306
SCI Le Vallon	1,524	4,103,940	1,372	90%	772,837	4,878,301	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	(11,542,519)	717	47%	(1,113,979)	(12,654,974)	717	717
SCI Bel Air	1,524	633,938	1,509	99%	(419,011)	216,451	335,837	335,837
SAS CLINEA	6,511,863	63,227,194	6,511,863	100%	8,034,729	77,773,786	16,358,818	16,358,818
SARL Les Matines	7,622	(3,010,959)	7,622	100%	(126,734)	(3,130,071)	7,622	7,622
SARL Bel Air	1,265,327	1,742,701	1,265,327	100%	353,685	3,361,713	840,604	840,604
SARL Amarmau	7,622	(829,580)	7,622	100%	(90,024)	(911,982)	7,622	7,622
SARL 94 Niort	7,700	9,437,589	7,700	100%	18,691,047	28,136,336	7,700	7,700
SARL 95	7,700	(404,646)	7,700	100%	(68,304)	(465,250)	7,700	7,700
SCI Sainte Brigitte	1,525	(559,183)	1,524	100%	(26,610)	(584,268)	1,524	1,524
SARL VIVREA	150,000	(1,017,668)	150,000	100%	(330,013)	(1,197,681)	150,000	150,000
SA LES CHARMILLES	76,225	3,098,268	74,701	98%	887,943	4,062,435	3,092,517	3,092,517
SCI KOD'S	22,650	333,230	22,650	100%	56,244	412,124	68,094	68,094
SARL LA BRETAGNE	277,457	(1,320,900)	277,457	100%	5,314	(1,038,129)	11,300	11,300
SARL RESIDENCE LA VENITIE	13,300	(44,852)	13,300	100%	(48,928)	(80,480)	782,892	782,892
SARL L'ATRIUM	7,622	(896,941)	7,622	100%	84,936	(804,383)	985,140	985,140
SARL GESTIHOME SENIOR	400	(14,762)	400	100%	7,747	(6,615)	410,849	410,849
SARL MAISON DE CHARLOTTE	7,500	(1,379,760)	7,500	100%	371,633	(1,000,627)	2,703,650	2,703,650
SA BRIGE	1,200,000	(3,673,984)	1,200,000	100%	(7,350,238)	(9,824,222)	670,000	670,000
SRLORPEA ITALIA	3,350,000	500,087	161,470	5%	(2,076,811)	1,773,276	682,862	682,862
SCI LES TREILLES	15,245	2,021,793	15,243	99.99%	52,111	2,089,149	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	(1,788,141)	1,510	99%	(286,722)	(2,073,338)	1,510	1,510
SCI Courbevoie de l'Arche	1,525	(1,705,405)	1,509	99%	(148,302)	(1,852,182)	1,509	1,509
SCI le Barbaras	182,939	1,536,634	182,939	100%	2,139,157	3,858,730	821	821
SARL DOMEA	100,000	(89,799)	100,000	100%	(25,662)	(15,461)	100,000	100,000
SARL 96	7,700	3,066,174	7,700	100%	185,892	3,259,766	6,930	6,930
SCI BEAULIEU	3,049	(23,108)	3,049	100%	(12,190)	(32,249)	30,490	30,490
SAS LA SAHARIENNE	1,365,263	(1,009,792)	1,365,263	100%	(307,334)	48,137	5,712,440	5,712,440
SARL ORPEA DEV	100,000	766,053	100,000	100%	12,531	878,584	100,000	100,000
SAS ORGANIS	37,000	(769,666)	37,000	100%	79,429	(653,237)	11,775,946	9,825,946
GRUPO CARE	63,921	14,341,470	63,921	100%	(15,969,956)	(1,564,565)	17,878,321	17,878,321
DINMORPEA	5,000	(348,712)	5,000	100%	(42,270)	(385,982)	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	(7,081,329)	20,000,000	100%	565,155	13,483,826	17,646,819	17,646,819
SA ORPEA BELGIUM	31,500,000	11,661,003	500,000	2%	36,427,168	79,588,171	15,479,233	15,479,233
SA DOMAINE DE CHURCHILL	815,012	2,025,015	815,012	100%	13,284,983	16,125,010	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,000	11,738,451	6,500	10%	(134,800)	11,668,651	1,414,449	1,414,449

SA LONGCHAMPS LIBERTAS	90,000	99,590	90,000	100%	1,118,294	1,307,884	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,000	34,918	265,000	100%	286,865	586,783	3,075,311	3,075,311
TRANSAC CONSULTING CORPOR	3,009	(9,002)	3,009	100%	0	(5,993)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	(3,549,180)	37,200	100%	(208,553)	(3,720,533)	2,644,007	2,644,007
SARL L'Ermitage (Contes)	7,622	(252,677)	7,622	100%	109,041	(136,013)	728,600	625,858
SARL Benian	1,000	(21,083)	200	20%	(18,594)	(38,677)	300,200	300,200
SCI JEM II	152	276,520	137	90%	49,957	326,629	883,500	883,500
SARL Reine Bellevue	6,000	1,167,813	6,000	100%	(1,895,127)	(721,314)	3,370,835	3,370,835
SARL La Doyenne de Santé	8,000	(60,036)	4,000	50%	(18,332)	(70,368)	1,267,425	1,267,425
SASU Le Vige	37,126	(877,954)	37,126	100%	34,404	(806,424)	1,350,000	1,350,000
SA Gerone	500,000	423,215	500,000	100%	3,482	926,697	2,982,451	2,982,451
SCI Douarnenez	1,500	(2,162,674)	1,500	100%	256,084	(1,905,090)	1,485	1,485
SCI Barbacane	1,524	857,893	15	1%	22,858	882,275	15	15
SCI Selika	10,671	5,461,796	15	0.14%	76,375	5,548,842	15	15
SCI SLIM	762	563,546	762	100%	80,585	644,893	1,830	1,830
SCI SAINTES BA	1,524	2,650,606	15	1%	754,052	3,406,182	15	15
SCI Les Anes	1,000	(1,321,108)	1	0.10%	(159,029)	(1,479,137)	1	1
SARL L'Ombrière	8,000	(654,966)	8,000	100%	(43,587)	(690,553)	822,027	822,027
SAS MDR La Cheneraie	254,220	(869,782)	3,991	2%	(369,491)	(985,053)	146,044	146,044
SARL IDF resid Ret.Le Sophora	7,622	(560,754)	762	10%	(244,690)	(797,822)	80,000	80,000
SA Paul Cezanne	60,980	(1,119,730)	60,980	100%	(388,647)	(1,447,397)	9,846,755	9,846,755
SARL Le Sequoia	7,622	(501,617)	7,622	100%	33,505	(460,489)	2,439,120	2,439,120
SNC les Jardins d'Escudie	100,000	(2,923,962)	100,000	100%	(643,784)	(3,467,746)	824,310	824,310
SA Résidence du Moulin	38,112	(1,355,191)	38,112	100%	(503,696)	(1,820,775)	2,100,466	2,100,466
SC Les Praticiens	87,600	(14,353)	876	1%	(12,351)	60,896	67,009	67,009
SAS Résidence La cheneraie	2,537,040	1,560,806	2,537,040	100%	291,213	4,389,059	7,324,746	7,324,746
SA EMCEJIDEY	293,400	406,348	293,400	100%	15,327	715,075	4,419,887	4,419,887
SARL Résidence du Parc	18,560	3,186	18,560	100%	5,140	26,886	5,810	5,810
SCI du Fauvet	1,524	(50,509)	152	10%	271,840	222,855	68,306	68,306
OPCI	5,301,885	(185,115)	266,155	5.02%	(98,187)	5,018,584	479,732	479,732
SAS SFI France	4,000,000	(5,309,554)	4,000,000	100%	(114,625)	(1,424,179)	23,305,520	23,305,520
SCI Ansi	22,867	241,891	2,287	0.1%	67,408	332,166	40,399	40,399
SARL Viteal les Cedres	50,000	(1,027,118)	50,000	100%	(278,277)	(1,255,395)	85,039	85,039
SA Le Vieux Château	50,000	(837,387)	50,000	100%	(292,013)	(1,079,400)	629,728	629,728
SAS Home La Tour	40,600	(522,369)	40,600	100%	(29,665)	(511,434)	2,869,328	2,869,328
SARL Les Oliviers Saint Laurent	3,000	(17,690)	3,000	90%	(27,288)	(41,978)	2,179,500	2,179,500
SCI Portes D'Auxerre WB	30,000	(77,925)	3,000	1%	(54,531)	(102,456)	15,694	15,694
SAS MEDITER	3,500,000	(4,528,149)	3,500,000	100%	(2,811,461)	(3,839,610)	103,048,343	102,575,126
SA MEDIBELGE	10,000,000	4,888,778	490,000	100%	2,815,437	17,704,215	49,705,091	49,705,091
SNC des Parrans	7,622	27,183	7,622	100%	(13,768)	21,037	1,399,856	1,399,856
SAS Actiretraite	8,000	5,549	8,000	100%	(20,599)	(7,050)	3,325,832	3,325,832
SNC Les Acanthes	7,622	89,034	7,622	100%	(24,034)	72,622	1,468,434	1,468,434
SA Le Clos St Grégoire	38,173	1,227,035	38,173	100%	207,097	1,472,305	4,692,302	4,692,302
SA Rive Ardente	135,000	(13,729)	135,000	100%	68,138	189,409	5,062,487	5,062,487
SAS le Clos d'Aliènor	40,000	(91,104)	40,000	100%	54,708	3,604	2,834,020	2,834,020
SAS les Jardins d'Aliènor	10,000	197,966	10,000	100%	59,286	267,252	4,102,931	4,102,931
SARL L'Occitanie	38,000	(3,258,659)	38,000	100%	1,293,746	(1,926,913)	1	1
SARL les Jacourets	7,622	10,477	7,622	100%	(137,893)	(119,794)	548,688	548,688
SAS Medic Agir	1,036,000	691,241	1,036,000	100%	(1,469,908)	257,333	19,362,339	19,362,339
SAS La Cigalière	8,000	474,786	8,000	100%	3,596	486,382	3,168,976	3,168,976
SA Immobilière de Santé	7,828,400	1,778,000	3,835,916	49%	2,264,000	11,870,400	13,125,000	13,125,000
SARL Domidom	4,992,525	(5,840,170)	1,497,758	30%	(477,017)	(1,324,662)	3,370,565	3,370,565
GCS	75,000	0	12,503	16.67%	1,029,026	1,104,026	12,500	12,500
						0		
Other securities						0	19,689	19,716
Other securities (access)						0	260,286	260,286
Total							**423,464,432**	**421,514,431**

Appendix 2: income statement for the last five financial years

	31/12/2012	31/12/2011	31/12/2010	31/12/2009	31/12/2008
Capital at year-end					
Share capital	66,247,578	66,247,365	52,940,994	48,558,965	46,128,465
Number of existing ordinary shares	52,998,062	52,997,892	42,352,795	38,847,172	36,902,772
Maximum number of additional shares to be issued					
By converting bonds	4,069,534	4,069,534	4,069,635	0	0
By exercising subscription rights	1,217,779	1,217,949	1,263,387	1,355,268	188,881
Transactions and net profit for the year					
Sales	494,474,847	442,591,056	409,332,636	380,391,749	337,521,389
Operating profit	37,838,649	37,501,890	36,951,737	34,851,930	29,409,966
Net finance cost	(23,171,095)	(22,933,928)	(23,872,898)	(5,006,221)	(13,114,436)
Pre-tax profit on ordinary activities	14,667,554	14,567,962	13,078,838	29,845,709	16,295,530
Exceptional items	(31,738)	(8,300,900)	(3,434,604)	(23,842,641)	(6,892,254)
Profit before tax, amortisation and provisions	30,957,575	24,936,512	20,379,506	15,231,842	18,432,309
Income tax	6,283,056	3,734,267	3,610,154	(931,447)	4,290,469
Net profit	8,352,759	2,532,794	6,034,080	6,934,515	5,112,807
Distributed profit	31,798,837	26,498,946	9,741,143	5,827,076	3,690,278
Earnings per share					
Earnings per share	0.16	0.05	0.14	0.18	0.14
Maximum diluted earnings per share	0.14	0.04	0.13	0.17	0.14
Dividend paid per share	0.60	0.50	0.23	0.15	0.10
Staff					
Average workforce	6,228	5,624	5,463	5,113	4,800
Total payroll	165,622,902	150,403,838	141,820,058	125,171,761	110,943,052
Total employee benefits	61,957,378	55,240,725	51,087,063	47,814,950	37,159,645

1. CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

CONSOLIDATED INCOME STATEMENT

in thousands of euros	*Notes*	31-Dec-12	31-Dec-11
REVENUE		**1,429,263**	**1,234,130**
Cost of materials consumed and other external charges		(387,906)	(333,891)
Staff costs		(716,175)	(625,010)
Taxes other than on profit		(67,265)	(58,439)
Depreciation, amortisation and provisions		(63,456)	(55,063)
Other recurring operating income		4,419	5,035
Other recurring operating expense		(4,472)	(3,588)
Recurring operating profit		**194,407**	**163,173**
Other non-recurring operating income	*3.19*	336,407	211,223
Other non-recurring operating expense	*3.19*	(309,512)	(184,430)
OPERATING PROFIT		**221,302**	**189,966**
Financial income		16,906	16,968
Financial expense		(89,718)	(81,952)
Net finance cost	*3.20*	**(72,812)**	**(64,984)**
PRE-TAX PROFIT		**148,490**	**124,982**
Income tax expense	*3.21*	(52,448)	(45,531)
Share in profit (loss) of associates and joint ventures	*3.5*	1,037	835
NET PROFIT		**97,079**	**80,286**
Attributable to minority interests		51	(29)
Attributable to owners of the Company		**97,028**	**80,316**
Number of shares		52,998,062	52,997,892
Basic earnings per share (in euros)		1.83	1.87
Diluted earnings per share (in euros)		1.79	1.82

COMPREHENSIVE INCOME STATEMENT

in thousands of euros	31-Dec-12	31-Dec-11
Net profit of the year	**97,028**	**80,316**
Fair value of cash flow hedges	(27,653)	(35,858)
Actuarial gains/(losses) on employee benefits	(1,235)	694
Tax effect on other income and expense recognised directly in equity	9,946	12,114
Comprehensive income before revaluation of property assets	**78,087**	**57,267**
Revaluation of property assets	17,346	57,888
Tax effect on other income and expense recognised directly in equity	(5,972)	(19,931)
Comprehensive income after revaluation of property assets	**89,461**	**95,224**

CONSOLIDATED BALANCE SHEET

(in thousands of euros)	*Note*	31-Dec-12	31-Dec-11
Assets			
Goodwill	*3.1*	379,866	323,005
Net intangible assets	*3.2*	1,306,292	1,128,915
Net property, plant & equipment	*3.4*	1,898,047	1,746,391
Properties under construction	*3.4*	553,881	470,738
Investments in associates and joint ventures	*3.5*	45,422	49,530
Non-current financial assets	*3.6*	22,534	18,998
Deferred tax assets	*3.21*	22,549	19,210
Non-current assets		**4,228,593**	**3,756,787**
Inventories		5,001	4,233
Trade receivables	*3.7*	100,289	93,536
Other assets, accruals and prepayments	*3.8*	138,134	196,758
Cash and cash equivalents	*3.12*	362,292	309,457
Current Assets		**605,716**	**603,984**
Assets held for sale		**120,700**	**121,012**
TOTAL ASSETS		**4,955,009**	**4,481,784**
Liabilities			
Capital		66,248	66,247
Consolidated reserves		845,761	693,426
Revaluation reserve		205,242	311,662
Net profit for the year		97,028	80,316
Equity attributable to owners of the Company	*3.10*	**1,214,279**	**1,151,650**
Minority interest		1,487	2,897
Total equity		**1,215,766**	**1,154,547**
Non-current financial liabilities	*3.12*	1,669,510	1,461,868
Provisions		28,018	17,335
Post-employment and other employee benefits obligation		28,798	24,419
Deferred tax liabilities		692,617	639,032
Non-current liabilities		**2,418,943**	**2,142,654**
Current financial liabilities		503,669	465,505
Provisions		12,220	10,072
Trade payables		154,673	171,703
Tax and social security liabilities		185,937	177,966
Current income tax liability		19,528	0
Other liabilities, accruals and prepayments		323,572	238,325
Current liabilities		**1,199,599**	**1,063,570**
Liabilities associated with assets held for sale		**120,700**	**121,012**
TOTAL LIABILITIES		**4,955,009**	**4,481,784**

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

in thousands of euros	*Note*	31-Dec-12	31-Dec-11
Cash flow from operating activities			
• Consolidated net income		97,028	80,316
• Elimination of non-cash items related to operating activities (*)		77,253	59,891
Cost of debt	*3.20*	72,812	64,987
• Gains on disposals not related to operating activities, net of tax		(34,753)	(20,964)
Cash generated by consolidated companies		**212,340**	**184,227**
• Change in operating working capital requirement			
- Inventories		(372)	(648)
- Trade receivables	*3.7*	4,471	(11,318)
- Other receivables	*3.8*	50,564	2,972
- Tax and social security liabilities		15,177	(3,655)
- Trade payables	*3.14*	(31,252)	20,765
- Other liabilities	*3.16*	(42,788)	9,907
Cash flow from operating activities		**208,140**	**202,250**
Cash flow from investing and development activities			
• Net cash for acquisition of Real Estate		(437,544)	(391,728)
• Real estate sales		300,295	124,426
• Acquisition of property, plant & equipment and PPE in progress	*3.4*	(142,144)	(82,194)
Cash flow from investing activities		**(279,393)**	**(349,496)**
Cash flow from financing activities			
• Proceeds from capital increases	*3.10*	(101)	200,767
• Dividends paid to the owners of the parent	*3.10*	(26,499)	(9,741)
• Additions to (repayments of) bridging loans and bank overdrafts	*3.12*	68,982	3,038
• Additions to finance leases	*3.12*	93,529	92,355
• Additions to other debt	*3.12*	457,352	121,226
• Proceeds from OCEANE bond issue			
• Proceeds from OBSAAR bond issue			
• Repayments of other debt	*3.12*	(205,175)	(118,339)
• Repayments of finance leases	*3.12*	(53,220)	(45,146)
• Cost of debt and other movements	*3.20*	(72,816)	(64,981)
Cash flow from financing activities		**124,088**	**180,179**
Change in cash and cash equivalents		**52,835**	**32,933**
Opening cash and cash equivalents		309,457	276,524
Closing cash and cash equivalents		**362,292**	**309,457**
Breakdown of closing cash and cash equivalents		**362,292**	**309,457**
• Money market funds	*3.12*	237,341	251,330
• Cash and cash equivalents	*3.12*	124,951	58,127
• Bank overdrafts			

The notes are 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 acquisition of facilities.

INFORMATION ON 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	Total Attributable to owners of the Company	Non-controlling interests	Total
31-Dec-10	**42,352,795**	**52,941**	**191,512**	**297,217**	**251,105**	**66,347**	**865,353**	**29,250**	**894,603**
Appropriation of net profit					56,606	(66,347)	(9,741)		(9,741)
Change in fair value of properties				37,957			37,957		37,957
Post employment benefit obligation					462		462		462
Financial instruments				(23,512)			(23,512)		(23,512)
Other							0		0
Fair value changes recognised directly in equity		**0**	**0**	**14,445**	**57,068**	**(66,347)**	**5,166**	**0**	**5,166**
2011 net profit						80,316	80,316	(29)	80,316
Exercise of stock options	18,360	23	85				108		108
Exercise of BSAAR	27,078	34	992				1,026		1,026
Exercise of OCEANE	101	0					0		0
Capital increase	10,599,558	13,249	186,383				199,633		199,633
Contribution from Mediter's capital increase					46		46	(29,250)	(29,204)
Other							0	2,926	2,926
31-Dec-11	**52,997,892**	**66,247**	**378,973**	**311,662**	**308,219**	**80,316**	**1151650**	**2,897**	**1,154,547**
Reclassification revaluations following change to IFRS 1				(88,824)	88,824		0		0
Appropriation of earnings					53,817	(80,316)	(26,499)		(26,499)
Change in fair value of properties				536	10,837		11,373		11,373
Post employment benefit obligation					(810)		(810)		(810)
Financial instruments				(18,132)			(18,132)		(18,132)
Other							0		0
Fair value changes recognised directly in equity		**0**	**0**	**(106,420)**	**152,668**	**(80,316)**	**(34,067)**	**0**	**(34,067)**
2012 net profit						97,028	97,028	51	97,079
Exercise of stock options							0		0
Exercise of BSAAR	170	0	6				6		6
Exercise of OCEANE							0		0
Capital increase			(107)				(107)		(107)
Contribution from Mediter's capital increase							0		0
Other					(232)		(232)	(1,462)	(1,694)
31-Dec-12	**52,998,062**	**66,248**	**378,872**	**205,242**	**460,656**	**97,028**	**1,214,179**	**1,487**	**1,215,766**

Notes to the consolidated financial statements at 31 December 2012

Notes to the consolidated financial statements

Amounts are expressed in thousands of euros unless otherwise stated

The 2012 consolidated financial statements for the Orpea Group were approved by the Board of Directors on 25 April 2013.

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

As required by European regulation 1606/2002 dated 19 July 2002, the Orpea Group has prepared its 2012 annual consolidated financial statements in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union and made obligatory as of the balance sheet date of these financial statements.

This standard is available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm) and include the international accounting standards (IAS and IFRS) as well as the IFRIC interpretations (International Financial Reporting Interpretations Committee).

The accounting methods set out below have been permanently applied to all financial years presented in the consolidated financial statements, except for the new standards and interpretations set out below.

The new standards and interpretations that are mandatory for periods beginning on or after 1 January 2012 and have been adopted by the Orpea Group are:

- Amendment to IFRS 7 "Financial Instruments – Disclosures – Transfers of financial assets" published in the Official Journal of the European Union. The first application of this amendment has no impact on the consolidated financial statements at 31 December 2012.

The group did not apply any new standards or interpretations which were not obligatory on 1 January 2012. These standards were as follows:

- IAS 19 amended "Employee benefits" applicable from 2013;
- IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of interests in other entities" which are applicable en masse from 2014;
- IAS 28 revised "Investments in associates and joint ventures".

The changes to IAS 19 result in the following, inter alia:

- removal of the option to defer accounting of all or some actuarial gains and losses (corridor method);

- a change to the way the financial component is calculated, with removal of the expected hedge asset yield;
- immediately reporting the cost of past services not recorded under profit/loss.

A detailed revision of this standard is currently under way. Given the nature of its employee commitments and its current accounting methods, Orpea does not expect this new standard to have a major impact on its financial statements.

The consolidated financial statement and its notes are presented in euros.

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 – First-time Adoption of IFRS, 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 according to the historical cost principle, 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 1.11).

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 adopted early 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 recognised in non-current operating expenses for the period.

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). If applicable, impairment is recorded as profit/loss under "other operating income and expenditure". Goodwill impairment which is reported cannot subsequently be reversed under any circumstances.

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 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 translation differences resulting from the application of these rates are recognised as a component of consolidated equity under "Translation reserves" in "Consolidated reserves".

The Group's Swiss subsidiary, which only operates one facility, is the only subsidiary whose functional currency is not the euro at end-2012.

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, 80% to 100% for Belgium and 80% to 125% for 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 one to five 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. These sales are carried out as a block or by lots and are then leased 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 by 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, mainly through finance leases, 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 based on location, type of operation and operating conditions.

The restated value of each property is determined by capitalising an estimated market rent for each facility. The capitalisation rates used depend on location, type of operation and ownership method (fully or jointly-owned).

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

The Group depreciates property, plant and equipment on a straight-line basis. Depreciation is calculated on the expected useful life of each asset or each of the components having different useful lives using the following criteria:

- 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. 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. These 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.

The degree of completion is determined based on accrued costs after the validation by the project manager, and corresponds to the technical advancement in terms of the overall costs of the project.

Marketing expenses directly attributable to assets sold off-plan are recognised as assets under 'property, plant and equipment in progress' and are charged back in proportion to the percentage of completion.

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.

Only leasebacks followed by the end of an operating lease give rise to gains or losses on disposals that are accounted for under "Other non-recurring operating income and expense".

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.* This excludes finance leased buildings.

This classification applies if the sale is highly probable and the non-current asset or disposal group held for sale meets the criteria for such classification and are in particular immediately available-for-sale.
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

Trade receivables are initially valued at the nominal value. This method is considered to be the best estimate of their initial fair value. 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 obligations:	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%
- Mutual funds:	receivables more than 18 months past due:	100%
	Receivables between 12 and 18 months past due:	75%
- Patients:	Receivables more than six months past due:	100%
- Residents:	receivables between six and 12 months past due:	50%
	Receivables more than one year past due:	100%
- Residents receiving social security support:		
	Receivables more than two years past due:	50%
	Receivables more than three 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 (Local Economic Contribution, 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 IAS12. 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 three months and debt securities traded on official markets that are subject to an insignificant risk of a fall in value, which are measured at fair value and for which changes are recognised in profit or loss.

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 employees of the Group.
In accordance with IFRS 2 – *Share-based payment*, plans implemented after 7 November 2002 are valued at the allocation date and are recognised under staff costs over the period during which

beneficiaries acquire rights, usually five years. This expenditure, which represents the option's market value at the time of its allocation, is recorded as quid pro quo to an increase in reserves.

Plans are valued according to the Black & Scholes model.

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 free shares
to Group employees (70,000 free 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. They 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 a 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. This is posted 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 per diem 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's 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:

- income and expenditure relating to the group's property transactions: sale of property, development costs and any depreciation costs;
- 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 take 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 proceeds from the exercise of rights are intended to be used first and foremost to buyback shares at the market price. This "share buyback" method is used to calculate the amount of shares that are "not bought back" which are added to the number of ordinary shares outstanding to determine the dilutive impact.

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 EBIT 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 3.1.8).

1.27 Organic growth

The Group regularly discloses its organic revenue growth.

The organic growth of the Group's revenue includes:

- the change in the revenue of existing facilities in line with changes in their occupancy rates and day rates;
- the change in the revenue of restructured facilities or facilities whose capacities have been increased;
- the revenue of facilities set up during the year or during the previous year.

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

2012 revenue rose by 15.8 % or €195 million compared with 2011.

The Group has expanded through both organic growth and acquisitions.

Organic revenue growth was 8.2 % compared with 8.5% the previous year.

The company opened 15 new facilities in France during 2012 totalling about 1,246 beds following the completion of developments started in previous years, compared with eight facilities totalling 802 beds in 2011. These 15 facilities break down as follows:

- 12 long-term care facilities in Nîmes, Ste Maxime, Messigny-Vantoux, St Maur, Rocquebrune, Clamart, Boulogne-Billancourt, St Vrain, Saintry, Berlaimont, Auxerre and St Sulpice;
- three clinics located in Villepinte, Osny and Draguignan.

Orpea also continued with its acquisition policy in 2012 with the acquisition of facilities in operation or at the proposal stage:

- in France:
  - five long-term care facilities: in Orléans, Cannes, Revin, Charleville and Ustaritz,
  - four clinics: in Eaubonne, Goussonville, Olivet and Blanc Mesnil;

- abroad:
  - in Spain: a set of six retirement homes in the province of Madrid,
  - in Belgium: a residence in Schoten, as well as the acquisition of a 51% stake in the Medibelge Group, which operates 17 rest homes,
  - in Italy: a psychiatric clinic and a post acute and rehabilitation care facility.

During the year, ORPEA has also bought the following holdings:

- 30% in Domidom Services, a company providing home help services;
- 49% in COFINEA, which owns a building operated by the group;
- 49.9% in SA Immobilière de Santé which holds several property assets.

The Group also made ad hoc acquisitions – either directly or via companies – of standalone assets necessary for its expansion, comprising intangible property and operating rights.

During 2012, investments in the Group's external growth amounted to €130 million and debt taken on by the Group amounted to about €(22) 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	Intangible operating assets (in millions of euros)	Intangible concession assets (in millions of euros)	Goodwill and intangibles not yet assigned (in millions of euros)	Properties (in millions of euros)
France	9	729	51		29	30
International	26	3,183	87	28	27	26
Italy	*2*	*308*	*19*			*14*
Switzerland						
Belgium	*18*	*1,933*	*68*			*12*
Spain	*6*	*942*		*28*	*27*	
Total	35	3,912	138	28	57	56

Deferred tax liabilities recognised in respect of these acquisitions amounted to about €56 million.

