




ORPEA

LA VIE CONTINUE AVEC NOUS

2009 REGISTRATION DOCUMENT

AUTORITE DES MARCHÉS FINANCIERS

AMF

This registration document was filed with the Autorité des marchés financiers on 13 July 2010 in accordance with Article 212-13 of the General Regulations.

It includes all of the information provided in the annual financial report mentioned in Article 451-12-I of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulations. It has been prepared by the issuer and its signatories therefore assume responsibility for its contents.

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.

In accordance with Article 28 of European Commission Regulation (EC) n° 809/2004, this registration document incorporates by reference the French language registration documents filed under n° ***R. 08 - 004*** for 2007 *(including the 2007 annual financial report and its addendum on pages 110 to 287) and* ***n° R. 09*** - 002 for 2008 *(including the 2008 annual financial report and its addendum on pages 70 to 263).*
The aforementioned registration documents are available on the AMF and Orpea websites, or on request from the Company's registered office (Orpea - 3 rue Bellini - 92806 Puteaux Cedex).

www.orpea.com

ORPEA
La Vie Continue avec Nous

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I/ CHAIRMAN'S MESSAGE

Dear Shareholders,

Over a period of 20 years, the Orpea Group has methodically built up one of Europe's largest global dependency care networks, offering high quality services recognised by residents, patients and prescribing medical specialists. It has therefore been able to reconcile growth, profitability and value creation, while also respecting the imperatives of quality and an individualised approach to care services, allowing it to ensure the well-being of its patients and residents.

The Orpea Group continued in this vein in 2009, achieving sales growth of 20.1% to €843.2 million, improvement in operating margin to 13.7% and net profit growth of 26.4% to €61.1 million, yet again demonstrating the solidity of its business model and the relevance of its strategy.
The satisfaction survey conducted anonymously among residents and families continues to show a high rate of recommendation (93.6%), attesting to the attractiveness of the Group's facilities in terms of both the quality of welcome and care services, and the quality of life offered.

These performances stem from both a proven management model - with centralised support functions, the defining of shared procedures and protocols, a quality-led approach and strategic locations selected within major cities - and the commitment of the Group's 20,000 employees, who work continually to ensure the well-being of the people they look after, thereby contributing to the Orpea Group's reputation.

The Group's staff are pivotal in helping it to achieve its targets for 2010, namely sales of €960 million, further improvement in debt ratios and growth in cash flow, while maintaining high profit margins.

On the back of its solid financing capacity, as well as the high level of visibility provided by the reservoir of around 9,000 beds, Orpea has increased its 2011 sales target to €1.1 billion, and is confident of its ability to generate sales of €1.225 billion in 2012, representing embedded growth of 45% in three years. These targets only take account of the 8,879 beds currently undergoing redevelopment or construction, which are fully authorised and financed, and do not include miscellaneous development projects currently in progress.

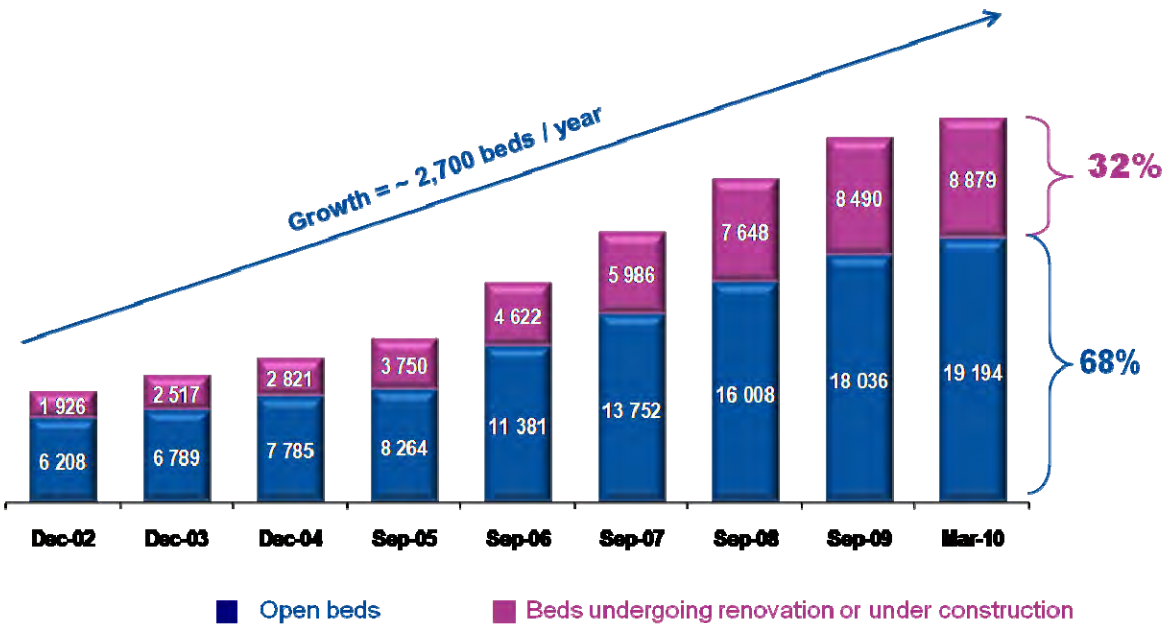
The Company's Board of Directors and management team would like to thank its employees, shareholders and partners for placing their trust in the Orpea Group.

Dr Jean-Claude Marian
Chairman and Chief Executive Officer

II/ ORPEA IN FIGURES

1. Expansion of the network

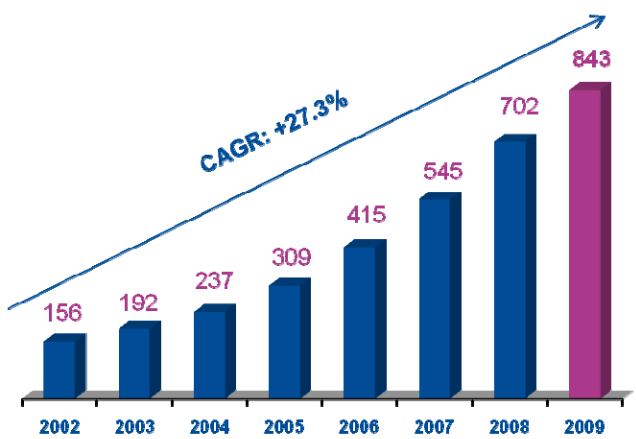
Growth of 56% in 3 years (+10,000 beds):



2. Consolidated sales growth

Full-year sales

CAGR: compound annual growth rate



Quarterly sales

In €m IFRS	Q1 2010	Q1 2009	% chg
France *% of total sales*	203.6 *88%*	173 *87%*	*+17.7%*
International *% of total sales*	27.6 *12%*	25.5 *13%*	*+8.23%*
Consolidated sales *O/w organic growth*	231.2	198.6	*+16.42%* *+9.6%*

3. Selected financial information

Consolidated figures in millions of euros

	31.12.2009	31.12.2008	31.12.2007
Sales	843.3	702.3	544.6
EBITDAR[1]	205.6	169.3	132.9
EBITDA[2]	151.4	124.8	95.8
Recurring Operating Profit[3]	115.4	94.9	72.7
Operating profit	134.5	106.9	82.0
Net financial cost	(45.7)	(42.7)	(24.3)
Tax	(29.8)	(16.1)	(16.1)
Consolidated net income	61.2	48.4	41.2
Net profit (Group share)	61.1	48.4	41.2

	31.12.2009	31.12.2008	31.12.2007
Cash flow	107.8	113.3	79.6
Cash flow from operations	127.0	100.2	88.0
Cash flow from investing activities	(258.2)	(375.1)	(365.1)
Cash flow from financing activities (including financial expenses)	213.0	273.6	320.5
Change in cash and cash equivalents	81.7	(1.3)	43.4
Cash and cash equivalents, end of period	135.4	53.6	54.9

	31.12.2009	31.12.2008	31.12.2007
Shareholders' equity	642	541	501
Current financial liabilities	340	250	192
Non-current financial liabilities	1,180	1,034	747
- Cash and cash equivalents	(135)	(54)	(55)
Net debt	**1,385**	**1,230**	**884**
Goodwill	204	179	129
Intangible assets	775	610	494
Property, plant and equipment	1,662	1,479	1,205
TOTAL ASSETS	**3,061**	**2,572**	**2,040**

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

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

[3] As defined in the note 1.24 of the 2009 consolidated financial statements

In €m	2009	2008	2007
Recurring EBITDA	+151.4	+123.6	+97.6
Net cash flow from operations	+127.0	+100.1	+88.0
Net cash flow from acquisitions of subsidiaries	-125.2	-216.1	-163.6
Disposals of non-current assets	+158.3	+ 169.5	+100.1
Purchases of non-current assets	-291.3	-328.5	-301.5
Cash flow from financing activities	+212.9	+273.6	+320.5
O/w new borrowings	+312.2	+397.8	+395.7
O/w repayment of debts	-117.1	-81.6	-54.0
O/w cost of debt and other cash flow from financing activities	- 45.7	-42.6	-21.1
Change in cash and cash equivalents	81.7	-1.3	43.4

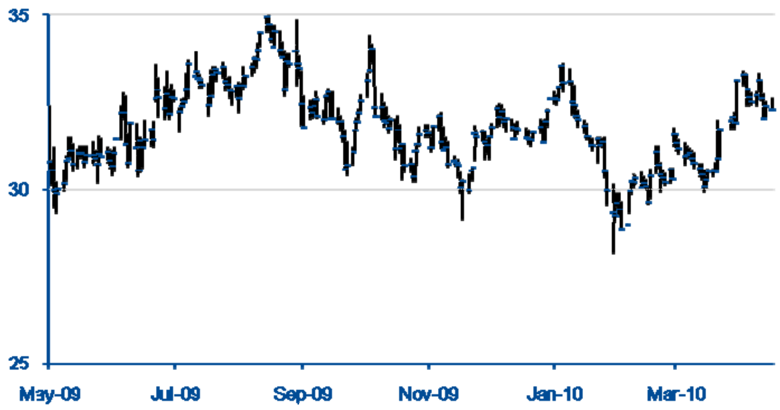
Net debt:

(in thousands of euros)	Net 31 December 2009	Net 31 December 2008
Property	**1,180,784**	**998,320**
Long-term bank borrowings	286,273	250,561
Finance lease obligations	329,965	280,643
Bond issue	209,120	
Bridging loans	355,426	467,117
Other	**339,474**	**285,667**
Miscellaneous financial liabilities and debt	315,902	271,249
Finance lease obligations	23,572	14,418
Total gross debt (*)	**1,520,258**	**1,283,988**
Cash and cash equivalents	(135,366)	(53,654)
Total net debt (*)	**1,384,892**	**1,230,334**

(*) Including liabilities associated with assets held for sale

4. Stock market data

Year-on-year share price performance:



Stock market data (12 months):

Average daily trading volume: 63,890 shares

Share price: €32.29

12-month high: €34.94

12-month low: €28.84

Turnover: 42% in 12 months

Market capitalisation: €1,254m

No. of shares: 38,847,172

Figures as of 26 April 2010

Indices:

Compartment A of Eurolist by Euronext Paris

Member of the SBF 120 and the DSS

III/ PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

1. Persons responsible for the registration document

Dr Jean-Claude Marian, Chairman and Chief Executive Officer
Mr Yves Le Masne, Deputy 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 affiliated companies, and that the management report provided on pages 72 to 181 presents a true and fair picture of the development business, results and financial position of the Company and all affiliated companies, as well as a description of the main risks and uncertainties to which they are exposed.

Intentionally omitted

Puteaux, 13 July 2010.

3. Investor contacts

ORPEA
Yves Le Masne - Deputy Chief Executive Officer - Tel: 01 47 75 78 07

NEWCAP
Emmanuel Huynh / Steve Grobet - Tel: 01 44 71 94 94
orpea@newcap.fr

IV/ STATUTORY AUDITORS

Information concerning the Principal and Alternate Statutory Auditors is provided on pages 154 and 155 of the registration document, within the Company's management report, which itself is included in the 2009 annual financial report below.

V/ OVERVIEW OF THE DEPENDENCY CARE SECTOR

The Orpea Group's purpose and business is to offer global dependency care in the form of long-term care (nursing homes), post-acute and rehabilitation care and psychiatric care facilities.
With an ageing population and longer life expectancies, this global care provision responds to the needs of an ever-changing sector, characterised by the desire to create care industries offering continual care. The creation of the Regional Health Agencies (*Agences Régionales de Santé* or ARS) in France, as the single supervisory authority for primary healthcare services, post-acute and psychiatric care and medical and social care facilities, 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.

1. Dependency care: definition

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

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

Major dependency corresponds to:

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

Partial dependency corresponds to:

- level GIR 3 for people with preserved mental autonomy, partially able to move, but needing assistance every day and several times a day for their bodily autonomy. They are unable or only partially able to wash and dress themselves. In addition, they require help from another person to go to the toilet;
- and level GIR 4 for people unable to stand up, lie down or sit by themselves, but who are able to move around at home when standing, sometimes requiring help to go to the toilet and get dressed. Most of the people in this group are able to feed themselves. This group also comprises people with no locomotion problems but requiring help with bodily activities and meals.

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

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

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

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

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

2. Growing needs for dependency care

2.1 – A sector driven by the ageing of the population

As France's "*Solidarité Grand Age*" ("Solidarity with the Aged") plan for the protection of the elderly stated, **"we are undergoing a revolution: that of longevity"**. Progress in medicine and improved living standards have resulted in longer life expectancy, which affects the level of dependency of nursing home residents, as the prevalence of dependency increases with age.

Life expectancy increased further in France in 2009, to 77.8 years for men and 84.5 years for women. The increase in life expectancy of two months in 2009 was due to the decline in mortality between the age of 70 and 90.

In total, in the space of 10 years, life expectancy has increased by more than three years for men and two years for women. Therefore, people aged 65 or over made up 16.6% of the French population as at 1 January 2010, compared with 15.8% in 2000. And according to INSEE, the number of people aged 75 and over has increased by one-third in 10 years, almost five times the rate of growth in the French population as a whole (increase of 7%).

(Source: INSEE Première – n°1170 – January 2008 + INSEE Première n°1276 – January 2010)

Furthermore, according to an INSEE study (*Economie et Statistique* n°409), the ageing of the French population is expected to accelerate between 2005 and 2050. While 22.6% of the population resident in mainland France was aged 60 or over on 1 January 2010, this percentage is expected to increase to 30.6% in 2035 and 31.9% in 2050.

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 2050 have already all been born (in 1989 or earlier). Life expectancy will therefore only increase at a more rapid rate in the future.

Even if life expectancy stabilised at its current level, the number of people aged 60 or over would still increase by 50% between 2005 and 2050.

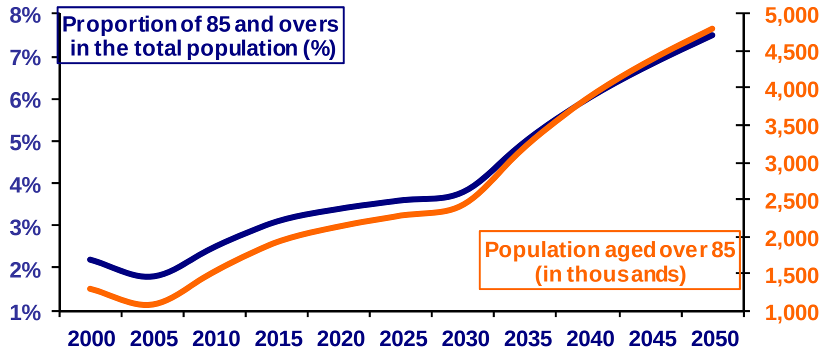
The number of people aged over 75 would increase at a similar rate, with a delay of 15 years. According to the same INSEE scenario, the percentage of people aged over 75 could double between now and 2050 to account for 15.6% of the French population compared with 8.8% at present.

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

(Source: DREES "Etudes et Résultats" N° 689 – May 2009).

However, the most notable factor is the "over-ageing" of the oldest age groups.
According to INSEE's "Disability, incapacity and dependency" studies of 1998 and 1999, more than 40% of dependent elderly people are aged 85 or over. Dependency begins to increase rapidly from the age of 80, reaching a critical threshold at the age of 85. People with the greatest dependency needs – i.e. those with severe mental and physical deficiencies – are therefore mostly in the 85 and over age group. Of other people who are mentally dependent but less physically dependent, most fall into the 60-74 age group.
The number of dependent elderly people is expected to increase by an average of 1.5% a year until 2040 *(Source: La Tribune of 4 April 2008 on the basis of a study by the DREES and the Conseil d'Analyse Stratégique)*. On the basis of INSEE's latest demographic projections, this growth is expected to accelerate in two phases between 2005 and 2020 – with the generations of the 1920s reaching old age – and between 2030 and 2040 – when the baby-boomers reach old age.

