



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



2008 Half-year results

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**ORPEA'S OFFER
AND
EXPERTISE**



ORPEA

Orpea's offer: a global approach to dependency

A global short, medium and long-term physical and psychiatric care offer

Long-term stays
Short-term stays
Day care
Protected units ¹
Post-acute care (general care, geriatrics, cancerology)
Rehabilitation centres (post-orthopaedic surgery, trauma, neurology)
Cardio-rehab centres
Psychiatric care

Sharing expertise

Business: care services
Priority: to guarantee the best possible Quality
A must: Human Resources policy and attractive career opportunities
Know-how: the construction and fitting out of shelter structures

Sharing business model and regulations

Stringent **regulation** and authorisation system
Less sophisticated **technical platforms** than for short-term stays
Strong focus on **component accommodation**
Fewer specialised and transversal **care staff**
Very **similar margins**

ORPEA:

A leading French player in long-term & post-acute care

¹ "Protected Units": units specialised in caring for people with neurodegenerative illnesses such as Alzheimer's

Orpea's expertises dedicated to residents and patients



Experienced and optimising Quality approach

More than 10 years experience
Autonomous Quality department with field experience
Ethical and Quality Charters
Sharing Medical department
Annual satisfaction surveys and quarterly Quality audits

Systemised prevention and care of imperfections and problems



HR Policy and ongoing training

Attractive career opportunities
Geographical mobility
Diverse range of activities
Internal promotion
Incentive remuneration policy
Training leading to qualifications and diplomas



A centralised organization

Administrative Dept.
Audit quality Dept.
Authorisations / Conventions / Tariff Dept.
Integrated engineering structure

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

Recent structures integrated into urban areas

- ▶ **New** or recently-renovated **facilities**: 10 years old on average
- ▶ **Geographical locations** in or near large towns
- ▶ **Modern architecture** and pleasant surroundings (terraces, gardens, light, friendly areas, lounges, etc.)
- ▶ **Buildings that are adapted** to the highest standards of quality to improve the lifestyle of residents and patients
- ▶ **Substantial diversity of services** to make facilities a centre of activity (hairdresser, place of worship, animation, partnerships with local schools and associations, etc.)
- ▶ Most rooms are **single private rooms** (95% for nursing homes, 80% for clinics)



Modern, adapted and open facilities

A flexible offer to meet demographic and health care needs

- ▶ **Growing needs in medical care** because of:
 - ✓ Later and later entry into EHPAD¹ (older and more dependent residents)
 - ✓ Earlier admission in Post-Acute Care facilities (consequence of 'T2A', the new tariffication in short term stays)

- ▶ **Adaptation of ORPEA's expertise:**
 - ✓ Trained multidisciplinary teams
 - ✓ Modern technical platforms
 - ✓ Suitable care procedures drawn up by the Medical Department

- ▶ **New concepts for care for Alzheimer's patients:**
 - ✓ Facilities entirely devoted to Alzheimer's (Examples: Marly Le Roy, Valenton)
 - ✓ Creation of Protected Units² within new facilities
 - ✓ Specific equipment (Snoezelen, balneotherapy, etc.) and appropriate care by trained personnel



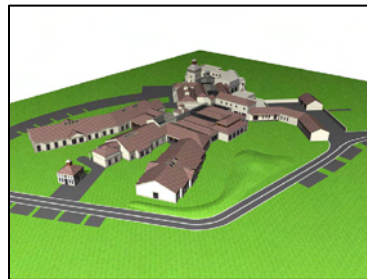
A strong adaptability to evolutions

¹ "Etablissement d'Hébergement pour Personnes Agées Dépendants" = Facilities for Elderly Dependent People

² "Protected Units": units specialised in caring for people with neurodegenerative illnesses such as Alzheimer's

A strategic positioning consistent with the care continuum

- ▶ **Development of global divisions** to ensure, on a same site, the care continuum of the elderly: grouping together of a clinic and an EHPAD ¹ nursing home
- ▶ **The example in France of the unique geriatric complex in Saint-Rémy-lès-Chevreuse**
 - ✓ 344 nursing home beds (73 in Protected Units²)
 - ✓ 36 Residence Service beds
 - ✓ Opening of a 60-bed clinic: 30 for geriatric medicine and 30 geriatric follow-up care (each department having a 10-bed “Protected Unit”¹)
 - ✓ One of the first applications of the Alzheimer Plan



A permanently-evolving offer to improve global care

¹ “Etablissement d’Hébergement pour Personnes Agées Dépendants” = Facilities for Elderly Dependent People

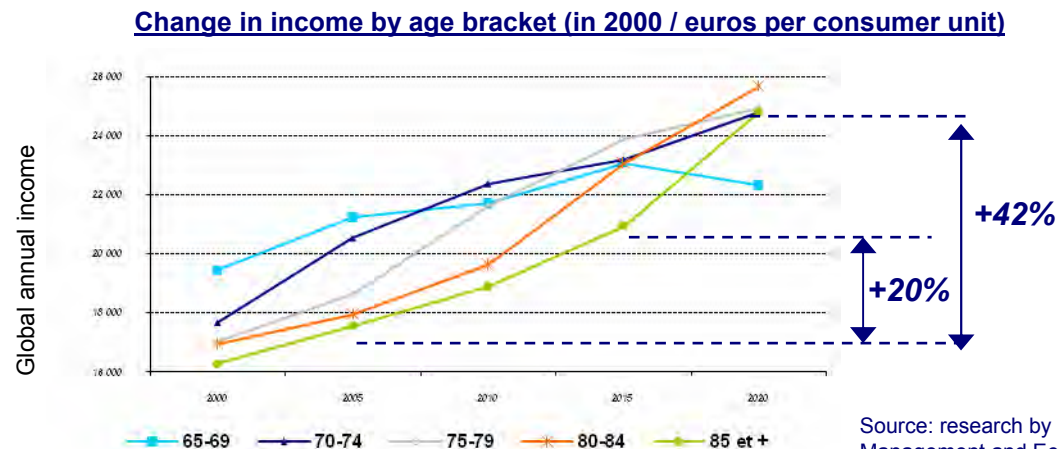
² “Protected Units”: units specialised in caring for people with neurodegenerative illnesses such as Alzheimer’s