In 2011, total investments on the date of consolidation were:

	Number of facilities	Number of beds	Intangible operating assets (in millions of euros)	Goodwill and intangibles not yet assigned (in millions of euros)	Properties (in millions of euros)
France	19	1,258	68	20	84
International	2	296	16	0	0
Italy	*1*	*147*	*12*		
Switzerland					
Belgium	*1*	*149*	*5*		0
Spain					
Total	21	1,554	84	20	84

3. NOTES TO THE FINANCIAL STATEMENTS

3.1 Goodwill

The main movements during the year were as follows:

	France	International	Total
Opening net goodwill	254,494	68,511	323,005
Business combinations*	30,242	26,619	56,681
Closing net goodwill	**284,736**	**95,130**	**379,866**

(*) Including €24.7 million in goodwill recognised at the time of the acquisition of a controlling interest in the MEDIBELGE group.

3.2 Intangible assets

The following table shows the main intangible assets and accumulated amortisation:

	31/12/2012			31/12/2011		
	Gross	Depr., amort. prov.	Net	Gross	Depr., amort. prov.	Net
Operating licences	1,262,123	6,812	1,255,312	1,111,999	6,812	1,105,188
Advances and downpayments	7,139		7,139	8,314		8,314
Other intangible assets	53,401	9,560	43,841	23,072	7,659	15,413
Total	1,322,664	16,371	**1,306,292**	1,143,385	14,471	**1,128,915**

At 31 December 2012, "Operating licences" comprised the licences to operate facilities in France, Belgium and Italy considered to have an indefinite useful life.

Amortisation of other intangible assets 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 the movement in intangible assets by type (net):

	Operating licences	Advances and downpayments	Other	Total
31 December 2010	**814,017**	**5,299**	**15,779**	**835,096**
Increase	3,064	4,794	3,056	10,914
Decrease	(2,552)	(540)	(1,181)	(4,273)
Depreciation, amortisation and provisions	3,180		1,940	1,240
Reclassifications and other	203,416	(1,238)	(360)	(201,818)
Changes in scope	84,063		59	84,122
31 December 2011	**1,105,188**	**8,314**	**15,413**	**1,128,915**
Increase	12,921	4,928	1,431	19,280
Decrease	(206)	(541)	(275)	(1,022)
Depreciation, amortisation and provisions			(1,949)	(1,949)
Reclassifications and other	(202)	(5,561)	323	(5,440)
Changes in scope	137,611		28,899	166,509
31 December 2012	**1,255,312**	**7,139**	**43,841**	**1,306,292**

"Other intangible assets" include €28.4 million in operating licences acquired in Spain in 2012.

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, in 2012 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 2012 were:

- perpetual growth rate: 2.5%;
- discount rate: 8.0 %;
- 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.
Applying the discounted cash flow method leads to an excess carrying amount for the CGUs in operation of €2.8 billion based on a discount rate of 8.0% compared to €1.8 billion at a discount rate of 9.0%.

3.4 Property, plant and equipment

3.4.1 Changes in property, plant & equipment including those under construction

The following table shows the main items of property, plant and equipment, including those under construction, and accumulated depreciation:

	31/12/2012			31/12/2011		
	Gross	Depr., amort. prov.	Net	Gross	Depr., amort. prov.	Net
Land	718,274	284	718,026	709,862	172	709,690
Buildings	1,477,686	287,422	1,190,265	1,281,211	251,744	1,029,467
Technical installations	174,219	102,647	71,572	173,424	78,407	95,018
Properties under construction	553,944	62	553,881	470,801	62	470,738
Other intangible assets	95,133	56,248	38,885	75,508	42,281	33,228
Properties held for sale	(120,700)		(120,700)	(121,012)		(121,012)
Total	2,898,556	446,627	**2,451,928**	2,589,794	372,665	**2,217,129**

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	Technical installations	Properties under construction	Other	Properties held for sale	Total
31 December 2010	**569,237**	**867,216**	**78,088**	**485,227**	**30,677**	**(119,929)**	**1,910,517**
Acquisitions	17,899	78,723	15,210	226,345	5,835		344,012
Change in fair value	57,888						57,888
Disposals and terminations (*)	(1,174)	(12,295)	(2,083)	(103,473)	(1,128)		(120,153)
Depreciation	(30)	(33,429)	(15,224)		(3,951)		(52,634)
Reclassifications and other	31,933	94,438	17,987	(150,942)	682	(1,083)	(6,985)
Changes in scope	33,937	34,814	1,040	13,581	1,113		84,485
31 December 2011	**709,690**	**1,029,467**	**95,018**	**470,738**	**33,228**	**(121,012)**	**2,217,129**
Acquisitions	8,527	86,708	25,768	344,181	4,987		470,172
Change in fair value	5,346	12,000					17,346
Disposals and terminations (*)	(21,682)	(56,996)	(664)	(173,890)	(1,199)		(254,430)
Depreciation	(68)	(36,839)	(18,453)	(435)	(5,171)		(60,966)
Reclassifications and other	12,358	131,066	(32,485)	(114,635)	1,082	312	(2,302)
Changes in scope	3,855	24,859	2,387	27,920	5,959		64,981
31 December 2012	**718,026**	**1,190,265**	**71,572**	**553,881**	**38,885**	**(120,700)**	**2,451,928**

(*) Amounts are net of the corresponding depreciation.

The main changes during 2012 were investments necessary for the everyday operation of the facilities, investments in new buildings or extensions, acquisition of properties as part of business combinations and of properties under construction, as well as disposals of completed properties (particularly in the first half of the year in Belgium for €98 million) or off-plan sales to a number of investors.

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-12	**31-Dec-11**	**Change**
Gross revaluation reserve	413,509	412,691	818
Depreciation	(11,958)	(9,942)	(2,016)
Net revaluation reserve	**401,551**	**402,749**	**(1,198)**

The revaluation reserve for property assets amounted to €413.5 million at 31 December 2012 compared with €412.7 million at the end of 2011.

The main changes in the amounts are a result of:

- revaluations over the year worth €17.3 million, €12 million of which from an additional revaluation on Belgian assets sold during the first six months;
- the sale of Belgian assets previously valued at €16.5 million on the day they were sold.

The corresponding tax, calculated at standard rates, amounted to €142.3 million.

The amount of additional depreciation arising as a result of the revaluation of buildings in 2012 was €2 million.

The average values of properties measured using the revaluation method were as follows:

Price per sq.m GLA (in €)	**31-Dec-12**	**31-Dec-11**
Paris	5,668	5,565
Inner Paris suburbs	3,977	3,923
Outer Paris suburbs and other major cities	2,724	2,699
Other	1,887	1,872

3.4.3 Finance leases

Property, plant and equipment financed by finance leases include the following assets at their gross value:

	31-Dec-12	**31-Dec-11**
Land	188,342	182,442
Buildings	539,767	500,489
Finance leased property	**728,109**	**682,931**

All finance leases are property leases.

Future minimum payments under finance leases are disclosed in note 3.22.

3.4.4 Operating leases

Operating lease payments are as follows:

	31-Dec-12	**31-Dec-11**
Lease payments	112,192	93,114
Total	**112,192**	**93,114**

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.

3.5 Investments in associates and joint ventures

At 31 December 2012, investments in associates and joint ventures break down as follows:

TCP DEV (*) (long-term care facilities)	70%	490
Group of six care facilities owned by PCM	45%	20,604
COFINEA	49%	5,011
DOMIDOM	30%	3,371
IDS	49.9%	13,125
Other	49%	3,587
	Total	46,188
Equity accounted profit/(loss) for previous financial years		(1,802)
Equity accounted net profit for the current financial year		+1,037
Investments in associates and joint ventures		45,422

(*) Pursuant to a shareholders' agreement, Orpea does not have control

At 31 December 2012, the main aggregates related to investments in associates and joint ventures broke down as follows:

(in thousands of euros)	
Non-current assets	292,832
Current assets	56,405
Equity	80,100
Non-current liabilities	185,302
Current liabilities	83,834
Revenue	109,552
Net profit	2,353
Equity accounted net profit	1,037

3.6 Non-current financial assets

Non-current financial assets break down as follows:

	31-Dec-12 Net	31-Dec-11 Net
Non-consolidated investments	6,550	4,996
Loans	10,465	9,962
Security deposits	5,518	4,040
Total	**22,534**	**18,998**

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-12	31-Dec-11
Trade receivables	100,289	93,536
Total	**100,289**	**93,536**

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-12	31-Dec-11
Development-related expenses	29,620	39,632
Receivables related to property disposals	31,230	35,743
Prepaid expenses on property developments (*)		14,844
VAT receivables	31,917	61,812
Advances and prepayments made	3,937	8,033
Other receivables	22,058	20,913
Receivables from suppliers	10,666	8,002
Prepaid operating expenses	8,706	7,780
Total	**138,134**	**196,758**

* The marketing expenses related to buildings sold off-plan (VEFA, *vente en état future d'achèvement*) programme, previously registered in prepaid expenses, are now registered in current assets under construction.

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-12	31-Dec-11
Total number of shares	52,998,062	52,997,892
Number of shares issued	52,998,062	52,997,892
Par value per share (€)	1.25	1.25
Share capital (€)	66,247,578	66,247,365
Treasury shares	20,882	25,483

Since 31 December 2010, capital increases and the exercise of stock options have had the following impact on share capital and share premiums:

(in thousands of euros)	Number of shares	Share capital	Share premiums
Share capital at 31/12/2010	**42,352,795**	**52,941**	**191,512**
Exercise of options	18,360	23	85
Exercise of share warrants	27,078	34	992
Exercise of OCEANE	101	0	
Capital increase	10,599,558	13,249	186,383
Share capital at 31/12/2011	**52,997,892**	**66,247**	**378,973**
Exercise of options			
Exercise of share warrants	170	0	6
Exercise of OCEANE			
Capital increase			(107)
Share capital at 31/12/2012	**52,998,062**	**66,248**	**378,872**

3.10.2 Earnings per share

Average weighted number of shares in issue:

	31-Dec-12		31-Dec-11	
	Basic	Diluted	Basic	Diluted
Ordinary shares *	52,998,020	52,998,020	43,062,149	43,062,149
Stock options				
Treasury shares **	(23,183)	(23,183)	(26,402)	(26,402)
Exercise of share warrants				0
Exercise of OCEANE		4,069,635		4,069,635
Weighted average number of shares	**52,974,837**	**57,044,472**	**43,035,747**	**47,105,382**

* Net of treasury shares in 2010
** Weighted average

Earnings per share:

(in euros)	31-Dec-12		31-Dec-11	
	Basic	Diluted	Basic	Diluted
Net profit (Group share)	**1.83**	**1.79**	**1.87**	**1.82**

3.10.3 Dividends

The general shareholders' meeting of 29 June 2012 approved the payment of a dividend in respect of the 2011 financial year of €0.50 per share, representing a total of €26,498,946 paid in September 2012.

3.10.4 Stock option plans

Under the third plan, 18,360 options were exercised during 2011, so there are no more to be exercised.

No stock options have been granted to anyone who was an executive officer on the date of grant.

3.10.5 Share warrants

On 17 August 2009, Orpea made an issue of bonds with redeemable share warrants (OBSAAR). This operation led to the creation of 1,190,787 warrants. These warrants will be exercisable from 14 August 2011 to 14 August 2015 inclusive and will subscribe to 1.062 Orpea shares for an exercise price of €37.90. The maximum dilutive effect is 2.2 % of the share capital.

3.10.6 Treasury shares

The General Meeting of 30 June 2010 authorised a share repurchase programme.

This programme enables 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 2012, the Group held 20,882 treasury shares.

3.11 Provisions

Provisions break down as follows:

(in thousands of euros)	1-Jan-12	Actuarial gains or losses	Reclassification	Charge for the year	Reversal in the year (used)	Reversal in the year (not used)	Changes in scope and other	31-Dec-12
Liabilities and charges	20,582		(85)	22,409	(1,881)	(9,111)	1,176	33,093
Restructuring	6,822			314	(2,333)		2,340	7,142
Total	**27,404**		**(85)**	**22,723**	**(4,214)**	**(9,111)**	**3,516**	**40,238**
Post-employment ben. ob.	24,419	1,235		1,195	(1,058)		3,007	28,798

Net contributions to provisions for risks and expenses, i.e. €11.417 million, mainly cover company disputes (€1.117million), third-party disputes (€1.685 million) and the risk of overrunning the work required on three buildings sold (€2.038 million). There is also a €2.703 million provision to cover the financial consequences of repurchase options on property complexes sold in Belgium not being exercised upon maturity, as well as a €4.427 million provision for the risk of ORPEA and the tax authorities arriving at different results in the application of rules to calculate VAT pro rata (at 31 December 2012, this provision was €9.687 million).

ORPEA and CLINEA, as well as some of the Group's property subsidiaries are undergoing tax audits. Most of the adjustments notified by the tax authorities have been disputed by these companies. No provision was made for these adjustments other than the ones mentioned above for the application of the rules to calculate VAT pro rata.

At the end of 2012, short-term provisions totalling €12.220 million included a €9.159 million provision for employment disputes and a €3.061 million restructuring provision.

The provision for post-employment benefits breaks down as follows:

(in thousands of euros)	31-Dec-12	31-Dec-11
France	24,206	21,375
International	4,592	3,044
Total	**28,798**	**24,419**

Movements in the French post-employment benefit obligation break down as follows:

	31-Dec-12				31-Dec-11			
(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	**21,375**	**(21,375)**			**16,805**	**(16,805)**		
Current service cost	1,501	(1,501)	(1,501)		1,360	(1,360)	(1,360)	
Interest cost	802	(802)	(802)		858	(858)	(858)	
Expected return on assets								
Employer's contributions								
Actuarial gains or losses	542	(542)		(542)	(1,127)	1,127		1,127
Benefits paid	(1,119)	1,119			(990)	990		
Changes in scope	1,104	(1,104)			4,468	(4,468)		
Closing	**24,206**	**(24,206)**	**(2,303)**	**(542)**	**21,375**	**(21,375)**	**(2,219)**	**1,127**

Movements in the International post-employment benefit obligation break down as follows:

	31-Dec-12				31-Dec-11			
(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	**3,044**	**(3,044)**			**1,628**	**(1,628)**		
Current service cost	(632)	632	632		148	(148)	(148)	
Interest cost	195	(195)	(195)		239	(239)	(239)	
Expected return on assets	(207)	207	207		(237)	237	237	
Employer's contributions	(403)	403	403		(430)	430	430	
Actuarial gains or losses	693	(693)		(693)	452	(452)		(452)
Benefits paid								
Changes in scope	1,902	(1,902)			1,245	(1,245)		
Closing	**4,592**	**(4,592)**	**1,046**	**(693)**	**3,044**	**3,044**	**281**	**(452)**

(*) Net of plan assets.

The main actuarial assumptions at 31 December 2012 were:

	31-Dec-12		31-Dec-11	
	France	International	France	International
Discount rate	3.75%	2.25%	4.50%	2.75%
Annual rate of salary increase taking account of inflation	2.50%	2.25%	3.50%	2.25%
Expected rate of return on plan assets	NA	2.75%	NA	3.00%
Retirement age	65 years	65 years	65 years	65 years
Social security contribution 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).
At 31 December 2012, sensitivity of the French post-employment benefit obligation to a 0.5% increase in the discount rate was €1.277 million.

3.12 Financial liabilities and cash and cash equivalents

Net debt breaks down as follows:

(in thousands of euros)	**Net 31 December 2012**	**Net 31 December 2011**
Long-term bank borrowings	246,747	295,181
Finance lease obligations	560,755	520,445
Bonds	631,691	382,374
Bridging loans	409,524	478,507
Miscellaneous financial liabilities and debt	445,162	371,878
Total gross debt (*)	**2,293,879**	**2,048,385**
Cash	(124,951)	(58,127)
Cash equivalents	(237,341)	(251,330)
Total net debt (*)	**1,931,587**	**1,738,928**

(*) Including liabilities associated with assets held for sale

The following table shows movements in financial liabilities in 2012:

(in thousands of euros)	31-Dec-11	Increase	Decrease	Changes in scope	**31-Dec-12**
Bond issues	382,374	291,141	(41,825)		**631,691**
Long-term property loans	295,181	5,528	(53,962)		**246,747**
Property finance leases	520,445	93,530	(53,220)		**560,755**
Property bridging loans	478,507	78,376	(147,358)		**409,524**
Miscellaneous financial liabilities and debt	371,878	160,675	(109,388)	22,002	**445,162**
Total gross debt (*)	2,048,385	629,250	(405,753)	22,002	**2,293,879**
Cash and cash equivalents	(309,457)	(52,835)			**(362,292)**
Total net debt (*)	1,738,928	576,415	(405,753)	22,002	**1,931,587**
Liabilities associated with assets held for sale	(121,012)	312			**(120,700)**
Net debt excluding liabilities associated with assets held for sale	(1,617,916)	576,727	(405,753)	22,002	**1,810,887**

(*) Including liabilities associated with assets held for sale.

The following table shows a breakdown of net debt by maturity:

	31-Dec-12	Under one year (*)	One to five years	Over five years
Bond issues	631,691	41,825	298,725	291,141
Long-term property loans	246,747	80,998	129,702	36,047
Property finance leases	560,755	58,531	251,469	250,754
Property bridging loans	409,524	274,084	124,771	10,669
Miscellaneous financial liabilities and debt	445,162	168,932	230,582	45,648
Total gross debt	**2,293,879**	624,369	1,035,249	634,261
Cash and cash equivalents	(362,292)	(362,292)		
Total net debt	**1,931,587**	262,077	1,035,249	634,261

(*) 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	2014	2015	2016	2017
Bond issues	298,725	62,735	62,735	173,255	0
Long-term property loans	129,702	34,238	26,065	17,766	51,633
Property finance leases	251,469	67,836	54,088	63,426	66,119
Property bridging loans	124,771	69,015	44,088	9,005	2,663
Miscellaneous financial liabilities and debt	230,582	75,957	66,306	49,374	38,945
Total gross debt per year	**1,035,249**	309,781	253,282	312,826	159,360

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 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.

The Group's expansion policy requires it to regularly obtain new bank credit facilities or sell properties to investors.

Banking covenants

Certain loans taken out by the Group, other than property finance leases, have been subject to the following contractually defined covenants since 31 December 2006:

$$R1 = \frac{\text{consolidated net debt (excluding property debt)}}{\text{consolidated EBITDA} - 6\% \text{ of property debt}}$$

and

$$R2 = \frac{\text{consolidated net debt}}{\text{Equity + quasi equity (i.e. deferred tax liabilities linked to the valuation of operating intangible assets under IFRS in the consolidated financial statements)}}$$

At 31 December 2012, these ratios stood at 1.7 and 1.2 respectively, within the required limits of 5.5 for R1 and 2.0 for R2 at 31 December 2012.

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.

This loan is repayable in 2012 and 2013 at 20% of the principal and in 2014 and 2015 at 30% of the principal. The interest rate for the issue is three-month EURIBOR + 137 base points before 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 (1.071 shares for one bond) between 15 December 2010 and up to the seventh working day inclusive preceding the normal redemption date at a price of €44.23 per share.

Other bonds: ORPEA issued three bonds during the second half of 2012, issuing:

- 1,930 bonds issued in two tranches:
  - Tranche A: a total of €65 million, i.e. 650 bonds at a unit price of €100,000. These bonds will be redeemed on 10 January 2018. The coupon payable on the bonds is 4.10% per year,
  - Tranche B: a total of €128 million, i.e. 1,280 bonds at a unit price of €100,000. These bonds will be redeemed on 30 May 2019. The coupon payable on the bonds is 4.60% per year;
- 200 bonds at a unit price of €100,000, totalling €20 million. These bonds will be redeemed on 30 November 2018. The coupon payable on the bonds is 4.20% per year;
- 900 bonds at a unit price of €100,000, totalling €90 million. These bonds will be redeemed on 4 December 2026. The coupon payable on the bonds is 5.25% per year.

Cash and cash equivalents

At end 2012, cash and cash equivalents comprised €237.341 million in short-term investments such as money-market mutual funds with first class financial institutions and €124.951 million 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 three-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 of these derivatives at fair value are recognised in equity at the year end.

Interest rate derivatives portfolio:

At 31 December 2012 as at 31 December 2011, the derivatives portfolio included fixed for floating (mainly three-month Euribor) interest rate swaps and interest rate options. These derivative instruments have either a constant or decreasing nominal profile.

At the end of 2011, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2012	2013	2014	2015	2016
Average notional (€m)	1,256	1,410	1,298	847	228
Effective rate	3.1%	2.9%	2.7%	2.6%	2.6%

At the end of 2012, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2013	2014	2015	2016	2017
Average notional (€m)	1,410	1,361	1,333	884	156
Effective rate	2.9%	2.6%	2.3%	1.9%	1.8%

At 31 December 2011, fair value changes on these cash flow hedges accumulated in equity amounted to –€72.8 million.

At 31 December 2012, fair value changes on these cash flow hedges accumulated in equity amounted to –€100.5 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 2012, net debt amounted to €1,932 million, of which around 25% was 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 €1.7 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 €0.3 million.

Movement in cash flow hedging reserve:

(in thousands of euros)	31-Dec-12	31-Dec-11
Opening hedging reserve	(72,843)	(36,985)
Change in equity fair value during the period	(56,928)	(55,543)
Of which recognised in profit and loss	29,275	19,685
Effect on overall profit and loss for the period	(27,653)	(35,858)
Closing hedging reserve	**(100,496)**	**(72,843)**

3.13.2 Value of financial assets excluding derivatives

(in thousands of euros)	31-Dec-12	31-Dec-11
Equity investments	6,550	4,996
Other non-current financial assets	15,983	14,002
Short-term investments	237,341	251,330
Financial assets excluding derivatives	**259,874**	**270,328**

3.14 Trade payables

	31-Dec-12 Net	31-Dec-11 Net
Trade and related payables	154,673	171,703
Total	**154,673**	**171,703**

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-12 Net	31-Dec-11 Net
Development-related liabilities	112,262	74,699
Security deposits	32,616	27,469
Commitments to work on buildings sold	3,617	5,032
Client accounts in credit	208	1,052
Other prepaid income	9,465	7,155
Derivative financial instruments	100,496	72,247
Advances and downpayments received	12,384	10,176
Other	52,524	40,495
Total	**323,572**	**238,325**

Changes in expansion-related liabilities are mainly a result of the €73 million financing for off-plan work and the acquisition of minority stakes for €37 million (€31 million of which for MIEUX VIVRE).

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-12	31-Dec-11
Revenue			
France		1,227,434	1,094,497
Belgium		105,580	67,476
Spain		48,730	30,537
Italy		32,174	26,816
Switzerland		15,345	14,804
	Total	**1,429,263**	**1,234,130**
Recurring operating profit before depreciation, amortisation and provisions			
France		231,355	200,481
Belgium		13,127	10,189
Spain		6,144	1,822
Italy		1,699	1,440
Switzerland		5,538	4,305
	Total	**257,863**	**218,236**
Assets			
France		4,416,798	4,103,964
Rest of Europe		538,211	377,819
	Total	**4,955,009**	**4,481,784**
Liabilities excluding equity			
France		3,403,361	3,057,281
Rest of Europe		355,883	269,956
	Total	**3,739,243**	**3,327,237**

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-12	31-Dec-11
Proceeds from property sales	318,424	176,781
Cost of properties sold	(268,005)	(144,809)
Provision reversal	4,548	6,978
Provision charge	(11,175)	(8,766)
Other income	13,435	27,465
Other expenses	(30,332)	(30,855)
Other non-recurring operating income and expense	**26,895**	26,793

Other non-recurring operating income and expense mainly comprises net gains on sales of property assets for €50.4 million, income and expense from acquisitions through business combinations for

€5.4 million and expenses associated with the redevelopment of recently-acquired facilities and other development costs for €(22) million.

Profit on property development recognised using the percentage of completion method include:

(in thousands of euros)	31-Dec-12	31-Dec-11
Disposal price	108,598	100,005
Cost of sales	(80,321)	(67,632)
Profit recognised on disposals of off-plan properties	**28,277**	**32,373**

3.20 Net finance cost

(in thousands of euros)	31-Dec-12	31-Dec-11
Interest on bank debt and other financial liabilities	(48,460)	(48,337)
Interest on finance leases	(11,983)	(13,680)
Net expense on interest rate derivatives	(29,275)	(19,935)
Financial expense	**(89,718)**	**(81,952)**
Capitalised borrowing costs (*)	16,102	16,410
Interest income	804	558
Net income on interest rate derivatives		
Financial income	**16,906**	**16,968**
Net finance cost..	**(72,812)**	**(64,984)**

(*) Based on an average rate of 4.5% in 2012, as in 2011, 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 2012.

(in thousands of euros)	31-Dec-12	31-Dec-11
Current taxes	45,372	22,057
Deferred taxes	7,076	23,474
Total	**52,448**	**45,531**

The income tax charge for 2012 includes the Contribution sur la Valeur Ajoutée des Entreprises (CVAE) of €16.318 million versus €11.983 million in 2011.

Deferred taxes assets/(liabilities) break down as follows by type of temporary difference:

(in thousands of euros)	31-Dec-12	31-Dec-11
Fair value of intangible assets	(371,633)	(325,482)
Fair value of PPE (*)	(303,736)	(294,177)
Capitalisation of finance leases	(45,364)	(34,828)
Timing differences	(5,366)	(6,510)
Tax loss carryforwards	22,549	19,210
Deferral of capital gains	1,323	1,471
Employee benefits	8,147	6,617
CVAE deferred tax (**)	(6,898)	(7, 494)
Financial instruments and other	30,910	21,371
Total	**(670,068)**	(619,822)

(*) including €142.3 million related to the revaluation of properties (see note 1.8).

(**) Deferred taxes recognised in accordance with IAS 12 on depreciable property, plant & equipment and amortisable intangible assets of French companies subject to CVAE as of 1 January 2010.

The deferred tax liability recognised in the balance sheet breaks down as follows:

(in thousands of euros)	31-Dec-12	31-Dec-11
Assets	22,549	19,210
Liabilities	(692,617)	(639,032)
Net	**(670,068)**	(619,822)

The difference between the theoretical tax rate, i.e. 36.10 % in 2012, and the effective tax rate appearing in the income statement, breaks down as follows:

(in thousands of euros)	31-Dec-12	31-Dec-11
Effective rate:	**35.08%**	**36.19%**
- Permanent differences:	-1.97%	-0.21%
- Impact of business combinations	1.30%	5.24%
- Impact of reduced tax rates (*):	6.82%	-0.01%
- Impact of companies accounted for at equity	0.25%	0.23%
- Other	1.59%	-0.73%
- Cotisation sur la valeur ajoutée des entreprises (CVAE)	-6.97%	-6.28%
Theoretical rate	**36.10%**	**34.43%**

(*) Mainly related to the non-taxation of sales of Belgian real estate entities

Deferred taxes calculated on the basis of the IFRS valuation of intangible assets came to €371.633 million at 31 December 2012. 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 (in thousands of €)	31-Dec-12	31-Dec-11
Counter-indemnities on contracts	**0**	**0**
Receivables sold not yet matured	**0**	**0**
Collateral	**1,375,256**	**1,347,865**
Financing property assets	*369,357*	*455,541*
Non-property borrowing and financial liabilities	*445,144*	*371,878*
Finance leases	*560,755*	*520,446*
Guarantees	**5,088**	**5,088**
related to property assets	*4,158*	*4,158*
related to non-property borrowings and financial liabilities	*930*	*930*
related to finance leases		
Other commitments	0	0
convertible bond subscription		
Total	**1,380,344**	**1,352,953**

Commitments relating to the Group's operations

Lease commitments

Minimum future lease payments on finance leases break down as follows at 31 December 2012:

	Minimum future payments
Under one year	63,880
One to five years	255,520
Over five years	447,160
Total lease commitments	**766,560**

Operating lease commitments break down as follows at 31 December 2012:

	Minimum future payments
Under one year	112,192
One to five years	448,769
Over five years	785,345
Total lease commitments	**1,346,306**

The Group mainly enters into leases with a non-cancellable period of 12 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.

On 31 December 2012, these training rights did not generate any additional costs as they are financed by refunds obtained under professional training contracts.
The expense is posted as and when the hours are used.

Commitments relating to the scope of consolidation

At the end of 2012, contractual commitments to acquire facilities, operating licences and land, subject to a number of conditions precedent being met amounted to €64 million.

The Group also has a call option on:

- 30% of TCP DEV as of September 2013;
- 21% of DOMIDOM's capital until 31 December 2013, and the remaining 49% from 1 January 2015 to 31 December 2016, with a joint exit mechanism in the event of options not being exercised by ORPEA;
- 51% of two other companies as of 2014.

In terms of the 45% stake held via PCM Sante, the following conditional commitments were exchanged for a possible acquisition of a 100% controlling interest:

- Promise of purchase approved by Orpea until 2021;
- promise of sale approved by the current majority shareholders from 2021.

In terms of the 49.9% stake in Immobilière de Santé, the following commitments were exchanged for a possible acquisition of a 100% controlling interest:

- Promise of sale to ORPEA between 1 July 2018 and 30 June 2019;
- Promise of purchase by ORPEA between 1 July 2019 and 30 June 2020,

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.