Source: INSEE, 2050 population projections – Sept 2005



2.2 – A sector driven by considerable needs

As explained above, age plays an accelerating role in the dependency process. Growth in the percentage of people aged over 75 is therefore likely to result in an increase in the number of dependent elderly people.

- **Increased permanent dependency: entering facilities at an ever-later stage but with higher levels of dependency and growing medical needs**

At the end of 2007, the number of elderly people living in nursing homes was 2% higher than in 2003, with around 657,000 residents in total. The percentage of elderly people living in nursing homes inevitably increases with age, representing 10% of people aged 75 or over, and rising to 24% of people aged over 85.
The average age of entering a nursing home was 84 years and 2 months at the end of 2007, compared with 81 years and 10 months in 1994. People are therefore entering nursing homes later and later in life, while becoming increasingly dependent, with 84% of residents classified as level GIR 1 to 4 compared with 75% in 2005.

At the same time, the reduction in deaths relating to physical illnesses has resulted in an increase in the number of older people affected by senile dementia, with the issue of the quality of life during the extra years gained and the risk of increased incapacity as a corollary.
There has therefore been an increase in dependent elderly people at the latest stages of life (85 years and over), particularly among women. In this respect, it can be noted that residents aged 95 and over make up a growing proportion of the population living in nursing homes, accounting for 10% of residents at the end of 2007, 2 percentage points more than in 2003.

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.
The PAQUID study assesses the prevalence in France of Alzheimer's disease and related syndromes with age. While 5% of people aged over 65 are affected, the disease affects 25% of people aged over 80. On the basis of this study and taking account of INSEE figures concerning the French population in 2009, the number of people suffering from Alzheimer's disease or related problems in France can be estimated at 865,000. Today, 50-70% of people living in nursing homes for the elderly in France present signs of early or confirmed dementia.
This number will increase with the ageing of the population. According to a report compiled in 2005 for the French Parliament Public Health Assessment Committee (OPEPS), on the basis of a survey of incidence of the disease, the number of new cases of dementia each year can be estimated at over 225,000. Therefore, the number of people aged over 75 suffering from dementia in France is likely to exceed 1.1 million in 2020 and 2 million in 2040.

(Sources: DREES "Etudes et Résultats" n°689 – May 2009 and n°699 – August 2009).

- **greater frequency of temporary dependency: a growing need for post-acute care facilities relating to the ageing of the population and the shorter length of acute care stays**

In addition to the phenomenon of the ageing of the population, in the case of temporary dependency, the length of acute care stays is decreasing steadily due to changes in medical and surgical practices, in particular anaesthesia and surgical techniques allowing for outpatient treatment. Post-acute and rehabilitation care facilities have therefore taken the place of medical-surgical clinics in France, which have an average stay of 5.9 days (or even 4.8 days in the private sector) compared with an average of around 33.1 days at post-acute and rehabilitation care facilities *(Source: DREES "Etudes & Résultats" n°618 and n°691, SAE data 2006-2007)*.

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.

2.3 - Dependency care: a priority for the public authorities

Faced with this social "revolution", France's public authorities are aware of the need to increase care home capacity and support the funding of medical services.

The "*Vieillissement et Solidarités*" plan for the protection of the elderly was launched in France in 2003 after the summer heat wave, providing for the creation of 10,000 care home places between 2004 and 2007. This total was achieved at the end of 2005. The Commissariat au Plan, France's national planning body, assessed the number of beds to be created during the five-year period at between 50,000 and 60,000 *(Commissariat au Plan estimate - Source: EHPA, DRESS - Commissariat au Plan report - July 2005)*.

In addition, the "*Solidarité Grande Age*" plan of 27 June 2006 went even further, with the aim of addressing the challenge of dependency, anticipating demographic changes and adapting the needs of the elderly. This plan covers the period from 2007 to 2012 and is expected to represent a cost of €2.7 billion for France's Social Security system.
The "*Solidarité Grande Age*" plan entails in particular:

- the creation of additional long-term care beds;
- increasing the number of care workers;
- developing real gerontological platforms and strengthening connections between home and institutional care;
- lifting the ban on private facilities providing home care services;
- standardising tax reductions given to elderly people living at home and in nursing homes;
- taking account of care services within the framework of renewing tripartite agreements.

In addition, the French President has introduced the "Alzheimer's Plan" for the period from 2008 to 2012. This plan, which represents a total cost of €1.6 billion - including €300 million in 2008 and €220 million in 2009 - is based on three main aims:

- Improving the quality of life of Alzheimer's sufferers and their carers, in particular by ensuring closer coordination between the various parties involved, improving access to diagnostic services, improving the services provided by nursing homes and providing support for carers;
- Unprecedented effort in terms of scientific research, with the creation of a scientific cooperation foundation with funding of €200 million, including €29 million in 2008 and €42 million in 2009;

- Raising general awareness about this social issue by informing the general public about the problems posed by Alzheimer's and promoting ethical reflection.

The measures set out in this plan are implemented by the **French Social Security Financing Bill (PLFSS).**

For 2010, the French government has announced that it is committing €550 million to new measures to develop the provision of nursing homes and services and increase the number of care workers. The measures that relate more specifically to the Orpea Group's activities include in particular:

- in terms of capacity: the rate of creating new nursing home places has been stepped up over the last few years. While 5,000 places were created in 2007, a total of 7,500 new places were funded in 2008 and 12,500 in 2009 thanks to support from the government stimulus plan. In 2010, 7,500 new places are due to be funded at long-term care facilities. Furthermore, in the course of the year, 3,300 day and temporary accommodation places are due to be created out of the 11,000 day places and 5,600 temporary accommodation beds provided for under the Alzheimer's Plan. Funding for the transportation of Alzheimer's patients from their home to day care services will also be developed, with an increase of €7 million in 2010.
- In terms of quality: increasing the medical nature of services offered at nursing homes through the recent signature of tripartite agreements between the French government, departmental councils and nursing homes. This is reflected by increasing the number of care workers directly looking after patients.
- Implementing new concrete measures for Alzheimer's sufferers: the Alzheimer's Plan will be ramped up in 2010 with the accreditation and creation of 140 enhanced accommodation units ("*Unité d'Hébergement Renforcée*" or UHR) and 600 Alzheimer's Care Divisions ("*Pôle d'Activités et de Soins Alzheimer*" or PASA) at long-term care facilities.
- Investment support for the renovation, updating and creation of long-term care facilities. €100 million will be spent in 2010 with a view to:
  - reducing the amount of time between receiving authorisation from the local *préfecture* and places effectively being released;
  - not increasing the amounts payable by users by including nursing homes' investment costs;
  - extending the powers of the CNSA (French National Solidarity Fund for Autonomy) to enable it to help with not only updating existing facilities but also building new facilities.

3. Regulations in France: a strict but protective framework for operators

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

3.1 - A sector controlled by a "numerus clausus" in France

- The system for authorising the operation of long-term care facilities -

People with permanent dependency needs are received primarily by long-term care facilities, which are regulated by the law of 2 January 2002 relating to medical and social care facilities.

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 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.

The creation, conversion or extension of a nursing home for dependent elderly people needs to fall within the framework of the needs and objectives analysed and listed by the supervisory authorities. Programming tools have been implemented to present these needs and objectives:

- PRIAC is a programming tool that 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.
- In addition, departmental "Gerontological Frameworks" ("*Schémas Gérontologiques*") are drawn up over a five-year period by the *Conseil Général* and submitted to the local *Préfet* for approval, defining the priorities that must be taken into account by operators when planning new facilities. These priorities concern regional needs in terms of facilities, as well as the type of facilities that should be favoured, such as specific units for confused elderly people and dedicated temporary beds. Some *départements* go even further, also drawing up specifications concerning in particular protected units for confused elderly people, with capacity of 12-14 beds, architectural characteristics and an average care staff ratio.

Developers wanting to obtain this authorisation need to comply with a strict procedure, which is due to be amended in the near future. The new HPST (hospital, patients, health and regions) law will result in the introduction of a competitive bidding procedure. The decrees specifying the enforcement of this law are currently being drawn up in consultation and are due to be published in summer 2010.

In the meantime, the old procedure still applies. All applications for the creation, extension or conversion of a facility must be submitted during a "filing window" period, with one to three windows of at least two months per calendar year, the start and end dates of which are determined by the local *Préfet*. Before making any authorisation decisions, the CROSMS (regional committee in charge of social and medical-social organisation) gives its opinion on the proposal to the supervisory authorities (*Conseil Général* and the government), reviewing the request in the light of the level of facilities in each *département* as provided for in the SOSMS (social and medical-social organisation framework), and the needs identified on a local level.

Once the decrees have been published, a new procedure introduced within the framework of the HPST law will come into effect for obtaining the authorisation needed to create, convert or extend a medical and social care facility.

Although the decrees have not yet been published, the main tenets of the procedure are already known.

A timetable setting out the various calls for proposals will be published once or several times a year. Each competitive bidding procedure will present a set of specifications, stating the needs to be met, "particularly in terms of receiving and supporting people". There is also likely to be mention of "capacity in terms of number of beds, places or expected beneficiaries", the "location area", a "description of the main characteristics of the proposal", "architectural and environmental requirements", "accommodation prices", "means of financing", "expected provisional operating costs or range of costs" and, if applicable, "entitlement to social security support".

A specific place will be given to innovative and experimental proposals, for which a reduced set of specifications is planned.

Once the notification of the competitive bidding procedure is published, the deadline for receiving replies from applicants cannot be less than 45 days or more than 90 days.

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

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 selection committee will then draw up a ranking of proposals and eliminate those that do not meet requirements.

This new procedure should help to provide more rapid financing for authorised facilities and implement proposals that are more suited to the needs of the local area.

Once authorisation has been obtained and implemented, a visit to ensure compliance with requirements and a visit by the local Social Security committee must be carried out before a long-term care facility can be opened to the public. The operator needs to request a compliance visit from the *Conseil Général* and the *Délégation Territoriale* (local representative of the national health system) two months before the planned opening date, in order to check that the facility is organised in accordance with the terms of the authorisation granted and that it meets the technical requirements provided by law in terms of how its operations are organised. This visit should be scheduled by the authorities at least three weeks before opening.

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

The facility will also have to request a visit to its kitchens by the veterinary services department.

- The authorisations system for medium-stay clinics -

Like long-term care facilities, clinics need to obtain authorisation to operate.
The creation, extension and operation of post-acute and psychiatric care facilities are also subject to complex regulations, with hospital capacity subject to requirements in terms of cost control and the quality of care provided.

After establishing the SROS (regional medical care plans system) as a central tool for regulating care services, the government order of 4 September 2003 simplified the authorisations system considerably, introducing an authorisation for each type of activity – rather than for a certain number of beds or places – which is now recognised according to the number of days for full hospitalisation and the number of places for day hospitalisation.
As a transitional measure, the order states that the holder of authorisation to create a facility is deemed to hold authorisation for the given care activity within the meaning of the new regulation until this authorisation is no longer valid.

Authorisation is given for a period of five years.

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

All authorisation holders sign a five-year renewable multi-year objectives and resources contract or CPOM (*Contrat Pluriannuel d'Objectifs et de Moyens*) with their ARS (Regional Health Agency).
The CPOM defines facilities' strategic direction on the basis of healthcare organisation plans, describing the changes the facility needs to make in its activities and cooperation measures. Above all, it sets quantified targets for the healthcare activities and facilities for which the authorisation was granted.
The CPOM also defines objectives in terms of quality and safety of care services, specifies the timetable for the accreditation procedure and the financial terms concerning exclusively private healthcare facilities subject to the national financial target (OQN), such as the Orpea Group's post-acute and psychiatric care facilities.

3.2 - Global dependency care in France: controlled pricing

- Long-term care facilities -

Reforms to the pricing of long-term care facilities (decrees and order of 26 April 1999 and decree of 4 May 2001), details of which are given below, are implemented at each facility by means of the drawing up and signature of a five-year tripartite agreement between the facility, the head of the *Conseil Général* and the relevant authority for establishing care prices (the local *Préfet* and head of the Regional Hospital Agency).

Long-term care facilities' resources are therefore determined for the duration of the tripartite agreement, i.e. five years. However, under the "*Solidarité-Grand Age*" plan, which recommends improvements to the care of those with the greatest dependency needs, 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.

This reform of the pricing of long-term care facilities breaks down prices into three components:

- ***the accommodation fee***, covering all general administration services, residency, meals, cleaning and social activities at the facility that are not related to people's level of dependency.
  The accommodation fee is payable in full by the resident (or the *Conseil Général* if the facility has beds approved for social security support). The revaluation of accommodation fees is controlled, as the French Finance Ministry determines the percentage change on 1 January of each year for residents in attendance at the facility on 1 January.
- ***the dependency allowance***[4], which comprises all support and supervisory services required to carry out essential everyday tasks, not related to the care services the elderly person may receive. These services correspond to additional residential costs related directly to the residents' level of dependency, whether this concerns relationship services, activities and help with everyday and social tasks, or residential services and various supplies contributing directly to providing dependency care.
  The dependency allowance is funded by the APA allowance, which covers part of the cost depending on the elderly person's level of dependency and resources.
- ***the medical care allowance***[3]***,*** 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.

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

[4]It should be specified that dependency and care fees at a long-term care facility are administered and controlled. This takes the form of a reimbursement; the full amount allocated must be spent.
Private facilities generate profits from the accommodation fee alone, which therefore depends primarily on the quality of the property and residential services.

By 2011, it is planned that medicines will be included in long-term care facilities' medical care allowance, which are currently not covered (see Article 64 of the 2009 French Budget).

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

Prices for post-acute and rehabilitation care and psychiatric care facilities are set by the Social Security department. They are set out in targets and resources contracts signed by post-acute and psychiatric care facilities, whether public or private, with Regional Health Agencies.

On the basis of this pricing system, for each patient looked after, Social Security pays a per diem rate, as well as other fees if applicable, on the basis of prices determined and set by the supervisory authority.

Each year, the Social Security Budget Act (LFSS) draws up a national health spending target (ONDAM), allowing the government to determine – particularly for post-acute and rehabilitation care and psychiatric care facilities – a national financial target (OQN) representing the annual spending budget for the private hospital sector covered by Social Security.
Negotiations are held each year between the government and the Fédération de l'Hospitalisation Privée (FHP) to determine:

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

Each Regional Health Agency is allocated a regional budget, allowing its director to determine the change in fees for each facility in the region.

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

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 Regional Health Agencies

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

The 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.

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

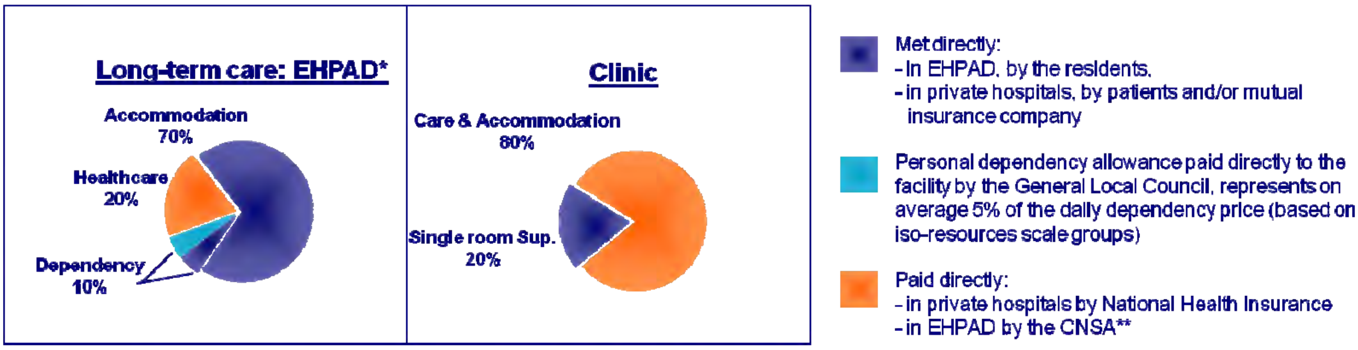
France's diagnosis-related group payment system, "T2A" or "*Tarification à l'Activité*", was introduced by the Social Security Budget Act for 2004.
The T2A system created a new means of financing for healthcare facilities. Instead of charging per diem rates or on the basis of services for private clinics, the T2A system aims to standardise means of financing in the public and private sectors.