**-2-
DEVELOPMENT
AND
NETWORK**



A growth sector: aging and solvency of the elderly in France

- ▶ **Substantial needs in all sectors of dependency care** due to:
 - ✓ Increasing number of people aged over 85: +66% between 2008 and 2015 (from 1.2m to 2m, i.e. 800,000 persons)
 - ✓ Insufficient number of beds (30 / 40,000 beds EHPAD)
 - ✓ Shorter and shorter stays in surgery (development of post-acute care)
 - ✓ A sharp rise in people affected by mental deficiency (i.e. Alzheimer's)
- ▶ **High representativeness** of the public sector (55% of beds)
- ▶ **Increase in the solvency of those over 85:** a long-term trend, independent of economic conditions



A high-visibility sector, independent of the economic environment

A European network of 21,403 beds spread over 229 facilities

17,369 operational beds (2,844 of them under renovation) + 4,034 under construction

France

189 facilities
17,173 beds



Belgium

13 facilities
1,415 beds



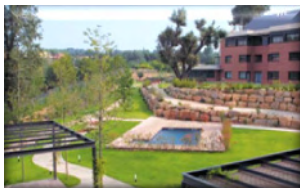
Switzerland

1 facility
75 beds



Spain

17 facilities
1,776 beds

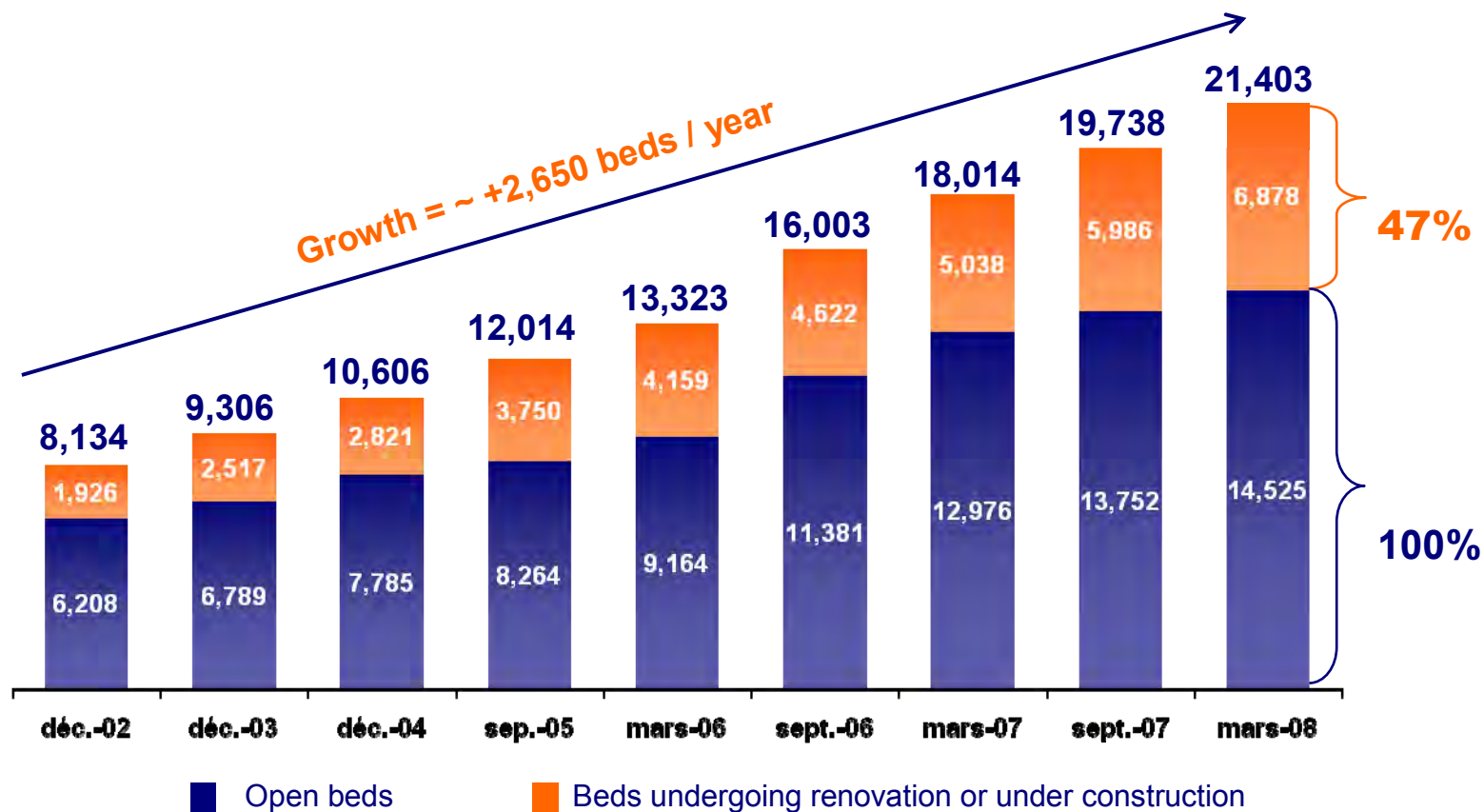


Italy

9 facilities
964 beds



Strong pace of development: a doubling network in 3 years

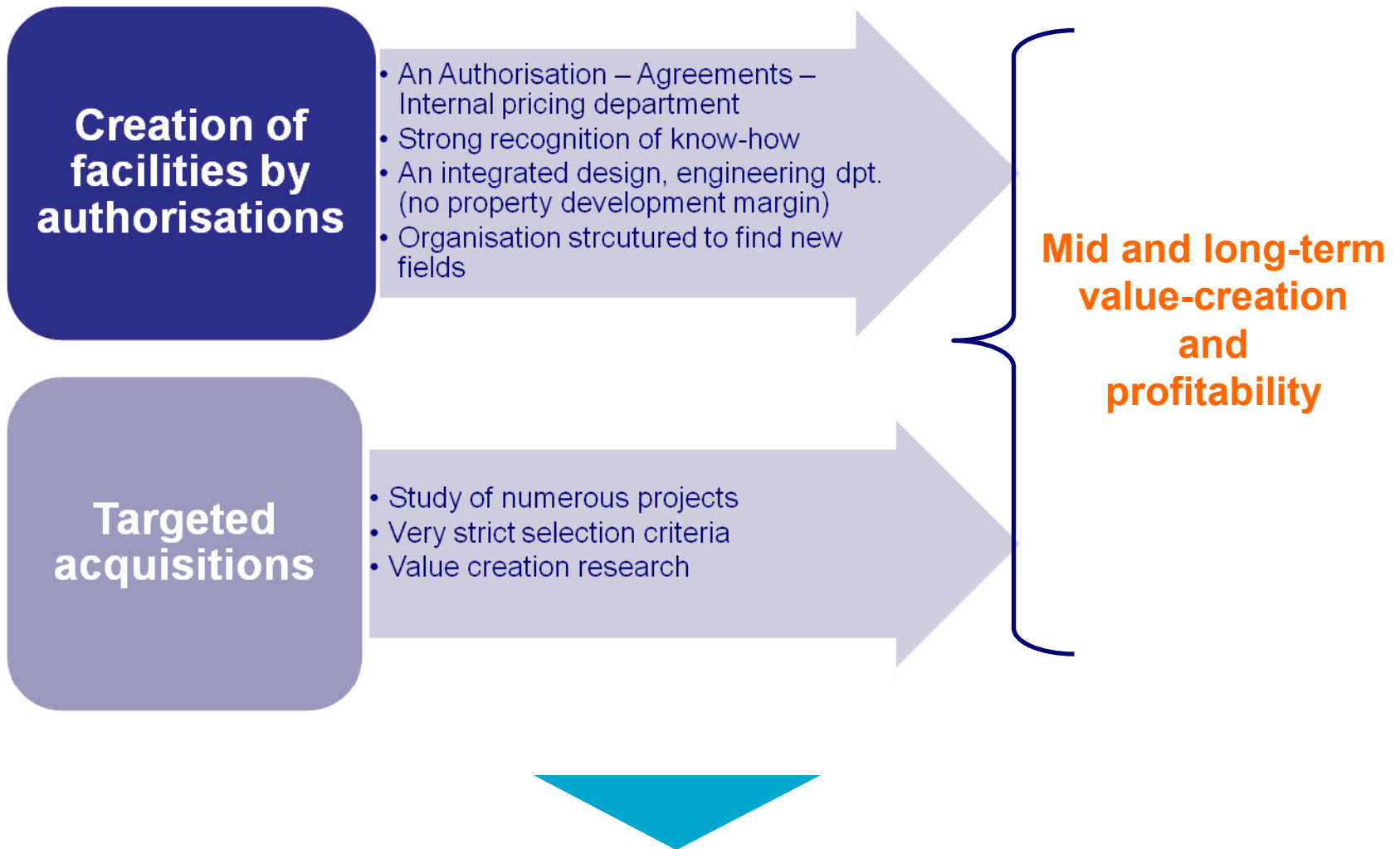


Increasing additional revenue-generating capacity:
Close to 7,000 beds undergoing renovation or under construction
The 21,403 beds represent € 1 billion in revenue in 2011*

* Not counting future authorisations and acquisitions


ORPEA development model

Development and network



A successful and cautious development for 20 years

Internationally, targeting countries similar to France: Spain, Belgium, Italy

	 Italy	 Spain	 Belgium
A rapidly aging population	Over 85 people: +36% between 2006 and 2011 (+452,000 people) ¹	Over 80 people: +52% between 2006 and 2020	
An insufficient and poorly-adapted offer	340,000 in 2003 of which 88,000 in RSA ² (eq EHPAD ⁴) Estimated requirement for 2011: 490,000 beds ¹ Very few private single bedrooms	300,000 beds in 2006 (only 157,000 beds for dependent people ³) Very few private single bedrooms	122,000 beds Very few private single bedrooms