The Group also has the option of taking out land titles on buildings in Belgium.

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.

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Analysis of financial assets and liabilities in accordance with IFRS 7

Financial assets and liabilities in accordance with IFRS 7 break down as follows:

			Carrying amount		Fair value	
in thousands of euros	Classification in balance sheet	Level (*)	**31-Dec-12**	**31-Dec-11**	**31-Dec-12**	**31-Dec-11**
HELD-TO-MATURITY FINANCIAL ASSETS			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
LOANS AND RECEIVABLES			**254,406**	**304,296**	**254,406**	**304,296**
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	10,465	9,962	10,465	9,962
Receivables on asset disposals	Short-term receivables on asset disposals		31,230	53,716	31,230	53,716
Security deposits	Non-current financial assets	2	5,518	4,040	5,518	4,040
Other receivables	Other receivables	2	106,904	143,042	106,904	143,042
Trade receivables	Trade receivables	2	100,289	93,536	100,289	93,536
AVAILABLE-FOR-SALE FINANCIAL ASSETS			**0**	**0**	**0**	**0**
Equity investments	Non-current financial assets					
Other						
FINANCIAL ASSETS AT FAIR VALUE			**362,292**	**309,457**	**362,292**	**309,457**
Interest rate derivatives						
Currency derivatives						
Mutual funds	Cash and cash equivalents	1	237,341	251,330	237,341	251,330
CASH	Cash and cash equivalents	1	124,951	58,127	124,951	58,127
FINANCIAL ASSETS			**616,698**	**613,753**	**616,698**	**613,753**

(*) Level 1: financial assets and liabilities listed on an active market, where fair value is the listed price.
(*) Level 2: financial assets and liabilities not listed on an active market, 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 listed on an active market, 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-12	Carrying amount 31-Dec-11	Fair value 31-Dec-12	Fair value 31-Dec-11
FINANCIAL LIABILITIES AT FAIR VALUE			**100,496**	**72,247**	**100,496**	**72,247**
Currency derivatives	Other liabilities					
Interest rate derivatives	Other liabilities	2	100,496	72,247	100,496	72,247
Other liabilities	Other liabilities					
FINANCIAL LIABILITIES AT AMORTISED COST			**2,652,476**	**2,452,123**	**2,673,419**	**2,456,811**
Bonds convertible, exchangeable or redeemable for shares	Current + non-current financial liabilities		631,691	382,374	652,634	387,062
Bank borrowings	Current + non-current financial liabilities	2	1,101,433	1,145,566	1,101,433	1,145,566
Finance lease obligations	Current + non-current financial liabilities	2	560,755	520,445	560,755	520,445
Other liabilities	Recurring liabilities	2	223,076	238,325	223,076	238,325
Trade payables	Trade payables	2	135,521	165,413	135,521	165,413
FINANCIAL LIABILITIES			**2,752,972**	**2,524,370**	**2,773,915**	**2,529,058**

(*) Level 1: financial assets and liabilities listed on an active market, where fair value is the listed price.
(*) Level 2: financial assets and liabilities not listed on an active market, 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 listed on an active market, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

Related party transactions

Associates and joint ventures

Advances granted to associates and joint ventures by the Orpea Group amounted to €22 million at 31 December 2012.

During 2012, ORPEA acquired 30% of DOMIDOM held by the company DOMIPLUS. Philippe Austruy, director of ORPEA, is also the permanent representative of NEO GEMA which owns GEMA SERVICES, which in turn owns DOMIPLUS.

Benefits granted to directors and executive officers

The total amount of gross compensation, fees (including all taxes) and benefits paid during the 2012 financial year to ORPEA SA's corporate officers was €2.077 million. Attendance fees for members of the Board of Directors for the 2012 financial year, paid in 2013, were €211,000

At 31 December 2012 there were no entitlements to termination benefits.

3.23 Employees

Movements in the average number of employees were as follows:

	31-Dec-12	31-Dec-11
Managers	2,345	1,954
Non-managers	27,850	22,973
Total	**30,195**	**24,927**

3.24 Statutory Auditors' fees

Expenses recognised in respect of fees paid to the Statutory Auditors for their services to the ORPEA Group amounted to €2.344 million in 2012.

3.25 Subsequent events

The Group continued its expansion with the acquisition of a long-term care facilities group in Belgium (Flanders) with 900 beds (300 completed and 600 under construction), as well as a 45-bed clinic and an 80-bed long-term care facility in France.

The table below shows investments made in 2013 by country and by type:

	Number of facilities	Number of beds	Number of sites	Number of buildings
France	2	125	1	1
International	3	900	0	0
Italy				
Switzerland				
Belgium (*)				
Spain	*3*	*900*		
Total	5	1,025	1	1

(*) Including 600 under construction

3.26 Scope of consolidation at 31 December 2012

Consolidated companies Names	% control Group	% interest Group	Consolidation method
ORPEA SA	100.00%	100.00%	Mère
EURL LES MATINES	100.00%	100.00%	IG
SAS CLINEA	100.00%	100.00%	IG
SARL BEL AIR	100.00%	100.00%	IG
SCI ROUTE DES ECLUSES	100.00%	100.00%	IG
SCI DES RIVES D'OR	100.00%	100.00%	IG
SCI ORPEA DU CHÂTEAU NERAC	100.00%	100.00%	IG
SCI DE LA TOUR DE PUJOLS	100.00%	100.00%	IG
SCI DES RIVES DE LA CERISAIE	100.00%	100.00%	IG
SCI DU VAL DE SEINE	100.00%	100.00%	IG
SCI DU CLISCOUET	100.00%	100.00%	IG
SCI DES RESIDENCES DE L'AGE D'OR	100.00%	100.00%	IG
SCI GAMBETTA	100.00%	100.00%	IG
SCI CROIX ROUSSE	100.00%	100.00%	IG
SCI LES DORNETS	100.00%	100.00%	IG
SCI DU CHÂTEAU D'ANGLETERRE	100.00%	100.00%	IG
SCI MONTCHENOT	100.00%	100.00%	IG
SCI DU 115 RUE DE LA SANTE	100.00%	100.00%	IG
SCI L'ABBAYE VIRY	100.00%	100.00%	IG
SCI LES TAMARIS	100.00%	100.00%	IG
SCI DU 3 PASSAGE VICTOR MARCHAND	100.00%	100.00%	IG
SCI FAURIEL	100.00%	100.00%	IG
SCI DU PORT THUREAU	100.00%	100.00%	IG
SCI DE L'ABBAYE MOZAC	100.00%	100.00%	IG
SCI DE LA RUE DES MARAICHERS	100.00%	100.00%	IG
SCI LE BOSGUERARD	100.00%	100.00%	IG
SCI LE VALLON	100.00%	100.00%	IG
SCI BEL AIR	100.00%	100.00%	IG
SCI BREST LE LYS BLANC	100.00%	100.00%	IG
SCI SAINTE BRIGITTE	100.00%	100.00%	IG
SARL AMARMAU	100.00%	100.00%	IG
SARL VIVREA	100.00%	100.00%	IG
SARL NIORT 94	100.00%	100.00%	IG
SCI LES TREILLES	100.00%	100.00%	IG
SCI LES FAVIERES	100.00%	100.00%	IG
SA LES CHARMILLES	100.00%	100.00%	IG
SA BRIGE	100.00%	100.00%	IG
SRL ORPEA ITALIA	100.00%	100.00%	IG
SARL 96	100.00%	100.00%	IG
SARL SPI	100.00%	100.00%	IG
SARL 95	100.00%	100.00%	IG
SCI LA TALAUDIERE	100.00%	100.00%	IG
SCI SAINT PRIEST	100.00%	100.00%	IG
SCI BALBIGNY	100.00%	100.00%	IG
SCI SAINT JUST	100.00%	100.00%	IG
SCI CAUX	100.00%	100.00%	IG
SAS LA SAHARIENNE	100.00%	100.00%	IG
SCI IBO	100.00%	100.00%	IG
SARL ORPEA DEV	100.00%	100.00%	IG
SCI BEAULIEU	100.00%	100.00%	IG

Consolidated companies Names	% control Group	% interest Group	Consolidation method
SCI LES MAGNOLIAS	100.00%	100.00%	IG
SCI COURBEVOIE DE L'ARCHE	100.00%	100.00%	IG
SARL DOMEA	100.00%	100.00%	IG
SAS ORGANIS	100.00%	100.00%	IG
SARL MAISON DE LOUISE	100.00%	100.00%	IG
SARL GESSIMO	100.00%	100.00%	IG
SARL MAISON DE LUCILE	100.00%	100.00%	IG
SARL MAISON DE SALOME	100.00%	100.00%	IG
SARL MAISON DE MATHIS	100.00%	100.00%	IG
SA DOMAINE CHURCHILL	100.00%	100.00%	IG
SA RS DOMAINE CHURCHILL	100.00%	100.00%	IG
SA LONGCHAMP LIBERTAS	100.00%	100.00%	IG
SL TRANSAC CONSULTING CO	100.00%	100.00%	IG
SARL LA VENITIE	100.00%	100.00%	IG
SA CASA MIA IMMOBILIARE	100.00%	100.00%	IG
SARL L'ALLOCHON	100.00%	100.00%	IG
SA CLINIQUE LA METAIRIE	100.00%	100.00%	IG
SCI KOD'S	100.00%	100.00%	IG
SCI BARBACANNE	100.00%	100.00%	IG
SA DOMAINE LONGCHAMP	100.00%	100.00%	IG
SARL LA BRETAGNE	100.00%	100.00%	IG
SCI SAINTES	100.00%	100.00%	IG
SARL ATRIUM	100.00%	100.00%	IG
SCI BARBARAS	100.00%	100.00%	IG
SARL GESTIHOME SENIOR	100.00%	100.00%	IG
SA CALIDAD RESIDENCIAL	100.00%	100.00%	IG
SCI SLIM	100.00%	100.00%	IG
SCI SELIKA	100.00%	100.00%	IG
SARL MAISON DE CHARLOTTE	100.00%	100.00%	IG
SAS RESIDENCE ST LUC	100.00%	100.00%	IG
SARL L'ERMITAGE	100.00%	100.00%	IG
SCI JEM II	100.00%	100.00%	IG
SARL REINE BELLEVUE	100.00%	100.00%	IG
SA ORPEA BELGIUM	100.00%	100.00%	IG
SASU LE VIGE	100.00%	100.00%	IG

Consolidated companies Names	% control Group	% interest Group	Consolidation method
SA GERONE CORP	100.00%	100.00%	IG
SL DINMORPEA	100.00%	100.00%	IG
SA CLINIQUE LA LIRONDE	100.00%	100.00%	IG
SAS CLINIQUE CHAMPVERT	100.00%	100.00%	IG
SCI LES ANES	100.00%	100.00%	IG
SCI SPAGUY	100.00%	100.00%	IG
SCI LA DRONE	100.00%	100.00%	IG
SCI CHÂTEAU DE LA CHARDONNIERE	100.00%	100.00%	IG
SCI LA SALVATE	100.00%	100.00%	IG
SAS MAJA	100.00%	100.00%	IG
SCI DU CAROUX	100.00%	100.00%	IG
CLINEA ITALIA SPA	100.00%	100.00%	IG
SAS LA CLAIRIERE	100.00%	100.00%	IG
SRL CANTON DI MEZZO	100.00%	100.00%	IG
SARL ALTERNATIVE HOSPITALISATION	100.00%	100.00%	IG
SAS CHAMPVERT	100.00%	100.00%	IG
SA DAVER	100.00%	100.00%	IG
SA BORA	100.00%	100.00%	IG
SA GRAY	100.00%	100.00%	IG
SCI MANUJACQ	100.00%	100.00%	IG
SPRL RESIDENCE PARADIS	100.00%	100.00%	IG
SA JB VAN LINTHOUT	100.00%	100.00%	IG
SA VINTAGE CLASSICS INTERN	100.00%	100.00%	IG
SARL SOGIMOB	100.00%	100.00%	IG
SA PREMIER	100.00%	100.00%	IG
SC LES PRATICIENS DU GRAND PRE	100.00%	100.00%	IG
SAS MDR LA CHENERAIE	100.00%	100.00%	IG
SAS RESIDENCE DE LA CHENERAIE	100.00%	100.00%	IG
SCI DU 12 RUE DU FAUVET	100.00%	100.00%	IG
SCI HELIADES SANTE	100.00%	100.00%	IG
SA IMMOBILERE LEAU	100.00%	100.00%	IG
SARL 97	100.00%	100.00%	IG
SC CARDIOPIERRE	100.00%	100.00%	IG
SARL L'OMBRIERE	100.00%	100.00%	IG
SA RESIDENCE DU GRAND CHEMIN	100.00%	100.00%	IG
SA VILLERS SERVICES	100.00%	100.00%	IG
SA SENIORIE DE L'EPINETTE	100.00%	100.00%	IG
SA RESIDENCE SENIOR'S WESTLAND	100.00%	100.00%	IG
SA SENIOR'S WESTLAND HOLDING	100.00%	100.00%	IG
SARL IDF RESIDENCE RETRAITE LE SOPHORA	100.00%	100.00%	IG
SA EMCEJIDEY	100.00%	100.00%	IG
SCI DOUARNENEZ	100.00%	100.00%	IG
SA MAISON DE RETRAITE PAUL CEZANNE	100.00%	100.00%	IG
SCI SUPER AIX	100.00%	100.00%	IG
SARL MAISON DE RETRAITE LE SEQUOIA	100.00%	100.00%	IG
SARL MAISON D'OMBELINE	100.00%	100.00%	IG
SARL LA RETRAITE DU LEU	100.00%	100.00%	IG
SNC LES JARDINS D'ESCUDIE	100.00%	100.00%	IG

Consolidated companies Names	% control Group	% interest Group	Consolidation method
SA RESIDENCE DU MOULIN	100.00%	100.00%	IG
SARL RESIDENCE DU PARC	100.00%	100.00%	IG
SA ORPEA BELGIUM IMMOBILIER	100.00%	100.00%	IG
SA CARINA	100.00%	100.00%	IG
SA ODE HOLDING	100.00%	100.00%	IG
SA LES AMARANTES	100.00%	100.00%	IG
SA LES AMARANTES MULTI SERVICES	100.00%	100.00%	IG
SA PALACEA	100.00%	100.00%	IG
SA SAINT FRANCOIS	100.00%	100.00%	IG
SA LE THINES	100.00%	100.00%	IG
SA CHÂTEAU DE LA LYS	100.00%	100.00%	IG
AGRICOLA MEDITERRANEA	100.00%	100.00%	IG
SARL FRANCE DOYENNE DE SANTE	100.00%	100.00%	IG
SNC BRECHET CFT ET CIE	100.00%	100.00%	IG
SAS SFI France	100.00%	100.00%	IG
SAS SYLVINVEST	100.00%	100.00%	IG
SCI LES ORANGERS	100.00%	100.00%	IG
SA CHÂTEAU BEL AIR	100.00%	100.00%	IG
SA CLINIQUE L'EMERAUDE	100.00%	100.00%	IG
SAS HOTEL DE L'ESPERANCE	100.00%	100.00%	IG
SAS CLINIQUE BEAU SITE	100.00%	100.00%	IG
SCI DU MONT D'AURELLE	100.00%	100.00%	IG
SCI ANSI	100.00%	100.00%	IG
SARL REGINA RENOUVEAU	100.00%	100.00%	IG
SCI BRBT	100.00%	100.00%	IG
SNC MAISON ROSE	100.00%	100.00%	IG
SCI RUE DE LONDRES	100.00%	100.00%	IG
SCI CHÂTEAU DE LOOS	100.00%	100.00%	IG
SCI BERLAIMONT	100.00%	100.00%	IG
SARL MARC AURELLE IMMOBILIER	100.00%	100.00%	IG
SCI DU GRAND PARC	100.00%	100.00%	IG
SCI SEQUOIA	100.00%	100.00%	IG
SA CLINIQUE REGINA	100.00%	100.00%	IG
SARL CLINIQUE DU CHÂTEAU DE LOOS	100.00%	100.00%	IG
SAS LA CHAVANNERIE	100.00%	100.00%	IG
SCI DU JARDIN DES LYS	100.00%	100.00%	IG
SAS DOUCE France SANTE	100.00%	100.00%	IG
SARL RESIDENCE DU PARC DE BELLEJAME	100.00%	100.00%	IG
SCI BELLEJAME	100.00%	100.00%	IG
SARL RESIDENCE DE SAVIGNY	100.00%	100.00%	IG

Consolidated companies Names	% control Group	% interest Group	Consolidation method
SARL RESIDENCE LA PUYSAIE	100.00%	100.00%	IG
SAS CHÂTEAU DE VILLENIARD	100.00%	100.00%	IG
SA CLINIQUE DU CABIROL	100.00%	100.00%	IG
SARL RESIDENCE DE L'OASIS	100.00%	100.00%	IG
SARL RESIDENCE RENE LEGROS	100.00%	100.00%	IG
SAS MEX	100.00%	100.00%	IG
SNC MARGAUX PONY	100.00%	100.00%	IG
SNC THAN CO	100.00%	100.00%	IG
SARL LES VERGERS D'ANNA	100.00%	100.00%	IG
SARL DFS IMMOBILIER	100.00%	100.00%	IG
SARL SOGIP	100.00%	100.00%	IG
SARL GUEROULT	100.00%	100.00%	IG
SARL RESIDENCE LES CEDRES	100.00%	100.00%	IG
SA LE VIEUX CHÂTEAU	100.00%	100.00%	IG
SCI LES CHESNAIES	100.00%	100.00%	IG
SPRL CHANTS D'OISEAUX	100.00%	100.00%	IG
SPRL ARIANE	100.00%	100.00%	IG
SAS HOME LA TOUR	100.00%	100.00%	IG
SARL LES OLIVIERS DE ST LAURENT	90.00%	90.00%	IG
SAS CLINIQUE SAINT JOSEPH	100.00%	100.00%	IG
SARL ADC 09	100.00%	100.00%	IG
SAS CLINIQUE MARIGNY	100.00%	100.00%	IG
SAS SUD OUEST SANTE	100.00%	100.00%	IG
SCI LES OLIVIERS	100.00%	100.00%	IG
SCI PORTES D'AUXERRE WB	100.00%	100.00%	IG
SAS MAISON DE SANTE DE MARIGNY	100.00%	100.00%	IG
SAS MASSILIA GESTION SANTE	100.00%	100.00%	IG
SARL PARASSY	100.00%	100.00%	IG
SNC DES PARRANS	100.00%	100.00%	IG
SAS HOLDING MANDRES	100.00%	100.00%	IG
SCI NORMANDY COTTAGE	100.00%	100.00%	IG
SCI BARBUSSE	100.00%	100.00%	IG
SARL ANCIENNE ABBAYE	100.00%	100.00%	IG
SARL PCM SANTE	100.00%	100.00%	IG
VILLE TURINE AIMONE SPA	100.00%	100.00%	IG
CECOLO ASBL PANHUIS PARK	100.00%	100.00%	IG
LUCIE LAMBERT ROOS DER KONI	100.00%	100.00%	IG
SNC LES ACANTHES	100.00%	100.00%	IG
SA LE CLOS ST GREGOIRE	100.00%	100.00%	IG
SAS EMERAUDE PARTICIPATION	100.00%	100.00%	IG
SAS LE CHÂTEAU DE BREGY	100.00%	100.00%	IG
SA SANCELLEMOZ	92.18%	92.18%	IG
SAS STE NOUVELLE SANCELLEMOZ	100.00%	100.00%	IG
SA RIVE ARDENTE	100.00%	100.00%	IG
SAS LE CLOS D'ALIENOR	100.00%	100.00%	IG
SAS LES JARDINS D'ALIENOR	100.00%	100.00%	IG
SAS L'OCCITANIE	100.00%	100.00%	IG
SAS LES JACOURETS	100.00%	100.00%	IG
SCI CASERNE DE DRAGUIGNAN	100.00%	100.00%	IG
SCI REZE	100.00%	100.00%	IG
SCI DU BOIS GUILLAUME	100.00%	100.00%	IG
SCI LIVRY VAUBAN	100.00%	100.00%	IG
SAS NOUV. CLIN. MIRABEAU MONT D'EAUBONNE	100.00%	100.00%	IG
SA CLINIQUE MEDICALE DE GOUSSONVILLE	100.00%	100.00%	IG
SA CHÂTEAU DE GOUSSONVILLE	100.00%	100.00%	IG
GROUPE ARTEVIDA	100.00%	100.00%	IG

Consolidated companies Names	% control Group	% interest Group	Consolidation method
SAS MEDIC'AGIR	100.00%	100.00%	IG
SARL LES BUISSONNETS	100.00%	100.00%	IG
SCI DU PARC SAINT LOUP	100.00%	100.00%	IG
SCI LARRY	100.00%	100.00%	IG
SAS CLINIQUE GALLIENI	100.00%	100.00%	IG
SAS LA CIGALIERE	100.00%	100.00%	IG
SRL MADONNA DEI BOSCHI	100.00%	100.00%	IG
SRL VILLA CRISTINA	100.00%	100.00%	IG
RESIDENCIE JULIEN BVBA	100.00%	100.00%	IG
OPCI SPPICAV	100.00%	100.00%	IG
SA MEDIBELGE	100.00%	100.00%	IG
SA MEDIDEP	100.00%	100.00%	IG
SPRL MIKKANNA	100.00%	100.00%	IG
SA FENINVEST SA	100.00%	100.00%	IG
SA L'ADRET	100.00%	100.00%	IG
SRL CHÂTEAU CHENOIS GESTION	100.00%	100.00%	IG
SA GOLF	100.00%	100.00%	IG
SA INTERNATIONNAL Residence Service	100.00%	100.00%	IG
SA LINTHOUT	100.00%	100.00%	IG
SA DIAMANT	100.00%	100.00%	IG
SA NEW PHILIP	100.00%	100.00%	IG
SA PARC PALACE	100.00%	100.00%	IG
SA PROGESTIMMOB	100.00%	100.00%	IG
SA RINSDELLE	100.00%	100.00%	IG
SA TOP SENIOR	100.00%	100.00%	IG
SA LA SENIORIE DU VIGNERON	100.00%	100.00%	IG
SA VESTA SENIOR	100.00%	100.00%	IG
SAS MEDITER	100.00%	100.00%	IG
SARL CLINIQUE DE SOINS DE SUITE LA SALET	100.00%	100.00%	IG
SAS LE CLOS ST SEBASTIEN	100.00%	100.00%	IG
SARL CUXAC	100.00%	100.00%	IG
SAS CLINIQUE DE LA RAVINE	100.00%	100.00%	IG
SAS MAISON DE RETRAITE LA JONCHERE	100.00%	100.00%	IG
SAS CLINIQUE LES BRUYERE BROSVILLE	100.00%	100.00%	IG
SAS SESMAS	100.00%	100.00%	IG
SAS CLINIQUE PSYCHIATRIQUE DE SEINE ST I	100.00%	100.00%	IG
SAS CLINIQUE DU HAUT CLUZEAU	100.00%	100.00%	IG
SA IHMCA	100.00%	100.00%	IG
SAS CLINIQUE DU PARC DE BELLEVILLE	100.00%	100.00%	IG
SAS CLINIQUE DE SOINS DE SUITE DU BOIS GU	100.00%	100.00%	IG
SAS CLINIQUE DE SOINS DE SUITE DE BELLOY	100.00%	100.00%	IG
SA LA PINEDE	100.00%	100.00%	IG
SCI MEDITER FONCIER	100.00%	100.00%	IG
SARL LA PASTORALE	100.00%	100.00%	IG
SAS CA SANTE	100.00%	100.00%	IG
SA HOLDING MIEUX VIVRE	100.00%	100.00%	IG
SARL LE CLOS ST JACQUES	100.00%	100.00%	IG
SAS LES GRANDS PINS	100.00%	100.00%	IG
SARL LE CLOS DE BEAUVAISIS	100.00%	100.00%	IG
SAS BELLEVUE 95	100.00%	100.00%	IG
SAS CHÂTEAU DE CHAMPLATREUX	100.00%	100.00%	IG
SAS MONT GRIFFARD	100.00%	100.00%	IG
SS RESIDENCE DU PORT	100.00%	100.00%	IG

2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated 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.

This report also includes information relating to the specific verification of information given in the management report.

This 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 consolidated financial statements

Financial year ended 31 December 2012

To the Shareholders,

In accordance with the instructions given to us by your General Meeting, we present our report for the financial year ending 31 December 2012, on:

- the audit of ORPEA's consolidated financial statements, as appended to this report;
- the justification for our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements on the basis of our audit.

I. Opinion on the consolidated financial statements

We conducted our audit according to 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 2012 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 data and assumptions used by the Group to perform this test;
- in accordance with paragraph 31 of IAS 16, properties comprising land and buildings fully or jointly-owned either directly or via finance leases 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 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 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

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group management report.

We have no matters to report as to its fairness or its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 07 May 2013

The Statutory Auditors

Saint Honoré BK&A	Deloitte & Associés
Frédéric BURBAND	Joël ASSAYAH

ORPEA
LIFE GOES ON WITH US

CHAPTER VI: STATUTORY FINANCIAL STATEMENTS AT 31/12/2012

1. FINANCIAL STATEMENTS OF ORPEA S.A. AT 31 DECEMBER 2012

SA ORPEA INCOME STATEMENT

(in euros)	31-Dec-12	31-Dec-11
SALES	**494,474,847**	**442,591,056**
- Increase (decrease) in work in progress	(33,887,413)	(38,889,794)
- Other operating income	23,863,502	21,540,807
- Purchases and other external charges	171,262,238	142,484,304
- Taxes other than on profit	23,848,181	21,335,426
- Staff costs	227,580,280	205,644,563
- Depreciation, amortisation and provisions	23,169,516	17,943,085
- Other operating expense	752,072	332,800
OPERATING PROFIT	**37,838,649**	**37,501,890**
- Financial income	54,980,261	42,280,756
- Finance expense	78,151,356	65,214,685
NET FINANCE COST	**(23,171,095)**	**(22,933,928)**
PRE-TAX PROFIT ON ORDINARY ACTIVI	**14,667,554**	**14,567,962**
- Exceptional items	(31,738)	(8,300,901)
- Employee profit-sharing		
- Income tax	6,283,056	3,734,267
NET PROFIT	**8,352,759**	**2,532,795**

SA ORPEA BALANCE SHEET

ASSETS (in euros)	31-Dec-12			31-Dec-11
	Gross	Depreciation and provisions	Net	Net
Non-current assets				
- Intangible assets	203,495,579	1,222,116	202,273,463	178,900,089
- Property, plant and equipment	238,692,258	89,286,108	149,406,150	126,376,814
- Financial assets	434,273,958	1,989,107	432,284,851	384,137,253
TOTAL NON-CURRENT ASSETS	**876,461,794**	**92,497,330**	**783,964,464**	**689,414,160**
Current assets				
- Inventories and work-in-progress	42,707,369	1,188,655	41,518,714	46,964,494
- Advances and downpayments made	2,558,239		2,558,239	1,877,102
- Trade receivables	15,907,262	4,480,049	11,427,213	9,580,217
- Other receivables	1,300,425,296	1,158,553	1,299,266,743	1,088,834,004
- Marketable securities	187,506,401		187,506,401	209,300,351
- Cash	72,797,624		72,797,624	13,365,109
- Prepaid expenses	2,602,083		2,602,083	4,505,876
TOTAL CURRENT ASSETS	**1,624,504,274**	**6,827,257**	**1,617,677,017**	**1,374,427,155**
- Deferred charges		-	-	-
TOTAL ASSETS	**2,500,966,069**	**99,324,587**	**2,401,641,482**	**2,063,841,316**

EQUITY AND LIABILITIES (in euros)	31-Dec-12		31-Dec-11
Equity			
- Share capital	66,247,578		66,247,365
- Share premiums and reserves	385,500,175		385,474,268
- Retained earnings	8,112,989		32,205,930
- Net profit for the year	8,352,759		2,532,794
- Special tax-allowable reserves	2,522,265		1,625,203
TOTAL EQUITY	**470,735,767**	-	**488,085,561**
Provisions for liabilities and charges	15,888,008		11,334,156
Liabilities			
- Borrowings and financial liabilities	1,442,249,743		1,217,866,387
- Advances and downpayments received	3,387,145		2,880,292
- Trade payables	33,807,557		37,268,221
- Tax and social security liabilities	64,882,468		56,597,816
- Other liabilities	364,339,189		229,054,211
- Prepaid income	6,351,606		20,524,293
TOTAL LIABILITIES	**1,915,017,707**		**1,564,191,219**
Unrealised currency gains			230,380
TOTAL LIABILITIES	**2,401,641,482**		**2,063,841,316**

Notes to the 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;

and in accordance with the general rules for preparing and presenting financial statements.
The basic method used to value items posted in the accounts is the historical cost method. However, it should be remembered that the operating licences and equity securities held prior to that date were reassessed in the context of mergers recorded 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 book value 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 one to five 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.