There are three categories of rates under the T2A system:

- A per diem rate by type of stay: determined on the basis of *Groupements Homogènes de Séjour* or GHS (Homogeneous Group of Stays), this is an all-inclusive tariff set for each pathology or specific treatment, covering all direct and associated costs of a service, such as medicines and medical devices.
- Non-GHS: treatments financed on a single service basis, such as home hospitalisation, external medical consultations, emergency consultations and organ transplants.
- Some particularly expensive medicines and medical devices (implants) are still financed by means of a specific tariff if they are on a restricted list.

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

- Summary of per diem rates for the Orpea Group's facilities in France:



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

4. A changing business sector

Longer life expectancy and the ageing of the population have created new care needs. The "*Solidarité Grand Age*" plan therefore invites operators to create the nursing homes of the future, in particular by improving the quality of life offered at facilities. Following on from this, the Alzheimer's Plan encourages existing facilities to adapt to new requirements.
In addition, the creation of ARS (Regional Health Agencies) as a result of the HPST law enacted in July 2009 has unified management of the healthcare system in France. By creating a single supervisory authority, the French government's aim is to bring about a general healthcare policy, regulating supply between primary healthcare services, healthcare facilities and medical and social care facilities, and encouraging coordination of healthcare professionals with a view to facilitating the provision of care services for patients. This change was anticipated by the Orpea Group for a number of years by offering global dependency care.

4.1 - Specialised facilities offering an ever wider range of medical services

- At long-term care facilities:

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

The "revolution" relating to longevity has therefore changed the sector in terms of increasing the range of medical services provided.
With the signature of tripartite agreements, the proportion of beds with medical services in France has increased. The number of beds with medical services at nursing homes rose from 313,136 at the end of 2004 to 514,635 at the end of 2007, out of a total of 560,000 that may be provided under the national health system *(Source: Mensuel des Maisons de Retraite n°108, February 2008 + DREES Etudes & Résultats n°689 - May 2009)*.
This provision of medical services has entailed heavy investment, particularly in terms of medical equipment and recruiting qualified care staff.

The sector, and above all residents, has gained from this particularly in terms of quality of care.

It should be stressed that the private for-profit sector is well ahead in terms of caring for the most dependent elderly people:

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

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

- At medium-stay clinics -

Meanwhile, due to growing care needs, as well as 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 becoming increasingly specialised depending on the pathologies they care for.

Post-acute and rehabilitation care facilities can be classified using two approaches:

1. Multi-disciplinary post-acute care clinics ("*Soins de Suite Polyvalents*"): these clinics receive all kinds of patient 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 motor system conditions;*
- *treatment of nervous system conditions;*
- *treatment of cardiovascular conditions;*
- *treatment of respiratory conditions;*
- *treatment of conditions of the digestive, metabolic and endocrine systems;*
- *treatment of onco-hematological conditions;*
- *treatment of burns;*
- *treatment of addictions;*
- *treatment of elderly people with multiple pathologies, who are dependent or at risk of dependency.*

The Orpea Group operates both multi-disciplinary and specialist post-acute and rehabilitation care facilities. These activities are described in the next chapter about the Orpea Group.

4.2 - Facilities committed to improving quality:

The landscape of the dependency care sector has also undergone a cultural revolution, taking quality concerns into account in its day-to-day operation.
At the Orpea Group, for many years, this quality-led approach has been not a regulatory requirement but one of its fundamental values, as will be discussed in more detail in the section about the Group's fundamental values in the next chapter.
In any case, the foundations for this quality-led approach in the sector have been laid by the signing of tripartite agreements for long-term care facilities and by certification from the Haute Autorité de Santé (French National Authority for Health) for clinics, formerly accredited by the ANAES (French National Agency for Accreditation and Evaluation in Health).

- At long-term care facilities:

The tripartite agreement defines in particular the terms of operation of the facility in view of the quality of care and care services provided. It therefore also sets out targets for the development and improvement of the facility, as well as how it is to be assessed.
In return for the funding of a portion of care expenses by the national health system and expenses relating to dependency care by the local *département*, the facility agrees to meet a number of quality targets on the basis of an assessment of its initial situation.

Furthermore, as a result of the implementation of tripartite agreements, long-term care facilities are committed to continuous quality improvement.
The tripartite agreement is signed on the basis of a set of specifications for architectural requirements, as well as certain recommendations in terms of quality targets for care services.
These recommendations are structured around four key themes that form the basis for negotiation:

- 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;

The specifications also set out the procedure to be followed to define the objectives to be implemented, including assessment of the facility's initial situation, setting out a formal five-year outlook for development, and validating the targets set under the agreement.

In addition, the process for renewing authorisation to operate, which is granted to long-term care facilities for a period of 15 years, has further enhanced this quality-led approach. For an authorisation to be renewed, the facility concerned has to carry out internal and external assessments to evaluate whether its procedures meet the required standards, and provide references and recommendations of professional best practices.
The results of the assessment, performed by an external organisation, determine the terms of renewal of the authorisation. This assessment concerns in particular the facility's activities and the quality of services provided.

– At clinics –

In France, an external assessment procedure is mandatory for all healthcare institutions, whether public or private: certification (formerly called "accreditation") is carried out by the Haute Autorité de Santé (HAS), the independent public authority replacing the Agence Nationale d'Accréditation et d'Evaluation en Santé (ANAES). This concerns all of a healthcare facility's operations and practices and aims to ensure that safety and quality of care requirements are 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. Within the framework of the second version of certification (V2007), visiting experts compile a report on which the certification board gives an opinion:

- certification (in some cases with an invitation from the HAS to continue with the process for certain aspects);
- certification with monitoring;
- conditional certification (which may result in non-certification).

Certification therefore aims to ensure continuing improvement to the quality and safety of care services provided for patients at healthcare facilities (L. 6113-3 of the French Public Health Code). This 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.

This procedure 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.

The certification process is carried out every four years.

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

5. A sector undergoing consolidation, but still fragmented

The dependency care sector is still highly fragmented, with private operators controlling just a small share of the market.

5.1 – The various providers of dependency care for the elderly in 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.

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

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

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

5.2 - The different types of operators of medium-stay and psychiatric facilities

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

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

	Public	Private not-for-profit	Private for-profit	TOTAL France
Medical, surgical and obstetric	149,063	18,495	55,785	**223,343**
Post-acute and rehabilitation care	40,521	30,361	27,058	**97,940**
Long stay	56,152	4,755	912	**61,819**
General psychiatry	36,790	7,310	10,959	**55,059**

For post-acute and rehabilitation care, the private for-profit sector accounted for 27.6% of capacity in France and 31.2% of full-time admissions for hospital care in 2007.
In general, the post-acute and rehabilitation care market has grown over the last few years. In 2008, over 3 million post-acute and rehabilitation care stays (representing 30 million days) were recorded in France, an increase of 6.7% compared with the previous year and 36.2% since 2002. This growth is driven by part-time hospitalisation, which saw an increase of 8.7% in the number of admissions in 2008 and a 7.4% increase in the number of authorised places.
These performances fall against the backdrop of increased capacity (growth of 1.7% in 2008), which is likely to be confirmed over the next few years, as suggested by the aims of France's Cancer Plan - which plans to provide 15,000 new post-acute and rehabilitation care beds through the conversion of existing beds or creating new beds - and the Alzheimer's Plan - which exposes the need to create specialist post-acute and rehabilitation care units for the care of confused patients.
Private clinics have seen the strongest growth, with an 11.9% increase in supplementary post-acute care admissions in 2008 following growth of 4.1% in 2007 and 5.9% in 2006.

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

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

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

6. The Orpea Group's competitive position: the result of an effective expansion strategy

6.1- Orpea: a suitable response to a changing sector

Since 1999, the Orpea Group has offered a global range of physical and psychological dependency care services, both medium and long stay.
This complementary offering is currently clearly supported by the French public authorities, which with the "*Solidarité Grand Age*" plan invite an integrated and global approach to caring for the elderly, taking account for the first time of a medical-social approach and short-term care aspects. The HPST law, which resulted in particular in the creation of Regional Health Agencies (ARS), the communal supervisory authority for post-acute and psychiatric care and medical and social facilities, follows on from this policy and confirms this general trend.

In anticipation of this development, the Orpea Group already had a global view of dependency care in 1999. This global offering today constitutes a response to a changing sector, which the public authorities did not become more aware of until the heat wave of the summer of 2003.

6.2 – Orpea: a key player in its sector

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)
- 800 independent operators (including 700 individual operations with capacity of 5-40 beds).

Since the forthcoming merger between DomusVi and Dolcéa was announced in late 2009, there are four major operators that each have more than 5,000 beds and offering accommodation facilities for dependent elderly people:

Group	France in 2009		International in 2009
	Number of beds in operation	Number of facilities in operation	Number of beds
DOMUS VI - Dolcéa	15,555	194	1,989
Orpea	**12,010**	**135**	**3,946**
Korian	10,106	116	5,943
Medica	7,636	93	1,428

Source: Mensuel des Maisons de retraite n°127 - January 2010

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

GROUP	Psychiatry	Post-acute and rehabilitation care
Orpea-Clinea	**19 facilities**	**42 facilities**
Korian	11 facilities (942 beds)	44 facilities (3,768 beds)
Générale de Santé	24 facilities (2,117 beds and places)	19 facilities (1,947 beds and places)
Medica	7 facilities (367)	30 facilities (1,950)
Capio	1 facility	4 facilities

Sources: For Générale de Santé, Korian and Médica: 2009 registration document
Capio: website

7. Dependency care in Spain, Italy and Belgium: a similar regulatory framework to France

The Orpea group also has facilities in Belgium, Italy and Spain, which have a similar regulatory framework to France.

7.1 - Belgium

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

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

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

- Authorisations system

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

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

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

Authorisation can be withdrawn by the health authorities if there is a serious fault, for example charges of maltreatment.

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

- Pricing

- *Determining accommodation fees*

Accommodation fees are set by first of all sending a request to the Pricing Department of the Belgian Ministry for Economic Affairs, which has 60 days to make a decision. If no response is given within this time, this is deemed to be an acceptance.

Following a ministerial decree of 12 August 2005, long-term care facilities cannot apply for a rate increase without first submitting a request, providing quantitative justification of the requested increase.

By special dispensation, a facility can notify the Ministry for Economic Affairs of the increase in accommodation fees if the increase is not in excess of the consumer price index. Also by special dispensation, notification must be given in the case of "new products and services". However, the definition of "new products and services" is strict. The Ministry for Economic Affairs has 10 days to react and validate this notification.

- *Funding of care services*

In a system similar to the French Social Security system, long-term care facilities in Belgium are funded by the Institut National d'Assurance Maladie-Invalidité (INAMI) on the basis of the number of residents and their level of dependence.

The level of dependence is set by the INAMI according to the KATZ scale – similar to the AGGIR scale in France. Gradings of O and A, B, C, Cd from the least dependent to the most dependent are given by a nurse and sent to the INAMI within 48 hours. This grading must be validated by a coordinating doctor within six months of the resident entering the facility. Care staff standards are defined on the basis of the KATZ grid.

The aim of INAMI funding is to cover the cost of these required staff standards. Funding therefore consists of two amounts:

- a fixed per diem rate for each long-term care facility, which varies according to the number of days and level of dependency identified at the facility over a set period (for 2008, the period of reference was from 1 July 2006 to 30 June 2007);
- an additional amount known as the "*troisième volet*", which subsidises a portion of staff engaged on top of INAMI standards.

These amounts are paid on a quarterly basis in the form of a provision, with later payments when the INAMI has the necessary data and is able to finalise its calculations.

The INAMI has the right to inspect facilities for compliance with standards and can impose financial penalties if they fail to do so.

Funding concerns only authorised long-term care facilities.

7.2 – Italy

The Orpea Group operates in two regions in Italy: Piedmont and the Marches. This is even more significant given that regulatory conditions and the organisation of the Italian market are completely decentralised.

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

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

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

There are different kinds of authorisation in Italy:

- for an assisted residential facility ("*Residenza Sanitaria Assistita*" or RSA), which offers the highest level of medical services;
- for a flexible residential facility ("*Residenza Assistenziale Flessibile*" or RAF);
- and for a protected residential facility ("*Residenza Protetta*" or RP).

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

- Authorisations system

In 2000, Italy's authorisations systems for nursing homes were 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 at least 120 beds.

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.

- Pricing system

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

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

7.3- Spain

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

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

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

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

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

– Authorisations system

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

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

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

- Pricing system

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.

As stated above, the new Spanish Dependency Law of 30 November 2006 - which is the result of a political consensus - establishes the principle of the right to dependency care.

VI/ ABOUT THE ORPEA GROUP

1. The methodical creation of one of the largest dependency care networks in Europe

The Orpea Group has been built up methodically, as a result of which it is now able to offer high quality global dependency care.

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

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

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

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

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

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

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

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

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.

Summary of beds in operation, under redevelopment and under construction by geographical area over the last three years:

						Beds *		
	Number of facilities*	Number of beds*	2009 sales	% of 2009 sales		O/w beds in operation excl. beds under redevelopment	O/w beds under redevelopment	O/w beds under construction
France	**252**	**22,892**	**739.2**	**87.7%**		**15,497**	**2,854**	**4,541**
Spain	16	1,776	28.7	3.4%		1,776	0	0
Belgium	19	2,090	47.8	5.7%		1,230	442	418
Italy	11	1,150	18.0	2.1%		616	66	468
Switzerland	2	165	9.6	1.1%		75	0	90
TOTAL	**300**	**28,073**	**843.3**	**100.0%**		**19,194**	**3,362**	**5,517**

						Beds *		
	Number of facilities*	Number of beds*	2008 sales	% of 2008 sales		O/w beds in operation excl. beds under redevelopment	O/w beds under redevelopment	O/w beds under construction
France	**219**	**19,958**	**613.1**	**87.3%**		**13,700**	**2,774**	**3,484**
Spain	16	1,776	27.2	3.9%		1,776	0	0
Belgium	19	2,090	38.6	5.5%		1,071	442	577
Italy	11	1,120	15.4	2.2%		636	66	418
Switzerland	1	75	8.0	1.1%		48	27	0
TOTAL	**266**	**25,019**	**702.3**	**100.0%**		**17,231**	**3,309**	**4,479**

						Beds *		
	Number of facilities*	Number of beds*	2007 sales	% of 2007 sales		O/w beds in operation excl. beds under redevelopment	O/w beds under redevelopment	O/w beds under construction
France	**189**	**17,173**	**493.3**	**90.5%**		**11,446**	**2,440**	**3,287**
Spain	17	1,776	23.4	4.3%		1,676	100	0
Belgium	13	1,415	12.3	2.3%		805	201	409
Italy	9	964	9.6	1.8%		560	66	338
Switzerland	1	75	6.0	1.1%		38	37	0
TOTAL	**229**	**21,403**	**544.6**	**100.0%**		**14,525**	**2,844**	**4,034**

** figures as of March 2010* *** figures as of March 2009* **** figures as of March 2008*

2. The Orpea Group's activities

2.1 - A pan-European dimension:

In March 2010, the Orpea Group had 28,073 beds at 300 sites in Europe, including 22,556 beds in operation and 5,517 under construction.

In order to offer global dependency care that stands out from the rest of the market and on a lasting basis, the Orpea Group's network of facilities 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;
- general psychiatric clinics in France and Switzerland.

In France, the Orpea Group has a network of 252 facilities and 22,892 beds (including 2,854 beds under redevelopment and 4,541 under construction), comprising:

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

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

The Orpea Group also operates facilities in neighbouring European countries, namely Spain, Belgium, Italy and Switzerland. Thanks to the expertise acquired in France, Orpea is able to offer structured and innovative care services with the same goal in each country in which it operates, to offer high quality care services for the elderly.

In Belgium, Orpea's network consists of:

- serviced residences for autonomous elderly people;
- rest homes for able-bodied and semi-able-bodied elderly people;

- rest and care homes for dependent and confused elderly people.

Since 2006, the Group has continued to expand in these countries and now owns 2,090 authorised beds at 19 sites, with 442 beds currently under redevelopment and 577 under construction.

Orpea Belgium SA's general aim is to become a leading operator in the rest and care homes sector, drawing on the Group's expertise, particularly in safety, staff training, caring for people with Alzheimer's and high quality residential services.

In Spain, Grupo Care, a subsidiary of the Orpea Group, is a well-known brand with a strong reputation in the country. In 2008, it was voted "best retirement homes group in Spain" for the quality of its services and care by "*Negocios y Gestion Residencial*", a Jubilo group publication, receiving particular praise for its high quality management team, with an efficient working methodology and appropriate procedures to organise staff's daily work.