A regulated sector, governed by Regulatory bodies	Organisation and financing at regional level and ASL (National Health Care)	Retirement homes protected and overseen by supervisory bodies	Organisation based around 3 regions with an authorisation system
Fragmented private commercial sector	A very small number of structured private groups incorporating over 10 facilities	4 Groups > 3,000 beds (mostly created by property developers) A plethora of small structures	3 private groups (more than 10 facilities) and around 15 medium-sized groups
Per diem prices	Accommodation part directly paid by the resident	Accommodation part directly paid by the resident	Accommodation part directly paid by the resident

Countries with very strong needs and high barriers to entry

¹ Source: Itstat 2006 (RSA = Equivalent Nursing homes)

² Source: Itstat study "L'assistenza residenziale in Italia: regioni a confronto" (2000 to 2003)

³ Source: MSI study, September 2007

International development strategy: replicate the French model

- ▶ Prior to taking a presence, **observation period** to understand and study the local market
- ▶ **Presence via the acquisition** of a small group of facilities
 - ✓ Spanish example: acquisition of Grupo Care in July 2007
- ▶ **ORPEA standards adapted to local norms and habits**
 - ✓ A headquarter for each country
 - ✓ Implementation of ORPEA's quality standards
- ▶ Renovation of facilities to **increase their commercial appeal** (single private rooms, hotel services, surroundings, etc.)
- ▶ **Cautious development** via targeted acquisitions and authorisations to reach a critical mass of around **3,000 beds in each country**
- ▶ **Medium-term profitability increase**
 - ✓ Increase in per diem prices through improved services and creation of new services (single rooms, ...)