The depreciation method chosen by the company is the straight line method. Depreciation is calculated on the expected useful life of each asset or each of the components having different useful lives using the following criteria:

- 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 five 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:

- first, future cash flows expected to be generated by its continued operation
- and second, the disposal value net of selling costs.

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.

Marketing costs directly attributable to the assets sold are accounted for as property work in progress during the construction period and recorded under expenses on the date of completion of the property. They were previously found under prepaid expenses.

Property development programmes are sold:

- either transferred to third parties en bloc or in batches,
- 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.

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 book value.

I.2.5 - Trade and other 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 six months past due: 50% or less depending on the resident's financial position (guarantee, own assets, etc.).
- Receivables more than one 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 two years past due: 50%
- Receivables more than three 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 bonus share awards

Orpea set up three stock option plans for some of its managers; they are no longer in existence as at 31 December 2012.

Pursuant to an authorisation granted by the annual general meeting of 29 June 2006, the Board of Directors granted 68,420 free shares to 1,975 employees of the Group.

On 17 August 2009, the Company made an issue of bonds in the form of an OBSAAR (bonds with redeemable share warrants). This operation led to the creation of 1,190,787 warrants. These warrants will be exercisable from 14 August 2011 to 14 August 2015 inclusive and will subscribe to 1.062 Orpea shares for an exercise price of €37.90. The maximum dilutive effect is 2.33% 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.

Regulated provisions relate to accelerated depreciation for the costs of equity tied up.

I.2.9 - Borrowing

Financial liabilities are posted 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.

Liabilities include short and long term loans, and 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. In this case, they are included in the cost of the 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.

During 2012, the company continued its interest rate risk management policy, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

I.2.11 - Revenue

Revenue mainly comprises:

1) Payment for accommodation and care services provided to residents. This is posted 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 daily 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 - Taxes

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 OVER THE YEAR

Since 1 January 2012, the Company continued its development by opening eight facilities (693 beds) after the completion of construction initiated in prior years. These facilities are located in Nîmes, Ste Maxime, Messigny-Vantoux, St Maur, Rocquebrune, Clamart, Boulogne-Billancourt and Berlaimont.

ORPEA also continued its external growth policy by acquiring two facilities in France, in Orléans and Cannes, and by acquiring three businesses in Revin, Charleville Mézières and Ustaritz.

Equally, during the second half of the year, ORPEA acquired a 51% stake in the MEDIBELGE Group, which owns 17 rest homes.

During the year, ORPEA has also bought the following holdings:

- 30% in Domidom Services, a company providing home help services;
- 50% in SA Immobilière de Santé which holds several property assets.

The Group also made ad hoc acquisitions - either directly or via companies - of standalone assets necessary for its expansion, comprising intangible property and operating rights.

I.4 – THE BALANCE SHEET DATE

Since 1 January 2013, the company and its subsidiaries have continued their expansion by opening four facilities, representing around 362 beds and 26 day visit places after completing the building work initiated in previous years. they also acquired a facility in Avignon.

II – NOTES TO THE FINANCIAL STATEMENTS

N.B: *Amounts are expressed in euros unless expressly stated otherwise.*

II.1 – BALANCE SHEET

II .1.1 – Fixed assets

Intangible assets:

Movements in gross intangible assets:

Gross value	Start of year	Increase	Decrease	Reclassification	Merger	End of year
Concessions, patents	1,157,638				5,333	1,162,971
Goodwill	171,411,482	3,827,545	205,500	261,887	17,665,135	192,960,547
Other intangible assets	2,256,160	177,876			8,439	2,442,475
Downpayments on intangible assets	5,066,438	5,877,800	503,166	(3,511,487)		6,929,585
Total	179,891,716	9,883,222	708,666	(3,249,600)	17,678,907	203,495,579

Movements in amortisation of gross intangible assets:

Depreciation/amortisation	Start of year	Increase	Decrease	Merger	End of year
Concessions, patents	519,556	145,034		5,333	669,923
Goodwill	0				0
Other intangible assets	472,066	71,687		8,439	552,192
Downpayments on intangible assets	0				0
Total	991,622	216,721	0	13,772	1,222,116

Property, plant and equipment:

Movements in gross property, plant & equipment:

Gross value	Start of year	Increase	Decrease	Reclassification	Merger	End of year
Lands	4,325,214			1,813,438		6,138,652
Buildings	127,463,376	30,999,208	17,720,158	5,400,861	1,569,974	147,713,262
Technical and General Facilities	32,525,982	4,373,586	59,900	11,901	804,131	37,655,697
Transport equipment	302,140	19,187			12,746	334,073
Property, plant and equipment in progress	11,943,802	24,788,731	10,977,371	(4,988,295)	200,022	20,966,889
Other tangible assets	27,484,254	2,141,447	1,065,947	(3,401,500)	725,431	25,883,685
Total	204,044,758	62,322,159	29,823,376	(1,163,595)	3,312,304	238,692,259

Movements in depreciation of gross property, plant & equipment:

Depreciation/amortisation	Start of year	Increase	Decrease	Merger	End of year
Lands	138,394	23,164			161,561
Buildings	40,140,473	5,927,161	165,795	488,470	46,390,308
Technical and General Facilities	21,811,410	3,244,598	10,843	313,356	25,358,522
Transport equipment	255,270	21,826		12,691	289,787
Other tangible assets	15,322,389	1,459,660	1,331	305,212	17,085,930
Total	77,667,939	10,676,409	177,969	1,119,729	89,286,108

Financial assets:

Movements in gross financial assets:

Gross value	Start of year	Increase	Decrease	Reclassification	Merger	Merger
Equity interests	376,177,459	65,338,120	71,765		(17,979,382)	423,464,431
Loans	6,697,152	685,438	35,100		42,445	7,389,934
Other non-trading assets	3,251,749	28,686,334	28,519,447		957	3,419,593
Total	386,126,359	94,709,892	28,626,312	0	(17,935,980)	434,273,958

Loans and other financial assets break down as follows:

	31/12/2012	up to 1 year	over 1 year
Loans	7,389,934	39,185	7,350,749
Deposits and guarantees	2,837,607		2,837,607
Treasury shares	581,986	581,986	
Total	10,809,527	621,171	10,188,356

The General Meeting of 29 June 2006 authorised a share repurchase programme. This programme is intended to allow the company to provide liquidity and stimulate the market, to optimise its capital management. 20,882 treasury shares were held under the programme on 31 December 2012.

Movements in provisions against financial assets:

Provisions	Start of year	Increase	Decrease	Merger	End of year
Equity securities	1,950,000				1,950,000
Loans	39,107				39,107
Total	1,989,107	0	0	0	1,989,107

II.1.2 – List of subsidiaries and shareholdings

Company	Capital	Reserves and retained earnings in 2012	Share of capital held	Share of capital held	Profit for the year	Equity in 2012	Book value of shares 2012	
							Gross	Net
SCI Route des Ecluses	303,374	1,337,857	300,340	99%	137,726	1,778,957	303,374	303,374
SCI Les Rives d'Or	1,524	1,330,145	1,509	99%	172,559	1,504,228	933,755	933,755
SCI du Château	1,524	1,640,101	1,509	99%	329,153	1,970,778	1,353,340	1,353,340
SCI Tour Pujols	1,524	1,029,012	1,509	99%	319,653	1,350,189	1,364,795	1,364,795
SCI La Cerisaie	1,524	1,718,403	1,509	99%	142,437	1,862,364	47,224	47,224
SCI Val de Seine	1,524	(1,905,198)	1,509	99%	(505,319)	(2,408,993)	711,307	711,307
SCI Cliscouet	1,524	463,967	1,509	99%	96,025	561,516	1,494	1,494
SCI Age d'Or	2,549,161	9,085,953	2,523,669	99%	920,378	12,555,492	6,234,540	6,234,540
SCI Gambetta	1,524	3,876,534	1,509	99%	450,813	4,328,871	1,509	1,509
SCI Croix Rousse	1,524	4,219,327	1,522	99%	520,787	4,741,638	1,509	1,509
SCI Les Dornets	1,524	480,832	1,522	99%	239,786	722,142	1,494	1,494
SCI Château d'Angleterre	1,646	988,186	1,631	99%	3,112,079	4,101,911	1,763,577	1,763,577
SCI Montchenot	1,524	9,921,554	1,509	99%	285,253	10,208,331	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	9,603,753	1,372	90%	781,639	10,386,916	1,372	1,372
SCI Abbaye	1,524	(2,595,432)	1,372	90%	(336,987)	(2,930,895)	344,410	344,410
SCI Les Tamaris	1,524	809,573	1,509	99%	146,657	957,754	1,357	1,357
SCI Passage Victor Marchand	1,524	2,903,076	1,509	99%	512,179	3,416,779	1,509	1,509
SCI Fauriel	1,524	(4,087,451)	1,509	99%	(2,111,050)	(6,196,976)	1,618,841	1,618,841
SCI Port Thureau	1,524	734,192	1,509	99%	157,579	893,295	63,708	63,708
SCI de l'Abbaye	1,524	(241,149)	1,509	99%	271,080	31,455	1,509	1,509
SCI Les Maraichers	1,524	226,986	1,509	99%	431,962	660,472	99,595	99,595
SCI Bosguerard	1,524	605,441	1,509	99%	142,652	749,617	1,274,306	1,274,306
SCI Le Vallon	1,524	4,103,940	1,372	90%	772,837	4,878,301	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	(11,542,519)	717	47%	(1,113,979)	(12,654,974)	717	717
SCI Bel Air	1,524	633,938	1,509	99%	(419,011)	216,451	335,837	335,837
SAS CLINEA	6,511,863	63,227,194	6,511,863	100%	8,034,729	77,773,786	16,358,818	16,358,818
SARL Les Matines	7,622	(3,010,959)	7,622	100%	(126,734)	(3,130,071)	7,622	7,622
SARL Bel Air	1,265,327	1,742,701	1,265,327	100%	353,685	3,361,713	840,604	840,604
SARL Amarmau	7,622	(829,580)	7,622	100%	(90,024)	(911,982)	7,622	7,622
SARL 94 Niort	7,700	9,437,589	7,700	100%	18,691,047	28,136,336	7,700	7,700
SARL 95	7,700	(404,646)	7,700	100%	(68,304)	(465,250)	7,700	7,700
SCI Sainte Brigitte	1,525	(559,183)	1,524	100%	(26,610)	(584,268)	1,524	1,524
SARL VIVREA	150,000	(1,017,668)	150,000	100%	(330,013)	(1,197,681)	150,000	150,000
SA LES CHARMILLES	76,225	3,098,268	74,701	98%	887,943	4,062,435	3,092,517	3,092,517
SCI KOD'S	22,650	333,230	22,650	100%	56,244	412,124	68,094	68,094
SARL LA BRETAGNE	277,457	(1,320,900)	277,457	100%	5,314	(1,038,129)	11,300	11,300
SARL RESIDENCE LA VENITIE	13,300	(44,852)	13,300	100%	(48,928)	(80,480)	782,892	782,892
SARL L'ATRIUM	7,622	(896,941)	7,622	100%	84,936	(804,383)	985,140	985,140
SARL GESTIHOME SENIOR	400	(14,762)	400	100%	7,747	(6,615)	410,849	410,849
SARL MAISON DE CHARLOTTE	7,500	(1,379,760)	7,500	100%	371,633	(1,000,627)	2,703,650	2,703,650
SA BRIGE	1,200,000	(3,673,984)	1,200,000	100%	(7,350,238)	(9,824,222)	670,000	670,000
SRLORPEA ITALIA	3,350,000	500,087	161,470	5%	(2,076,811)	1,773,276	682,862	682,862
SCI LES TREILLES	15,245	2,021,793	15,243	99.99%	52,111	2,089,149	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	(1,788,141)	1,510	99%	(286,722)	(2,073,338)	1,510	1,510
SCI Courbevoie de l'Arche	1,525	(1,705,405)	1,509	99%	(148,302)	(1,852,182)	1,509	1,509
SCI le Barbaras	182,939	1,536,634	182,939	100%	2,139,157	3,858,730	821	821
SARL DOMEA	100,000	(89,799)	100,000	100%	(25,662)	(15,461)	100,000	100,000
SARL 96	7,700	3,066,174	7,700	100%	185,892	3,259,766	6,930	6,930
SCI BEAULIEU	3,049	(23,108)	3,049	100%	(12,190)	(32,249)	30,490	30,490
SAS LA SAHARIENNE	1,365,263	(1,009,792)	1,365,263	100%	(307,334)	48,137	5,712,440	5,712,440
SARL ORPEA DEV	100,000	766,053	100,000	100%	12,531	878,584	100,000	100,000
SAS ORGANIS	37,000	(769,666)	37,000	100%	79,429	(653,237)	11,775,946	9,825,946
GRUPO CARE	63,921	14,341,470	63,921	100%	(15,969,956)	(1,564,565)	17,878,321	17,878,321
DINMORPEA	5,000	(348,712)	5,000	100%	(42,270)	(385,982)	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	(7,081,329)	20,000,000	100%	565,155	13,483,826	17,646,819	17,646,819
SA ORPEA BELGIUM	31,500,000	11,661,003	500,000	2%	36,427,168	79,588,171	15,479,233	15,479,233
SA DOMAINE DE CHURCHILL	815,012	2,025,015	815,012	100%	13,284,983	16,125,010	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,000	11,738,451	6,500	10%	(134,800)	11,668,651	1,414,449	1,414,449

SA LONGCHAMPS LIBERTAS	90,000	99,590	90,000	100%	1,118,294	1,307,884	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,000	34,918	265,000	100%	286,865	586,783	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	3,009	(9,002)	3,009	100%	0	(5,993)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	(3,549,180)	37,200	100%	(208,553)	(3,720,533)	2,644,007	2,644,007
SARL L'Ermitage (Contes)	7,622	(252,677)	7,622	100%	109,041	(136,013)	728,600	625,858
SARL Benian	1,000	(21,083)	200	20%	(18,594)	(38,677)	300,200	300,200
SCI JEM II	152	276,520	137	90%	49,957	326,629	883,500	883,500
SARL Reine Bellevue	6,000	1,167,813	6,000	100%	(1,895,127)	(721,314)	3,370,835	3,370,835
SARL La Doyenne de Santé	8,000	(60,036)	4,000	50%	(18,332)	(70,368)	1,267,425	1,267,425
SASU Le Vige	37,126	(877,954)	37,126	100%	34,404	(806,424)	1,350,000	1,350,000
SA Gerone	500,000	423,215	500,000	100%	3,482	926,697	2,982,451	2,982,451
SCI Douarnenez	1,500	(2,162,674)	1,500	100%	256,084	(1,905,090)	1,485	1,485
SCI Barbacane	1,524	857,893	15	1%	22,858	882,275	15	15
SCI Selika	10,671	5,461,796	15	0.14%	76,375	5,548,842	15	15
SCI SLIM	762	563,546	762	100%	80,585	644,893	1,830	1,830
SCI SAINTES BA	1,524	2,650,606	15	1%	754,052	3,406,182	15	15
SCI Les Anes	1,000	(1,321,108)	1	0.10%	(159,029)	(1,479,137)	1	1
SARL L'Ombrière	8,000	(654,966)	8,000	100%	(43,587)	(690,553)	822,027	822,027
SAS MDR La Cheneraie	254,220	(869,782)	3,991	2%	(369,491)	(985,053)	146,044	146,044
SARL IDF resid Ret.Le Sophora	7,622	(560,754)	762	10%	(244,690)	(797,822)	80,000	80,000
SA Paul Cezanne	60,980	(1,119,730)	60,980	100%	(388,647)	(1,447,397)	9,846,755	9,846,755
SARL Le Sequoia	7,622	(501,617)	7,622	100%	33,505	(460,489)	2,439,120	2,439,120
SNC les Jardins d'Escudie	100,000	(2,923,962)	100,000	100%	(643,784)	(3,467,746)	824,310	824,310
SA Résidence du Moulin	38,112	(1,355,191)	38,112	100%	(503,696)	(1,820,775)	2,100,466	2,100,466
SC Les Praticiens	87,600	(14,353)	876	1%	(12,351)	60,896	67,009	67,009
SAS Résidence La cheneraie	2,537,040	1,560,806	2,537,040	100%	291,213	4,389,059	7,324,746	7,324,746
SA EMCEJIDEY	293,400	406,348	293,400	100%	15,327	715,075	4,419,887	4,419,887
SARL Résidence du Parc	18,560	3,186	18,560	100%	5,140	26,886	5,810	5,810
SCI du Fauvet	1,524	(50,509)	152	10%	271,840	222,855	68,306	68,306
OPCI	5,301,885	(185,115)	266,155	5.02%	(98,187)	5,018,584	479,732	479,732
SAS SFI France	4,000,000	(5,309,554)	4,000,000	100%	(114,625)	(1,424,179)	23,305,520	23,305,520
SCI Ansi	22,867	241,891	2,287	0.1%	67,408	332,166	40,399	40,399
SARL Viteal les Cedres	50,000	(1,027,118)	50,000	100%	(278,277)	(1,255,395)	85,039	85,039
SA Le Vieux Château	50,000	(837,387)	50,000	100%	(292,013)	(1,079,400)	629,728	629,728
SAS Home La Tour	40,600	(522,369)	40,600	100%	(29,665)	(511,434)	2,869,328	2,869,328
SARL Les Oliviers Saint Laurent	3,000	(17,690)	3,000	90%	(27,288)	(41,978)	2,179,500	2,179,500
SCI Portes D'Auxerre WB	30,000	(77,925)	3,000	1%	(54,531)	(102,456)	15,694	15,694
SAS MEDITER	3,500,000	(4,528,149)	3,500,000	100%	(2,811,461)	(3,839,610)	103,048,343	102,575,126
SA MEDIBELGE	10,000,000	4,888,778	490,000	100%	2,815,437	17,704,215	49,705,091	49,705,091
SNC des Parrans	7,622	27,183	7,622	100%	(13,768)	21,037	1,399,856	1,399,856
SAS Actiretraite	8,000	5,549	8,000	100%	(20,599)	(7,050)	3,325,832	3,325,832
SNC Les Acanthes	7,622	89,034	7,622	100%	(24,034)	72,622	1,468,434	1,468,434
SA Le Clos St Grégoire	38,173	1,227,035	38,173	100%	207,097	1,472,305	4,692,302	4,692,302
SA Rive Ardente	135,000	(13,729)	135,000	100%	68,138	189,409	5,062,487	5,062,487
SAS le Clos d'Aliènor	40,000	(91,104)	40,000	100%	54,708	3,604	2,834,020	2,834,020
SAS les Jardins d'Aliènor	10,000	197,966	10,000	100%	59,286	267,252	4,102,931	4,102,931
SARL L'Occitanie	38,000	(3,258,659)	38,000	100%	1,293,746	(1,926,913)	1	1
SARL les Jacourets	7,622	10,477	7,622	100%	(137,893)	(119,794)	548,688	548,688
SAS Medic Agir	1,036,000	691,241	1,036,000	100%	(1,469,908)	257,333	19,362,339	19,362,339
SAS La Cigalière	8,000	474,786	8,000	100%	3,596	486,382	3,168,976	3,168,976
SA Immobilière de Santé	7,828,400	1,778,000	3,835,916	49%	2,264,000	11,870,400	13,125,000	13,125,000
SARL Domidom	4,992,525	(5,840,170)	1,497,758	30%	(477,017)	(1,324,662)	3,370,565	3,370,565
GCS	75,000	0	12,503	16.67%	1,029,026	1,104,026	12,500	12,500
						0		
Other securities						0	19,689	19,716
Other securities (access)						0	260,286	260,286
Total							**423,464,432**	**421,514,431**

II.1.3 - Inventories and work in progress

	Gross 31/12/12	Provisions 31/12/12	Net 31/12/12	Net 31/12/11
Minor equipment and supplies	1,265,304		1,265,304	1,092,737
Current real estate	41,442,065	1,188,655	40,253,410	45,871,758
Total	42,707,369	1,188,655	41,518,714	46,964,494

Net real estate work-in-progress of €40,253,410 incorporates finance costs incurred during the construction period which amounted to €4,069,608 at year-end, compared to €5,862,701 at the end of 2011.
These financial costs have been capitalised at an average rate of 4.50%, the same as in 2011.

Real estate projects	31/12/12 in €k net
Fere en Tardenois	443
Viry	3,969
Joinville	5,227
Villers Allerand	8,849
Amiens	985
Biganos	2,102
Nice villa foch	696
Paris Mozart	2,278
Paris rue de Varize	466
Mérignac	948
Cannes Montfleury	12,454
Cormontreuil ehpad	299
Cormontreuil clinique	253
Montmonrency	152
Suresnes	112
Various residences	1,019
Total	40,253

II.1.4 - Receivables

	Gross 31/12/2012	Provisions 31/12/2012	Net 31/12/2012	Net 31/12/2011
Trade receivables	15,907,262	4,480,049	11,427,213	9,580,217
Tax and social security receivables	13,139,385		13,139,385	27,125,699
Group and associates	1,251,479,572		1,251,479,572	1,029,113,142
Sundry debtors	35,806,339	1,158,553	34,647,786	32,595,163
Total	1,316,332,558	5,638,602	1,310,693,955	1,098,414,221

All receivables are due in less than one year.

Movements in provisions for impairment of financial assets:

	Start of year	Provision for the year	Transfer from year (used provisions)	Transfer from year (unused provisions)	Mergers	End of year
Trade receivables	4,180,466	1,681,176	291,426	1,244,693	154,526	4,480,049
Other sundry debtors	1,219,605	95,375	159,456		3,028	1,158,553
Total	5,400,071	1,776,551	450,882	1,244,693	157,554	5,638,602

II.1.5 – Inventories of securities

Net Book Value	31/12/2011	Acquisitions	Disposals	Provisions	Mergers	31/12/2012
SICAV and FCP (1)	209,180,611	295,942,560	317,734,060		502	187,389,614
Shares reserved for employees	119,740		2,953			116,787
(numbers)	(3,576)		94			(3,482)

(1) No impairment losses were recognised against marketable securities as their fair value was higher than their carrying amount

II.1.6 – Composition of share capital

(in thousands of euros)	Number of shares issued	Capital	Share premiums and reserves	Retained earnings	Net profit for the year	Regulated provisions	Dividends	Total shareholders' equity
As 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**
Appropriation of net profit/(loss)			301,704	(4,008,767)	(6,034,080)		9,741,143	0
Stock option plan	*18,360*	22,950	85,282					108,232
Capital increase 08/12/11	*10,599,558*	13,249,448	186,383,317					199,632,764
Exercise warrants	*27,078*	33,848	992,409					1,026,256
Exercise OCEANE	*101*	126						126
Dividends							(9,741,143)	(9,741,143)
Regulated provisions						744,462		744,462
Result on 31 December 2011					2,532,794			2,532,794
As at 31/12/2011	*52,997,892*	**66,247,365**	**385,474,268**	**32,205,930**	**2,532,794**	**1,625,203**	**0**	**488,085,560**
Appropriation of net profit/(loss)			126,789	(24,092,941)	(2,532,794)		26,498,946	0
Stock option plan								0
Capital increase 08/12/11			(106,672)					(106,672)
Exercise warrants	*170*	213	5,790					6,002
Exercise OCEANE								0
Dividends							(26,498,946)	(26,498,946)
Regulated provisions						897,062		897,062
Result on 31 December 2012					8,352,759			8,352,759
As at 31/12/2012	*52,998,062*	**66,247,578**	**385,500,175**	**8,112,989**	**8,352,759**	**2,522,265**	**0**	**470,735,767**

The share capital at year-end was €66,247,578 divided into 52,998,062 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 thousand, as payment for contributions of €113 million to the total consideration for its acquisition of an interest in the Mediter and Medibelge groups.
Following the exercising of warrants in September 2011, Orpea made a capital increase for a nominal amount of €34 thousand, thus creating 27,078 new shares.

On 6 October 2011, the company unblocked the 2003 action plan, allowing a capital increase with a face value of €23 thousand, thus creating 18,360 new shares.

On 8 December 2011, Orpea made a €13,249 thousand capital increase by issuing 10,599,558 new shares.
This transaction generated a premium of €186,383 thousand net of expenses, after deduction of associated fees for net tax of €3,349 thousand.

An additional cost of €107,000, net of tax, was recorded in 2012.

The company has set up the following stock option plans:

Stock options		Plan 2000	Plan 2001	Plan 2003
Number of shares originally		897,648	320,000	27,200
Exercising of options				
	during FY 2005	586,330		
	during FY 2006	100,844		
	during FY 2007	50,876	220,001	4,140
	during FY 2008	57,678	21,359	
	during FY 2009	0	24,400	
	during FY 2010			4,700
	during FY 2011			18,360
Total options exercised		795,728	265,760	27,200
Options outstanding		101,920	54,240	0

The general shareholders' meeting of 29 June 2012 approved the payment of a dividend in respect of the 2011 financial year of €0.50 per share, representing a total of €26,498,946 paid in September 2012.

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II.1.7 – Provisions

	Start of year	Provision for the year	Transfer from year (used provisions)	Transfer from year (unused provisions)	Merger	End of year
Equity securities	1,625,203	897,062				2,522,265
Regulated provisions	**1,625,203**	**897,062**	**0**	**0**	**0**	**2,522,265**
Labour disputes	2,208,629	1,519,597	404,586	316,401	57,405	3,064,645
Other	9,125,527	9,687,000	33,426	5,955,737		12,823,364
Provisions for liabilities and charges	**11,334,156**	**11,206,597**	**438,012**	**6,272,138**	**57,405**	**15,888,008**
Total	**12,959,360**	**12,103,659**	**438,012**	**6,272,138**	**57,405**	**18,410,274**

"Other provisions for liabilities and charges" mainly refer to the risk of the company and the tax authorities arriving at different results in the application of rules to calculate VAT pro rata. This provision amounted to €9.687 million on 31 December 2012.

ORPEA and some of its subsidiaries included in its perimeter of fiscal integration have undergone tax audits. Most of the adjustments notified by the tax authorities have been disputed by ORPEA. No provision has been made for these adjustments.

II.1.8 – Liabilities

	31/12/2012	31/12/2012	31/12/2011	31/12/2011
Borrowings and financial liabilities	1,442,249,743		1,217,866,387	
Debts maturing in one year or less		*477,235,700*		*471,108,110*
Liabilities payable after more than one year and less than 5 years		*635,468,894*		*714,349,273*
Liabilities maturing in over 5 years		*329,545,159*		*32,409,004*
Trade payables	33,807,557		37,268,221	
Debts maturing in one year or less		*33,807,557*		*37,268,221*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Tax and payroll liabilities	64,882,468		56,597,816	
Debts maturing in one year or less		*64,882,468*		*56,597,816*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Group and associates	292,593,402		193,787,721	
Debts maturing in one year or less		*292,593,402*		*193,787,721*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Sundry liabilities	78,097,391		55,790,782	
Debts maturing in one year or less		*56,323,702*		*36,554,368*
Liabilities payable after more than one year and less than 5 years		*21,773,689*		*19,236,414*
Liabilities maturing in over 5 years				
Total	1,911,630,561	1,911,630,571	1,561,310,927	1,561,310,927

Loans contracted during the year amounted to €500.813 million and loans repaid amounted to €241.381 million.

Borrowings and financial liabilities

<u>ORPEA Group's financing policy</u>

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.

<u>Bonds</u>

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.
This loan is repayable in 2012 and 2013 at 20% of the principal each year and in 2014 and 2015 at 30% of the principal each year. The interest rate for the issue is three-month EURIBOR + 137 base points before fees.
On 14 August 2012, the first 20% repayment took place and amounted to €44,488,950, including €1,144,303 in interest.

OCEANE bond issue: In the second half of 2009, 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 (1.071 shares for one bond) between 15 December 2010 and up to the seventh working day inclusive preceding the normal redemption date at a price of €44.23 per share.

Other bonds: ORPEA issued three bonds during the second half of 2012, issuing:

- 1,930 bonds issued in two tranches:
  - Tranche A: for a total of €65 million, i.e. 650 bonds at a unit price of €100,000. These bonds will be redeemed on 10 January 2018. The coupon payable on the bonds is 4.10% per year.
  - Tranche B: a total of €128 million, i.e. 1,280 bonds at a unit price of €100,000. These bonds will be redeemed on 30 May 2019. The coupon payable on the bonds is 4.60% per year.

- 200 bonds at a unit price of €100,000, totalling €20 million. These bonds will be redeemed on 30 November 2018. The coupon payable on the bonds is 4.20% per year.

- 900 bonds at a unit price of €100,000, totalling €90 million. These bonds will be redeemed on 4 December 2026. The coupon payable on the bonds is 5.25% per year.

Banking covenants

Various loans taken out by the company are conditional on compliance with financial ratios that are assessed under the group's non-trading liabilities.