The Group currently has 16 facilities and 1,776 beds located all over Spain, with strategic locations such as Madrid, Seville and Valencia.

Benefiting from Orpea's expertise in the specific care of people with Alzheimer's disease, some of Grupo Care's facilities have created protected units specifically for sufferers of the disease.

In Italy, the Orpea Group has a network of 1,150 beds, of which 66 are under redevelopment and 468 are under construction, at 11 facilities. All of the Group's Italian facilities offer a particularly high level of medical services, with different statuses:

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

All of these facilities have been developed by Orpea, unlike in Belgium and Spain.

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

2.2 – The Orpea Group's care facilities for the elderly

The Orpea Group's care facilities for the elderly[5] 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.

[5] The regulatory context for these activities is described in the chapter about the sector

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.

- Various residential services to meet the needs of elderly people and their families

The Orpea Group offers a variety of residential services. In addition to long stays, complementary residential options are available, primarily in France, for people living at home, in the form of temporary accommodation or day visits.

An elderly person may have to stay at one of the Group's residences temporarily, for example if:

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

Day visits allow an elderly person living at home to benefit, once or several times a week, from activities encouraging neurosensory and physical stimulation, as well as social activities and opportunities to meet others.

The aim of these solutions is to provide relief for family caregivers.

In all of the countries in which the Group operates, Orpea also offers protected units intended specifically for people suffering from Alzheimer's disease and related pathologies.

Alzheimer's disease is a neurodegenerative disorder that gradually leads to the loss of cognitive functions, resulting in dementia of various stages after a pre-dementia stage.

The Orpea Group is involved in particular in caring for confused people, offering an autonomous unit with 12 to 16 beds within its residential facilities.

The architecture and natural layout of these so-called "protected" units intended specifically for Alzheimer's patients is an active component of its care offering. They need to allow people with behavioural disorders to live and cohabit without restrictions and in full safety in a specially adapted area, while respecting the dignity and well-being of residents as well as their friends and family and the carers who work there.

The layout of these protected units is defined by the Orpea Group's medical department by observing the problems affecting Alzheimer's patients and on the basis of the following guidelines:

- for the patient: freedom to walk around without restriction, accessibility, spontaneous orientation to living areas and bedroom, permanent passive and non-directed supervision etc.;
- for families: reassurance that their relative is able to develop in a calm atmosphere; finding a place for people to listen to them, and sharing intimate family moments;
- for staff: a completely calm and user-friendly working environment; dedicated areas for agitated residents, as well as quieter areas for therapeutic activities.

Equipment (furniture, well-being area, multi-sensory stimulation area etc.) and specific procedures (in particular in terms of staff training) have also been implemented to respond to the requirements of providing this particular kind of care.

The aim of these protected units is to maintain and stimulate an interactive life that is as undisrupted as possible, as well as ensuring the safety of confused residents.

Partnerships have been established with the authorities and healthcare professionals in order to cover all aspects of providing dependency care for these residents as far as possible.

- Care services -

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

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

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

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

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

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

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

2.3 – The Orpea Group's post-acute and rehabilitation care clinics[6]

In view of improvement in medical practices and for pricing reasons as a result of the introduction of the T2A system in France, the reduction in the average length of stay at short-stay facilities has led these facilities to review their upstream activities and in particular to negotiate agreements with post-acute and rehabilitation care facilities.

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

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

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

1- Multi-disciplinary post-acute and rehabilitation care, looking after patients after a simple surgical procedure or medical condition requiring rehabilitation. While the majority of patients are elderly, these units are open to patients of all ages and can manage the post-acute care of a wide variety of pathologies. The dependency of patients passing through these units therefore relates to a pathology that has been treated or is in the process of treatment.
The aims are to provide follow-up care and rehabilitation, and to prepare the patient to return home and possibly to prepare for a stay at a care facility, or providing the means for them to return home.
Specific resources are provided, with multi-disciplinary staff with specific training, including physiotherapists and occupational therapists, rehabilitation treatment in suitable premises, and an accessible and pleasant architectural environment. A social support worker further enhances the team.

2- Physical medicine and physical therapy: these services are intended to provide active care of post-surgical trauma or orthopaedic patients, or of patients with degenerative neurological or vascular conditions. Patients with a disability may be fitted with a temporary or permanent prosthesis.
In accordance with the specifications, the aims are to:
- offer a high level of physical therapy with medico-technical support;
- provide the necessary complementary care services, such as occupational therapy, psychology and support services;
- teach patients the compensation techniques and adaptations they need.

[6] The regulatory context for these activities is described in the chapter about the sector

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

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

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

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

2.4 - The Orpea Group's psychiatric clinics

The Group's psychiatric facilities receive patients with acute mental pathologies requiring care over an average stay of 30 days (ranging from one to six months depending on the pathology), such as depression, obsessive compulsive disorders (OCD), eating disorders, multiform neuroses and psychoses.
The Orpea Group invites each of these clinics to develop a centre of knowledge, which has enabled a number of its facilities to develop real expertise, for example:

- Clinique Lyon Lumière (Meyzieu 69):
    - *The Geriatric Psychiatry unit* receives 40 elderly patients with psychiatric pathologies specific to ageing. Care is provided by two geriatric psychiatrists, a geriatrician, a neuropsychologist, a neurologist and an enhanced paramedical team.

- o *The Cognitive Behavioural Therapy unit* offers care for obsessive compulsive disorders (OCD). This department was the object of a report on OCD at the clinic broadcast in the "*Jour Après Jour*" programme on France 2 on Tuesday 20 February 2007, as well as in "*Tellement vrai*" on 14 May 2009.
- o *The Sleep Disorders unit* is due to open in a few months and will offer investigation and treatment of sleep disorders.

- Clinique d'Orgemont (Argenteuil 95):
  - o 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):
  - o *The Young Adults Unit* receives patients aged between 16 and 25, mainly with behavioural disorders as far as self-injury. It is part of the behavioural disorders network for the Paris region. It also looks after patients with eating disorders. This unit is recognised and part of the national network for eating disorders. It is in the process of filing an application to be recognised on a regional level and benefit from appropriate funding for the resources it needs.

- Clinique Villa Montsouris (Paris 75):
  - o *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):
  - o *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):
  - o *The Alcoholism Unit* provides specific care for alcohol dependence.

- Clinique de la Lironde (Saint Clément de Rivière 34):
  - o *The Adolescents Unit* receives young patients mainly with behavioural disorders as far as self-injury. It is a member of the networks for the Languedoc Roussillon and is in the process of obtaining appropriate funding for the resources needed to improve how it operates.

- 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 health authorities, with which the Group has established or is to establish appropriate funding for its resources.

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

The passing on of expertise is also shared within the Group's various internal collegiate bodies, such as the Collège des Présidents de Conférence Médical d'Etablissement (College of Presidents of Private Clinics), the Collège des Cadres de Santé (College of Healthcare Managers) and the Collège des Psychologues (College of Psychologists), which published its first review, "*Paroles*", in January 2007 (the fourth edition was published in January 2010). These colleges provide a forum for sharing information and professional practices, allowing each facility to benefit from the experience of other facilities and thereby improve their care provisions fully independently.

2.5 - Services provided by all of the Group's facilities

- Residential services accommodation and meals -

Orpea is able to receive residents and patients at all stages of dependency. In addition, the equipment at its facilities and all internal fittings, in both bedrooms and sanitary areas and communal parts, meet safety and accessibility standards for people with limited mobility.

Orpea structures the life of its facilities around:

- individual rooms, private areas, respecting people's identity, personality and privacy (there are also double rooms to meet demand);
- communal living areas, where residents and patients can join together for recreational and relaxation activities to keep up their intellectual and physical capabilities, opening up to the world around them.

A comfortable and spacious furnished bedroom decorated in a simple and harmonious fashion and easy access a garden or park with trees are strengths of the Orpea Group's facilities, designed, created and maintained with care in order to offer optimum comfort and a personal approach for residents and patients.
At its nursing homes, the Group also endeavours to make the resident's accommodation as personalised as possible, and works with families to try to recreate a familiar environment that the elderly person has always known. However, Orpea also has furniture.

Meals also constitute an important and enjoyable part of life at a nursing home or clinic, and the Orpea Group has always paid particular attention to the quality of food provided at its facilities, in terms of taste and nutrition as well as presentation.
At the Orpea Group's facilities, meals are prepared on-site by a chef and his or her team, on the basis of menus devised by the medical department and dieticians, in accordance with dietary requirements and taking account of patients' and residents' usual eating habits.
Meals are served in a dining room to make this a pleasurable time of day.
In addition to respecting strict medical instructions, the Orpea Group's chefs also offer "small gastronomic treats" for the pleasure of residents and patients, as well as their visiting families, particularly as part of "theme days".

In order to maintain a high standard of catering services for residents, patients and their families, the quality and consistency of meals need to be controlled. To do this, a team of food specialists provide the Group's chefs with technical and logistical support on a national level. They also provide continual training and ensure that health and safety standards are strictly observed.
Furthermore, in order to ensure ongoing improvement in this service, an internal cooking competition has been organised within the Group for the last five years in partnership with Restappro. This competition also provides the opportunity for chefs to express their creativity, share their expertise and take on a gastronomic challenge.

- Real places for living, with ties to the local community -

In addition to accommodation, Orpea's facilities represent places for living and interaction, opening up onto the outside world, favouring the development of residents' and patients' social ties in order to counter the decline inherent to dependency or old age.
Thanks to its experience in dependency care, the Orpea Group is able to open up its facilities to the general public and professionals, mainly by means of open days or partnerships with local associations.

Furthermore, its staff endeavour on a daily basis to create a pleasant and safe living environment by organising activities each day. Activities are on offer every day, with two main aims:

- occupational or socio-cultural, relating to fun activities, as Orpea's priority is to make all of its facilities real places for living;
- therapeutic, with workshops on keeping up physical and intellectual capabilities, as cognitive stimulation is essential to maintaining elderly people's abilities.

Intergenerational relations are just as important as the specific care services provided for each type of dependency. Orpea therefore pays particularly close attention to welcoming families, and maintains a constant link between the facility and the local community by organising joint events, such as teas with schoolchildren, social events and tastings of local produce, and excursions to places like to theatre and museums and trips for residents of long-term care facilities.

In addition to the activities on offer, "à la carte" services are available to restore patients' and residents' bodily awareness and improve their image, such as hairdressing, pedicures and beauty treatments.

3. Quality and ethics: the fundamentals of the Orpea Group

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

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

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

These fundamentals define the Group's strategy:

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

3.1 – The Orpea Group's values

The term "value" relates to both a financial aspect and a moral aspect.
We believe that there cannot be value creation without founding values that guide our actions and which we work to support each day.

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

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

The ability to invest in people in order to raise relational and moral standards at the same time as purely technical aspects is a positive factor. The Group's reputation rests on basic values such as kindness, compassion, empathy, availability and human warmth, as well as its performance in terms of its skills and technical expertise. When the head of a unit dedicated to Alzheimer's disease or for people in a chronic vegetative state takes the time to explain how their family support groups work, or how they teach support staff about the respect that should be given to confused or unconscious people, it is easy to understand that the human and relational aspects are just as important as simple mastery of care techniques.

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

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

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

3.2 - Ethics: an everyday requirement conveyed by all employees

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

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

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

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

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

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

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

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

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

3.3 - A pro-active and rigorous Quality policy:

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, as described in the management report and the report on internal control below.

The overall finality of all of the Quality procedures in place within the Group essentially means giving meaning to the work of each employee, allowing them to create the necessary tie to providing quality care.

- Satisfaction surveys of residents and patients -

Within this framework, in order to support ongoing improvement in practices, satisfaction surveys are conducted regularly at facilities.

For clinics, the questionnaires handed out to patients 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, on the basis of the themes that make up the "Orpea's commitments" Quality Charter, 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 2009, around 10,500 satisfaction questionnaires were sent out to all residents and families, and 5,919 were returned and analysed, representing a response rate of 57% compared with 56.5% in 2008. A total of 93.6% of residents and families said that they would recommend the Group's facilities, a result validated by a certified report.

The results of this satisfaction survey are presented to the Executive Committee and then to the staff at each facility. After these presentations, each facility Director sets up working parties to determine areas for improvement in terms of care plans, activities, residential services or meals.

All of the results and plans of action are presented to families and residents within the framework of a discussion meeting.

Each year, the new satisfaction barometer allows for assessment of the impact of the plans of action implemented and the development of the satisfaction of residents and families.

– External assessments of the Group's facilities –

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

In 2009, the Orpea Group voluntarily decided to obtain external assessments of 19 of its facilities for the elderly, in the form of certification on the basis of the "Qualicert" standards set by SGS (Société Générale de Surveillance). The 19 facilities obtained Qualicert certification on the basis of 21 key characteristics[7], following an independent audit carried out over two days.

During the site audits – which comprise a full visit of the facility, interviews with the various staff categories and documentary verification – a number of strengths were identified:

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

This certification process therefore allows for an assessment of the facility's standards, comfort, quality of welcoming and integrating new residents, respect of "rights and freedoms", maintaining social ties, care given to residents and training of staff.

Once facilities have been certified, monitoring is organised each year to check that the commitments made are observed, particularly as regards the quality and consistency of the services it offers.

In 2010, the Orpea Group decided to involve over 50 additional residences in this process.

[7] List provided in the appendices

The Group's clinics have also obtained satisfactory results in the HAS certification process.

The results[8] of the V2/V2007 certification processes within the Orpea Group are as follows:

- 44 facilities obtained level 1, corresponding to certification;
- two facilities obtained level 2, corresponding to certification with monitoring;
- no facilities obtained level 3, corresponding to conditional certification;
- no facilities were not certified.

With this second version of the certification process ending in 2010, five facilities are currently awaiting the results of their V2007 certification, six will receive a visit from experts between now and the end of 2010 and three recently opened facilities will pass on directly to the next version of certification.

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.

The third version of the certification process (V2010) began at the start of the year, and six clinics have already received visits from experts and are waiting for the results of their certification. Two new facilities will undergo the V2010 certification process between now and the end of the year.

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.

– The Orpea-Clinea Quality Award –

In order to improve its quality assurance system on a daily basis and make quality a unifying managerial tool serving the well-being of its residents and patients, the Quality department has created the "Orpea-Clinea Quality Award".
This is an annual internal competition based on the assessment of external and internal regulatory criteria. The competition consists of three stages:

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

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

[8] Updated figures as at June 2010

(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 2008, the prize winners were:

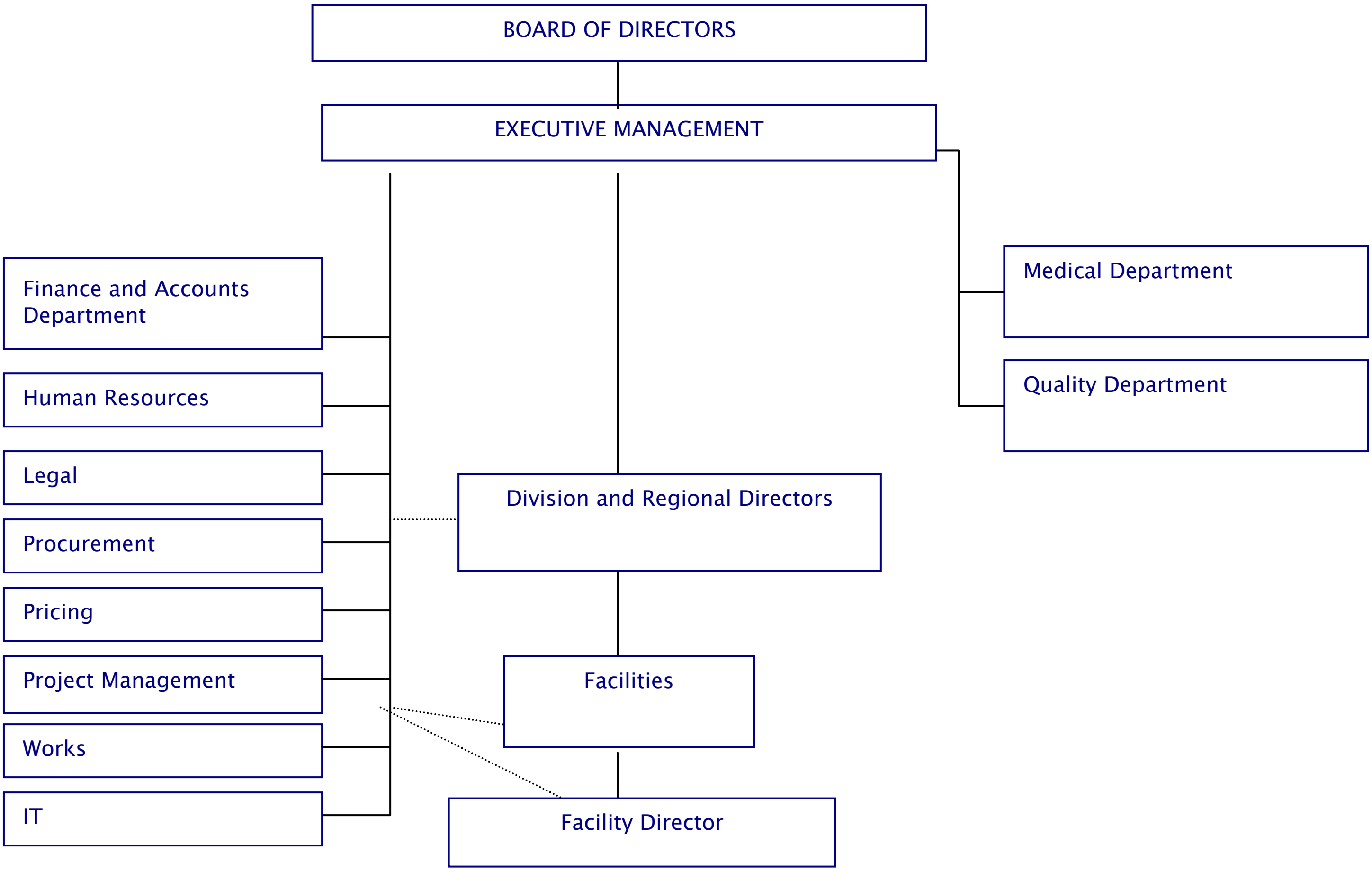
- 1st prize: the Orgemont psychiatric clinic in Argenteuil (95) and Résidence des Charentes in Angoulême (16);
- 2nd prize: the Pierre de Brantôme post-acute and rehabilitation care clinic in Brantôme (24) and Résidence du Vexin in Saint-Clair-sur-Epte (95);
- 3rd prize: the Villa Marie Louise post-acute and rehabilitation care clinic in La Garenne Colombes (92) and Résidence du Cliscouet in Vannes (56).