A cautious and medium-term value-creating strategy

French network: 189 facilities and 17,173 beds

- ▶ **17,173 beds:** 13,886 operational beds (2,440 of them undergoing renovation) + 3,287 beds under construction

- ▶ **H1 2008 openings: 6 facilities and 585 beds**

✓ Boulogne clinic, Saint Rémy-lès-Chevreuse clinic, Long-term care facilities in Montereau, Paris, Valenton, Nancy



- ▶ **H2 2008 planned openings: 5 facilities and 485 beds**

✓ Rueil Malmaison clinic, Long-term care facilities in Caen, Granville, Saint Quentin, Bourges



- ▶ **Several projects for the construction, renovation or extension of facilities**

✓ Examples: Chateauneuf, Paris Mechain, ...



International network: 40 facilities for 4,230 beds

- **4,230 beds** spread: 3,483 operational beds (404 of them undergoing renovation) + 747 beds under construction

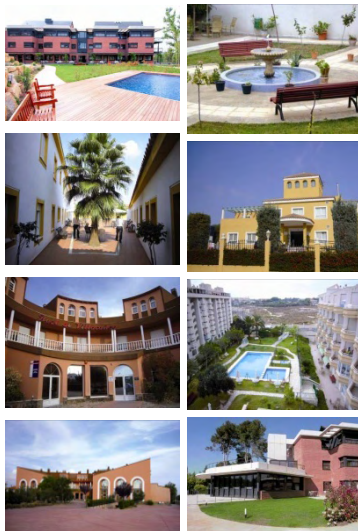
Spain

Implantation since 2006

17 facilities

1,776 beds:

operational
(100 of them under renov.)



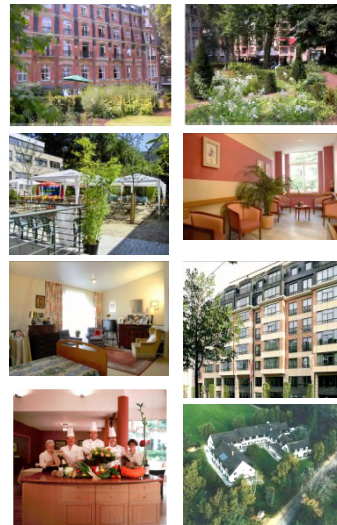
Belgium

Implantation since 2006

13 facilities

1,415 beds:

1,006 operational
(201 of them under renov.)
+ 409 under construction



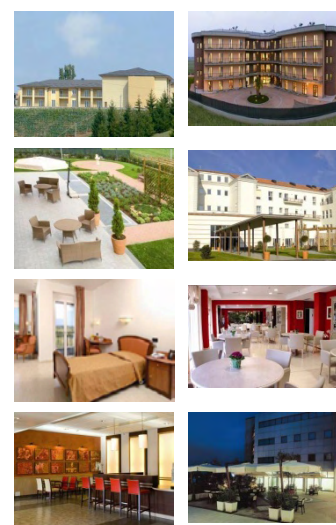
Italy

Implantation since 2004

9 facilities

964 beds:

626 operational
(66 of them under renov.)
+ 338 under construction



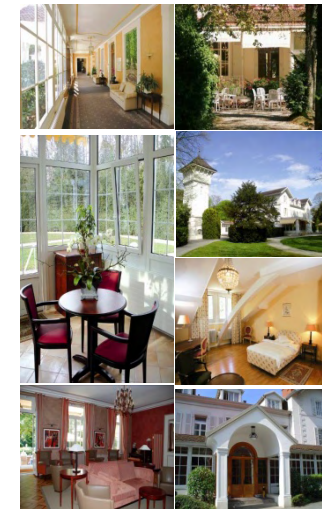
Switzerland

Implantation since 2006

1 « Psy » clinic

75 beds

operational
(37 of them under renov.)



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H1 2008
RESULTS**



ORPEA

H1 2008 achievements

2008 TARGETS

Sales: €665m (+22%)
revised to €680m (+25%)