The agreed ratios are as follows:

$$R1 = \frac{\text{consolidated net debt (excluding property debt)}}{\text{consolidated EBITDA} - 6\% \text{ of property debt}}$$

And:

$$R2 = \frac{\text{consolidated net debt}}{\text{equity} + \text{quasi equity}}$$

On 31 December 2012, these ratios were 1.7 and 1.2 respectively, within the required limits of 5.5 for R1 and 2.0 for R2.

II.1.9 – Financial instruments

At 31 December 2012, the notional amount of the derivatives portfolio was €1,313 million, compared to €1,051 million at 31 December 2011. The portfolio comprised fixed for floating (mainly three-month Euribor) interest rate swaps and interest rate options. These derivative instruments have either a constant or decreasing nominal profile. All these derivatives are used for hedging transactions in accordance with article 372-2 of the PCG.

At the end of 2012, the maturity of the interest rate derivatives was as follows:

	Schedule (M€)				
	2013	2014	2015	2016	2017
Notional average	1,403	1,360	1,332	884	156
Effective rate	2.8%	2.6%	2.3%	1.9%	1.8%

At the end of 2011, the maturity of the interest rate derivatives was as follows:

	Schedule (M€)				
	2012	2013	2014	2015	2016
Notional average	1,244	1,403	1,298	847	228
Effective rate	3.1%	2.8%	2.7%	2.6%	2.6%

The fair value of hedging instruments at 31 December 2012, i.e. -€100.5 million, is not posted on the balance sheet date but recorded symmetrically with the hedged items on maturity of each contract.

At 31 December 2011, the fair value amounted to -€71.8 million.

II.1.10 – Miscellaneous

Accrued expenses

	31/12/2012	31/12/2011
Borrowings and financial liabilities	11,193,822	10,583,477
Trade payables	14,162,309	14,180,234
Tax, social and sundry liabilities	31,051,477	22,980,425
Total	**56,407,609**	**47,744,136**

Accrued income

	31/12/2012	31/12/2011
Financial receivables	21,368	2,904
Trade receivables	3,160,933	799,511
Other receivables	8,560,201	11,474,510
Total	**11,742,502**	**12,276,925**

Prepaid expenses

	31/12/2012	31/12/2011
Operation	806,719	2,934,146
Financial	1,795,364	1,571,730
Extraordinary		0
Total	**2,602,083**	**4,505,876**

Following delivery of the properties of the Sainte Maxime programme, the fees for marketing in progress were recorded under liabilities for a total amount of €2.247 million.

Prepaid income

	31/12/2012	31/12/2011
Operation	6,351,606	20,524,293
Total	**6,351,606**	**20,524,293**

This item comprises prepaid income in respect of property work in an amount of €2.064 million and also the portion of care allowances received and yet to be allocated to future expenses, amounting to €4.287 million. The variation is mainly due to the delivery of a set of properties for €14.562 million.

Unrealised currency gains

	31/12/2012	31/12/2011
Swiss subsidiary	0	230,380
Total	**0**	**230,380**

II.1 .11 – Information on related parties

ENTITES	Other receivables	Other liabilities	Other financial income	Financial expenses	Dividends
Subsidiaries 100% owned by the group	1,251,479,572	292,593,402	50,726,999	11,131,677	
Other subsidiaries	9,786,290		200,364		

II.2 – INCOME STATEMENT

II.2.1 – Revenue

	31/12/2012	31/12/2011
Operation of nursing homes	456,210,974	408,625,875
Disposal of real estate	38,263,873	33,965,181
Total	494,474,847	442,591,056

II.2.2 – Operating income

	31/12/2012	31/12/2011
Operation of nursing homes	456,210,974	408,625,875
Operating revenues	**456,210,974**	**408,625,875**
Disposal of real estate	38,263,873	33,965,181
Inventory change	(33,887,413)	(38,889,794)
Income from real estate activity	**4,376,460**	**(4,924,613)**
Capitalised production	6,109,557	6,538,820
Operating subsidies	420,921	225,520
Provisions and charge transfer	17,234,316	11,732,835
Other income	98,708	3,043,631
Other operating income	**23,863,502**	**21,540,807**
Total operating income	**484,450,937**	**425,242,070**

II.2.3 – Expenses transfer

	31/12/2012	31/12/2011
Restructuring and development costs	2,335,937	3,370,770
Capitalised expenses	2,281,060	1,728,381
Insurance payouts	309,377	539,984
Provident fund payouts	2,227,079	1,644,825
Training refunds	1,691,122	2,268,621
Sickness payouts	165,604	183,552
Finance charges on real estate projects	1,288,180	1,053,677
Sundry expenses	272,991	477,625
Total	**10,571,350**	**11,267,436**

II.2.4 – Financial income

	31/12/2012	31/12/2011
Interest on bank borrowings and other financial charges	(36,903,045)	(36,034,379)
Net losses on financial instruments	(26,413,071)	(17,205,688)
Other charges	(1,978,727)	(2,185,154)
Income from investments	28	28
Net gains on inter-company current account	39,795,686	30,297,998
Capitalised financial expenses	1,288,180	1,053,677
Net income from sale of marketable securities	758,892	497,064
Foreign exchange gains	244,838	588,970
Other income	36,121	53,556
Résultat financier	**(23,171,095)**	**(22,933,928)**

II.2.5 – Extraordinary income

		31/12/2012		31/12/2011
Extraordinary Income		42,708,285		14,961,708
On management transactions	*1,123,962*		*2,125,829*	
On investment transactions	*41,131,946*		*12,122,846*	
Including the sale of real estate in the 19th arrondissement of Paris	*22,200,000*			
Impairment and provision reversals and expense tra	*452,377*		*713,033*	
Extraordinary charges		42,740,023		23,262,609
On management transactions	*5,198,445*		*5,838,634*	
On investment transactions	*35,985,810*		*14,465,499*	
Including the sale of real estate in the 19th arrondissement of Paris	*16,801,760*			
Extraordinary depreciation/amortisation, impairments and provisions	*1,555,768*		*2,958,476*	
Exceptional income or expense		**(31,738)**		**(8,300,901)**

	31/12/2012	**31/12/2011**
Capital gains and losses on asset disposals	5,174,190	(997,224)
Restructuring and development costs	(4,099,040)	(4,886,541)
Provisions for sundry debtors	(206,329)	(1,529,408)
Special depreciation/amortisation	(897,062)	(744,463)
Sundry expenses	(54,008)	(143,265)
Merger surplus	50,511	
Exceptional income or expense	**(31,738)**	**(8,300,901)**

II.2.6 – Taxes

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.

On 31 December 2012, the Orpea tax group's aggregate net profit was €61,538,308, including Orpea SA's tax benefit of €9,222,644 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 posted in Orpea SA's financial statements amounts to €6,283,056, broken down as follows:

	Before tax	Corporation tax	After tax
Operating profit	37,838,649	11,425,504	26,413,145
Net finance cost	(23,171,095)	(6,024,858)	(17,146,237)
Exceptional income or expense	(31,738)	40,335	(72,073)
Tax on dividends and other		842,075	(842,075)
Accounting result	14,635,816	6,283,056	8,352,759

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: €43.610 million
  - Tax deferred unrealised gains on securities arising as a result of mergers: €24.419 million
  - Gain on leasehold rights deferred over 15 years: €123,000
  - CET reliefs: €1.228 million

- Deductions to be made in future years:
  - Organic social security organisation: €378,000
  - Unrealised gain on mutual funds: €12,000

III – FINANCIAL COMMITMENTS AND OTHER INFORMATION

N.B: *Amounts are expressed in euros unless expressly stated otherwise.*

III.1 – OFF-BALANCE SHEET COMMITMENTS

Debt-related commitments

Financial commitments

Contractual obligations (in k€)	31.12.12	31.12.11
Counter-guarantee sureties on markets Assigned claims not yet due (Daily slips ...) Pledges, mortgages and other securities	476,989	511,557
Total	476,989	511,557

Contractual obligations (in k€)	31.12.12	Payments due by period		
		less than one year	from 1 to 5 years	over 5 years
Long-term borrowings	1,442,250	477,236	635,469	329,545
Finance lease obligations	44,634	13,612	25,461	5,561
Operating leases				
Irrevocable purchase obligations				
Other long-term obligations				
Total	1,486,884	490,848	660,930	335,106

Lease commitments

	Lease commitment real estate	Lease commitments furniture
Original date	44,763,093	63,707,070
Royalties for the year	3,138,900	10,956,955
Cumulative charges from previous years	17,539,842	34,911,032
Theoretical provision for the year	696,498	5,908,534
Cumulative amortisation for prior years	4,936,101	16,347,279
Royalties outstanding - one year	3,138,900	10,473,220
Royalties outstanding - over one year and up to five years	11,132,049	14,329,089
Royalties outstanding - over five years	5,560,757	0
Surrender value	16,381,142	0

Commitments to employees

The amount of employee retirement benefit obligations, determined using a projected unit credit method, amounted in 2012 to €6.710 million, compared to €5.595 million in 2011.

The main actuarial assumptions at 31 December 2012 were:

- rate of salary increase: 2.50% taking account of inflation;
- discount rate: 3.75%;
- Retirement age: 65 years;
- social security contribution rate: in line with 2012 figures.

The amount paid by the company in retirement benefits amounted to €92.392 million in 2012.

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.

On 31 December 2012, these training rights did not generate any additional costs as they are financed by refunds obtained under professional training contracts. The expense is posted 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, since taken over by CLINEA SAS.

ORPEA has the option of taking 21% of DOMIDOM's capital until 31 December 2013, and the remaining 49% from 1 January 2015 to 31 December 2016, with a joint exit mechanism in the event of options not being exercised by ORPEA.

In terms of the 49.9% stake in Immobilière de Santé, the following commitments were exchanged for a possible acquisition of a 100% controlling interest:

- Promise of sale to ORPEA between 1 July 2018 and 30 June 2019,
- Promise of purchase by ORPEA between 1 July 2019 and 30 June 2020,

III.2 – INTERNAL RESTRUCTURING

In order to simplify its legal structure, the Company performed at the year-end various internal restructuring initiatives by merging all the assets and liabilities of six of its subsidiaries: SARL Saint Sulpice, SAS Résidence Klarene, SAS Ondine, SAS Centre Gérontologique, SAS Les Jardins de la Crau, and SASU Les Jardins de Mazet.
The various assets and liabilities of the subsidiaries were taken over and posted into Orpea's financial statements on 31 December 2012.

These transactions led to a merger loss of €15,809,107 being recorded, allocated to intangible assets, and a merger surplus of €50,511 allocated to exceptional profit.

III.3 – EMPLOYEES

At 31 December 2012, full-time equivalents employed by Orpea SA were as follows:

	31/12/2012	31/12/2011
Managers	517	461
Employees/Workers	5,711	5,163
Total	6,228	5,624

III.4 – STATUTORY AUDITORS' FEES

Fees for the statutory auditors in respect of their audit of the accounts in 2012 were €1.864 million.

III.5 – BENEFITS GRANTED TO DIRECTORS AND EXECUTIVE OFFICERS

The total amount of gross compensation, fees (including all taxes) and benefits paid during the 2012 financial year to ORPEA SA's corporate officers was €1.191 million. Attendance fees for members of the Board of Directors for the 2012 financial year, paid in 2013, were €211,000

No commitment had been made at 31 December 2012 to either the Chairman and Chief Executive Officer or the Chief Operating Officer in respect of termination benefits or non-competition benefits.

They had no specific supplementary pension entitlements (article 39 regulations) as at 31 December 2012.

2. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit 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 financial statements.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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ORPEA
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Statutory Auditors' Report
on the consolidated financial statements

Financial year ended 31 December 2012

To the Shareholders,

In accordance with the instructions given to us by the General Meeting, we present our report for the financial year ending 31 December 2012, on:

- the audit of ORPEA's statutory financial statements, as appended to this report;
- the justification for our assessments;
- the specific reviews and information required by law.

These financial statements were approved by 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, based on sample checks or other methods of selection, involves verifying the items substantiating the amounts and information contained in the annual 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 2012 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 describes the accounting standards and methods used to measure operating licences recognised as intangible assets;
- Note 1.2.3 describes the accounting standards and 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.

These appraisals formed part of our audit of the annual accounts as a whole, and therefore contributed to our opinion expressed in the first part of this report.

III. Specific procedures and disclosures

In accordance with the professional standards applicable in France, we also carried out the specific checks required by law.

We have no matters to report regarding the fairness and consistency with the financial statements of the information given in the management report, and in the documents sent 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, 07 May 2013

The Statutory Auditors

Saint Honoré BK&A	Deloitte & Associés
Frédéric BURBAND	Joël ASSAYAH

3. 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 agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

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Special Statutory Auditors' Report
on regulated related-party agreements and commitments

General meeting to approve the financial statements
for the financial year ended 31 December 2012

To the 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

Pursuant to article L. 225-40 of the French Commercial Code, we have been informed of the following agreements and commitments which were previously authorised by your board of directors.

a. Agreement protocol with DOMIDOM SERVICES

(Authorisations dated 15 February 2012 and 29 June 2012)

Director concerned :

Philippe AUSTRUY (permanent representative of NEO GEMA, which owns GEMA SERVICES, which in turn owns DOMIPLUS, which controls DOMIDOM SERVICES).

Nature and purpose :

Agreement protocol between DOMIPLUS and your company regarding:
- your company's acquisition of a 30% stake in DOMIDOM SERVICES, by subscribing to a capital increase.
- an option for your company to acquire an additional stake of 21% which can be exercised between 1 August 2012 and 31 December 2013.
- and an option to acquire the rest of the shares, which can be exercised between 1 January 2015 and 31 December 2016.

A joint exit mechanism is in place if your company does not exercise the options.

Terms and conditions :

Acquisition on 6 July 2012 by your company of a 30% stake in the capital of DOMIDOM SERVICES, by subscription of 99,839 new shares of €33.76 with a nominal value of €15, i.e. a capital increase of €3,370,564.64 (€1,497,585 nominal value and €1,872,979.64 issue premium).

After this capital increase, 70% of DOMIDOM SERVICES was held by DOMIPLUS and the other 30% was held by your company.

Agreements and commitments approved since year-end

Pursuant to articles L. 225-38 et seq of the French Commercial Code, as regards the agreements referred to in paragraphs (a) to (e) below, and L. 225-42-1 for agreements in paragraphs (f) and (g), we have been notified of the following agreements and commitments which have been authorised by your board of directors.

a. Agreement to terminate the employment contract of Yves LE MASNE, Chief Executive Officer

(Authorised on 25 March 2013)

Director concerned:

Yves LE MASNE

Nature and purpose:

To meet recommendation 19 of the AFEP-MEDEF Code, which foresees "when a director becomes a corporate officer of the company, the termination of the employment contract which binds him to the company or a group company, either by mutual agreement [rupture conventionnelle] or by resignation", your board of directors authorised the termination of Yves LE MASNE's employment contract. A contractual indemnity of €302,000 is to be paid, under the conditions set out in article L. 1237-11 of the French Labour Code.
The employment contract in question was for the role of Chief Financial Officer.

Terms and conditions:

This agreement had no financial impact on the 2012 financial statements

b. Agreement to terminate the employment contract of Jean-Claude BRDENK, Chief Operating Officer

(Authorised on 25 March 2013)

Director concerned:

Jean-Claude BRDENK

Nature and purpose:

To meet recommendation 19 of the AFEP-MEDEF Code, which foresees "when a director becomes a corporate officer of the company, the termination of the employment contract which binds him to the company or a group company, either by mutual agreement [rupture conventionnelle] or by resignation", your board of directors authorised the termination of Jean-Claude BRDENK's employment contract. A contractual indemnity of €312,000 is to be paid, under the conditions set out in article L. 1237-11 of the French Labour Code. .
The employment contract in question was for the role of Chief Operating Officer.

Terms and conditions:

This agreement had no financial impact on the 2012 financial statements

c. Continuing entitlement to the collective benefits plan and to reimbursement of the healthcare costs of ORPEA Group employees for Yves LE MASNE, Chief Executive Officer

(Authorised on 25 March 2013)

Director concerned:

Yves LE MASNE

Nature and purpose:

On 25 March 2013 the Board of Directors authorised the company to take the necessary steps for Yves LE MASNE, in his capacity as executive corporate officer, to continue to benefit from the collective benefits plan and the reimbursement of healthcare costs for employees provided for by the Group contracts.

Terms and conditions:

This agreement had no financial impact on the 2012 financial statements

d. Continuing entitlement to the collective benefits plan and to reimbursement of the healthcare costs of ORPEA Group employees for Jean-Claude BRDENK, Chief Operating Officer

(Authorised on 25 March 2013)

Director concerned:

Jean-Claude BRDENK

Nature and purpose:

On 25 March 2013 the Board of Directors authorised the company to take the necessary steps for Jean-Claude BRDENK, in his capacity as executive corporate officer, to continue to benefit from the collective benefits plan and the reimbursement of healthcare costs for employees provided for by the Group contracts.

Terms and conditions :

This agreement had no financial impact on the 2012 financial statements

e. Unemployment insurance for Jean-Claude BRDENK, Chief Operating Officer

(Authorised on 25 April 2013)

Director concerned:

Jean-Claude BRDENK

Nature and purpose:

On 25 April 2013 the Board of Directors authorised the company to take out unemployment insurance for the Chief Operating Officer, the premiums of which will be paid by the company.

Terms and conditions:

This agreement had no financial impact on the 2012 financial statements

f. Indemnities payable in the event of the end of the term of office of Yves LE MASNE, Chief Executive Officer

(Authorisations dated 25 March 2013 and 25 April 2013)

Director concerned:

Yves LE MASNE.

Nature and purpose:

The board of directors, at its meetings of 25 March 2103 and 25 April 2013, following the end of Yves LE MASNE's employment contract, and in view of his major contribution to the Group's growth for several years, agreed that Yves LE MASNE should receive an indemnity payable in the event of the end of his term of office as executive corporate officer, which corresponds to twenty-four (24) months' gross fixed and variable compensation (multiple of a monthly average of the payments due and paid over the last two financial years).

This indemnity would be paid by the Company:

- in the event of forced departure: departure on the initiative of the Board of Directors, irrespective of how this termination of office occurs, notably by revocation, requested resignation or non-renewal of mandate (excluding termination of office as a result of a serious offence);

or

- in the event of a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

This indemnity will be allocated by the Board of Directors, provided that the average variable compensation for the last two financial years prior to the year of departure of the corporate officer concerned was equal to or over 75% of the non-exceptional target variable compensation (excluding the exceptional part of variable compensation), a proportional reduction in this amount being foreseen in the event that the average variable compensation for the previous two financial years was 74% to 50% of said non-exceptional target variable compensation and no indemnity being paid when the rate is under 50%.

A special procedure applies in the event of departure within 24 months of appointment.

If Yves LE MASNE can assert his basic retirement rights at the full rate in the six months following the end of his functions, this indemnity will no longer be payable.

Terms and conditions:

This agreement had no financial impact on the 2012 financial statements

g. Indemnities payable in the event of the end of the term of office of Jean-Claude BRDENK, Chief Operating Officer

(Authorisations dated 25 March 2013 and 25 April 2013)

Director concerned:

Jean-Claude BRDENK

Nature and purpose:

The board of directors, at its meetings of 25 March 2103 and 25 April 2013, following the end of Monsieur Jean-Claude BRDENK's employment contract, and in view of his major contribution to the Group's growth for several years, agreed that Monsieur Jean-Claude BRDENK should receive an indemnity payable in the event of the end of his term of office as executive corporate officer, which corresponds to twenty-four (24) months' gross fixed and variable compensation (multiple of a monthly average of the payments due and paid over the last two financial years).

This indemnity would be paid by the Company:

- in the event of forced departure: departure on the initiative of the Board of Directors, irrespective of how this termination of office occurs, notably by revocation, requested resignation or non-renewal of mandate (excluding termination of office as a result of a serious offence);

or

- in the event of a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

This indemnity will be allocated by the Board of Directors, provided that the average variable compensation for the last two financial years prior to the year of departure of the corporate officer concerned was equal to or over 75% of the non-exceptional target variable compensation (excluding the exceptional part of variable compensation), a proportional reduction in this amount being foreseen in the event that the average variable compensation for the previous two financial years was 74% to 50% of said non-exceptional target variable compensation and no indemnity being paid when the rate is under 50%.

A special procedure applies in the event of departure within 24 months of appointment.

If Jean-Claude BRDENK can assert his basic retirement rights at the full rate in the six months following the end of his functions, this indemnity will no longer be payable.

Terms and conditions:

This agreement had no financial impact on the 2012 financial statements

Agreements and commitments already approved by the shareholders

Agreements and commitments authorised in prior years that remained valid in 2011

In accordance with the provisions of article L. 225-30 of the French Commercial Code, we have been advised of the following agreements and commitments approved in prior years that remained valid in 2012.

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 your company for 2012 were €1,775 not including tax.

b. Legal and court assistance

Director concerned:

Alexandre MALBASA

Nature and purpose:

Litigation and pre-litigation assistance.

Terms and conditions:

Fees paid to Maître Alexandre MALBASA by your company during the year amounted to €43,152 including tax.

Paris and Neuilly-sur-Seine, 07 May 2013
The Statutory Auditors

Saint Honoré BK&A	Deloitte & Associés
Frédéric BURBAND	Joël ASSAYAH

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CHAPTER VII: DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS OF 20 JUNE 2013

1. REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS

The object of this report is to comment on the main points of the proposed resolutions submitted to the general meeting by your company's Board of Directors in accordance with current regulations and the recommendations on best governance practices.
This report is not intended to be detailed nor can it replace a comprehensive reading of the full text of the proposed resolutions, which it is intended to supplement.
The full text of the proposed resolutions is attached to this report.

I- APPROVAL OF THE STATUTORY AND CONSOLIDATED FINANCIAL STATEMENTS (1ST AND 2ND ORDINARY RESOLUTIONS)

In accordance with legal requirements we have called this meeting within six months from the end of the business year, for the review and approval of the Company's statutory and consolidated financial statements.

The object of the 1st resolution is the review and approval of Orpea's statutory accounts for the year ending 31 December 2012. The Board proposes approving the operations and accounts for the 2012 financial year as presented, and which show a profit of €8,352,759. The object of the 2nd resolution is the review and approval of Orpea's consolidated accounts for the year ending 31 December 2012. The Board proposes approving the operations and consolidated accounts for the 2012 financial year as presented, and which show net profit (Group share) of €97,027,948. For more information on these accounts and on the company's performance during 2012 please refer to the information given in the Board of Directors' management report, which is included in the 2012 Registration Document.

II-APPROPIATION OF NET PROFIT/(LOSS)(3RD ORDINARY RESOLUTION)

With the 3rd resolution the Board of Directors proposes the following allocations of the income for FY 2012, which comes to a profit of €8,352,759.

- the profit, of	€8,352,759	
to be allocated to the legal reserve in the amount of and		€417,638,
the remainder, i.e.		€7,935,121
increased by:		
1) the "Retained earnings" item, i.e.		€8,112,989.
2) the "Share, merger and contribution premiums" item, amounting to		€16,000,000
giving a total distributable amount of		€32,048,110,

payment of a cash dividend of €0.60 for each of the 52,998,062 shares comprising the share capital as of1 January 2013, i.e. €31,798,837.20,

- the balance of €249,272.80 to "Retained earnings".

The dividend will be paid out on 31 July 2013 to the 52,998,062 shares making up the share capital as of 1 January 2013, on the understanding that the treasury shares held by the Company on the coupon detachment date will not receive the dividend and that the corresponding amounts will be allocated to the retained earnings account. In the event of a change in the number of shares eligible for dividends, compared to the 52,997,892 shares in the capital as of 1 January 2013, the Board may adjust the global dividend amount by making a withdrawal from the "Retained earnings" account.

The proposed dividend gives entitlement to the 40% tax allowance foreseen under article 158-3 paragraph 2 of the French General Tax Code applicable to individuals resident for tax purposes in France.

For individuals who for tax purposes reside in France, the dividend will be determined subject to the progressive income tax scale with no possibility, on the basis of the French 2013 Finance Act, of choosing a flat-rate withholding tax. Upon receipt the dividend is also subject to a deduction by way of an advance on income tax, at the rate of 21%.

The social security contributions (the Generalised Social Contribution - CSG, the Contribution for the Reimbursement of Social Debt - CRDS, and additional contributions) payable by French fiscal residents are in any case deducted when the dividend is paid.

The table below indicates the dividend amount for the past three years:

Financial year	Net dividend per share	Tax allowance*
2009	€0.15	Yes
2010	€0.23	Yes
2011	€0.50	Yes

III- APPROVAL OF RELATED-PARTY AGREEMENTS (4TH-6TH ORDINARY RESOLUTIONS)

You are requested to kindly approve the Statutory Auditors' special report.

The report relates to the agreements and commitments falling under article L 225-38 of the French Commercial Code: an agreement authorised during the course of the financial year, and commitments authorised between 1 January 2013 and 25 April 2013 (4th resolution).

The section of the Statutory Auditors' special report relating to commitments falling under article L. 225-42-1 of the French Commercial Code authorised by 25 April 2013 is the object of separate resolutions (5th and 6th).

You are reminded that, in accordance with the law, only new agreements are subject to a vote by the general meeting. The Statutory Auditors' special report makes reference to the existing agreements which continued during the year ending 31 December 2012, but have only been mentioned for the purposes of information to shareholders (they are not subject another vote by the general meeting).

1- Agreements and commitments governed by article 225-38 of the French Commercial Code (4th resolution)

1-1- Agreement concluded during FY 2012

In the section relating to agreements authorised during the 2012 financial year, the special report mentions the agreement signed with Domiplus in relation to the Company's investment in Domidom.

During the year ending 31 December 2012 the Company entered into an agreement with Domiplus, relating to Orpea's acquisition of an investment in Domidom Services.

Director involved: Philippe Austruy (permanent representative of Neo Gema, which holds the company Gema Services, which itself holds Domiplus, the entity which controls Domidom Services).

The agreement was authorised at the Board of Directors' meetings of 15 February 2012 and 29 June 2012.

It relates to the Company's acquisition, through a subscription to a capital increase of 30% of Domidom's capital; the agreement also provides for call options on the balance (option to purchase 21% exercisable by 1 August 2012 and 31 December 2013, and an option to buy the balance exercisable by 1 January 2015 and 31 December 2016); if the Company does not exercise its options by the deadlines, provision has been made for a joint exit.

The acquisition of 30% of the capital of Domidom was completed on 6 July 2012, through the subscription by Orpea of 99,839 new shares of €33.76 each with a nominal value of €15, i.e. a capital increase of €3,370,564.64 (€1,497,585 nominal value and €1,872,979.64 issue premium).

1-2- Agreements and commitments authorised after 1 January 2013

The Statutory Auditors' special report also refers to the commitments authorised between 1 January 2013 and 25 April 2013; the main terms and conditions of these agreements are set out below.

The following regulated commitments were authorised as part of the compliance process relating to Yves Le Masne and Jean-Claude Brdenk, respectively the CEO and the Chief Operating Officer, relating to the AFEP/MEDEF guidelines on termination of their contracts. They did not participate in the Board of Directors' vote authorising these commitments.

Agreements relating to the termination by mutual agreement of the employment contracts of the Company's executive corporate officers

This item relates to two standard agreements for the termination by mutual agreement of the contracts linking Yves Le Masne and Jean-Claude Brdenk to the Company.

Yves Le Masne and Jean-Claude Brdenk each held a long-term contract of employment (exercised for 20 years by Mr Le Masne, who not only had the mandate of CEO but also performed the duties of Chief Financial Officer within the Company, and for 16 years by Mr Brdenk who held, in addition to his position as Deputy CEO, the duties of Chief Operating Officer).

As part of the procedure to align the Company's governance with the recommendations of the AFEP-MEDEF Code on the governance of listed companies, and in particular Recommendation 19 of the AFEP-MEDEF Code which provides "*for the termination of a contract of employment with the company or a group company either by mutual agreement or by resignation*", and taking into account the long service of Yves Le Masne and Jean-Claude Brdenk and their important contribution to the Group's growth, the Board of Directors' meeting of 25 March 2013 authorised the conclusion of a termination by mutual consent of their contracts of employment (as provided for in article L. 1237-11 of the French Labour Code) in relation to their respective positions as Chief Financial Officer and Chief

Operating Officer, and authorised the payment of the related termination indemnities (€302,000 and €312,000 respectively).

Application of the Group benefit plan and coverage of staff medical costs for Yves Le Masne and Jean-Claude Brdenk

This item relates to the commitments made by the Company for the benefit of Yves Le Masne and Jean-Claude Brdenk, to enable them to continue benefiting from the Group benefit plan, and coverage of medical costs for Orpea personnel.

On 25 March 2013 the Board of Directors authorised the Company to make the commitments needed to allow Yves Le Masne and Jean-Claude Brdenk, as executive corporate officers of the Company, to continue benefiting from the Group benefit plan and the coverage of medical expenses by the Group contract.