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

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

4. An organisational structure supporting the quality of the Group's services

Thanks to a highly structured head office, facility directors are relieved of administrative duties and can therefore focus the majority of their efforts on helping residents and patients. This centralised system allows for the pooling of costs and optimisation of how facilities are run.
The head office also plays a supportive role, using the most up-to-date methods to devise and disseminate its various procedures and allowing directors and staff to focus their skills on residents and patients.
All general departments are centralised:



The Orpea Group also develops its own IT applications in order to have management tools that correspond to its actual needs. Within this framework, the Group has invested in research and development to adapt its "Hospital Manager" IT system, implementation of which began in 2009.
The Orpea Group has made a significant contribution since the project began several years ago to ensuring that Hospital Manager responds to users' demands and is intuitive, thereby facilitating the roll-out to its 4,000 users.
Hospital Manager – which has no equivalent in France – is an integrated solution for looking after patients' administrative and medical information. Its various modules – including invoicing, PMSI, prescriptions, pharmacy and medical records – allow it to address the problems relating to dispensation of drugs and regulatory changes, such as the T2A payment system. The notions of "multi-facilities" and multi-disciplinarity (medical, surgical and obstetric/psychiatric/post-acute and rehabilitation care) were fundamental in the design of this system, allowing for the creation of a single database – Oracle – facilitating checks, extractions of information and medical and financial analysis.

5. The Group's real estate policy

5.1 – Real estate: a strategic asset

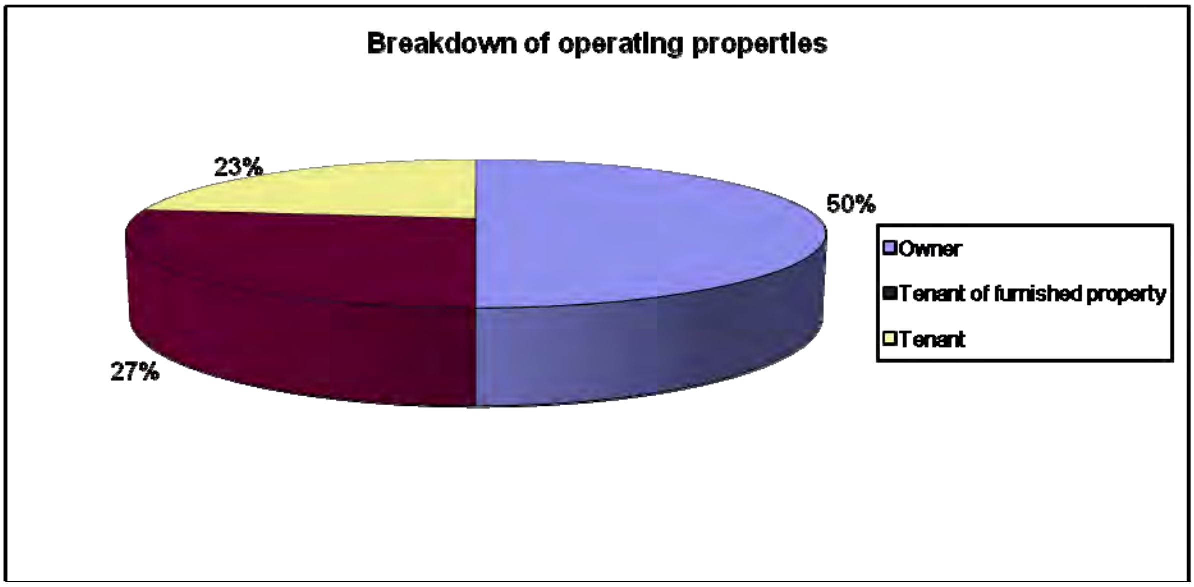
Real estate represents a major asset for the Group, as a strategic asset for carrying out its business activities. The Group selects sites according to the intrinsic quality of the property, in terms of:

(i) the quality of the site and its location;
(ii) the architectural quality of the building;
(iii) the quality of its internal services.

The Group has built a large proportion of its properties, allowing it to design its facilities – whether nursing homes or clinics – in accordance with its own quantitative standards.

Most of its facilities are located either in the city centre or in exceptional surroundings, with the constant aim of allowing for synergies with families and prescribing medical specialists.

The real estate owned by the Group constitutes a major asset that can form the basis for future expansion.



It has 122 buildings – either directly owned or under lease – and 67 partially-owned buildings, with the Group owning the operating areas.
The Group also owns land for construction, which constitutes the basis for its future expansion, allowing it to manage requests for authorisation and their implementation at the same time.

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. Indexation of rents is independent of how the Group's business develops.

5.2 - Valuation of the Group's real estate assets

In addition to the information provided in Note 1.8 "Property, plant and equipment" of the notes to the consolidated financial statements, and more specifically the paragraph "Revaluation of operating properties", it should be specified that for 2008 and 2009, the Group's real estate assets were valued by DTZ and Jones Lang LaSalle.

- Valuation scope: all properties owned by the Group and in operation.

- Method used by external valuers:

a) Determining a normative (or acceptable) rent for each facility *(checking for consistency and relevance on the basis of current market practices).*

b) Application of a yield to the normative net rent, which for each property takes account of:
- its physical characteristics;
- its geographical characteristics: rural area, city outskirts, city / size of city / type of environment (coastal, inland, mountains);
- its financial profitability.

c) Determining the present value of buildings.

d) Breakdown between land and buildings:
- The impact of the valuation of operating properties in accordance with IAS 16 is detailed in Note 3.4.2:
"Revaluation of operating properties".

- The impact of revaluing operating properties in accordance with IAS 16 was as follows:

	31-Dec-09	31-Dec-08
Land	206,348	231,348
Buildings	90,385	90,385
Depreciation	-6,760	-5,198
Properties	**289,973**	**316,535**

The corresponding tax, calculated at standard rates, amounted to €102.1 million.

The amount of additional depreciation arising as a result of the revaluation of buildings in 2009 was €1.6 million.

The average values of properties measured using the revaluation method were as follows:

Price (€) per m2 of net floor area	31-Dec-09	31-Dec-08
Paris	5350	5,800
Paris outskirts	3360	3,300
Paris region or large provincial cities	2500	2,480
Other	1680	1,600

It should be specified that, given the nature of the Group's operating properties, they are less sensitive to economic conditions.
However, an increase or decrease in the main assumptions made by the external valuers would impact the value of the Group's real estate portfolio.

5.3 - Property management

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

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

- The Project Management department -

The **Project Management** department is in charge of the construction of buildings belonging to the Group, thereby allowing it to control the quality of its constructions.

It is headed by a Delegated Project Manage, who is supported by business managers who are qualified engineers or architects, and a works accounting department.

Thanks to its expertise in the construction of both accommodation facilities for dependent elderly people and clinics, the Group has very quickly grasped the importance of sustainable development for its business. This is reflected increasingly by compliance with certain HQE environmental quality criteria.

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

The organisation of the various steps – project management, selection of prime contractors, selection of assistants and companies etc. – is adapted to these new requirements.

In addition to HQE rules, the Group is particularly vigilant and innovative in the design and use of living areas on the basis of a care plan, which prioritises the autonomy and well-being of residents, using materials, colours and lighting in particular.

- The Works and Maintenance department -

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

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

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

The agents for each facility are responsible everyday building maintenance:

- regular checks of all equipment, cleaning of ventilation and air conditioning systems, maintenance of green areas, high pressure cleaning of terraces and external areas, management of supplies and getting rid of waste, monitoring of Legionnaires' disease prevention protocols;
- everyday repairs (replacing light bulbs, leaks, redecorating of bedrooms, premises, offices etc.).

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

At the end of each year and on the basis of the checks carried out and requests from directors, provisional works budgets are prepared and approved by Executive Management.

These works cover all requirements for the following year, such as bringing technical and safety equipment up to standard, replacing dilapidated equipment, major repairs to traffic areas and/or bedrooms, changes to the layout in order to improve services, and safety works in the area for Alzheimer's patients.

An invitation for tenders is launched for these works, which are negotiated by works assistants and validated by the Works department, thereby enabling the Group to preserve the quality of its real estate assets.

5.4 - Property strategy

Orpea's property strategy has remained unchanged since its IPO.

In order to keep up its pace of expansion while also maintaining a satisfactory financial position, the Orpea Group may decide to sell its real estate assets.

This strategy – implemented in 1999 – enables the Group to focus its efforts on supporting and providing services for residents, continue with its rapid expansion and optimise its financial structure with reasonable rental expenses.

As part of this strategy, the Orpea Group has created an OPCI real estate investment fund (*Organisme de Placement Collectif Immobilier*), in the legal form of a SPPICAV real estate investment vehicle (*Société de Placement à Prépondérance Immobilière à Capital Variable*), named CAAM OPCI Novation Santé.

The CAAM OPCI Novation Santé fund was accredited by the Autorité des Marchés Financiers on 24 November 2008.

For the Orpea Group, this investment vehicle will enable it to take on some of the buildings in future acquisitions to ensure its expansion.

6. Legal organisational structure

In order to simplify its legal organisational structure and streamline its costs, mainly administrative and accounting costs, in 2009, the Group carried out complete transfers of the assets and liabilities of its wholly-owned subsidiaries, in the form of dissolution without liquidation.

The following subsidiaries have been merged into Orpea:

- SA Aquarelle
- SAS Résidence du Lac
- SAS Maison de l'Océane
- SARL SAE Renouard Résidence
- SAS Renouard Résidence
- SAS Les Fondateurs

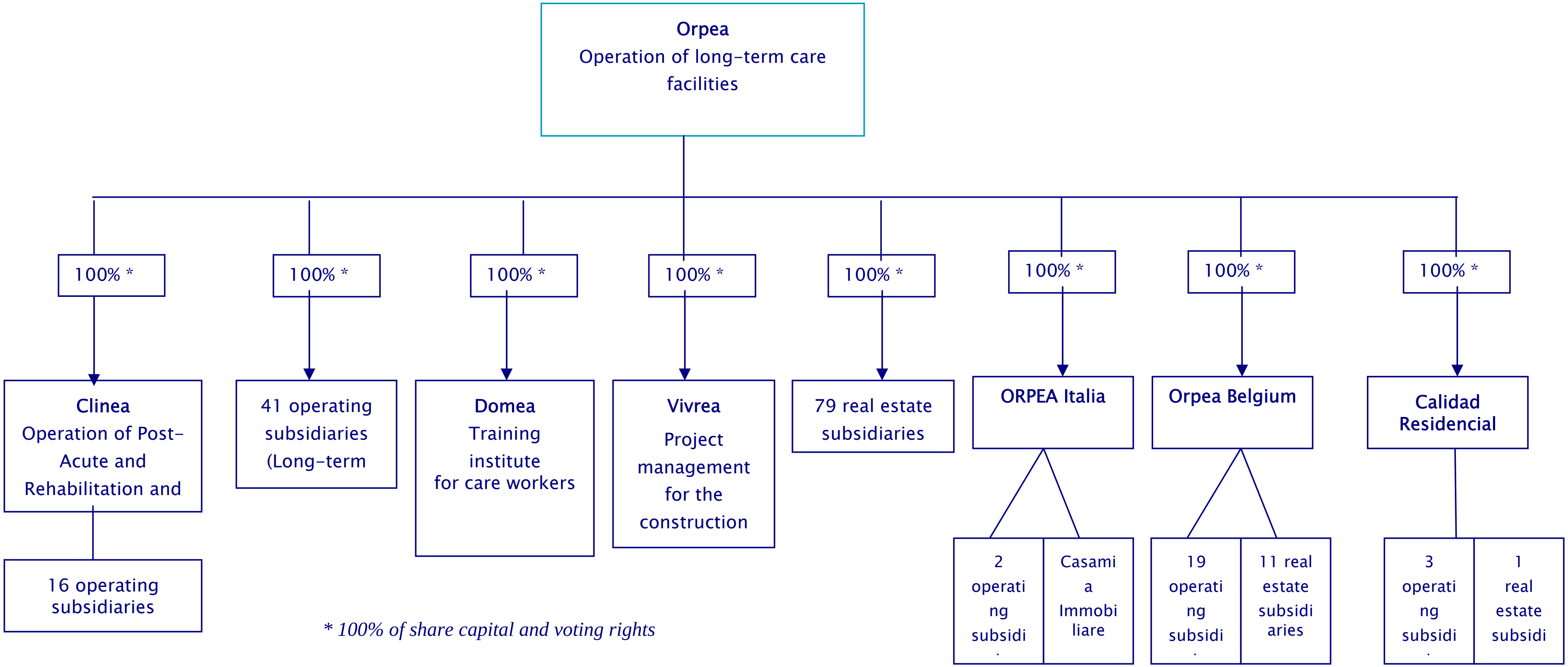
The following subsidiary has been merged into Niort 94:

- SARL La Désirade

The following subsidiaries have been merged into Clinea:

- SAE Clinique du Grand Pré
- LMC Les Jeunes Chênes
- Clinique du Grand Pré

Simplified organisational structure of the Orpea Group's main subsidiaries at end-2009.



VII/ RELATED-PARTY TRANSACTIONS

1. Statutory auditors' report on regulated related-party agreements and commitments:

Burband Klinger & Associés
8, rue Jacques Bingen
75017 Paris

Deloitte & Associés
185 avenue Charles de Gaulle, B.P. 136
92524 Neuilly-sur-Seine Cedex

ORPEA

Société anonyme

115, rue de la Santé
75013 Paris

Statutory Auditors' special report
on regulated related-party agreements and commitments

Year ended 31 December 2009

Dear Shareholders,

As statutory auditors to your company, we hereby present our report on regulated related-party agreements and commitments.

Agreements and commitments authorised during the financial year

Pursuant to article L.225-40 of the French Commercial Code (*Code de commerce*), we have been advised of those agreements and commitments which required the prior authorisation of the Board of Directors.

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 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.

Debt write-offs
(Authorised on 16 December 2009)

Director concerned:
- Jean-Claude Marian: in the capacity of director of Casa Mia Immobiliare SA, Qualisanita Srl and Grupo Care

Nature and purpose: debt write-off in favour of the following subsidiaries:
- Casa Mia Immobiliare SA (wholly-owned Italian subsidiary)
- Qualisanita Srl (wholly-owned Italian subsidiary)
- Grupo Care (wholly-owned Spanish subsidiary)

Terms and conditions:
The amount of debt written off is, respectively:
- €91,680 for Casa Mia Immobiliare SA
- €1,215,643 for Qualisanita Srl
- €1,542,096 for Grupo Care

Agreements and commitments authorised in prior years that remained valid in 2009

In accordance with the provisions of the French Commercial Code, we were advised of the following agreements approved in prior years that remained valid in 2009.