Strong organic growth

Sound Recurring
Operating Margin

Optimisation of
real estate strategy

2008 H1 ACHIEVEMENTS

+ 30.8%

+ 11.7%

13.1%

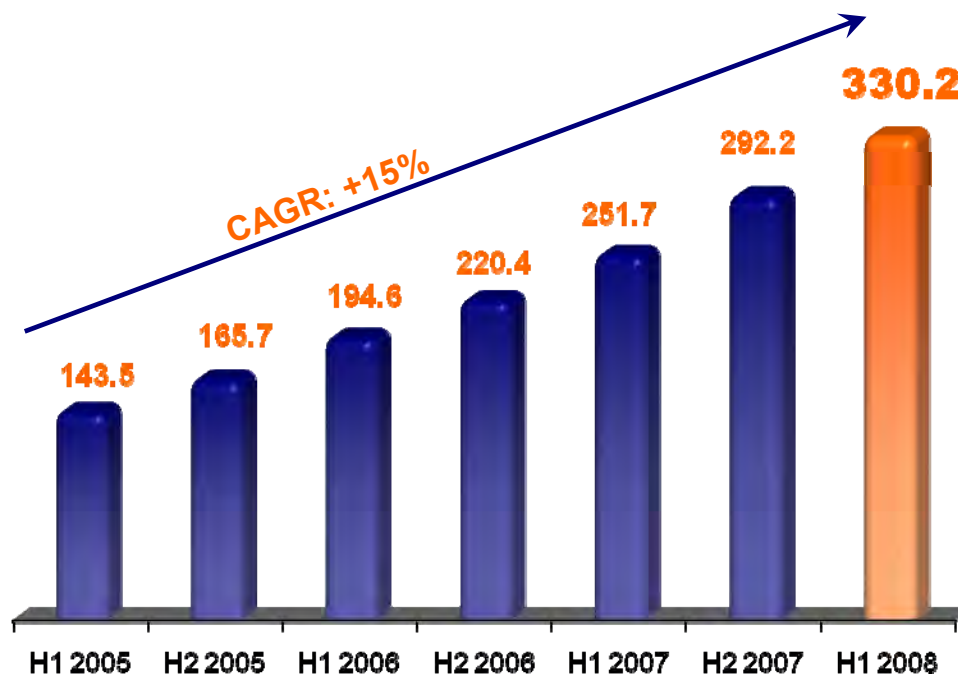
Creation
of an OPCI*

OPCI : Unlisted REIT for qualified investors

H1 2008 sales: continuing solid growth

H1 2008 sales: **+30.8%**

H1 2008 organic growth: **+11.7%**



In €m	H1 08	H1 07	▲ %
France	294.5 89%	232.8 92%	+26.5%
International	35.7 11%	19.6 8%	+82.1%
Belgium	12.1	3.3	
Spain	12.9	10.8	
Italy	6.8	2.8	
Switzerland	3.9	3.0	
Total	330.2	252.4	+30.8%

Structural ability to develop solid organic growth: +11.7% in H1 08
Pursuance of the European growth strategy

Half-Year results – key figures

In €m	H1 2008	H1 2007	▲ %
Sales	330.2	252.4	+30.8%
EBITDAR (EBITDA before rents)	78.5	62.3	+26.0%
Recurring EBITDA	57.6	45.3	+27.1%
Recurring EBIT (Recur. Operating Profit)	43.2	32.8 ⁽¹⁾	+31.8%
EBIT (Operating Profit)	53.6	41.2 ⁽¹⁾	+30.2%
Financial result ⁽²⁾	(17.2)	(10.0)	(+71.9%)
Net profit	27.5	22.4 ⁽¹⁾	+22.6%

(1) Restated for the measurement of properties at fair value

(2) Not included the positive evolution of the value of interest rate hedging instruments of €0m

Strong growth in all performance criteria

Half-year operating profit

In €m	H1 2008	H1 2007	▲ %
Sales	330.2	252.4	+30.8%
Staff costs	(164.6)	(126.4)	+30.2%
Expenses	(67.8)	(49.7)	+36.5%
Taxes and duties	(18.1)	(13.0)	+38.9%
Other costs and products	(1.2)	(1.0)	N.S.
EBITDAR (EBITDA before rents)	78.5	62.3	+26.0%
Rental expenses	(20.9) ⁽²⁾	(17.0)	+22.9%
Recurring EBITDA	57.6	45.3	+27.1%
Amoritzations & depreciations	(14.4)	(12.6) ⁽¹⁾	+14.9%
Recurring EBIT (Recur. Operating Profit)	43.2	32.8 ⁽¹⁾	+31.8%
	13.1%	13.0%	
Non recurring items	10.4	8.4	N.S.
EBIT (Operating profit)	53.6	41.2 ⁽¹⁾	+30.2%

(1) Restated for the measurement of properties at fair value

(2) Rental expenses: an average indexation level of 3.9% + new rents from opened facilities and acquisitions

Ebitda by geographical sector

In €m	H1 2008			H1 2007		
	Sales	Recur. EBITDA	% of sales	Sales	Recur. EBITDA	% of sales
France	294.5	55.8	19.0%	232.8	44.6	19.2%
Spain	12.9	(0.2)		10.8	(0.3)	
Périmètre "CARE"		+0.2			(0.3)	
Italy	6.8	0.1		2.5	0.2	
Belgium	12.1	1.3		3.3	0.9	
Switzerland	3.9	0.6		3.0	0.0	
International	35.7	1.8	5.0%	19.6	0.8	3.9%

Recurring EBITDA = Recurring operating profit before amortization and depreciation

- ▶ **France**: 8 openings (Paris 19^{ème}, Boulogne, St Rémy, ...) generating an Eibtda of €(1.4)m
- ▶ **Spain**: Grupo CARE Ebitda = €160k, San Cugat = €(365)k (-62%) – Headquarter cost = €831k
- ▶ **Italy**: 1 mature facility, 3 under opening, 1 under renovation
- ▶ **Belgium**: 6 acquisition. Structuration of the headquarter: €426k in H1 2008
- ▶ **Switzerland**: end of work and arrival of the Medical team at the beginning of October

Ambitious investments for future growth

In €m	H1 2008	H1 2007	▲ %
EBITDA	57.6	45.3	+27%
Net cash flow from operating activities	39.8	36.3	+10%
Net investment cash flow	(271.5)	(225.6)	+20%
Net financing	189.4	191.5	-1%
Change in cash position	(42.3)	2.2	N.S.