Subscription of unemployment insurance for the Chief Operating Officer

On 25 April 2013 the Board of Directors authorised the company to take out unemployment insurance for the Chief Operating Officer, the premiums of which will be paid by the Company.

2- Commitments governed by article L. 225-42-1 of the French Commercial Code: termination indemnities payable to executive corporate officers of the Company

You are kindly asked to approve the indemnities authorised by the Company for the benefit of Yves Le Masne, CEO (5th resolution) and for Jean-Claude Brdenk, COO (6th resolution).

At its meetings on 25 March 2013 and 25 April 2013, following the termination of the contracts of Yves Le Masne and Jean-Claude Brdenk, having renewed in advance their mandates as CEO and COO, and taking into account their important contribution to the Group's growth for many years, the Board of Directors authorised the award to Yves Le Masne and Jean-Claude Brdenk of indemnities due in the event of termination of their duties as executive corporate officers, in an amount corresponding to twenty-four (24) months' fixed and variable gross compensation (calculated on the basis of the monthly average compensation paid during the past two financial years).

This indemnity would be paid by the Company:

- in the event of forced resignation: resignation at the request of the Board of Directors whatever the form of termination, in particular in the case of revocation, requested resignation or non-renewal of mandates (with the exclusion of termination due to gross negligence);

or

- in the event of a change in the Company's control (this being understood as any change to the Company's legal form as a result of any merger, restructuring, disposal, public offering or exchange operation, notably following which a legal or physical person, acting alone or in concert, directly or indirectly, holds a fraction of the company's capital or voting rights giving him or her effective control of the Company) or its strategy, on the initiative of the Board of Directors or the corporate officer concerned.

This indemnity will be allocated by the Board of Directors, provided that the average variable compensation for the last two financial years prior to the year of departure of the corporate officer concerned was equal to or over 75% of the non-exceptional target variable compensation (excluding the exceptional part of variable compensation), a proportional reduction in this amount being foreseen in the event that the average variable compensation for the previous two financial years was 74% to 50% of said non-exceptional target variable compensation and no indemnity being paid when the rate is under 50%.

A special procedure applies in the event of departure within 24 months of appointment.

If Yves Le Masne and Jean-Claude Brdenk can assert their basic retirement rights at the full rate in the six months following the end of their functions, this indemnity will no longer be payable.

All the commitments outlined above are detailed in the special report of the Statutory Auditors, submitted to the general meeting in relation to the regulated agreements and commitments, and, with regard to commitments made in favour of executive corporate officers, in the 2012 Registration Document filed with the AMF and made available to you in accordance with applicable laws and regulations, notably on the Company's website.

IV- RENEWAL OF TERMS OF OFFICE OF DIRECTORS BRIGITTE MICHEL AND ALEXANDRE MALBASA (7TH AND 8TH ORDINARY RESOLUTIONS)

The Board proposes renewing the terms of office of Brigitte Michel and Alexandre Malbasa as directors for a four-year period, in accordance with article 15 of the Company's articles of association, as their current mandate is due to expire on the date of this general meeting. The directorships thus renewed will expire on the date of the general meeting called in 2017 to approve the accounts for 2016.

The CVs of Brigitte Michel and Alexandre Malbasa are annexed to this report.

V- AUTHORITY FOR THE COMPANY TO TRADE IN ITS OWN SHARES AND TO CANCEL TREASURY SHARES (9TH AND 10TH RESOLUTIONS – ORDINARY AND EXTRAORDINARY BUSINESS)

Buyback of the Company's own shares – 9th resolution

With the 9th resolution the Board of Directors proposes the renewal of the annual authorisation to purchase shares of the Company within the limits set by your general meeting and in accordance with the provisions of the law.

The Company needs to be able to trade in its own shares at all times, with a view to fulfilling the following objectives:

a) 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/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) 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) 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 extraordinary general meeting;

e) 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.

Nature of shares after buyback by the Company

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

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, at any time, except during a public offering period on the Company's shares, it being noted that this limit is evaluated on the date of the transaction to take into account 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: €264,989,460;

- 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.

Term of buyback programme

This programme will be valid for a period of 18 months from the combined general meeting of 20 June 2013. The new authorisation will cancel and supersede the unused portion of any previous authority given for the same purpose.

Cancellation of shares acquired by the Company - 10th resolution

Under the 10th resolution, we are seeking an 18-month renewal of the authorisation granted at the combined general meeting of 29 June 2012, to cancel all or part of the shares in the Company purchased under the share buyback programme.

The cancellation of shares may be authorised, in particular, with a view to limiting any dilutive effects resulting from past transactions such as various forms of capital increase.

In accordance with legal requirements the shares can only be cancelled up to the limit of 10% of the share capital per 24-month period.

Cancellation of shares will entail a reduction of the share capital and consequently an amendment to the articles of association; this resolution 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.

VI- RENEWAL OF FINANCIAL AUTHORISATIONS TO ISSUE SECURITIES GIVING ACCESS TO THE SHARE CAPITAL (11TH TO 21ST RESOLUTIONS)

With resolutions 11 to 21, the Board of Directors proposes that you renew its authority, with the right to sub-delegate, to issue shares or securities giving access to the share capital and to select the most appropriate method for the financing of the Group, according to market conditions.

Accordingly, you are asked to renew the Board of Director's financial authorisations, both maintaining the shareholders' preferential subscription rights and eliminating the preferential subscription rights.

The new authorities will cancel and replace, for the unused portion, the previous authorisations granted at the general meeting of 30 June 2011 in relation to the same object. Please note that details of all the authorisations voted by the combined general meeting of 30 June 2011, and the uses of those authorisations, are given in the 2012 Registration Document filed with the AMF and made available to you in accordance with applicable laws and regulations, notably on the Company's website.

FINANCIAL AUTHORISATIONS WITHIN THE OVERALL CEILING (14TH-26TH RESOLUTIONS - EXTRAORDINARY BUSINESS)

► OVERALL CEILING:

The 21st resolution establishes the overall ceiling for the authorisations relating to resolutions 11 to 20. The ceiling amounts to:

- €30,000,000 (thirty million euros), the total par value of immediate or future capital increases, on the understanding that this nominal amount may be added to the par value of any additional shares issued in accordance with the law to preserve the rights of holders of securities or other instruments carrying rights to shares in the Company;

and

- €350,000,000 (three hundred and fifty million), the maximum par value of the debt securities.

The table below summarises the proposed financial resolutions that fall within the global ceiling:

Type of authorisation	Maximum global par value	Term
11th resolution - **Rights** issues of shares in the company and/or securities carrying rights to shares (articles L. 225-132 and L. 228-91 of the Commercial Code).	- *Total par value of capital increases: €30,000,000* - *Maximum par value of debt securities: €250,000,000* Amounts included in the overall ceiling set by the 21st resolution.	26 months
12th resolution - **Non-rights** issues of shares and/or securities carrying rights to shares **by public offer** (article L. 225-136 paragraph 1 of the French Commercial Code).	- *Total par value of capital increases: €6,600,000* - *Maximum par value of debt securities: €200,000,000* Amounts included in the overall ceiling set by the 21st resolution.	26 months
13th resolution - **Non-rights** issues of Company shares	- *Total par value of capital increases:*	26

and/or securities carrying rights to Company shares **through private investments** governed by paragraph II of article L. 411-2 of the French Monetary and Financial Code (article L. 225-136 3° of the French Commercial Code).	*€6,600,000* *- Maximum par value of debt securities: €200,000,000* Amounts deducted from the Overall Ceiling fixed by the 21st resolution	months
14th resolution - Non-rights issue of securities under the 12th and 13th resolutions, the issue price being set freely, within the limit of 10% of the capital per year (article L. 225-136 paragraph 1 of the French Commercial Code),	within the limit of 10% of the capital per year; Amount included in the ceiling under the 12th or 13th resolution	26 months
15th resolution - Delegation of powers to the Board of Directors to make a capital increase to pay for contributions in kind made to the Company in the form of equity instruments or other securities, (article L. 225-147 of the French Commercial Code) (**non-rights issues**)	within the limit of 10%; Amounts included in the ceiling specified in the 21st resolution	26 months
16th resolution - Issue of financial securities and/or transferable securities giving access to capital in a public exchange offer initiated by the Company (article L. 225-148 of the French Commercial Code) (**non-rights issues**)	*Maximum par value: €6,600,000* Amount included in the Overall Ceiling set by the 21st resolution	26 months
17th resolution - Increase in the amount of **a rights or non-rights issue** (article L. 225-135-1 of the French Commercial Code) (over-allotment option).	- within the limit of 15% of the initial issue - at the same price as the initial issue Amount deducted from each of the issues decided under the 11th, 12th, 13th and 14th resolutions	26 months
18th resolution - Issue of shares reserved for members of an employee share ownership plan (articles L. 225-138-1 of the French Commercial Code and L. 3332-1 *et seq.* of the French Labour Code) (non-rights issues).	*Maximum par value: €400,000* Amount included in the Overall Ceiling set by the 21st resolution	26 months
19th resolution - Bonus shares for company officers and employees (articles L. 225-197-1 *et seq.* of the French Commercial Code).	*Total number of shares that can be granted: 300 000 shares;* Amount included in the Overall Ceiling set by the 21st resolution	38 months
20th resolution - Stock options for company officers and employees (articles L. 225-177 *et seq.* of the Commercial Code), **with no rights in the event of subscription**	*Total number of shares that can be acquired: 300,000 shares* Amount included in the Overall Ceiling set by the 21st resolution	38 months
21st resolution - **Overall Ceiling for capital increases carried out under resolutions 11 to 20**	*- maximum par value: €30,000,000* *- maximum par value of debt securities: €350,000,000*	

► MAIN CHARACTERISTICS OF PLANNED TRANSACTIONS

► Rights issues of ordinary shares in the company or of securities carrying rights to Company shares, maintaining the shareholders' preferential subscription rights (11th resolution).

With the 11th resolution the Board proposes the approval of the authorisation to issue ordinary shares or securities carrying rights to ordinary shares in the Company, maintaining the shareholders' preferential subscription rights. Such securities can consist of debt securities or instruments associated to the issue of such securities, and may also allow the issue in the form intermediate securities up to the following amounts:

- €30,000,000 (thirty million), the total par value of immediate or future capital increases, on the understanding that this nominal amount may be added to the par value of any additional shares issued in accordance with the law to preserve the rights of holders of securities or other instruments carrying rights to shares in the Company;

and

- €250,000,000 (two hundred and fifty million), the maximum par value of debt securities giving rights to the allotment of debt securities issued on the basis of the 23rd resolution submitted to this general meeting, and the amount of the debt securities whose issue is decided or approved by the Board of Directors pursuant to article L. 228-40 of the French Commercial Code.

The shareholders may exercise their preferential subscription rights under the legal conditions, as of right, and if applicable on a scale-back basis under the conditions determined by the Board of Directors.

If the subscriptions do not account for the entirety of an issue of shares or financial instruments as mentioned above, the Board of Directors may use one or more of the following options, in the order it deems appropriate:

- it may, in accordance with the conditions stipulated by law, limit the issue to the amount of subscriptions received provided that the subscription value reaches at least three-quarters of the issue in question, or any other threshold stipulated by law;

- freely allocate all or part of the unsubscribed shares;

- offer the public all or part of the unsubscribed shares.

Within the limits of this authority the Board, with the right to sub-delegate under the conditions stipulated by law, may determine the conditions of the issue(s) and in particular may determine the form and characteristics of the securities, the amount to be issued up to the limits mentioned above, determine the issue price and the issue premium, the terms of payment, and the vesting date which may be retroactive.

These authorisations will be valid for 26 months.

► Rights issues of ordinary shares in the company and/or securities carrying rights to Company shares, without preferential subscription rights for shareholders, (12th to 16th resolutions).

✓ 12th and 13th resolutions

The Board of Directors proposes to the general meeting the approval of an authorisation to issue ordinary shares or securities carrying immediate or future rights to ordinary new or existing shares in the Company, and giving rights to the allocation of debt securities within the context of a public offer (12th resolution) and/or through offers mentioned in article L 411-2 of the French Monetary and Financial Code, i.e. through private investments for the benefit of qualified investors or for a restricted group of investors (13th resolution). These authorisations will be valid for 26 months.

The ceilings for capital increases which may result from the 12th and 13th resolutions are as follows:

- €6,600,000 (six million six hundred thousand euros), the maximum par value of immediate or future capital increases,

and

- €200,000,000 (two hundred million), the maximum par value of debt securities giving rights to the allotment of debt securities issued on the basis of the 23rd resolution submitted to this general meeting, and the amount of the debt securities whose issue is decided or approved by the Board of Directors pursuant to article L. 228-40 of the French Commercial Code).

These ceilings would be included in the ceilings mentioned in the 21st resolution and, as the issues may be conducted through private investments as mentioned in the 13th resolution, the par value of the resulting capital increases is limited to 10% of the capital per year.

In order to mitigate the consequences of a capital increase with the elimination of preferential subscription rights, the 12th resolution (an issue connected to a public offer) provides that the Board may grant the shareholders a priority period within which to subscribe to the issued shares.

The share issue price will be at least equal to the minimum price stipulated by the applicable laws and regulations on the price fixing date, which currently stipulate a price at least equal to the weighted average of the last three trading sessions prior to the price-fixing, which may be reduced by a maximum discount of 5%.

If the subscriptions do not account for the entirety of an issue of shares or financial instruments as mentioned above, the Board of Directors may use one or more of the following options, in the order it deems appropriate:

- it may limit the issue to the amount of subscriptions received provided that the subscription value reaches at least three-quarters of the issue in question;

- freely allocate all or part of the unsubscribed shares;

- offer to the public all or part of the unsubscribed shares.

- ✓ 14th resolution

In accordance with the provisions of article L 225-136 of the French Commercial Code, the Board of Directors proposes, in the 14th resolution, the renewal of its authority to increase the capital in step with events, up to the limit of 10% of the capital per 12-month period, under the following price conditions: the weighted average of the Company's share price on the day prior to the fixing date, or the weighted average of the share price taken from all or part of the last 60 trading sessions on the NYSE-Euronext market in Paris prior to the fixing date, and in both cases potentially reduced by a maximum discount of 10%. In any case, the sums received for each share will be at least equal to the par value.

The par value of the increase in the Company's capital resulting from implementation of the 14th resolution will be deducted from the ceiling stipulated, as the case may be, in the 12th or 13th resolutions of the general meeting.

Where the authorisations provided for in the 12th, 13th and 14th resolutions are utilised, the Board of Directors and the Statutory Auditors will draw up supplementary reports on the final terms of the operation, and will specify the actual impact on the shareholder's position.

- ✓ 15th and 16th resolutions

It is also necessary to take into account possible acquisitions paid in financial securities:

- either to remunerate contributions in kind permitted to the Company and consisting of equity instruments or securities, in a context in which the shares allocated to Orpea are not traded on a regulated market or equivalent market (15th resolution); such issues, which may be conducted through contributions in kind, are limited to 10% of the capital (the ratio is to be assessed on the date on which Board of Directors utilises its authorisation);

- or in connection with a public exchange offer initiated by the Company (16th resolution). Issues which may be conducted in connection with a public exchange offer initiated by the Company are limited to a par value of €6,600,000;

The maximum capital increase that may result from each of these resolutions will be deducted from the global ceiling stipulated in the 21st resolution.

These authorities will entail the elimination, for the benefit of the holders of shares or securities relating to contributions in kind or public exchange offers, of the shareholders' preferential rights of subscription to such shares or securities.

► Additional rights or non-rights issues by application of the over-allotment clause (17th resolution).

With the 17th resolution, the Board of Directors also asks general meeting, in accordance with article L. 225-135-1 of the French Commercial Code, for an authority to increase the initial amount of a capital increase (carried out with or without the shareholders' preferential subscription rights, thus by application of resolutions 11 to 14) up to the limit of 15% of the initial issue, and at the same price approved for that issue. This authorisation may be applied, in particular, where the Board of Directors notes a surplus demand for subscriptions and thus decides to grant an over-allotment (green shoe) option in accordance with market practice. The additional amount of the capital increase which may result from the implementation of the 17th resolution will be included in the ceilings in the 11th to 14th resolutions. This authority, granted to the Board of Directors, may under no circumstances result in an increase of the ceilings described above.

► AUTHORISATIONS BENEFITING GROUP EMPLOYEES AND CORPORATE OFFICERS (18th to 20th resolutions)

In order to allow all the Group's employees and corporate officers to benefit from its growth and to foster a sense of belonging, while seeking to reconcile their interests with those of the Company's shareholders, the Board proposes that it be granted an authorisation to carry out issues of equity instruments reserved for the members of a company savings plan and to allow the allocation of options and/or free shares.

- ✓ Authorisation for the Board of Directors to carry out issues of equity instruments under the conditions of article L. 3332-18 of the French Labour Code (18th resolution).

With the 18th resolution, the Board of Directors proposes that it be given a 26-month authorisation to carry out, in accordance with articles L. 3332-1 *et seq.* of the French Labour Code relating to employee share ownership and with article L. 225-138-1 of the French Commercial Code, and in accordance with articles L. 225-129, L. 225-129-2 and L. 225-129-6 of the French Commercial Code, capital increases on one or more occasions at its sole discretion, in the proportions and on the dates it deems appropriate, by issuing, free of charge or paid, ordinary shares, instruments and/or securities in the Company which give access in any way, either immediately or in the future, at any time or on fixed dates, and up to the maximum par value of €400,000, to ordinary shares in the Company reserved:

- within the limits of the applicable laws and regulations, for employees and/or corporate officers of the Company and/or of companies or groupings that are related to it within the meaning of article L. 225-180 of the French Commercial Code.

- provided that the employees and/or corporate offices are members of a company savings plan and also meet any other conditions which may be imposed by the Board of Directors.

This decision will eliminate the shareholders' preferential subscription rights for the benefit of the above-mentioned beneficiaries, resulting in the shareholders' waiver of their preferential rights to subscribe to the shares to which the instruments issued pursuant to this authority give an entitlement.

The subscription price for the shares issued pursuant to this authority will be determined under the conditions stipulated in articles L. 3332-19 et seq. of the French Labour Code.

- ✓ Authorisation for the Board of Directors to carry out the free allocation of existing or new shares (19th resolution).

Under the 19th resolution, the Board of Directors proposes the renewal of its authority to carry out the free allocation of existing or new shares for the benefit of staff or categories of staff, or of executives corporate officers of the Company or of companies affiliated to it.

The allotment of such shares to the beneficiaries will become final at the end of a minimum two-year acquisition period; the beneficiaries must retain the shares for a minimum of two years with effect from the definitive date on which they are granted.

In accordance with the law, the Board of Directors has also decided, with regard to the executive beneficiaries, as defined by law, that either freely-allotted shares cannot be sold by the interested parties before they have terminated their duties, or that the quantity of shares they are required to retain until termination of their duties will be fixed.

The total number of shares which may be freely allotted cannot exceed a maximum of 300,000. This authorisation will be valid for 38 months.

- ✓ Authorisation for the Board of Directors to grant subscription and/or share purchase options to employees and corporate officers of the Company (20th resolution).

With the 20th resolution, the Board of Directors proposes that it be authorised to grant options which give an entitlement, at its discretion, either to the subscription of new shares in the Company to be issued following a capital increase, or to the purchase of existing shares in the company, resulting from buybacks;

The total number of options which may be granted in connection with this authorisation may not give rights to subscribe or purchase more than 300,000 shares on the allotment date. This authority would be granted for a period of 38 months.

The subscription price will be set by the Board of Directors on the date on which the option is granted, and it may not be lower than the minimum amount stipulated in either case by the laws in force on that date.

FINANCIAL AUTHORISATIONS NOT INCLUDED IN THE GLOBAL CEILING: CAPITAL INCREASE THROUGH CAPITALISATION OF RESERVES, EARNINGS OR PREMIUMS (22ND RESOLUTION)

With the 22nd resolution, the Board of Directors proposes the renewal of its authority to increase the share capital through the capitalisation of reserves, earnings or premiums, up to the maximum nominal amount of €30,000,000 (thirty million euros).

The existence of a separate ceiling is justified as these increases do not entail any dilutive effects for the shareholders and would not change the volume of the Company's equity capital (these increases take place either through the free allocation to shareholders of new shares, or through the increase in the par value of the existing shares).

This authorisation would have a duration of 26 months and would terminate the previous authority granted at the combined general meeting of 30 June 2011.

VII – FINANCIAL AUTHORISATIONS TO ISSUE NON-RIGHTS SECURITIES (23RD RESOLUTION, EXTRAORDINARY BUSINESS)

Under the 23rd resolution, the Board of Directors proposes the delegation of an authority to issue securities with the right to the allocation of debt securities, without any increase in the Company's capital, up to a maximum nominal amount of € 300,000,000.

This ceiling is separate and independent from the 11th and 12th resolutions, and from the global ceiling stipulated in the 21st resolution.

This authority covers securities giving the right to the allocation of debt securities, such as bonds with warrants for the subscription of bonds, convertible bonds or bonds redeemable for a different debt security.

Such an authority would also flesh out the framework of the Group's financial policy.

If this resolution is approved, the Board will be able to determine the characteristics of the issued securities and debt instruments to which the securities would give the right of allocation, and in particular their par value and vesting date (including retroactive), their issue price, with premium if applicable, the interest rate (fixed or variable), the date of payment or – in the case of variable-rate securities – the conditions for determining the interest rate, and also the conditions for the capitalisation of interest.
This authorisation will be valid for 26 months.

VIII-POWERS FOR FULFILMENT OF FORMALITIES (24TH RESOLUTION)

Under this last resolution, you are asked to grant the powers needed to fulfil any formalities required pursuant to the resolutions passed at this general meeting.

2. PROPOSED RESOLUTIONS PRESENTED BY THE BOARD OF DIRECTORS

2.1- ORDINARY RESOLUTIONS

FIRST RESOLUTION (Approval of the 2012 statutory financial statements).

Having considered the Board of Directors' management report and the notes thereto, 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 2012 as presented, showing a net profit of €8,352,759.

SECOND RESOLUTION (Approval of the 2012 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 2012 as presented, showing a net profit of €97,087,375.

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, amounting to €8,352,759, as follows:

- the profits, of	€8,352,759
to be allocated to the legal reserve in the amount of	€417,638
the remainder, i.e.	€7,935,121
increased by:	
1) the "Retained earnings" item, i.e.	€8,112,989
2) the "Share, merger and contribution premiums" item, amounting to	€16,000,000
giving a total distributable amount of	€32,048,110,

payment of a cash dividend of €0.60 for each of the 52,998,062 shares comprising the share capital as of1 January 2013, i.e. €31,798,837.20,

- the balance of €249,272.80 to "Retained earnings".

The dividend will be paid on 31 July 2013.

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 2013 and the dividend payment date.

The sum of the proposed annual dividend is eligible for the 40% tax-allowance available to private shareholders resident in France for tax purposes, in accordance with the provisions of article 158-3 paragraph 2 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	Net dividend per share	Tax allowance*
2009	€0.15	Yes
2010	€0.23	Yes
2011	€0.50	Yes

* 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, paragraph 2 of the French General Tax Code.

FOURTH RESOLUTION (*Presentation of the Statutory Auditors' report on the agreements covered in articles L. 225-38 et seq. of the French Commercial Code – Approval of said agreements)*

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 report.

FIFTH RESOLUTION *(Examination and approval of the indemnities covered under article L 225-42-1 of the French Commercial Code, given by the Company to Yves Le Masne, Chief Executive Officer, in view of the termination of his duties, to align his situation with AFEP/MEDEF guidelines)*

Having considered the Statutory Auditors' special report on agreements governed by article L. 225-42-1 of the French Commercial Code, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the termination indemnity authorised by the Company in favour of the Chief Executive Officer, Yves Le Masne, as authorised by the Board of Directors.

SIXTH RESOLUTION *(Examination and approval of the indemnities covered under article L 225-42-1 of the French Commercial Code, given by the Company to Jean-Claude Brdenk, Deputy Chief Executive Officer, in view of the termination of his duties, to align his situation with AFEP/MEDEF guidelines)*

Having considered the Statutory Auditors' special report on agreements governed by article L. 225-42-1 of the French Commercial Code, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the termination indemnity authorised by the Company in favour of the Deputy Chief Executive Officer, Jean-Claude Brdenk, as authorised by the Board of Directors.

SEVENTH RESOLUTION *(Renewal of the term of office of Director Brigitte Michel, for four years)*

Voting under the quorum and majority conditions required for ordinary business, the shareholders renew, for four years, Brigitte Michel's term of office as Director, whose mandate was due to expire after this general meeting.

The directorship thus renewed will expire on the date of the general meeting called to approve the accounts for 2016.

EIGHTH RESOLUTION *(Renewal of the term of office of Director Alexandre Malbasa for four years)*

Voting under the quorum and majority conditions required for ordinary business, the shareholders renew, for four years, Alexandre Malbasa's term of office as Director, whose mandate was due to expire after this general meeting.

The directorship thus renewed will expire on the date of the general meeting called to approve the accounts for 2016.

NINTH RESOLUTION *(Authorisation given to the Board 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 to 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 (extraordinary business) 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 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, except during a period of public offer or exchange on the Company's shares. 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 (fifty euros) per share;

- the maximum number of shares that may be purchased may not exceed 10% of the total number of shares issued, 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; and
- the maximum amount to be allocated to such purchases will thus be €264,989,460 (two hundred and sixty-four million nine hundred and eighty-nine thousand four hundred and sixty euros).

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 18 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.

2.2 – EXTRAORDINARY RESOLUTIONS

TENTH RESOLUTION *(Renewal of the authorisation for 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 tenth 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 24-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 18 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 – for the unused period –the authorisation given under the ninth resolution passed at the combined general meeting of 29 June 2012.

ELEVENTH RESOLUTION *(Delegation of authority to the Board to decide on a capital increase, through the issue – with preferential subscription rights – of shares and/or securities giving access to the Company's capital and/or securities conferring the right to the allotment of debt securities).*

The general meeting, acting pursuant to the quorum and majority requirements applicable to extraordinary general meetings and having reviewed the Board of Director's report and the Statutory Auditors' special report, and pursuant, notably, to articles L. 225-127, L. 225-129 *et seq.* of the French Commercial Code, and in particular to articles L. 225-129-2 et L. 225-132 of said Code, as well as to the provisions of article L. 228-91 *et seq.* of the French Commercial Code:

Delegates to the Board of Directors, with the right of sub delegation under the legal and regulatory conditions currently in force, the power to decide, on one or more occasions, at its sole discretion, in the proportions and at the times deemed appropriate, in France or abroad, in euros or in any other currency or monetary unit set by reference to several currencies, the issue – maintaining the preferential rights of shareholders – of ordinary shares in the Company, and of any other securities carrying immediate and/or future rights to ordinary new or existing shares in the Company, and conferring rights to the allocation of debt securities, for which the subscription may take place either in cash, either by offsetting certain debts, due and payable against the Company, or free, it being noted that this authority may allow one or more issues in application of article L. 228-93 of the French Commercial Code.

The issued financial securities giving access to the capital of the Company or a related company under the conditions set out by article L. 228-93 of the French Commercial Code may notably consist of debt securities, or may be associated to the issue of such securities, or may also allow the issue in the form of intermediate securities, and may take the form of subordinated or non-subordinated securities of a fixed or indeterminate duration, and may be issued in euros or other currencies or any monetary unit set by reference to several currencies.

The issue of preferential shares and the issue of any securities or shares giving access to such preferential shares is ruled out.

2. Sets, in the event of use by the Board of Directors of this delegation of authority:

a) the maximum global par value of the immediate future capital increases resulting from all the issues made in the exercise of this authority, at €30,000,000 (thirty million euros) or its counter value in any other authorised currency or monetary unit on the understanding that, if necessary, this amount will be combined with the par value of any additional shares issued in order to preserve the rights of the holders of securities or other rights giving access to capital, in accordance with the applicable laws and regulations, and, where necessary, any other contractual provisions relating to adjustments; and

b) the maximum global par value of the debt securities able to be issued in exercise of the above authority, at €250,000,000 (two hundred and fifty million euros), or its counter value in any other authorised currency or monetary unit, on the understanding that this amount does not include any redemption premium above par, if such a premium was established.

These amounts will be included in the global ceilings set in the 21st resolution.