Unemployment insurance for a corporate officer
(Authorised on 29 June 2006)

Director concerned:
- Yves Le Masne

Nature and purpose: unemployment insurance policy taken out on behalf of Yves Le Masne, the premiums for which are paid by the company.

Terms and conditions:
The amount of premiums paid by Orpea SA in respect of 2009 amounted to €1,849.

Legal and court assistance

Director concerned:
- Alexandre Malbasa

Nature and purpose: litigation and pre-litigation assistance.

Terms and conditions:
Professional fees paid to Maître A. Malbasa during the year amounted to €116,375 excluding tax.

Paris and Neuilly-sur-Seine, 9 June 2010.
The Statutory Auditors,

Burband Klinger & Associés	**Deloitte & Associés**
---------------	------------
Frédéric Burband	**Henri Lejette**

2. Agreements entered into on an arm's length basis

There are no regulated related-party agreements other than those referred to in this report, nor are there any:

- short-term benefits;
- post-employment benefits;
- other long-term benefits;
- termination benefits; or
- share-based payments.

The only compensation paid is that referred to in the section on corporate governance in the management report below.

There are normal business relationships between the parent company, Orpea, and its subsidiaries, which are governed by agreements entered into on an arm's length basis within the group.

Furthermore, with the aim of simplifying the group's legal structure and rationalising costs, in particular administrative and accounting costs, the group's general policy is not one of creating subsidiaries, with the exception of the property subsidiaries.
Each year, therefore, several wholly-owned subsidiaries that have been acquired are merged into either Orpea or Clinea by way of a transfer of all their assets and liabilities (article 1844-5 of the French Civil Code).

Agreements entered into on an arm's length basis concern "holding company costs", cash management and group tax relief.

Under the cash management agreement, group companies pool their cash in order to meet the working capital needs of each one. The cash pool is managed centrally by Orpea.

Movements of cash between group companies are made through current accounts which pay interest at the maximum tax-deductible rate for shareholders' current accounts as defined by the tax authorities.

Under the group tax relief agreements, Orpea and some of its subsidiaries have elected to form a tax consolidation group for income tax purposes. Orpea is the head of the tax group and is accordingly responsible for the group's income tax liability, based on the aggregate taxable profits earned by all companies in the group. This agreement arises from the application of certain tax regulations and has no impact on the presentation of the subsidiaries' financial statements.

There are also business transactions between the Orpea Group and related parties, which are described in note 3.24 "Transactions with related parties" of the notes to the 2009 consolidated financial statements.

VIII/ ADDITIONAL INFORMATION

1. General information about the Company

Name

The company's name is Orpea.

Date of incorporation and length of life

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

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

Legal form

Société anonyme, governed by the French Commercial Code and its enforcement instruments.

Registered office

115, rue de la Santé, 75013 Paris

Corporate purpose (articles of association, article 2)

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.

Financial year

The financial year comprises twelve months beginning on 1 January and ending on 31 December each year.

Trade and Companies Registry

Paris B 401 251 566

Business code

NAF code: 741G

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.

Double voting rights (articles of association, article 7)

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.

General meetings of shareholders (articles of association, articles 24 and 25)

24 - CALLING OF MEETINGS

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

- the Statutory Auditors;
- a representative appointed by court-order at the request of anyone with a vested interest for urgent matters, or one or more shareholders together owning at least 5% of the share capital, or an association of shareholders that meets the conditions set out in article L 225-120;
- the liquidators;
- those shareholders holding a majority of the share capital or voting rights after a public cash or share exchange offer or the sale of a controlling block.

A notice of meeting is published in a legal gazette in the *département* where the registered office is situated and, should the company become authorised to make direct public offerings, in the *Bulletin des Annonces Légales Obligatoires*, at least 35 days before the date of the meeting. Shareholders may table proposed resolutions within the timeframe set out by law.

The person calling the meeting is responsible for preparing the agenda to be considered and the resolutions to be put to the general meeting.

However, the Board of Directors is required to add to the agenda any proposed resolutions tabled by the shareholders in accordance with the provisions of the law.

General meetings take place at the registered office or at any other place in the same or a neighbouring *département*.

25 – COMPOSITION OF GENERAL MEETINGS

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

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

Shareholders may appoint either their spouse or another shareholder as proxy for all general meetings. They may also vote by mail in accordance with the provisions of the law. Proxy and mail voting forms are prepared and made available to shareholders in accordance with the provisions of the law.

Each share entitles the holder to one vote, except for those shares carrying double voting rights in accordance with and within the limitations 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 that, the meeting elects its own Chairman.

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

Appropriation and allocation of profits (articles of association, article 29)

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.

Notifiable interests (articles of association, article 13)

Any shareholder acting alone or in concert who comes to own or ceases to own a number of shares representing more than one twentieth, one tenth, three twentieths, one fifth, one quarter, one third, one half, two thirds, eighteen twentieths or nineteen twentieths of the share capital or voting rights or securities giving future access to the share capital must comply with the legal notification requirements. When the number or allocation of voting rights is not the same as the number or allocation of shares, the notification requirements referred to above shall apply to the voting rights.

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.

2. General information about the share capital

Please see pages 138 to 144 of the management report below.

IX / ANNUAL FINANCIAL REPORT

YEAR ENDED 31 DECEMBER 2009

ORPEA
LA VIE CONTINUE AVEC NOUS

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STATEMENT OF PERSONS RESPONSIBLE

PERSONS RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

Dr. Jean-Claude Marian
Chairman and Chief Executive Officer

Yves Le Masne
Chief Operating Officer

"We declare that, to the best of our knowledge and belief, the financial statements have been prepared in accordance with the applicable accounting standards and present fairly in all material respects the assets and liabilities, financial position and results of the company and the consolidated companies comprising the group, and that the management report provided on pages 5 to 104[9] presents a true and fair view of developments in the operations, results and financial position of the company and the consolidated companies comprising the group, as well as a description of the key risks and uncertainties to which they are exposed."

Puteaux, 9 June 2010.

Dr. Jean-Claude Marian
Chairman and Chief Executive Officer

Yves Le Masne
Chief Operating Officer

[9] Corresponds to pages 75 to 180 in this registration document

MANAGEMENT REPORT

ORPEA
LA VIE CONTINUE AVEC NOUS

CONTENTS OF THE MANAGEMENT REPORT

ORPEA
LA VIE CONTINUE AVEC NOUS

MANAGEMENT REPORT

This report contains a discussion and analysis of the operations of Orpea SA and the Orpea Group during 2009.

The information provided herein forms an integral part of the annual financial report as referred to in article L 451-1-2 of the French Monetary and Financial Code.

PRESENTATION OF THE ORPEA GROUP'S FINANCIAL STATEMENTS

The statutory financial statements for the year ended 31 December 2009 have been prepared in accordance with French generally accepted accounting principles.

Since 1 January 2005, the consolidated financial statements of the Orpea Group have been prepared in accordance with International Financial Reporting Statements (IFRSs) as endorsed by the European Union on the balance sheet date.

The IFRSs used to prepare the financial statements and notes for the year ended 31 December 2009 include international accounting standards (IASs), international financial reporting standards (IFRSs) and interpretations (IFRICs) as endorsed by the European Union and mandatory as of 31 December 2009.

The accounting principles and methods used by the Group are described in the notes to the consolidated financial statements.

Adoption of new IFRSs applicable to the Group:

The following new standards, amendments and interpretations that are mandatory for periods beginning on or after 1 January 2009 were adopted by the Group but had no impact on the consolidated financial statements as presented.

- IAS 1 revised – Presentation of Financial Statements: presentation of a statement of comprehensive income.
- IFRS 8 – Operating Segments: the segments previously used by the Group have not been changed.
- IAS 23 revised – Borrowing Costs: in 2005, on first-time adoption of IFRSs, the Group elected to capitalise borrowing costs as part of the cost of its property development projects.

Standards that have not yet been endorsed by the European Commission have not been early adopted.

Early adoption of IFRS 3 and IAS 27 revised:

The Group has elected to early adopt IFRS 3 revised – Business Combinations and IAS 27 revised – Consolidated and Separate Financial Statements as of 1 January 2009.
Compared with the published interim financial statements at 30 June 2009, business combinations made in the first half of 2009 have been adjusted accordingly.

The impact of this change of method is described in note 2.3 of the notes to the consolidated financial statements

OVERVIEW OF 2009

1 - Strong growth and continued sustained expansion

In 2009, the Group pursued its expansion policy and achieved a robust performance in a continued difficult economic environment.

Revenue amounted to €843.2 million, an increase of 20.1% compared with 2008. Organic growth remained very strong at more than 11%.

Sustained organic growth, which has stayed above 10% for several years, reflects Orpea's expansion policy:

- Obtaining new licences or additional licences to create facilities either from scratch or by combining licences acquired, and extending care capacity to develop new services, such as day care or outpatient facilities and Alzheimer's units;
- Continuously improving all quality aspects to strengthen the appeal of its facilities (e.g. improving medical and paramedical care through ongoing staff training, upgrading infrastructures, equipment and technical installations, seeking innovative concepts and reviewing architectural design), which explains the very high level of recommendation by residents and families (93.6% in the past two years);

The Group opened the following facilities during the year:

- Résidence Beaulieu in Caen (14);
- Résidence Les Oliviers in La Valette du Var (83);
- Clinique Mont-Valérien in Rueil Malmaison (92);
- Clinique Sainte-Brigitte in Grasse (06) - full redevelopment of the facility on new premises;
- Résidence Diamantine in Châteauneuf de Grasse (06) - reopening after 18 months of work following full redevelopment of the premises;
- Résidence Les Jardins d'Inès in Cagnes sur Mer (06).

In addition, via its Belgian subsidiary, Orpea Belgium, the Group opened a new facility in Brussels in October 2009, the first facility to be built from scratch by the Group in Belgium. It is a top-end rest and care home with 159 beds in Woluwé Saint Lambert at the old RTL/TVI premises. It has two specialist Alzheimer's units with therapeutic gardens, and one high comfort unit for highly dependent patients and end-of-life care. This project was an excellent opportunity for Orpea to deploy all its expertise and experience in Belgium under controlled conditions.

In Italy, the Group has begun work on building a 104-bed R.S.A. status nursing home in Casier (a few kilometres north east of Venice), scheduled to open in September 2010. It has also begun extension work on the Trofarello clinic (15 extra beds raising the total to 80), which is scheduled for completion at the end of 2010. Construction projects and architectural designs for three facilities were finalised at the year end. Work is due to begin on a staged basis during the first half of 2010:

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

These three facilities are nursing homes providing a high level of medical care (known as R.S.A.s in Italy).

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

Orpea also continued its policy of targeted acquisitions based on stringent financial and quality criteria, leveraging its experience in analysing the medium and long-term potential of acquisition targets and its expertise in redeveloping older facilities.

The Group has thus acquired majority interests in the following companies:

Acquisitions of controlling interests made by Orpea S.A.		
SAS Le Vige	100%	Nursing home at Soubise (17)
SAS Cardem	100%	Nursing home at La Valette du Var (83)
SA Le Chateau de Saint Valéry	100%	65-bed nursing home in Montmorency (95)
SAS Résidence du Lac	100%	80-bed nursing home in St Palais sur Mer (17)
Via Résidence du Lac Saint Sulpice	100%	Nursing home under construction in Saint Sulpice de Royan (17)
SAS Maison L'Océane	100%	62-bed nursing home in Saint Georges de Didonne (17)
SAS Ondine	100%	80-bed nursing home in Mareuil les Meaux (77)
SAS Résidence Klarène	100%	87-bed nursing home in Tournan en Brie (77)
SNC Brechet CFT	100%	Owner of the licence to operate Résidence Klarène in Tournan en Brie (77)

Acquisitions of additional interests resulting in control: the Orpea Group has increased its interest in SFI France from 49% to 100%		
SAS SFI France	100%	Holding company
Via SFI France		
Douce France Santé	100%	99-bed nursing home in Cagnes sur Mer (06)
SCI SFI Bellejame	100%	Holder of a property finance lease over a property in Marcoussis (91)
Via Douce France Santé		
France Doyenne de Santé	100%	Nursing home under construction in Leudeville (91)
DFS Dourdan	100%	80-bed nursing home in Dourdan (91)
DFS Arcachon	100%	53-bed nursing home in Arcachon (33)
MEX	100%	80-bed nursing home in Toulouse (31)
Résidence du Parc de Bellejame	100%	85-bed nursing home in Marcoussis (91)
Résidence de Savigny	100%	70-bed nursing home in Savigny sur Braye (41)
Résidence de la Puisaye	100%	84-bed nursing home in Lavau (89)
Chateau de Villeniard	100%	93-bed nursing home in Vaux sur Lunain (77)
Clinique du Cabirol	100%	100 beds for rehabilitation care and 10 for outpatient care
Le Verger d'Anna	100%	Nursing home under construction in Sainte Terre (33)
DFS Immobilier	100%	Owner of properties in Dourdan (91) and Arcachon (33)
Via DFS Immobilier		
SNC Than Co	100%	Owner of a property in Toulouse (31)
SNC Margaux Pony	100%	Owner of a property in Toulouse (31)

Acquisition of indirect control via subsidiary Clinea S.A.S (wholly-owned by Orpea)		
SAS Chateau Laffitte	100%	Holding company
Via Chateau Laffitte LMC Les Jeunes Chênes	 100%	 82 post-acute and rehabilitation beds in Pau (64)
SAS Sylvinvest	100%	Holding company
Via Sylvinvest Clinique Médicale Les Oliviers Via Clinique Médicale Les Oliviers SCI Les Orangers	 100% 100%	 68 post-acute and rehabilitation beds in Callas (83) Owner of a property in Callas (83)
SA Chateau du Bel Air	100%	76 psychiatric care beds in Crosne (91)
Via Chateau du Bel Air Espace Ado Bel Air	 100%	 14 children's psychiatric care beds in Crosne (91)
SA Clinique l'Emeraude	100%	260 psychiatric care beds in Marseille and St Victoret (13)
SAS Clinique Beau Site	100%	40 psychiatric care beds in Gan (64) Owner and operator of the property
SAS Le Clos du Roy	100%	70 post-acute and rehabilitation beds in Dreux (28)
Via SAS Le Clos du Roy SCI du Jardin des Lys	 100%	 Owner of a property in Dreux (28)
SAS Hotel de l'Esperance	100%	74 psychiatric care beds and 20 outpatient care beds in Louvroil (59)
Via SAS Hotel de l'Esperance Les Courtils Clinique du Chateau de Loos SA Clinique Regina Via Clinique Regina La Chavannerie	 100% 100% 100% 100%	 40 psychiatric beds in Berlaimont (59) 15 psychiatric beds including 3 for children in Loos (59) 50 psychiatric beds including 15 for adolescent outpatients in Sevrier (74) 48 psychiatric beds and 10 for outpatient care in Chaponost (69)

Acquisitions of indirect control via subsidiary Niort 94 (wholly-owned by Orpea)		
SCI Mont d'Aurelle	100%	Owner of land in Montpellier (34)
SARL Regina Renouveau	100%	Holder of a property finance lease over a property in Sevrier (74)
SCI Ansi	80%	Owner of a property in Saint Palais sur Mer (17)
SCI BRBT	100%	Holder of a property finance lease over a property in Saint Georges de Didonne (17)
SCI Sequoia	100%	
SCI du Grand Parc	50%	Holder of a property finance lease over a property in Crosne (91)
SNC Maison Rose	100%	Owner of land in Louvroil (59)
SCI Berlaimont	100%	Holder of a property finance lease over a property in Berlaimont (59)
SCI Rue de Londres	100%	Owner of a property in Loos (59)
SCI Chateau de Loos	100%	
SARL Marc Aurèle Immobilier	100%	Holder of a property finance lease over a property in Mareuil les Maux (77)

Thanks to this expansion policy combining organic growth with acquisitions, at 10 March 2010 the group had a total of 28,073 beds across 300 facilities in Europe, including 22,556 beds in operation and 5,517 under construction.

2 - Strengthening financial flexibility

During 2009, Orpea made two successful capital transactions **totalling €279.4 million**: an issue of **bonds with redeemable warrants to subscribe for new or purchase existing shares (OBSAAR)** and a **new share issue** via private placement.