Investments dedicated to a strong sustainable growth of EBITDA

→ Ebitda H1 2008/H1 2007: +27%

→ Change on 4 years (H1 08 / H1 04): +300%

Consolidated balance sheet

	In €m	30-June-08	31-Dec-07
ASSETS	Fixed assets	2 159	1 861
	Goodwill	168	129
	Intangible assets	552	494
	Tangible assets & inventories	1 397	1 205
	Others non current assets	42	32
	Current assets	146	179
	<i>Of which available & marketable securities</i>	13	55
	TOTAL ASSETS	2 305	2 040
LIABILITIES	Shareholders' equity and infinite deferred tax	683	630
	Shareholders' equity	538	501
	Diferred tax (Quasi shareholders equity)	144	129
	Fixed liabilities	1 133	948
	Other differed tax liabilities	212	177
	Provisions for risks and charges	25	23
	Long-term financial debt	895	747
	Current liabilities	489	463
	<i>Of which short-term debt (bridge loans)</i>	240	192
	TOTAL LIABILITIES	2 305	2 040

- Net financial debt as at 30.06.08 : **€1.122b**, 77% of which in property

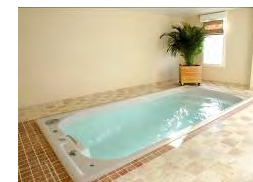
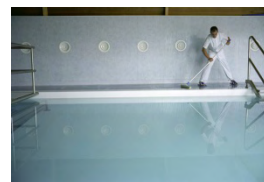
Restated financial⁽¹⁾:
$$\frac{\text{Net financial debt} - \text{property debt.}}{\text{Ebitda} - (6\% \text{ property debt})} = 4.40 / \text{Max authorized by the Bank: } 5.5$$

Gearing:
$$\frac{\text{Net financial debt.}}{\text{Shareholders equity} + \text{quasi equity}} = 1.64 / \text{Max authorized by the Bank: } 2.2$$

(1) Ebitda is reduced by 6% of the total property debt, with this debt including the property loans, corresponding to future Ebitda not taken into account in this ratio

Pending attestation

Main activity: Operations



Assets

- ▶ **Network of 21,403 beds**
 - ✓ 14,525 in operation
 - ✓ 2,844 in operation to be renovated
 - ✓ 4,034 under construction
- ▶ **Carrying value: €552m**

Liabilities

- ▶ **Financed by medium-term 7-year loans**
- ▶ **Hedged by derivatives (caps, swaps, etc.)**
- ▶ **Net operating debt: €254m**
hedged against interest rate increase
(3-months Euribor capped at 4%)

2008 sales target: €680m

2011 sales > €1bn



Operations with strong potential but low carrying value
(authorisations obtained by the Group not incorporated in the Balance sheet)

Pending attestation

Real estate activity



Assets

- ▶ **Operating property: 450,000 m²**
Secure saleable assets, not especially vulnerable to fluctuations in the property market
- ▶ **Building land**
+ buildings under construction
1,200 beds due to open in 2008
+ 5,800 beds under construction or renovation
- ▶ **Asset value: €1,397m**

Liabilities

- ▶ **Financed by leases and long-term loans (12 years)**
- ▶ **Property development credit lines**
Exit via finance leases, sale to property investment companies or “LMP”, sale to institutional investors or contribution to the OPCl
- ▶ **Net property debt: €868m**
66% of which (€571m) swapped into fixed-rate debt for the next 4 years (based on a fixed 3m Euribor rate of 4.07%)



Real estate and construction activities enabling the Group to guarantee a robust profitability and increase the number of beds in operation by 50% over the next 3 years

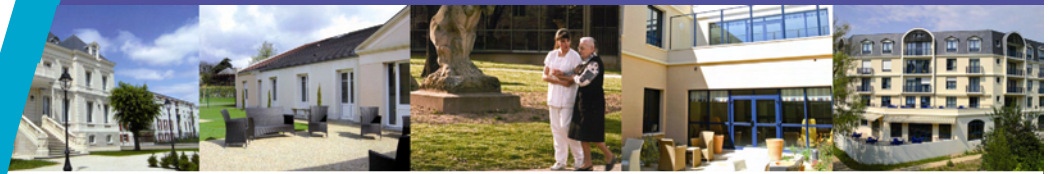
Creation of an OPCI property investment fund

- ▶ Project registered with the *Autorité des Marchés Financiers* for study
- ▶ Planned assets: €200m
- ▶ Entry of investors up to 40% via reserved capital increase
- ▶ Investor profile:
 - ✓ A long-term investment
 - ✓ Real estate investment with secure cash-flow
- ▶ Impact on ORPEA's consolidated accounts:
 - ✓ No impact of operating performances (Sales, EBITDAR, EBITDA, ROP, OP)
 - ✓ Reduction in debt of around €80m
- ▶ Extension of the model into Belgium: Orpea Belgium Immobilier (created in June 2008) also with entry of investors up to 40% (via reserved capital increase)