3. In the event of use of this authority by the Board of Directors, with the right to sub-delegate under the legal and regulatory conditions in force:

a) decides that the shareholders may, in proportion to the number of shares held, have a preferential right of subscription to the shares and securities issued under this resolution and that the Board of Directors may establish, for the shareholders' benefit, a scale-back right of subscription to any such shares or securities issued, to be exercised in proportion to their rights of subscription, within the limits of their requests;

b) decides, in accordance with article L. 225-134 of the French Commercial Code, that if the subscriptions taken up as of right and on a scale-back basis, if applicable, do not account for the entirety of an issue as defined above, the Board of Directors may, with the right to sub-delegate in accordance with legal and regulatory provisions in force, use one of the following options in the order it deems appropriate:

- it may, in accordance with the conditions stipulated by law, limit the issue to the amount of subscriptions received provided that the subscription value reaches at least three-quarters of the issue in question, or any other threshold stipulated by law;

- freely allocate all or part of the unsubscribed shares;

- offer to the public all or part of the unsubscribed shares.

c) acknowledges that this delegation of authority carries with it, ipso jure, for the benefit of the holders of securities which give or may give access to any future shares issued in the Company, the shareholders' waiver of their preferential right of subscription to the shares to which those securities give an entitlement;

d) decides that the issues of warrants for the subscription of shares in the Company may take place by means of an offer of subscription but also by free allocation to the existing holders of shares, on the understanding that the Board of Directors may decide that fractional allotment rights will not be negotiable and that the corresponding securities will be sold;

e) decides that the sum due, or which should be due, to the Company for each of the shares issued in connection with the exercise of the above authority will be at least equal to the minimum price stipulated by the current provisions of laws and regulations in force at the time of issue;

4. Decides that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law, and in particular, to:

- determine the conditions of the issue(s) and in particular the form and characteristics of the securities, the amount to be issued up to the limits mentioned above, the issue price and the issue premium;

- decide whether or not the equity instruments not subscribed as of right will be allocated to shareholders having subscribed a higher number of shares than that which they could have expected to subscribe on a preferential basis, in proportion to their subscription rights and in any case, up to the limit of their requests;

- provide for an option to suspend, if necessary, the exercise of rights attached to the securities in accordance with the regulations in force;

- make any adjustments needed to take into account the impact of the transaction on the Company's capital and to determine the conditions under which the preservation of the rights of the holders of securities or other rights giving access to the capital will be secured, in accordance with the applicable laws and regulations, and, where necessary, with the contractual provisions relating to other adjustments;

- determine, where necessary, the conditions for the exercise of the rights attached to new issues of shares or securities giving access to the capital and in particular determine the vesting date (including retroactive) of the new shares, determine the conditions for the exercise of any rights to conversion, exchange or redemption, and any other terms and conditions involved in carrying out of the capital increase;

- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said amount the sums needed to bring the legal reserve up to a tenth of the new capital after each increase;

- in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, to the successful conclusion and financial servicing of the securities issued under this authority as well as the exercise of the corresponding rights, to the recognition of the completion of each capital increase and to making any related amendments to the articles of association.

5. Decides that in the event of an issue of debt securities the Board of Directors will have full powers, with the right to sub-delegate under the conditions stipulated by law, to decide the issue price with or

without premium, to decide whether or not the instruments are subordinated, stipulate the interest rate, issue currency, duration, fixed or variable redemption price with or without premium, the terms of amortisation depending on market conditions and the conditions under which such securities will give rights to ordinary shares in the Company.

6. The Board of Directors, in the supplementary document certified by the Statutory Auditors, will report on the use of this authority and in particular will describe the final terms of the operation, and provide details of the impact on the shareholders' position.

7. Gives this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this general meeting.

TWELFTH RESOLUTION *(Delegation of authority to the Board to decide on the issue – without preferential subscription rights – of shares in the Company and/or securities giving access to the Company' capital and/or securities giving the right to the allotment of debt securities by a public offer).*

The general meeting, acting pursuant to the quorum and majority requirements applicable to extraordinary general meetings and having reviewed the Board of Director's report and the Statutory Auditors' special report, and in particular in accordance 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 of the French Commercial Code:

1. Delegates to the Board of Directors, with the right of sub-delegation under the legal and regulatory conditions currently in force, the power to decide, on one or more occasions, at its sole discretion, in the proportions and at the times deemed appropriate, in France or abroad, in euros or in any other currency or monetary unit set by reference to several currencies, the issue of ordinary shares in the Company, and of any other securities carrying immediate and/or future rights to ordinary new or existing shares in the Company, and giving rights to the allocation of debt securities, for which the subscription may take place either in cash, by offsetting certain debts, due and payable against the Company, it being noted that this authority may allow one or more issues in application of article L. 228-93 of the French Commercial Code.

The issued financial securities giving access to capital of the Company or a related company under the conditions of article L. 228-93 of the French Commercial Code may consist of debt securities, or may be associated to the issue of such securities, or may also allow the issue as intermediate securities, and may take the form of subordinated or non-subordinated securities of a fixed or indeterminate duration, and may be issued in euros, other currencies or any monetary unit set by reference to several currencies.

The issue of preferential shares and the issue of any securities or shares giving access to such preferential shares is ruled out.

2. Decides that the maximum global par value of the immediate future capital increases resulting from all the issues made in exercise of this authority given to the Board of Directors through this resolution may not exceed €6,600,000 (six million six hundred thousand euros) or its counter value in any other authorised currency or monetary unit, on the understanding that if necessary this amount will be added to the par value of any supplementary shares issued in order to preserve the rights of the holders of securities or other rights giving access to capital, in accordance with the applicable laws and regulations, and, where necessary, any other contractual provisions relating other adjustments.

Decides that any capital increases made in exercise of this authority will take place by public offer.

3. Also decides that the maximum par value of any debt securities issued in exercise of the above authority cannot exceed €200,000,000 (two hundred million euros) or its counter value in foreign currency.

These amounts will be deducted from the global ceilings regulated in the 21st resolution.

4. Decides to remove the shareholders' preferential rights of subscription to issues of ordinary shares and other securities on the understanding that the Board of Directors may grant the shareholders a priority right of subscription over all or part of an issue made through a public offer, in the framework of this resolution, for a period and according to conditions determined by the Board, in accordance with the applicable provisions of laws and regulations. The subscription priority will not give rise to the creation of negotiable rights, and may be exercised as of right or occasionally on a scale-back basis.

5. Decides that if the subscriptions do not account for the whole of an issue of the shares or financial instruments mentioned above, the Board of Directors may use one of the following options, in the order it deems appropriate:

- it may limit the issue to the amount of subscriptions received provided that the subscription value reaches at least three-quarters of the issue in question;

- freely allocate all or part of the unsubscribed shares;

- offer the public all or part of the unsubscribed shares.

6. Acknowledges that this authority carries with it, ipso jure for the benefit of the holders of securities which give or may give access to any future shares issued in the Company, the shareholders' waiver of their preferential right of subscription to the shares to which those securities give an entitlement.

7. Decides that the issue price for the equity instruments will be at least equal to the minimum price stipulated by the applicable provisions of laws and regulations in force on the date the price is set.

8. Decides that the Board of Directors has full powers, with the right of sub delegation under the legal and regulatory conditions in force, to exercise this authority, and in particular, to:

- determine the conditions of the issue(s) and in particular the form and characteristics of the financial instruments and/or securities, the amount to be issued up to the limits mentioned above, the issue price and the amount of the issue premium;

- make any adjustments needed to take into account the impact of the transaction on the Company's capital and to determine the conditions under which the preservation of the rights of the holders of securities or other rights giving access to the capital will be secured, in accordance with the applicable laws and regulations, and, where necessary, with the contractual provisions relating to other adjustments;

- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said amount the sums needed to bring the legal reserve up to a tenth of the new capital after each increase;

- in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, to the successful conclusion and financial servicing of the securities issued under this authority as well as the exercise of the corresponding rights, to the recognition of the completion of each capital increase and to making any related amendments to the articles of association.

9. Decides that in the event of an issue of debt securities the Board of Directors will have full powers, with the right to sub-delegate under the conditions stipulated by the laws and regulations in force, to decide whether or not the instruments are subordinated, to decide the issue price with or without premium, stipulate the interest rate, issue currency, duration, fixed or variable redemption price with or without premium, the terms of amortisation according to market conditions and the conditions under which such securities will give rights to ordinary shares in the Company.

10. Gives this authorisation - which supersedes the unused part of any preceding authority relating to the same object given in the 15th resolution of the combined general meeting of 30 June 2011- for a period of 26 months from the date of this general meeting.

11. Notes, as necessary, that this authority does not have the same object as the 16th resolution proposed to this general meeting, which is limited to the increase of the share capital through the issue - without preferential rights of subscription - of shares in the Company and/or of securities giving access to the Company's capital and/or securities giving the right to the allocation of debt instruments, in the framework of an offer governed by article L. 411-2 II of the French Monetary and Financial Code; consequently, acknowledge the fact that the passing of the 16th resolution will not affect the validity or term of this authority.

<u>THIRTEENTH RESOLUTION</u> *(Delegation of authority to the Board to decide on the issue - without preferential subscription rights - of shares in the Company and/or securities giving access to the Company's capital and/or securities giving the right to the allotment of debt securities by private placements governed by paragraph II of article L. 411-2 of the French Monetary and Financial Code)*.

The general meeting, acting pursuant to the quorum and majority requirements applicable to extraordinary general meetings and having reviewed the Board of Director's report and the Statutory Auditors' special report, and in particular in accordance 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 paragraph II of article L. 411-2 of the French Monetary and Financial Code:

1. Delegates to the Board of Directors, with the right of sub-delegation under the legal and regulatory conditions currently in force, the power to decide, on one or more occasions, at its sole discretion, in the proportions and at the times deemed appropriate, in France or abroad, in euros or in any other currency or monetary unit set by reference to several currencies, the issue of ordinary shares in the Company, and of any other securities carrying immediate and/or future rights to ordinary new or existing shares in the Company, and giving rights to the allocation of debt securities, for which the subscription may take place either in cash, by offsetting certain debts, due and payable against the Company, it being noted that this authority may allow one or more issues in application of article L. 228-93 of the French Commercial Code.

The issued financial securities giving access to capital of the Company or a related company under the conditions of article L. 228-93 of the French Commercial Code may consist of debt securities, or may be associated to the issue of such securities, or may also allow the issue as intermediate securities, and may take the form of subordinated or non-subordinated securities of a fixed or indeterminate duration, and may be issued in euros, other currencies or any monetary unit set by reference to several currencies.

The issue of preferential shares and the issue of any securities or shares giving access to such preferential shares is ruled out.

2. Decides that the maximum global par value of the immediate future capital increases resulting from all the issues made in exercise of this authority given to the Board of Directors through this resolution may not exceed €6,600,000 (six million six hundred thousand euros) or its counter value in any other authorised currency or monetary unit, on the understanding that if necessary this amount will be added to the par value of any supplementary shares issued in order to preserve the rights of the holders of securities or other rights giving access to capital, in accordance with the applicable laws and regulations, and, where necessary, any other contractual provisions relating other adjustments.

Decides that the capital increases made through this authority will take place by means of offers governed by paragraph II of article L. 411-2 of the French Monetary and Financial Code, under the conditions stipulated in article L. 225-136 of the French Commercial Code, and up to the limit of 10% of the Company's share capital per year.

3. Also decides that the maximum par value of any debt securities issued in exercise of the above authority cannot exceed €200,000,000 (two hundred million euros) or its counter value in foreign currency.

These amounts will be deducted from the global ceilings regulated in the 21st resolution.

4. Decides to eliminate the shareholders' preferential rights of subscription to the ordinary shares and securities to be issued.

5. Decides that if the subscriptions do not account for the whole of an issue of the shares or financial instruments mentioned above, the Board of Directors may use one of the following options, in the order it deems appropriate:

- it may limit the issue to the amount of subscriptions received provided that the subscription value reaches at least three-quarters of the issue in question;

- freely allocate all or part of the unsubscribed shares.

6. Acknowledges that this authority carries with it, ipso jure for the benefit of the holders of securities which give or may give access to any future shares issued in the Company, the shareholders' waiver of their preferential right of subscription to the shares to which those securities give an entitlement.

7. Decides that the issue price for the equity instruments will be at least equal to the minimum price stipulated by the applicable provisions of laws and regulations in force on the date the price is set.

8. Decides that the Board of Directors has full powers, with the right of sub delegation under the legal and regulatory conditions in force, to exercise this authority, and in particular, to:

- determine the conditions of the issue(s) and in particular the form and characteristics of the financial instruments and/or securities, the amount to be issued up to the limits mentioned above, the issue price and the amount of the issue premium;

- make any adjustments needed to take into account the impact of the transaction on the Company's capital and to determine the conditions under which the preservation of the rights of the holders of securities or other rights giving access to the capital will be secured, in accordance with the applicable laws and regulations, and, where necessary, with the contractual provisions relating to other adjustments;

- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said amount the sums needed to bring the legal reserve up to a tenth of the new capital after each increase;

- in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, to the successful conclusion and financial servicing of the securities issued under this authority as well as the exercise of the corresponding rights, to the recognition of the completion of each capital increase and to making any related amendments to the articles of association.

9. Decides that in the event of an issue of debt securities the Board of Directors will have full powers, with the right to sub-delegate under the conditions stipulated by the laws and regulations in force, to decide whether or not the instruments are subordinated, to decide the issue price with or without premium, stipulate the interest rate, issue currency, duration, fixed or variable redemption price with or without premium, the terms of amortisation according to market conditions and the conditions under which such securities will give rights to ordinary shares in the Company.

10. Gives this authorisation – which supersedes the unused part of any preceding authority relating to the same object given in the 16th resolution of the combined general meeting of 30 June 2011– for a period of 26 months from the date of this general meeting.

11. Notes, as necessary, that this authority is limited to a capital increase through the issue – without preferential subscription rights and through an offer governed by paragraph II of article L. 411-2 of the French Monetary and Financial Code – of shares and/or securities giving access to the Company's capital and/or the issue of securities giving the right to allotment of debt securities, and does not have the same object as the previous resolution.

FOURTEENTH RESOLUTION *(Authorisation to the Board of Directors to issue securities under the 12th or 13th resolutions, the issue price being set freely, within the limits of 10% of the capital per year, with the elimination of the preferential rights of subscription).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of article L. 225-136 of the Commercial Code:

1. Authorise the Board Directors, in the event of an issue of shares giving immediate or future access to the Company's capital, or the capital of a company in which it directly or indirectly holds more than 50% of the capital (a subsidiary), without preferential rights of subscription, in the framework of the 12th or 13th resolutions proposed to this meeting, to wave the price-fixing conditions set in the 12th or 13th resolutions and to determine the price under the following conditions.

The issue of preferential shares and the issue of any securities or shares giving access to such preferential shares is ruled out.

2. Decide that the total amount of capital increases which may be thus made immediately and/or in the future may not exceed 10% of the capital per 12-month period (as existing on the date of this general meeting).

3. Decide that the issue price for the equity instruments will be determined by the Board of Directors according to the following conditions: 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 the 60 trading days (on the NYSE-Euronext exchange in Paris) preceding the price fixing, in both cases with a discount of up to 10%. In any case, the sums received for each share will be at least equal to the par value.

4. Decide that the par value of the increase in the Company's capital resulting from implementation of this resolution will be included in the ceiling stipulated, as the case may be, in the 12th or 13th resolutions of this general meeting.

5. Acknowledge that this authority carries with it, ipso jure, for the benefit of the holders of issued securities, the shareholders' express waiver of their preferential right of subscription to the shares to which those securities give an entitlement.

6. The Board of Directors, in the supplementary document certified by the Statutory Auditors, will report on the use of this authority and in particular will describe the final terms of the operation, and provide details of the impact on the shareholders' position.

7. Decide that the Board of Directors has full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law.

8. Gives this authorisation - which supersedes the unused part of any preceding authority relating to the same object given in the 17th resolution of the Company's combined general meeting of 30 June 2011- for a period of 26 months from the date of this general meeting.

FIFTEENTH RESOLUTION *(Delegation of powers to the Board of Directors to make 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, with the elimination of the preferential subscription rights).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the legal provisions relating to commercial businesses and in particular article L. 225-147 of the French Commercial Code:

1. Give the Board of Directors all powers, with the ability to sub-delegate in accordance with the laws and regulations in force, to carry out - based on the Statutory Auditors' report and within the limit of 10% of the Company's share capital, such percentage being valued on the date on which the Board of Directors exercises its authority - an issue of ordinary shares and/or financial instruments giving immediate or future access to the Company's capital, in order to pay for contributions in kind made to the Company in the form of shares or other financial instruments giving access by any means to the capital, where the provisions of article L. 225-148 of the French Commercial Code do not apply.

2. Decide that issues carried out in exercise of this authority must respect the global ceiling stipulated in the 21st resolution presented to this general meeting, to which may be added the par value of any additional shares issued in order to preserve the rights of the holders of securities or of other rights

giving access to capital, in accordance with the applicable laws, and, where necessary, any other contractual provisions relating to adjustments.

3. Acknowledge that this authority carries with it, ipso jure, the waiver of their preferential right of subscription to which those securities give an entitlement.

4. Give the Board of Directors full powers to exercise this authority or sub-delegate it, under the conditions stipulated by law, and in particular, to:

- rule on the report of the Statutory Auditors, on the valuation of contributions and the granting of specific benefits, on their values, to fix the exchange rate and if necessary the amount of the payment to be made, and determine the dates, terms and conditions of issue;

- provide for an option to suspend the exercise of rights attached to the securities in accordance with current regulations;

- make any adjustments needed to take into account the impact of the transaction on the Company's capital and to determine the conditions under which the preservation of the rights of the holders of securities or other rights giving access to the capital will be secured, in accordance with the applicable laws and regulations, and, where necessary, with the contractual provisions relating to other adjustments;

- at its sole discretion, attribute the costs of the capital increases to the amount of the contribution premium, and deduct from that premium the sums necessary in order to bring the legal reserve up to a tenth of the new capital after each increase;

- in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, for the successful conclusion and financial servicing of the securities issued under this authorisation, and, upon the exercise of the related rights, place on record the completed capital increase and make any related amendments to the articles of association.

5. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this general meeting.

SIXTEENTH RESOLUTION *(Delegation of authority to the Board of Directors to issue financial instruments and/or transferable securities giving access to the capital in the event of a public exchange offer initiated by the Company, without preferential subscription rights).*

The general meeting, acting pursuant to the quorum and majority requirements applicable to extraordinary general meetings and having reviewed the Executive Board's report and the Statutory Auditors' special report, and in particular in accordance with articles L. 225-129 to L. 225-129-6, L. 225-148 and L. 228-91 *et seq.* of the French Commercial Code, hereby:

1. Gives an authority to the Board, for a period of twenty-six (26) months from the date of this general meeting, to decide in accordance with the conditions of the 12th resolution, to issue equity instruments and/or securities in the Company, of any nature, giving immediate or future access to a percentage of the Company's share capital or giving the right to allocation of debt instruments, in order to pay for the securities contributed to (i) any public offer involving an exchange component

initiated by the Company on the shares of another company admitted for trading on one of the markets governed by article L. 225-148 of the French Commercial Code or on its own shares, (ii) any other operation having the same effect as a public offer as described in (i) above, initiated by the Company on the shares of another company whose shares are admitted for trading on a market governed by foreign law (for example as part of an Anglo-Saxon 'reverse merger' or 'scheme of arrangement'); and decide, as necessary, to eliminate the shareholders' preferential subscription rights for the issued securities.

2. Acknowledge, where necessary, that this authority carries with it, for the benefit of the holders of securities which give immediate or future access to any equity instruments in the Company, the shareholders' waiver of their preferential right of subscription to the shares to which those securities give an entitlement.

The maximum global par value of the immediate or future capital increases resulting from all the issues made in exercise of this authority is set at €6,600,000 (six million six hundred thousand euros), to which may be added the par value of any additional shares issued in order to preserve the rights of the holders of securities or other rights giving access to capital, in accordance with the applicable laws and regulations, and, where necessary, any other contractual provisions relating to adjustments. This amount will be deducted from the global ceiling stipulated in the 21st resolution.

The general meeting hereby grants full powers to the Board of Directors, with the right of sub-delegate under the legal and regulatory conditions in force, to exercise this authority, and in particular to:

- fix the exchange rate and if necessary the amount of the cash payment to be made;

- verify the number of shares contributed to the exchange;

- determine the dates, terms of issue (in particular the price and vesting date) of the equity instruments or if applicable the securities giving immediate and/or future access to the capital;

- take all the necessary steps to protect the rights of the holders of securities issued under this authority, in accordance with the laws and regulations in force, and, where necessary, the contractual provisions relating to other cases of adjustment;

- enter, under the balance sheet liability heading "Contribution premium", which will be covered by the rights of all the shareholders, the difference between the equity instruments' issue price and their par value;

- at its sole discretion, attribute the costs and fees of all issues to the amount of the contribution premium, and to deduct from that premium the sums necessary in order to bring the legal reserve up to a tenth of the Company's share capital; and

- in general, to take the actions necessary to carry out the authorised operation and amend the articles of association accordingly.

This authority supersedes the unused portion of any preceding authority relating to the same object, and is granted for a period of 26 months from the date of this general meeting.

<u>SEVENTEENTH RESOLUTION</u> *(Authorisation for the Board to increase the number of shares issued, with or without the shareholders' preferential subscription rights).*

Having considered the report of the Board of Directors and the Statutory Auditors' special report and voting in accordance with article L. 225-135-1 of the French Commercial Code, and voting under the quorum and majority conditions required for extraordinary business, the general meeting hereby authorises the Board of Directors, for a period of 26 months from the date of this general meeting, to decide, within the times and limits stipulated by the law and the regulations in force on the date of issue (currently within30 days from the end of the subscription period, within 15% of the initial issue and at the same price applied to the initial issue), for each of the issues decided in application of the 11th, 12th, 13th and 14th resolutions described above, to increase in the number of issued shares, subject to compliance with the ceiling stipulated in the resolution in application of which the issue is decided.

This authority cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

<u>EIGHTEENTH RESOLUTION</u> *(Authorisation for the Board to increase the capital under the conditions set by articles L. 3332-18 et seq. of the French Labour Code, entailing the shareholders' waiver of their preferential rights of subscription to the shares issued in relation to the subscription of shares by Group employees)*

The general meeting, acting pursuant to the quorum and majority requirements applicable to extraordinary general meetings and having reviewed the Board of Director's report and the Statutory Auditors' special report, and in particular in accordance with articles L. 3332-18 to L. 3332-24, and L. 3332-1 to L. 3332-9 of the French Labour Code and article L. 225-138-1 of the French Commercial Code, and in accordance with the provisions of articles 225-129, L. 225-129-2 and L. 225-129-6 of the French Commercial Code, hereby:

1. Delegates to the Board of Directors, with the right to sub-delegate under the provisions of the laws and regulations in force, the power to carry out capital increases on one or more occasions and at its sole discretion, in the proportions and on the dates it deems appropriate, by issuing free or paid ordinary shares, instruments and/or securities in the Company which give access in any way, either immediately or in the future, at any time or on fixed dates, and up to the maximum par value of €400,000 (four hundred thousand euros) or its counter value in foreign currency, to ordinary shares in the Company reserved for:

- employees, former employees and/or corporate officers of the Company and/or of companies or groupings, French or foreign, that are related to it within the meaning of article L.225-180 of the French Commercial Code, within the limits of the applicable laws and regulations;

- provided that the employees, former employees and/or corporate officers are members of a company savings plan and also meet any other conditions which may be imposed by the Board of Directors.

This ceiling will be included in the global ceiling stipulated in the 21st resolution and is set without taking into account the impact on the amount of capital of any adjustments that may be made pursuant to the provisions of laws or regulations.

2. Decides to eliminate the shareholders' preferential rights of subscription to the shares issued for the benefit of the above-mentioned beneficiaries, in the framework of this authority, resulting in the

shareholders' waiver of their preferential rights to subscribe to shares to which the instruments issued pursuant to this authority give an entitlement.

3. Acknowledges, in the event of a free issue, the shareholders' waiver of all rights to the shares thus issued.

4. Decides that the subscription price for the shares issued pursuant to this authority will be determined under the conditions stipulated in articles L. 3332-19 *et seq.* of the French Labour Code.

5. Grants full powers to the Board of Directors, with the right to sub-delegate under the conditions stipulated by law, to exercise this authority, and in particular, to:

- determine the companies whose employees can benefit from the offer of subscription to the issues covered by this authority;

- determine the conditions, notably with regard to length of service, to be fulfilled by the beneficiaries of such subscription offers;

- determine the terms and conditions for the issue(s), the number of shares to be issued (up to the above mentioned ceiling) and the number allocated to each beneficiary, verify the completion of the resulting capital increase and make the corresponding amendments to the articles of association;

- decide whether the subscriptions can be carried out directly and/or indirectly through a mutual investment fund;

- determine, for the issues covered by this authority, the terms and conditions for membership of the company savings plans, and draw up the regulations, or amend the regulations of existing plans;

- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said amount the sums needed to bring the legal reserve up to a tenth of the capital after each increase;

- make all the adjustments required to comply with the legal and/or contractual provisions and set the conditions for securing, where necessary, the rights of the holders of securities or rights giving access to capital existing on the issue date under consideration;

- in general, take any measure, conclude any agreement, fulfil any formality and do anything needed to ensure the successful completion of the planned issues.

6. Gives this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this general meeting.

NINETEENTH RESOLUTION *(Authorisation for the Board of Directors to allocate free shares to corporate officers and employees).*

The general meeting, acting pursuant to the quorum and majority requirements applicable to extraordinary general meetings and having reviewed the Executive Board's report and the Statutory

Auditors' special report, and in accordance with articles L. 225-197-1 *et seq.* of the French Commercial Code, hereby:

1. Authorises the Board of Directors, with the right to sub-delegate in accordance with the provisions of laws and regulations in force, to carry out, on one or several occasions, free allocations of existing or newly-issued shares (with the exclusion of preferential shares), for the benefit of beneficiaries or categories of beneficiaries it will establish from among the employees of the Company or of companies or groupings related to it under the conditions provided for in article L. 225-197-2 of the same Code, and the corporate officers of the Company or of the related companies or groupings, which meet the conditions set by article L. 225-197-1, paragraph II of said Code, under the following conditions;

2. Decides that the maximum number of existing or newly-issued shares freely allocated in exercise of this authority cannot exceed 300,000 (three hundred thousand) shares, said amount not taking into account any adjustments that may be made in order to preserve the rights of the holders of securities or other rights giving access to capital, and, where applicable, any other contractual provisions; this amount will be included in the global ceiling stipulated in the 21st resolution.

3. Decides that the allocation of said shares to the beneficiaries will become final on expiry of an acquisition period, the duration of which will be determined by the Board of Directors on the understanding that the duration must be at least two years and that the beneficiaries must retain those shares for a minimum of two years from the date of final allocation, it being noted that the allocation of the shares to the beneficiaries will become definitive before expiration of the above-mentioned acquisition period in the event of the invalidity of the beneficiary falling under the classification of the second or third categories referred to in article L. 341-4 of the French Social Security Code, and that the shares will be freely transferable in the event of the invalidity of the beneficiary falling under the classification of the above-mentioned categories of the French Social Security Code.

4. Grants full powers to the Board of Directors, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority, and in particular, to:

- determine whether the freely allocated shares are existing or newly-issued shares;

- determine the identity of the beneficiaries or categories of beneficiaries, the allocation of shares among the personnel and corporate officers of the Company or of the above-mentioned companies or groupings, and the number of shares allocated to each of them;

- stipulate the conditions and if applicable the criteria for allocation of the shares (including, if necessary, individual or collective performance), and in particular the minimum acquisition period and the conservation period required for each beneficiary under the conditions provided for above, on the understanding that as the shares are granted free of charge to corporate officers, the Board Directors must either (a) decide that the freely-granted shares cannot be transferred by the interested parties before termination of their duties, or (b) stipulate the quantity of freely-granted shares they are required to retain in registered form until the termination of their duties;

- include a provision to temporarily suspend the rights of allocation;

- verify the definitive allocation dates, and the date from which the shares can be freely transferred, taking into account the legal restrictions;

- where new shares are issued, stipulate the amount and type of the reserves, earnings or premiums to be incorporated and if necessary allocate to those reserves, earnings or premiums the sums necessary for the payment of said shares, verify and carry out the capital increases made in application of this authority, make the corresponding amendments to the articles of association, and in general carry out all the necessary acts and formalities.

5. Authorises the Board of Directors to proceed, if necessary, with adjustments to the number of freely-allocated shares necessary in order to preserve the rights of the beneficiaries, in view of any operations that might take place in relation to the Company's capital. Any shares allocated in application of the above adjustments will be deemed to have been allocated on the same date as those initially allocated.

6. Acknowledges that in the event of the free allocation of new shares this authority will entail, to the extent the shares are definitively allocated, an increase in capital through the incorporation of reserves, earnings or share premiums for the benefit of the shares' beneficiaries, and the corresponding waiver by the shareholders, for the benefit of said beneficiaries, of the preferential rights of subscription to those shares and the portion of the reserves, earnings and premiums thus incorporated.

7. Acknowledges that if the shares are allocated to executive corporate officers covered in article L. 225-197-1 paragraph II of the French Commercial Code they may only be allocated under the conditions referred to in article L. 225-197-6 of said Code.