The bond issue was made on 14 August 2009 for a total amount of €217 million. The proceeds of the issue will be used as follows:

- €140 million on optimising the debt profile, by extending the maturity of part of the debt (short-term credit lines under one year have been replaced with medium-term lines with a maturity of 4.75 years) and at the same time reducing the cost of debt;
- The balance of €77 million on strengthening Orpea's growth capacity in a fragmented business sector with high structural demand, through long-term, cheaper resources;
- Potentially strengthening Orpea's equity in due course;
- Involving managers and executives in the group's growth strategy by offering them the opportunity to buy the warrants not taken up by the existing shareholders, on the same terms and conditions.

The issue was made with pre-emptive rights.

A total of 1,190,787 bonds were issued, each carrying a redeemable warrant entitling the holder to subscribe for one new or purchase one existing share, at the Company's option.

The bonds were underwritten up by a pool of banks. The warrants not taken up by the shareholders were taken up by Dr Jean-Claude Marian and his holding company Forinvest, which sold 150,407 warrants to Group managers.

If all the warrants were to be exercised for new shares, the total maximum dilution would currently be 3.07%.

The €62.4 million new share issue was approved on 15 October 2009. A total of 1,920,000 shares were issued via a private placement with qualified investors at a price of €32.50 per share.

Lastly, in line with its property portfolio optimisation strategy, Orpea sold €140 million of property assets to investors during 2009.

3- Annual general meeting of shareholders

The annual general meeting took place on 26 June 2009 and passed all the proposed resolutions. It approved a dividend of €0.10 per share, which was paid on 15 September 2009.

2009 consolidated financial statements

1. 2009 consolidated income statement

Consolidated income statement

in thousands of euros	*Notes*	**31-Dec-09**	**31-Dec-08**
REVENUE		**843,321**	**702,321**
Cost of materials consumed and other external charges		(219,657)	(185,396)
Staff costs		(425,039)	(354,081)
Taxes other than on profit		(42,778)	(36,415)
Depreciation, amortisation and provisions		(35,997)	(28,642)
Other recurring operating income		122	363
Other recurring operating expense		(4,557)	(3,232)
Recurring operating profit		**115,414**	**94,920**
Other non-recurring operating income	*3.19*	207,028	160,139
Other non-recurring operating expense	*3.19*	(187,893)	(148,171)
EBIT		**134,549**	**106,888**
Financial income		30,069	39,596
Financial expense		(75,737)	(82,282)
Net finance cost	*3.20*	**(45,668)**	**(42,686)**
PRE-TAX PROFIT		**88,881**	**64,202**
Income tax expense	*3.21*	(29,828)	(16,119)
Share in profit (loss) of associates		2,121	319
NET PROFIT		**61,174**	**48,401**
Attributable to minority interests		36	22
Attributable to owners of the Company		**61,138**	**48,378**
Number of shares		38,847,172	36,902,772
Basic earnings per share (in euros)		1.57	1.31
Diluted earnings per share (in euros)		1.57	1.30

1-1- 2009 consolidated revenue

Orpea posted further strong growth in business in 2009. Revenue amounted to €843.3 million, an increase of 20.1% or €23.2 million more than the target set at the beginning of the year.

Continued strong organic growth, which has remained above 10% for several years now regardless of the economic environment, is the result of Orpea's policy of continuously improving the quality of care and service provided in its facilities, including:

- improving medical and paramedical care through continued staff training and the introduction of protocols drawn up by the Medical Department;

- upgrading facilities, equipment and technical installations;

- seeking innovative concepts;

- reviewing architectural design.

All these factors strengthen the appeal of the Group's facilities and are the driving force behind the continued high level of:

- recommendation rate by residents and families (93.6% in the past two years);

- occupancy rates in all mature facilities and a rapid, strong rise in occupancy of newly-opened facilities.

Orpea therefore continues to draw the benefit of its mixed growth strategy (obtaining new operating licences and selective acquisitions), and its tried and tested integration model.

In addition, an analysis of activity by country shows relative stability in the breakdown of revenue between France (88%) and International (12%).

	Year			
In €m IFRS	2009	2008	% change	2007
France	**739.2**	**613.1**	*+20.6%*	**493.3**
% of total revenue	*88%*	*87%*		*91%*
International	**104.1**	**89.2**	*+16.7%*	**51.3**
% of total revenue	*12%*	*13%*		*10%*
of which:				
Belgium	47.8	38.60		12.3
Spain	28.7	27.2		23.4
Italy	18.0	15.4		9.6
Switzerland	9.6	8.0		6.0
Total revenue	843.3	702.3	*+20.1%*	544.6
o/w organic growth			*+11.1%*	

In France, revenue was boosted by acquisitions. Over the 12 months from October 2008 to September 2009, Orpea continued to expand its network in line with its targets, adding 3,000 new beds in France. Almost two thirds of these beds are for redevelopment or construction and will therefore make a substantial contribution to the Group's profitability and cash flow when the work is completed.

As in 2008, Belgium posted the strongest performance with 23.8% growth in revenue, with no new acquisitions. This performance illustrates the benefits of Orpea's gradual introduction of Group procedures throughout the network, and the success of the facility opened in the final quarter of the year.

In Switzerland, the Clinique La Métairie achieved 20.0% revenue growth despite being affected by redevelopment work completed during the year.

In addition, this facility opened a "spa and wellbeing" area during the year to enhance its services and improve patient comfort.

In Italy, Orpea posted 16.8% revenue growth in 2009, despite the disposal of a facility in Ancona, which was too far removed from the Group's main centre of expansion in the north of Italy. This performance therefore illustrates the commercial success of mature facilities and the robust ramp-up of recent openings.

Lastly, in Spain, revenue amounted to €28.7 million, an increase of 5.5% on a like-for-like basis.

1-2. Consolidated results: robust EBIT margin and growth in net earnings

Recurring EBIT rose by 21.6% to €115.4 million, and **recurring EBITDA** by 22.3% to €151.2 million. This growth was in line with revenue growth, reflecting tight control over all operating costs.

Purchases and external charges amounted to €219.7 million, an increase of 18.5% compared with 2008. This increase was also in line with revenue growth, illustrating the effectiveness of the Group's centralised purchasing management policy, which led to economies of scale.

Staff costs also rose in line with revenue growth, increasing 20% to €425.0 million.

Taxes other than on profit mainly comprise property tax, business use tax and payroll taxes. They totalled €42.8 million compared with €36.4 million in 2008, a rise of 17.5% due mainly to a sharp increase in local taxes.

Rents amounted to €54.2 million compared with €44.5 million in 2008, an increase of 21.9%. However, at cruising speed and on a comparable basis, rents only increased by 2.6%.

The recurring EBIT margin therefore stood at 13.7% versus 13.5% in 2008, despite the negative impact of recently acquired facilities now under redevelopment or scheduled for redevelopment and newly-opened facilities. The margin was driven by a ramp-up of facilities that have now been open for two to three years and a continued high occupancy rate in mature facilities.
In the second half of 2009 the margin improved to 14.2% against 13% in the first half, demonstrating the Group's ability to maintain a robust operating margin, whilst continuing to develop its future growth drivers.

In France, the recurring EBITDA margin stood at 18.9% in 2009, stable compared with the previous year despite the temporary pressure on margins as a result of facilities being opened or redeveloped.

Abroad, recurring EBITDA grew by 69% from €6.8 million in 2008 to €11.5 million in 2009. This excellent performance stemmed partly from the benefits of redevelopment projects and partly from the deployment of Group protocols and management procedures that have already proved effective in France. The recurring EBITDA margin therefore came to 11% in 2009 versus 7.6% in 2008.

EBIT rose by 25.9% to €134.5 million, giving an **EBIT margin** of 15.9% versus 15.2% in 2008.

Net non-recurring income totalled €19.1 million compared with €12.0 million in 2008. This item mainly comprises:

- net gains on sales of property assets for €21 million;
- expenses connected with the redevelopment of facilities recently acquired through business combinations and other development-related expenses for €22 million;
- income and (expense) recognised on business combinations for €25.3 million (including €14.3 million related to the SFI acquisition).

Net finance cost amounted to €45.7 million versus €42.7 million in 2008, reflecting control over the cost of debt in a context of continued strong growth.

Income tax expense for the year was €29.8 million versus €16.1 million in 2008. The income tax charge for 2009 includes a specific, non-recurring deferred tax expense of €8 million recognised in application of IAS 12 following the introduction of the new *contribution économique territoriale* payable by the French entities as of 1 January 2010, replacing the old *taxe professionnelle*.

Net earnings for the year therefore rose by 26.4% to €61.1 million.

2. Consolidated balance sheet

Consolidated balance sheet

in millions of euros		31-Dec-09	31-Dec-08
Assets	*Notes*		
Goodwill	*3.1*	203,680	179,365
Intangible assets, net	*3.2*	775,351	610,217
Property, plant & equipment, net	*3.4*	1,168,042	1,169,510
Property in course of construction	*3.4*	494,135	309,003
Investments in associates and joint ventures	*3.5*	3,095	5,123
Non-current financial assets	*3.6*	13,738	13,617
Deferred tax assets	*3.21*	11,728	12,411
Non-current assets		**2,669,771**	**2,299,245**
Inventories		3,405	2,744
Trade receivables	*3.7*	76,495	71,045
Other assets, accruals and prepayments	*3.8*	93,944	96,098
Cash and cash equivalents	*3.12*	135,366	53,654
Current assets		**309,210**	**223,541**
Assets held for sale		**82,208**	**49,085**
TOTAL ASSETS		**3,061,189**	**2,571,872**

Equity and liabilities	*Notes*		
Share capital		48,559	46,128
Consolidated reserves		274,351	168,596
Revaluation reserves		257,580	277,576
Net profit for the period		61,138	48,378
Equity attributable to owners of the Company	*3.10*	**641,628**	**540,678**
Minority interests		257	284
Total equity		**641,885**	**540,962**
Non-current financial liabilities	*3.12*	1,180,239	1,033,847
Provisions	*3.11*	18,701	11,716
Post-employment and other employee benefit obligation	*3.11*	14,976	13,274
Deferred tax liabilities	*3.21*	455,388	378,723
Non-current liabilities		**1,669,305**	**1,437,559**
Current financial liabilities	*3.12*	257,811	207,861
Provisions	*3.11*	8,933	7,494
Trade payables	*3.14*	149,095	90,164
Tax and payroll liabilities	*3.15*	137,019	107,948
Current income tax liability	*3.15*	2,094	20,912
Other liabilities, accruals and prepayments	*3.16*	112,840	116,690
Current liabilities		**667,792**	**551,070**
Liabilities associated with assets held for sale		**82,208**	**42,280**
TOTAL EQUITY AND LIABILITIES		**3,061,189**	**2,571,872**

At 31 December 2009, total assets rose to €3,061 million compared with €2,572 million at end 2008.

▶ Assets:

At end 2009, the Orpea Group's assets comprised **intangible assets** for €775 million and **property, plant and equipment** (including construction in progress) for €1,662 million.

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 (a total of 28,073 beds including 19,194 in operation, 3,362 to be redeveloped and 5,517 under construction). 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.

Property, plant and equipment mainly comprise land and recent or renovated buildings mostly located in or near large towns and cities. The Group's operating properties are either acquired, or built or redeveloped by the Group.

At 31 December 2009, the Orpea Group's property portfolio comprised 176 buildings owned outright (compared with 160 at end 2008), including 61 partially owned, representing total space of 650,000 m² on more than one million m² of land. The total value of the portfolio at 31 December 2009 was €1,635 million.

On a like-for-like basis, the value of the portfolio was almost unchanged from end 2008. This excellent resilience demonstrates both the lack of correlation between the values of healthcare properties with trends in the economic environment, and the high quality of the Group's properties.

▶ Financing and financial flexibility:

Total equity attributable to owners of the company stood at €641.6 million at 31 December 2009 against €540.7 million at 31 December 2008. This increase is mainly due to:

- growth in net profit in 2009 (to €61.2 million), and the €62.4 million capital increase made in October 2009;
- less the €3.69 million 2008 dividend paid to shareholders.

Net debt stood at €1,384.9 million at 31 December 2009, a slight increase of 12.6% compared with end 2008 despite the sustained expansion during the year, and notably the acquisition of more than 2,700 beds.

Intangible assets are financed by medium-term loans (5 to 7 years), representing net operating debt of €339.5 million, of which 77% is hedged against interest rate risk for the next four years.

The Group's property portfolio is financed either by finance leases, long-term loans (12 years, or the bond issue made in August 2009. Property debt amounts to €1,180.8 million, of which 77% is hedged against interest rate risk for the next four years.

All in all, most of the Group's debt is for property financing, comprising 76% in long-term loans and finance leases.

A large part of its debt is hedged against interest rate risk as Orpea has always pursued a highly prudent financial management policy.

The Group's key debt ratios have improved since end 2008, driven by the sharp increase in EBITDA (up 21.1% to €151.1 million) and the €62.4 million capital increase made in 2009:

- Financial leverage = 2.53 compared with 3.68 one year earlier and a maximum authorised limit of 5.5;
- Adjusted gearing = 1.62 compared with 1.75 one year earlier and a maximum authorised limit of 2.2.

The Group has strengthened its financial flexibility over the year as a whole, mainly through:

- two capital transactions (€217 million OBSAAR bond issue and €62 million capital increase);
- disposals of property assets to investors for approximately €120 million;
- improved ability to generate cash flow as the number of facilities reaching cruising speed increases.

The Group has therefore secured its ability to finance future growth.

▶ **Cash flows reflect ambitious investment policy:**

Cash generated by the group's operating activities is used to finance growth. Financing lines and disposals of properties to investors provides a substantial source of additional financing for future growth. The investments made by the Group are therefore designed to secure sustainable EBITDA growth.

In €m	2009	2008	% change	2007
Recurring EBITDA	+151.1	+123.6	+22%	+97.6
Cash flows from operating activities	+127.00	+100.1	+27%	+88.0
Cash flows from investing activities	-258.3	-375.1	-31%	-163.6
Cash flows from financing activities	+213	+273.6	-22%	+320.5
Change in cash and cash equivalents	+81.7	-1.3	NM	43.4

Significant events in 2010 & outlook

1. Significant events in 2010

▶ New developments

The following new facilities have been opened since the beginning of 2010:

- Résidence Les Millesimes in Brasles, Château Thierry (02)
- Résidence Crampel in Toulouse (31)
- Résidence Les Jardins d'Ombeline in Carbon Blanc (33)
- Résidence Le Vigé in Soubise

On 10 March 2010, the Orpea Group announced an **increase of 1,547 beds across its entire network,** comprising 16 new care facilities together with extensions to existing facilities, broken down as follows:

- 568 beds opened;
- 101 beds to be redeveloped;
- 878 beds to be built.

In line with the Group's strategy of more than ten years, 63% of these additional beds involve redevelopment and new construction, thereby not only securing future growth but also sustained profitability thanks to the high value creation potential.

At 10 March 2010, the Orpea Group had a total of 28,073 beds across 300 facilities, broken down as follows:

	TOTAL	France	Spain	Belgium	Italy	Switzerland
Beds in operation	22,556	18,351	1,776	1,672	682	75
O/w beds under redevelopment	*3,362*	*2,854*	*0*	*442*	*66*	*0*
Beds under construction	5,517	4,541	0	418	468	90
Total beds	**28,073**	**22,892**	**1,776**	**2,090**	**1,150**	**165**
Total facilities	**300**	**252**	**16**	**19**	**11**	**2**

2. 2010 and medium-term outlook

▶ 2010-2012 revenue targets:

Given the robust indicators and completion of facilities due to open in 2010, revenue is expected to reach €960 million in 2010.

In addition, the Group's profitable growth and expansion momentum is assured beyond 2010 thanks to the sector's exceptional visibility, Orpea's intrinsic qualities and the 8,879 beds under redevelopment or construction, which will provide a source of substantial growth in the future. Based on the measured rollout of this growth source, Orpea is raising its revenue target for 2011 to €1.1 billion and forecasting revenue of €1.225 billion in 2012.

These targets only include the contribution from the 8,879 beds currently under redevelopment or construction, which are already fully authorised and financed. They do not include the impact of any other projects in progress or to come.