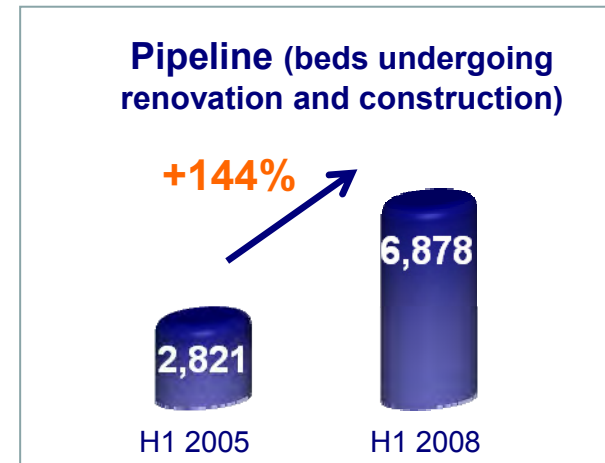
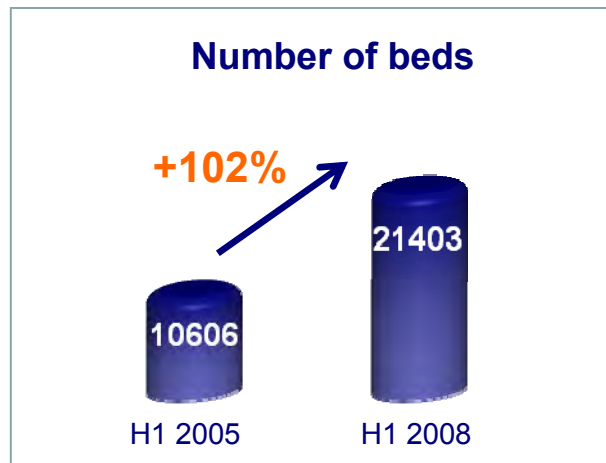
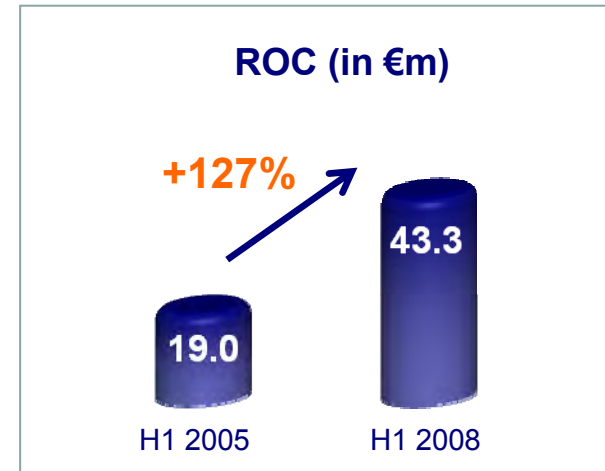
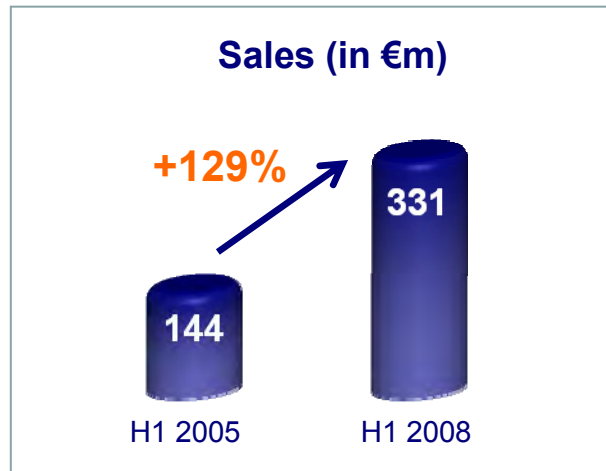