8. Acknowledges the fact that, where the Board of Directors exercises this authority, it will each year inform the ordinary general meeting of any operation carried out by virtue of the provisions of articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code, under the conditions stipulated in article L. 225-197-4 of said Code.

9. Gives this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 38 months from the date of this general meeting.

<u>TWENTIETH RESOLUTION</u> *(Authorisation given to the Board of Directors to grant options for the subscription and/or purchase of shares in the Company, by corporate officers and employees of the Company or of Group companies, entailing the shareholders' waiver of their preferential rights of subscription to shares issued as a result of the exercise of subscription options).*

The general meeting, acting pursuant to the quorum and majority requirements applicable to extraordinary general meetings and having reviewed the Executive Board's report and the Statutory Auditors' special report, and in accordance with articles L. 225-177-1 to 225-186-1 of the French Commercial Code, hereby:

1. Authorises the Board Directors on one or more occasions, for the benefit of those it designates from among the employees of the Company and/or companies or groupings linked directly or indirectly to it under the terms of article L. 225-180 of the French Commercial Code, and/or the corporate officers of the Company eligible according to legal and regulatory provisions, to grant options giving discretionary entitlement either to the subscription of new shares in the Company issued through a capital increase, or to the purchase of existing shares in the Company resulting from buybacks conducted by it.

2. Decides that the total number of options which can be granted under this authorisation cannot confer the right to the subscription or purchase of a total number of shares which, on the allocation date, is over 300,000 (three hundred thousand) shares, said amount not taking into account any adjustments that may be made in order to preserve the rights of the holders of securities or other

rights giving access to capital, and any other contractual provisions; this amount will be included in the global ceiling stipulated in the 21st resolution.

3. Decides that, where subscription options are granted, the subscription price will be set by the Board of Directors on the date on which the option is granted, and it may not be lower than the minimum amount stipulated in either case by the laws in force on that date.

The price can only be modified if, over the period during which the options granted can be exercised, the Company carries out one of the financial or share-related operations provided for by law.

In the last case, the Board Directors will proceed, according to the provisions of regulations in force, to adjust the number and price of the shares included in the options granted, in order to take into account the impact of the operation in question.

4. Decides that the duration of the period for the exercise of the options granted, as approved by the Board Directors, may not exceed five years from the allocation date.

5. Acknowledges that in application of article L. 225-178 of the French Commercial Code, this authorisation entails, for the benefit of the beneficiaries of the subscription options, the express waiver by the shareholders of their preferential right to subscribe to the shares issued as the subscription options are exercised.

6. Acknowledges that if the options are granted to executive corporate officers covered in article L. 225-185-1 paragraph 4 of the French Commercial Code they may only be allocated under the conditions referred to in article L. 225-186-1 of that Code.

7. The shareholders hereby grant full powers to the Board of Directors, with the right to sub-delegate within the limits of the law, to determine the other terms and conditions for the allocation and exercise of options, and in particular, to:

- draw up the list of beneficiaries of the options and stipulate the conditions under which the options will be granted and exercised by their beneficiaries, including, where necessary, performance criteria;

- determine, where necessary, the length-of-service conditions to be fulfilled by the beneficiaries of the options within the limits of the applicable laws and regulations;

- stipulate the period(s) for the exercise of the options and, if necessary, draw up clauses prohibiting the immediate re-sale of all or some of the shares;

- determine the vesting date, including retroactively, of new shares resulting from the exercise of the options;

- for the options granted to the corporate officers of the Company, ensure that the options may only be exercised prior to the termination of their duties, or set the number of shares that must be kept until termination of their duties;

- provide an option to temporarily suspend the exercise of options in the event of financial or share-related operations;

- limit, restrict or prohibit the exercise of options during certain periods, or after certain events, its decision possibly relating to all or some of the shares, and involving all or some of the beneficiaries;

- authorise any agreement, take any measure, carry out or arrange the completion of any steps or formalities needed to render definitive the capital increase(s) which might be conducted by virtue of this authorisation; amend the articles of association accordingly and generally do all other things necessary;

- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said premium the sums needed to bring the legal reserve up to a tenth of the new capital after each increase.

8. Gives this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 38 months from the date of this general meeting.

TWENTY-FIRST RESOLUTION *(Overall ceiling of capital increases).*

The shareholders, voting under the quorum and majority conditions required for extraordinary business, and having considered the Board of Directors' report, and consequently the adoption of the resolutions numbered 11 to 20, hereby set, in accordance with article L. 225-2 of the French Commercial Code:

- at €30,000,000 (thirty million euros), or its counter value in foreign currency, the total par value of immediate or future capital increases made by virtue of the above-mentioned resolutions, on the understanding that this nominal amount may be added to the par value of any additional shares issued in accordance with the law to preserve the rights of holders of securities or other instruments giving access to the share capital; and

- at €350,000,000 (three hundred and fifty million euros) or its counter value in foreign currency, the maximum par value of debt instruments issued by virtue of the above-mentioned resolutions .

TWENTY-SECOND RESOLUTION *(Delegation of authority to the Board of Directors to increase the share capital through the capitalisation of premiums, reserves, earnings or other).*

The shareholders, voting under the quorum and majority conditions required for ordinary business, and having considered the Board of Directors' report and in accordance with the provisions of the law relating to businesses, notably articles L. 229-129, L. 225-129-2 and L. 225-130 of the French Commercial Code:

1. Grants the Board of Directors the power to authorise an increase in the Company's capital, on one or several occasions, at its sole discretion, in the proportions and on the date it considers appropriate, through the capitalisation of premiums, reserves, earnings or other whose capitalisation is permitted by law and by the articles of association, in the form of the free allocation of equity instruments or the increase of the par value of existing equity instruments, or through a combination of both methods.

2. Decides that fractional allotment rights will not be negotiable or transferable, and that the corresponding securities will be sold, the sums deriving from the sale being allocated to the holders of the rights within the time-frame set by Conseil d'État [State Council] decree, currently a maximum of 30 days after the date on which the full number of allocated shares are registered to their accounts.

3. Decides, if the Board of Directors exercises this authority, that the maximum par value of the capital increases which may result from all the issues carried out under this resolution cannot exceed the total amount of premiums, reserves, profits, earnings or other accounts at the time of the capital increase, up to the maximum par value of €30,000,000 (thirty million euros). This ceiling is separate from the global ceiling stipulated in the 21st resolution and does not take into account the impact on the amount of capital of any adjustments that may be made pursuant to the provisions of laws or regulations.

4. Gives the Board of Directors full powers, with the right to sub-delegate under the legal and regulatory conditions in force, to exercise this authority under the conditions stipulated by law and in particular to:

- set the amount and type of the sums to be capitalised, set the number of securities to be issued or the amount by which the par value will be increased;

- make any adjustments which may be necessary in relation to capital transactions made by the Company;

- at its sole discretion, attribute the costs of the capital increases to the amount of the corresponding premiums, and deduct from said amount the sums needed to bring the legal reserve up to a tenth of the new capital after each increase;

- in general, authorise any agreement, take any measure and fulfil any formality relating to the issue and listing of shares, for the successful conclusion and financial servicing of the shares under this authority, and, upon the exercise of the related rights, place on record the completed capital increase and make any related amendments to the articles of association.

5. Give this authorisation – which supersedes the unused part of any preceding authority relating to the same object – for a period of 26 months from the date of this general meeting.

<u>TWENTY-THIRD RESOLUTION</u> *(Delegation of authority to the Board of Directors to issue securities conferring a right to the allocation of debt securities, and not leading to an increase in the Company's capital).*

The general meeting, acting pursuant to the quorum and majority applicable to extraordinary general meetings and having reviewed the Executive Board's report and the Statutory Auditors' special report, and in particular in accordance with articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the French Commercial Code:

1. Grants the Board of Directors the power to authorise the issue, on one or more occasions, in France or abroad and/or on the international market, in euros or any other monetary unit established by reference to several currencies, bonds with warrants for the subscription of bonds and in general any securities conferring a right to the allocation, immediately or in the future, of debt instruments such as

bonds, equivalent securities, subordinated securities with or without a fixed term and any other securities which give, in the same issue, the same debt claims on the Company.

The maximum par value for which all the above-mentioned securities can be denominated may not exceed €300,000,000 (three hundred million euros), or the counter value of said amount in other currencies or other monetary units established by reference to several currencies, on the understanding that said maximum par value is independent of the total debt securities issued on the basis of the 14th, 15th and 16th resolutions, and of the global ceiling stipulated in accordance with the 21st resolution, and that this amount will be increased by any redemption premium above par.

2. Decides that the Board of Directors will have full powers, with the right of sub delegation under the legal and regulatory conditions in force, to implement this resolution, and in particular to:

- carry out the issues up to the stipulated limit, determining the date, type, amounts and currency of issue;

- determine the characteristics of the issued securities and debt instruments to which the securities would give the right of allocation, and in particular their par value and vesting date (including retroactive), their issue price, with premium if applicable, the interest rate (fixed and/or variable), the date of payment or, in the case of variable-rate securities, the conditions for determining the interest rate and also the conditions for the capitalisation of interest;

- set, according to market conditions, the terms and conditions of amortisation and/or early redemption of the securities to be issued and of the debt instruments to which the securities confer the right of allocation, if applicable with a fixed or variable premium, or even of buyback by the Company;

- if applicable, decide to grant a guarantee or surety on the securities issued, and on the debt instruments to which the securities would confer the right of allocation, and determine the nature and characteristics of that guarantee or surety;

- in general, determine all the terms and conditions of each of the issues, authorise any agreement, and reach any arrangement with any banks and any institution, take any measures and fulfil any formalities required, and in general do anything necessary.

This authorisation is given for a period of 26 months from the date of this meeting.

<u>TWENTY-FOURTH RESOLUTION</u> *(Powers for filings and formalities)*

The shareholders, voting under the quorum and majority conditions required for extraordinary general meetings, give full powers to a bearer of an original, a copy or excerpt of the minutes of this meeting, to carry out any legal or administrative formalities and any filings or communications required by the laws in force.

ORPEA
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3. Statutory auditors' report on financial authorisations and delegated authorities

This is a free translation into English of the Statutory Auditors' report on capital transactions that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on capital transactions should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Saint Honoré BK&A
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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 capital transactions
Extraordinary general meeting of 20 June 2013

To the Shareholders,

In our capacity as Statutory Auditors of your company and in accordance with the assignments entrusted to us by the French Commercial Code, we hereby present our report on the capital transactions submitted for your approval.

1 - Reduction of capital by cancellation of treasury shares (tenth resolution)

In accordance with article L. 225-209 of the French Commercial Code concerning reductions in share capital through the cancellation of shares, we have prepared this report to inform you of our assessment of the reasons for and terms and conditions of the proposed reduction in share capital.

Your Board of Directors requests that you delegate to it, for a period of 18 months, all powers to cancel treasury shares purchased under the share buyback programme, up to a maximum limit of 10% of its share capital per 24-month period, pursuant to the provisions of the above-mentioned article.

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 - Issues of shares and/or securities carrying rights to shares with and/or without preferential subscription rights (eleventh to the seventeenth resolutions)

In accordance with articles L. 228-92, L. 225-135 *et seq.* of the French Commercial Code, we hereby present our report on the proposals to authorise the Board of Directors to carry out various issues of shares and/or securities, which are submitted for your approval.

The Board of Directors requests, based on its report:

- That you authorise it, for a period of 26 months, to approve the following transactions and to determine the final terms and conditions of these issues and, if necessary, to cancel your preferential subscription rights:
  - The issue, on one or several occasions, with preferential subscription rights, of ordinary shares and/or securities carrying rights, immediately or in the future, to ordinary shares in the Company or, in accordance with article L. 228-93 of the French Commercial Code, any company that owns directly or indirectly more than one half of its capital or of which it owns directly or indirectly more than one half of the capital, or entitling holders to the allotment of debt securities (eleventh resolution);
  - The issue, through a public offer, on one or several occasions, without preferential subscription rights, of ordinary shares and/or securities carrying rights, immediately and/or in the future, to ordinary shares in the Company or, in accordance with article L 228-93 of the French Commercial Code, any company that owns directly or indirectly more than one half of its capital or of which it owns directly or indirectly more than one half of the capital, or entitling holders to the allotment of debt securities (twelfth resolution);
  - The issue, through private investments, without preferential subscription rights, of ordinary shares and/or securities carrying rights, immediately and/or in the future, to ordinary shares in the Company or, in accordance with article L. 228-93 of the French Commercial Code, any company that owns directly or indirectly more than one half of its capital or of which it owns directly or indirectly more than one half of the capital, or entitling holders to the allotment of debt securities, by way of offerings as defined in article L. 411-2 II of the French Monetary and Financial Code and within the limit of 10% of the share capital per year (thirteenth resolution);
  - The issue, on one or several occasions, of ordinary shares and/or securities carrying rights, immediately or in the future, to a portion of the Company's share capital or entitling holders to the allotment of debt securities, in the event of a public exchange offer initiated by your company (sixteenth resolution), on the basis and under the conditions of the twelfth resolution;
- That you authorise it, under the fourteenth resolution, in accordance with the authorisations granted by the twelfth and thirteenth resolutions, to set the issue price within the annual legal limit of 10% of share capital per twelve-month period.
- That you authorise it, under the fifteenth resolution, for a period of 26 months, to determine the terms and conditions of the issue of ordinary shares or securities carrying rights to ordinary shares, to pay for contributions in kind made to the Company in the form of equity instruments or other securities carrying rights to shares, within the limit of 10% of the share capital.

The total par value of immediate or future capital increases made pursuant to the eleventh to twentieth resolutions may not exceed €30 million, it being specified that the specific limit applied to the par value of immediate or future capital increases made pursuant to the twelfth, thirteenth and sixteenth resolutions stands at €6.6 million.

The total par value of debt securities liable to be issued may not exceed €350 million under the eleventh to the twentieth resolutions, it being specified that the limit under the eleventh resolution is set at €250 million and €200 million under the twelfth and thirteen resolutions.

These limits take into account the additional number of securities to be created in accordance with the authorisations granted by the eleventh, twelfth, thirteenth and fourteenth resolutions under the conditions laid down in article L. 225-235-1 of the French Commercial Code, should you adopt the seventeenth resolution.

Your Board of Directors is responsible for preparing a report in accordance with articles R. 225-113 *et seq.* of the French Commercial Code. It is our responsibility to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of preferential subscription rights and other information relating to these transactions, provided in the 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 of verifying the information contained in the report of the Board of Directors relating to these transactions and the methods used to determine the share issue price.

Subject to further review of the terms and conditions of issues that might be decided upon, we have no matters to report on the methods used to determine the share issue price given in the report of the Board of Directors pursuant to the twelfth, thirteenth and fourteenth resolutions.

Moreover, as this report does not specify the methods used to determine the issue price of shares to be issued pursuant to the eleventh, fifteenth and sixteenth resolutions, we cannot express an opinion on the choice of factors used to calculate the share issue price.

As the final terms and conditions of the share issues have not been set, we are not in a position to comment on them and, consequently, on the proposed cancellation of preferential subscription rights that is submitted for your approval under the twelfth, thirteenth and fourteenth resolutions.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare an additional report, where applicable, should your Board of Directors decide to make use of these authorisations to issue securities carrying rights to shares and/or entitling holders to the allotment of debt securities, and to carry out issues without preferential subscription rights.

3 - Issue of shares and/or securities carrying rights to shares reserved for members of employee savings plans (eighteenth resolution)

In accordance with article L. 225-135 of the French Commercial Code, we hereby present our report on the proposal to authorise the Board of Directors to approve one or more capital increases by issuing, without preferential subscription rights, shares and/or securities carrying rights to shares in the Company reserved for employees, former employees and/or corporate officers who are members of an employee savings plan, of the Company and/or of French or foreign companies or groups affiliated with it pursuant to article L. 225-180 of the French Commercial Code, which is submitted for your approval.

The maximum par value of the capital increases is set at €400,000, it being specified that this amount will be included in the overall ceiling set under the terms of the twenty-first resolution of this meeting.

This capital increase is submitted for your approval pursuant to the provisions of articles L. 225-129-6 of the French Commercial Code and L. 3332-18 *et seq.* of the French Labour Code.

Your Board of Directors requests, based on its report, that you authorise it, for a period of twenty-six months, to approve one or more issues and to cancel your preferential subscription rights. Where applicable, it will be responsible for determining the final terms and conditions of this transaction.

Your Board of Directors is responsible for preparing a report in accordance with articles R. 225-113 *et seq.* of the French Commercial Code. It is our responsibility to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of preferential subscription rights and other information relating to the issue, provided in the 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 of verifying the information contained in the report of the Board of Directors relating to this transaction and the methods used to determine the share issue price.

Subject to further review of the terms and conditions of issues that might be decided upon, we have no matters to report on the methods used to determine the share issue price given in the report of the Board of Directors.

As the final terms and conditions of the share issues have not been set, we are not in a position to comment on them or, consequently, on the proposed cancellation of preferential subscription rights that is submitted for your approval.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare an additional report, where applicable, should your Board of Directors decide to make use of this authorisation.

4- Authorisation to allocate new or existing shares free of charge to some or all salaried employees and/or corporate officers (nineteenth resolution)

In accordance with article L. 225-197-1 of the French Commercial Code, we have prepared this report on the proposed authorisation to allocate new or existing ordinary shares free of charge to salaried employees of the Company or of companies or groups affiliated with it pursuant to article L. 225-197-2 of the aforementioned Code and corporate officers of the Company or of companies or groups affiliated with it and that meet the conditions laid down in article L. 225-197-2 of the aforementioned Code, which is submitted for your approval.

Your Board of Directors requests, based on its report, that you authorise it, for a period of thirty-eight months, to allocate new or existing shares, free of charge and on one or more occasions.

It is the Board's responsibility to prepare a report on the proposed transaction. It is our responsibility to report, if necessary, on the information provided to you on 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 of verifying that the methods proposed and set out in the report of the Board of Directors comply with the provisions of French law.

We have no matters to report as to the information given in the report of the Board of Directors relating to the proposed authorisation to allocate free shares.

5 - Proposal to grant stock options to employees and corporate officers (twentieth resolution)

In accordance with articles L. 225-177 and R. 225-144 of the French Commercial Code, we have prepared this report on the proposal to grant stock options to members of staff identified by the Board of Directors from among employees and, where applicable, to corporate officers of the Company or of companies or groups affiliated to it pursuant to article L. 225-180 of the aforementioned Code, which is submitted for your approval.

Your Board of Directors is responsible for preparing a report on the reasons for the proposal to grant stock options, on one or more occasions, and on the proposed methods used to set the subscription and/or exercise price. It is our responsibility to report on the proposed methods used to set the share subscription or 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 of verifying that the proposed methods used to set the subscription or exercise price are specified in the report of the Board of Directors that they comply with the provisions laid down by laws and regulations, that they are not manifestly inappropriate, and that the required information has been given to the shareholders.
We have no observations on the proposed methods used to set the share subscription or exercise price.

6- Issue of securities entitling holders to the allotment of debt securities and not carrying rights to the share capital of the Company (twenty-third resolution).

In accordance with article L. 228-92 of the French Commercial Code, we hereby present our report on the proposal to authorise the Board of Directors to approve an issue of bonds with bond warrants attached and, more generally, securities carrying rights to the allocation, immediately or in the future, of debt securities such as bonds and related instruments, perpetual or fixed-term debt instruments, and all other securities giving, in a single issue, the same claims on the Company, of a maximum amount of €300 million, which is submitted for your approval.

Your Board of Directors requests, based on its report, that you authorise it, for a period of 26 months, to approve one issue. Where applicable, it will be responsible for determining the final issue terms and conditions of this transaction.

Your Board of Directors is responsible for preparing a report in accordance with articles R. 225-113 *et seq.* of the French Commercial Code. It is our responsibility to report on the fairness of the financial information taken from the financial statements and on other information relating to the issue, provided in the 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 of verifying the contents of the report of the Board of Directors relating to this transaction.

As the final terms and conditions of this issue have not been set, we are not in a position to comment on them.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare an additional report, where applicable, should your Board of Directors decide to make use of this authorisation.

Paris and Neuilly-sur-Seine, 13 May 2013
The Statutory Auditors

Saint Honoré BK&A	Deloitte & Associés
Frédéric Burband	Joël Assayah

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 111 to 185 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.
I have received an audit completion letter (lettre de fin de travaux) from the Statutory Auditors, in which they state that they have verified the information relating to the Group's financial position and financial statements contained in this registration document and that they have read through the document in its entirety.
Puteaux, 13 May 2013.

3. INVESTOR CONTACTS

ORPEA
Yves Le Masne, Chief Operating Officer - Tel.: +33 (0)1 47 75 78 07
Steve Grobet - Investor Relations Officer - Tel.: +33 (0)1 47 75 74 66 - s.grobet@orpea.net

CHAPTER IX: STATUTORY AUDITORS

1. PRINCIPAL STATUTORY AUDITORS

- **Saint-Honoré BK & A**
  Represented by Frédéric Burband
  140 rue du Faubourg Saint-Honoré, 75008 Paris

Saint-Honoré BK & A 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 Joël Assayah
  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 Saint-Honoré BK & A
  Address: Immeuble Somag, 16 rue Ampère, 95307 Cergy Pontoise

Appointed at the same time and for the same term as Saint-Honoré BK & A

- **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

	Deloitte & Associés				Saint-Honoré BK & A			
	2012		2011		2012		2011	
In thousands of euros	€	%	€	%	€	%	€	%
1. Audit								
1.1 Statutory and contractual audit services								
- Issuer	1,102	75%	638	47%	762	82%	647	83%
- Fully-consolidated subsidiaries	370	25%	414	30%	110	18%	77	10%
1.2 Other audit-related services								
- Issuer			169	12%			53	7%
- Fully-consolidated subsidiaries			154	11%				
Sub-total	1,472	100%	1,375	100%	872	100%	777	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	1,472	100%	1,375	100%	872	100%	777	100%

CHAPTER X: DOCUMENTS ON DISPLAY

This list comprises the annual information document published on 10 May 2013 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 the Autorité des Marchés Financiers' website (www.amf-france.org)

Publication date	Type of document
10/04/2013	Prospectus approval no. 13-0153
30/01/2013	Directors' Declaration no. 213D0554
25/01/2013	Crossing of threshold no. 213C0099
18/01/2013	Directors' Declaration no. 213D0273
18/12/2012	Directors' Declaration no. 212D5012
18/12/2012	Directors' Declaration no. 212D5011
18/12/2012	Directors' Declaration no. 212D5010
18/12/2012	Directors' Declaration no. 212D5009
18/12/2012	Directors' Declaration no. 212D5008
18/12/2012	Directors' Declaration no. 212D5007
28/11/2012	Prospectus approval no. 12-0580
28/11/2012	Prospectus approval no. 12-0579
14/11/2012	Directors' Declaration no. 212D4440
14/11/2012	Directors' Declaration no. 212D4439
14/11/2012	Directors' Declaration no. 212D4438
14/11/2012	Directors' Declaration no. 212D4437
14/11/2012	Directors' Declaration no. 212D4436
24/05/2012	2011 Registration Document D.12-035
23/05/2012	Directors' Declaration no. 212D1885
23/05/2012	Directors' Declaration no.212D1884

2. PUBLICATIONS IN THE BALO

Published on the *Journal Officiel* website (www.journal-officiel.gouv.fr)

Publication date	Type of document
20/07/2012	Final 2011 financial statements
11/06/2012	Notice to attend the CGM of 29 June 2012
23/05/2012	Notice of the CGM of 29 June 2012

3. PUBLICATIONS ON THE COMPANY'S WEBSITE

Published on the ORPEA website (www.orpea-corp.com)

Publication date	Heading	Type of document
03/05/2013	Documentation / Other regulated info	Number of shares and voting rights at 30/04/2013
30/04/2013	Press releases	Solid sales growth in Q1 2013 up 14.2% to €384.5 million
30/04/2013	Documentation / Other regulated info	Process of bringing the status of Messrs Le Masne and Brdenk into compliance with AFEP MEDEF recommendations
10/04/2013	Documentation / Other regulated info	Euro PP prospectus, AMF approval no. 13-153 (€33 million)
05/04/2013	Documentation / Other regulated info	Number of shares and voting rights at 29/03/2013
27/03/2013	Press releases	2012 annual results show strong growth
27/03/2013	Documentation / Presentations	Presentation of 2012 annual results
04/03/2013	Documentation / Other regulated info	Number of shares and voting rights at 28/02/2013
13/02/2013	Press releases	2012 sales rise sharply: €1,429 million (+15.8%)
13/02/2013	Press releases	1, 200 new jobs created in 2013
05/02/2013	Documentation / Other regulated info	Number of shares and voting rights at 31/01/2013
09/01/2013	Documentation / Other regulated info	Number of shares and voting rights at 31/12/2012
02/01/2013	Documentation / Other regulated info	Annual report on the liquidity contract
06/12/2012	Documentation / Other regulated info	Number of shares and voting rights at 30/11/2012
30/11/2012	Documentation / Other regulated info	Euro PP prospectus, CSSF (€90 million)
28/11/2012	Documentation / Other regulated info	Euro PP prospectus, AMF approval no. 12-580 (€193 million)
28/11/2012	Documentation / Other regulated info	Euro PP prospectus, AMF approval no. 12-579 (€20 million)
28/11/2012	Press releases	Successful €193 million bond issue on the Euro PP market

14/11/2012	Press releases	Acceleration in growth in Q3 2012 to +17.6%
12/11/2012	Documentation / Other regulated info	Number of shares and voting rights at 31/10/2012
10/10/2012	Documentation / Other regulated info	Number of shares and voting rights at 28/09/2012
05/10/2012	Documentation / Financial Reports	2012 Interim Financial Report
05/10/2012	Press releases	Publication of the 2012 interim financial statements
12/09/2012	Documentation / Presentations	Presentation of 2012 Interim results
12/09/2012	Press releases	Strong growth in H1 2012 results
04/09/2012	Documentation / Other regulated info	Adjustment of the exchange ratio of Oceane shares
04/09/2012	Documentation / Other regulated info	Number of shares and voting rights at 31/08/2012
13/08/2012	Documentation / Other regulated info	Number of shares and voting rights at 31/07/2012
18/07/2012	Press releases	Strong sales growth in H1 2012 to +15.2% (€685 million)
05/07/2012	Documentation / Other regulated info	Number of shares and voting rights at 29/06/2012
05/07/2012	Documentation / Other regulated info	Interim report on the liquidity contract
04/06/2012	Documentation / Other regulated info	Number of shares and voting rights at 31/05/2012
25/05/2012	Press releases	**Publication of the 2011 Registration Document**
24/05/2012	Documentation / Financial Reports	**2011 Registration Document**

4. PUBLICATIONS ON AN AMF-APPROVED NEWSWIRE

Publications on an AMF-approved newswire

Published on the newswire (www.businesswire.fr/portal/site/fr/)

Publication date	Type of document
03/05/2013	Monthly information on the total number of voting rights and shares comprising the share capital
30/04/2013	Solid sales growth in Q1 2013: up 14.2% to €384.5 million (up 70% on an international level)
05/04/2013	Monthly information on the total number of voting rights and shares comprising the share capital
27/03/2013	Monthly information on the total number of voting rights and shares comprising the share capital
04/03/2013	Monthly information on the total number of voting rights and shares comprising the share capital
13/02/2013	Strong rise in sales in 2012: up 15.8% to €1,429 million
05/02/2013	Monthly information on the total number of voting rights and shares comprising the share capital
09/01/2013	Monthly information on the total number of voting rights and shares comprising the share capital
02/01/2013	Annual report on the liquidity contract signed with the stockbroker Gilbert Dupont
06/12/2012	Monthly information on the total number of voting rights and shares comprising the share capital
28/11/2013	Successful €193 million bond issue on the Euro Private Placement market
14/11/2012	Acceleration in sales growth in Q3 2012: up 17.6% to €366.4 million
12/11/2012	Monthly information on the total number of voting rights and shares comprising the share capital
10/10/2012	Monthly information on the total number of voting rights and shares comprising the share capital
05/10/2012	Press release announcing availability of the interim financial statements at 30 June 2012
12/09/2012	H1 2012: strong growth in earnings
04/09/2012	Monthly information on the total number of voting rights and shares comprising the share capital: Declaration on 31 August 2012
13/08/2012	Monthly information on the total number of voting rights and shares comprising the share capital
18/07/2012	Strong sales growth in H1 2012: up 15.2% to €685 million (8.6% organic growth)
05/07/2012	Half-yearly report on the liquidity contract signed with the stockbroker Gilbert Dupont
05/07/2012	Monthly information on the total number of voting rights and shares comprising the share capital
08/06/2012	Combined general meeting of Friday 29 June 2012
04/06/2012	Monthly information on the total number of voting rights and shares comprising the share capital
25/05/2012	Publication of the 2011 Registration Document

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