Advanced talks with numerous investors

**-4-
ASSETS
& OUTLOOK**

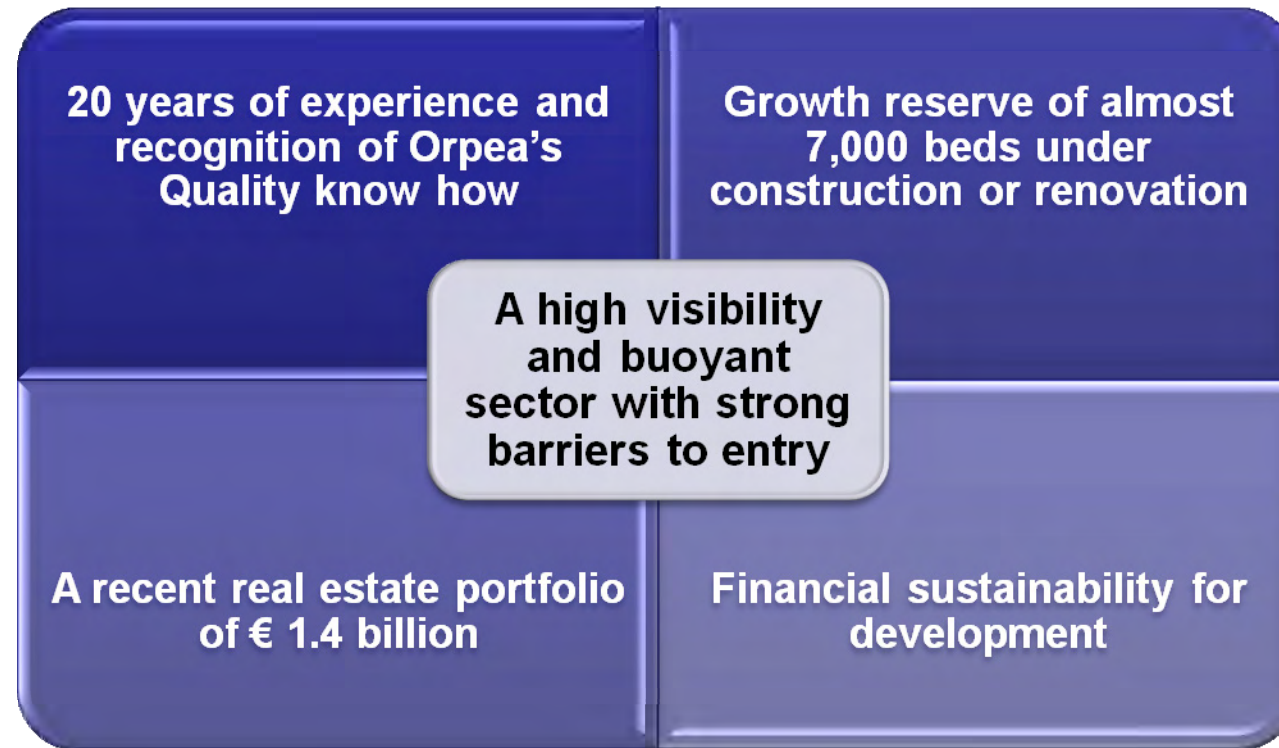


3 years of solid growth



Capacity to generate strong profitable growth and the strenght of the pipeline

Robust and sustainable fundamentals



ORPEA has all the strengths to pursue its expansion strategy

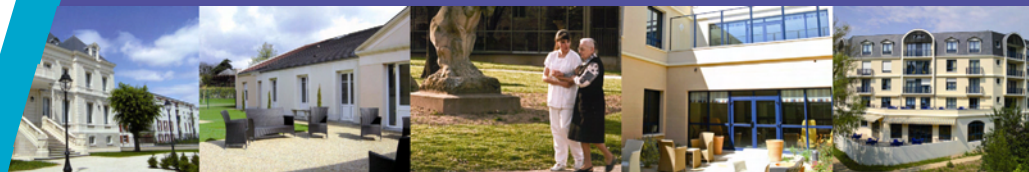
Pursuance of a profitable growth strategy

Strategy	Means	Goal
Sustained buoyant organic growth	Building and integration of the 7,000 beds growth reservoir	2011 sales from the current 21,403 beds = €1 billion
Continued expansion	New authorisations and selective acquisitions	~ 3,000 beds per year (France + International)
Continued international expansion	Integration, creation and targeted acquisitions in Italy, Spain and Belgium	Critical size = 2,500 to 3,000 beds per country
Optimisation of real estate strategy	OPCI RFA* creation and entry of investors	Securing of robust profitability

2008 sales target of €680m

* Unlisted REIT for qualified investors

APPENDICES



ORPEA and the market

► Market Data (12 last months):

Average daily volume: 97,167 shares/day

Price: €39.60

High (52 weeks): €46.00

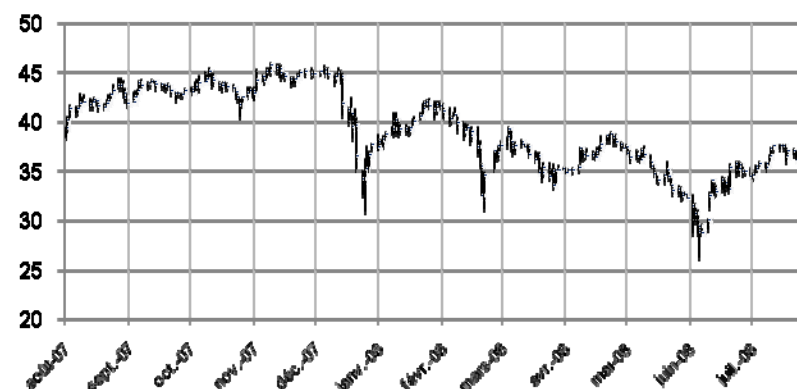
Low (52 weeks): €26.30

Turnover: 67% in 12 months

Mkt Cap: €1,459m

Nb of shares: 36,842,274

Data as of August, 29th, 2008



► Indices:

Compartment A of Eurolist by Euronext Paris

Member of **SBF 120 Index** / Member of **SRD**

► Financial calendar*:

Update on development: 15.10.08

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**Subject to modifications*

Belgium: organisation of the sector

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



Italy: organisation of the sector

► Substantial needs associated with:

- ✓ A rapidly aging population: +452 000 people aged over 85 between 2006 and 2011(+36.4%) ¹
- ✓ A sharp increase in estimated demand for retirement homes: +16% over 2006-2011, reaching 490 000 people ¹
- ✓ A sociological change: reduction in help from families

► An insufficient offer given these increasing needs

- ✓ 340 000 beds in 2003, of which only 88 000 were RSA ² (Equivalent Nursing Homes), the reminder being mostly assisted living facilities
- ✓ Estimated requirement for 2011: 490 000 beds ¹ (+150.000 beds)
- ✓ Major regional differences in terms of structure, operating model, financial means, etc.
- ✓ An increasing demand for private single bedrooms

► A fairly similar authorisation system to France, albeit with a major difference: total regional decentralisation

- ✓ Organisation and financing at regional level
- ✓ Authorisation system (conventions) organised by regions and operated by ASL (Aziende Sanitarie Locali – local healthcare agency)

► A sector that remains highly fragmented

- ✓ In RSA : the Public Sector represents 45% of beds, the Non-Profit Sector 35% and the Private Commercial Sector 20% ²
- ✓ The Non-Profit sector consists of operators who manage just 1 or 2 facilities
- ✓ The Private Sector: a very small number of structured private groups incorporating over 10 facilities (the majority are independent operators with just 1 or 2 facilities)
- ✓ Substantial prospects for consolidation within the sector

¹ Source: Istat 2006

² Source: "L'assistenza residenziale in Italia: regioni a confronto" Istat study (2000 - 2003)

Spain: organisation of the sector

► Strong needs and an insufficient offer:

- ✓ Rapid ageing of the population: increase of people over 80' of +52%¹ between 2006 and 2020
- ✓ Social and cultural changes: families are less available for home care, putting the elderly into retirement homes has become commonplace
- ✓ A very insufficient offer with a low number of quality facilities: 181 beds¹ for every 1,000 people over 80 years old in 2006

► A fragmented sector:

- ✓ Predominance of the private sector (80%)¹: 50% for the private commercial sector and 30% for the non-profit private sector
- ✓ A plethora of small structures: the 10 largest groups account for just 9.1%¹ of beds
- ✓ Small facilities, with an average of 45 beds¹

► A similar system to France

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

► Daily price

- ✓ Private Commercial Sector: 100% met by the resident
- ✓ Within the Private Commercial Sector, majority of “regulated” beds (entirely financed by the Region, with a set price): 100% covered by the Region

¹ Source: MSI Study, September 2007