Statutory financial statements

1. Statutory income statement

STATUTORY INCOME STATEMENT

(in euros)	31-Dec-09	31-Dec-08
- REVENUE	**380,391,749**	**337,521,389**
- Increase(decrease) in work in progress	(40,214,258)	(50,984,383)
- Other operating income	13,555,587	13,043,594
- Purchases and other external charges	118,627,740	98,057,267
- Taxes other than on profit	15,326,487	12,962,732
- Staff costs	172,986,711	148,102,697
- Depreciation, amortisation and provisions	9,228,773	9,029,034
- Other operating expense	2,711,438	2,018,904
OPERATING PROFIT	**34,851,930**	**29,409,966**
- Financial income	58,146,153	49,496,531
- Financial expense	63,152,374	62,610,966
NET FINANCE COST	**(5,006,221)**	**(13,114,435)**
RESULTAT COURANT AVANT IMPOT	**29,845,709**	**16,295,530**
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	(23,842,641)	(6,892,254)
- Employee profit sharing		
- Income tax	(931,447)	4,290,469
NET PROFIT	**6,934,516**	**5,112,806**

► Revenue:

Revenue rose by 12.7% compared with 2008 to €380.4 million, illustrating Orpea SA's organic and external growth momentum as set out in the section entitled "Overview of 2009".

Revenue derives mainly from the operation of long-term care homes (representing around 91% of the total at €338.8 million), an increase of 17.9% compared with the previous year.

The balance of €41.6 million was generated by disposals of properties built or redeveloped by the Company.

► Operating profit:

Other operating income rose slightly by 4% to €13.6 million compared with €13 million in 2008, mainly comprising provision reversals and expense transfers for €8.2 million and capitalised production for €5.2 million.

Purchases and external charges rose by 21% from €98 million to €118.6 million, whilst **staff costs** rose by 16.8% to €172.9 million.

Operating profit therefore amounted to €34.9 million compared with €29.4 million the previous year, an increase of 18.5%.

► Net finance cost

Net finance cost amounted to €5.0 million, a significant improvement on the 2008 level of €13.1 million, mainly due to:
Income from subsidiaries (dividends) for €16.7 million;
a decrease in interest charges on bank debt from €44.6 million in 2008 to €25.4 million in 2009;

► Exceptional items

Net exceptional losses amounted to €23.8 million versus €6.9 million the previous year, mainly due to merger losses arising on internal restructuring operations.

► Income tax expense

Orpea is the head of the tax consolidation group formed with subsidiaries that are at least 95%-owned. In 2009, the terms and conditions of the tax relief agreement were revised such that the company, like each of the subsidiaries in the tax group, now pays income tax calculated on its own earnings.

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. The income tax benefit in 2009 was €0.9 million.

For information, non-deductible expenses as referred to in article 39-4 of the French General Tax Code totalled €51,592.

► Net profit and proposed appropriation

After income tax, **net profit** came to €6.9 million compared with €5.1 million in 2008, an increase of 35.6%.
The Board of Directors proposes to transfer 5% to the statutory reserve and to pay a dividend of €0.15 per share.

3. Statutory balance sheet

STATUTORY BALANCE SHEET

ASSETS (in euros)	31-Dec-09			31-Dec-08
	Gross	Depr., amort. and provisions	Net	Net
Non-current assets				
- Intangible assets	149,096,286	563,040	148,533,246	123,792,772
- Property, plant & equipment	146,884,141	58,490,183	88,393,958	85,510,100
- Financial assets	225,078,142	1,976,107	223,102,035	197,994,568
TOTAL NON-CURRENT ASSETS	**521,058,569**	**61,029,329**	**460,029,240**	**407,297,441**
Current assets				
- Inventories and work in progress	60,645,655	1,188,655	59,457,000	52,972,415
- Advances and downpayments made	1,341,055		1,341,055	1,243,402
- Trade receivables	32,832,370	3,027,919	29,804,451	29,975,140
- Other receivables	699,311,075	1,335,250	697,975,825	579,142,616
- Marketable securities	25,692,476		25,692,476	1,666,904
- Cash	98,637,893		98,637,893	34,287,695
- Prepaid expenses	1,251,609		1,251,609	2,525,537
TOTAL CURRENT ASSETS	**919,712,134**	**5,551,825**	**914,160,309**	**701,813,709**
- Deferred charges		-	-	-
TOTAL ASSETS	**1,440,770,703**	**66,581,154**	**1,374,189,549**	**1,109,111,150**

EQUITY AND LIABILITIES

(in euros)	31-Dec-09	31-Dec-08
Equity		
- Share capital	48,558,965	46,128,465
- Share premiums and reserves	88,039,591	29,791,143
- Retained earnings	35,453,983	34,287,095
- Net profit for the year	6,934,516	5,112,806
Special tax-allowable reserves	221,867	
TOTAL EQUITY	**179,208,922**	**115,319,508**
Provisions for liabilities and charges	9,977,710	3,928,485
Liabilities		
- Borrowings and financial liabilities	943,765,513	781,704,695
- Advances and downpayments received	1,723,782	2,157,510
- Trade payables	31,975,804	33,102,205
- Tax and social security liabilities	48,885,769	51,774,860
- Other liabilities	150,126,604	112,271,658
- Prepaid income	8,525,446	8,852,229
TOTAL LIABILITIES	**1,185,002,918**	**989,863,157**
TOTAL EQUITY AND LIABILITIES	**1,374,189,549**	**1,109,111,150**

Net non-current assets rose from €407 million to €460 million as a result of the Group's expansion policy.

Current assets amounted to €914.2 million compared with €701.8 million in 2008. The growth was mainly due to an increase in Group receivables (mostly comprising current accounts of subsidiaries for which Orpea S.A. finances development operations).

Debt and other financial liabilities totalled €943.8 million at 31 December 2009, compared with €781.7 million the previous year, an increase of 20.7%. Financing needs have risen as a result of the Group's strong growth. Orpea S.A. not only finances its own expansion operations, but also those of its subsidiaries, and principally Clinea.

Trade payables totalled €32 million at 31 December 2009, a decrease of 3.40% compared with 2008.

Other liabilities amounted to €150.1 million at 31 December 2009, an increase of 33.7% compared with 2008, due to the company's growth.

Net equity stood at €179.2 million at 31 December 2009 against €115.3 million one year earlier.

Total assets amounted to €1,374.2 million compared with €1,109.1 million at 31 December 2008.

Supplier payment periods

In accordance with article D 441-4 of the French Commercial Code, the company pays its suppliers within the time periods provided for by law.

4. Subsidiaries and other equity interests

► Discussion and analysis of the business and results of Orpea S.A.'s subsidiary Clinea

1-Operating income

Revenue from operating short-term care facilities amounted to €288,525,662 compared with €223,657,349 in 2008, an increase of 29%, driven mainly by organic growth and acquisitions, coupled with a general increase in business volumes.

Clinea's revenue derives mainly from care and other services paid for by the French Social Security and private room accommodation fees paid by patients or their private insurance.

In order to simplify its legal structure and rationalise administrative costs, Clinea has taken over all the assets and liabilities of some of its wholly-owned subsidiaries.

It also generated €1,876,568 in income from the disposal of property assets (€8,072,339 in 2008), €22,808 from operating subsidies (€44,830 in 2008), €9,642,721 from reversals of provisions for liabilities and charges (€9,218,244 in 2008), and €28,007 in other income (€345,736 in 2008).

Total revenue therefore amounted to €295,611,596 compared with €233,266,161 in 2008, an increase of 26.73%.

2 – Operating profit

Operating profit amounted to €27,861,252 compared with €23,846,237 the previous year, an increase of 16.84%. Meanwhile, operating costs increased by 27.85% from €209,419,924 to €267,750,345, due mainly to:

- Purchases of raw materials, mainly food and medicines, totalling €18,594,503 (€14,262,341 in 2008); these purchases accounted for 6.40% of revenue (6.15% in 2008).

- Other purchases and external charges, mainly lease payments (rent and property finance leases) and sub-contracting in the broad sense (external examinations, laundry services, head office costs), totalling €68,761,099 (€54,550,721 in 2008); these expenses accounted for 23.68% of revenue (23.54% in 2008).

- Taxes other than on profits, mainly payroll and business use taxes, totalling €20,684,734 (€15,925,606 in 2008); they accounted for 7.12% of revenue (6.87% in 2008).

- Staff costs (including salaries, social security charges and other staff costs), totalling €152,848,738 (€117,504,407 in 2008), accounting for 52.63% of revenue (50.70% in 2008).

Depreciation and amortisation expense amounted to €3,808,541 (€3,406,036 in 2008) and provisions for liabilities and charges to €287,771 (€1,120,851 in 2008).

Other expenses totalled €744,794 (€802,841 in 2008).

3 – Net finance cost

Net finance cost amounted to €4,219,964 (€13,581,568 in 2008).

Financial income totalled €9,955,755 (€2,096,953 in 2008), mainly comprising dividend income from equity interests for €8,295,171 and provision reversals and expense transfers for €1,130,332 (€1,588,347 in 2008).
Financial expense totalled €14,175,719 (€15,678,521 in 2008), mainly comprising interest on intragroup current accounts (€11,905,567 versus €13,556,481 in 2008).

4 – Pre-tax profit on ordinary activities

Pre-tax profit on ordinary activities rose to €23,641,286 from €10,264,668 in 2008, giving a margin of 8.14%.

5 – Exceptional items

The net exceptional loss amounted to €16,410,965 (€4,916,585 in 2008), with exceptional expense rising to €19,880,557 from €7,219,617 the previous year. Exceptional expenses mainly comprised exceptional expenses on operating activities for €7,898,613 (€4,119,995 in 2008) and exceptional expenses on capital transactions for €11,191,353 (€2,341,080 in 2008).

6 – Net profit for the period

Net profit for the period came to €7,783,689 compared with €4,300,062 in 2008.

► Discussion and analysis of the results of other major subsidiaries

Niort 94, a property development subsidiary, generated revenue of €65.5 million (€40.1 million in 2008) and net profit of €2.06 million (€2.6 million in 2008).

Orpea Belgium posted strong growth in 2009 and set up a head office in Brussels to promote the Group's expansion in Belgium. Revenue in Belgium amounted to €47.8 million compared with €38.6 million in 2008, and EBITDA rose sharply by 43.4% to €7.6 million. After France, Belgium is the country where the Orpea Group has the most facilities operating at full capacity.

Orpea España posted revenue of €28.7 million in 2009 compared with €27.2 million in 2008. Margins continued to improve despite the impact of opening a new facility.

Orpea Italia posted revenue of €17.9 million in 2009 compared with €15.4 million in 2008. Recurring EBITDA continued to increase despite the fact that two of the five facilities were under redevelopment, amounting to €1.7 million in 2009 (€0.5 million in 2008).

Information on employees & human resources management

1. Information on employees: a highly active recruitment policy driven by the Group's development

The Group employs a total of 12,620 full-time equivalents (FTEs) in its care facilities in France and abroad.

In France, there were 10,740 FTEs at 31 December 2009 (9,601 in 2008), representing 85.1% of the total.

▶ Main employee data in France

Criteria	Total France
Number of FTEs[2] at 31/12/09 in France, all contract types combined	10,740
O/w fixed-term contracts	17%
O/w full-time employees	84%
O/w part-time employees	16%

[1] Average number of employees at 31/12/2009, all contract types combined
[2] Full Time Equivalent at 151 hours 67 a month

Criteria	Total France
% Male at 31/12/09	18%
% Female at 31/12/09	82%
% Managers at 31/12/09	10%
% Non-managers at 31/12/09	90%

The Orpea Group has experienced strong headcount growth, in line with expansion of its facilities network. This growth is not only due to acquisitions but also to job creation.

Each year, Orpea creates an average of 750 to 1,000 jobs by opening new facilities, as well as indirectly boosting jobs in the building sector as a result of the construction or redevelopment of its 9,000 beds.

▶ Working conditions

These figures reflect the Orpea Group's policy of consistency, particularly in terms of mix of employment contract type, with the aim of creating secure, stable employment for all staff.
For this reason, it focuses primarily on permanent, full-time contracts. The breakdown by type of employment contract and working hours provided above reflects this policy:

- 81% of employees in France have a permanent contract;
- 84% were employed full time in 2009.

These figures are very similar to the previous year.

In addition, this policy helps to avoid creating job precarity when developing the network by restricting fixed-term contracts to the very minimum and promoting permanent employment for the largest possible number of people.

When a full-time job is created or becomes available in the Group, it is offered in priority to employees initially recruited on a part-time basis. Consequently, most employees are working part-time by choice, particularly those on permanent contracts. This is partly due to the nature of the jobs done by part-time employees. They tend to involve highly specific activities and the employees concerned have diplomas or recognised expertise enabling them to find additional work in the market (doctor, psychologist, activity organiser, catering staff, etc.).

In addition, recourse to temporary employees is minimal and restricted to exceptional one-off needs, mainly emergencies, for example to ensure continuity of care with nursing staff.

The Group outsources its laundry requirements and, to a much lesser extent, its catering.

Lastly, growth in employment is governed by a pro-active policy in terms of professional training, employment of the disabled and older workers, as well as promoting dialogue with the social partners, as described below.

2. A pro-active social policy offering real career prospects within the Group

Identifying talented people, retaining them and offering them training leading to qualifications are the cornerstones of the pro-active policy introduced very early on by the Orpea Group to capitalise on and promote professional expertise and human qualities.

The Group's motto, "Build your career with us", meets the standards the Group has set itself. Above and beyond the primary, fundamental work content any group should offer its employees, Orpea supports its valued people in their professional career plans by focusing on internal recruitment for available management positions.

The Group therefore encourages internal promotion and geographical mobility.

Each year, the annual appraisal gives employees an opportunity to express their expectations and ambitions in terms of training, development or geographical relocation.

There are also opportunities to transfer between Orpea and Clinea for employees wishing to gain experience in or move more permanently to a specialised geriatric, post-acute and rehabilitation or psychiatric care facility.

3. An ambitious training policy to improve the quality of care and employee fulfilment

► Presentation of the Group's training policy issues

To promote the professional development of its employees whilst meeting the Group's strategic needs, Orpea pursues a pro-active training policy where training is seen not as an end in itself but as a real tool to help improve the quality of patient care and the motivation and qualification of employees.

Orpea therefore endeavours to make training an opportunity rather than a constraint so that it becomes a means of involvement and sharing, not simply the acquisition of knowledge.

To this end, the training policy focuses on several priorities:

- ➔ training as many people as possible, all grades combined **(an average of 10,000 people trained in a year, excluding fire drills)**;
- ➔ developing skills to provide employees with recognised expertise or professional qualifications to support their internal career development **(in 2009, some 400 people were taking courses to obtain a diploma under the training plan)**;
- ➔ monitoring the acquisition of skills over time to ensure that the training is applied in practice and becomes a real tool for employees;
- ➔ designing and developing training programmes geared to the Group's expectations and specific needs;
- ➔ creating a major in-house training capability able to provide mentoring and staff integration whilst developing business expertise as well as personal qualities **(4,419 people on in-house training in 2009)**;
- ➔ meeting regulatory and health requirements.

These values and objectives, beyond personalised training programmes, underpin the use of teaching methods enabling all employees, whether in care jobs or not, to contribute to healthcare delivery.

This training approach was awarded the innovation in training prize by the *Quotidien du Médecin* and *Décisions Santé* magazines in January 2008 at the Senate.

The key training projects in 2009 were:

- Introducing an information module on "well-treatment", including role play and a video, to supplement the Group's in-house training on the prevention of abuse, which has been available for many years now;

- Further recruitment of employees on combined work and training contracts and the creation of a catering diploma with a special "Healthcare" option, in partnership with the Grégoire Férrandi school;
- Continuation of the *Cadrélan* management programme with:
  - further intakes on the masters programmes in strategic management (partnership with ESSEC) and operations management (partnership with Paris V University);
  - a choice of short training courses in management and communications for team leaders (264 people trained in 2009);
- Introduction of support for employees seeking recognition of prior learning (RPL) in partnership with training organisations;
- Creation of an in-house certificate for training nurses in the specific needs of psychiatric care;
- Continuation of the forum theatre learning method which consists of interactive educational role-play on therapeutic neutrality.

Lastly, apart from providing the skills and expertise needed by employees, **training is also an important means of improving working conditions.** The Orpea Group therefore also provides training for the personal fulfilment of its employees, mainly through the Individual Right to Training (DIF) mechanism. The available courses are presented in a specific catalogue called "ThémaDIF", which focuses on well-being and health in the workplace and has been updated annually since 2006. The popularity of these courses illustrates the Orpea Group's success in meeting the needs and aspirations of its employees both in terms of professional training and personal fulfilment at work.

▸ DOMEA institute

DOMEA, the training institute for care assistants created by the Group and approved by the local authorities, provides basic training for employees each year. The institute also supports and prepares employees seeking recognition of prior learning (RPL) in order to obtain their care assistant certificate.

Since the first intake in 2005, the institute has enjoyed a 100% success rate. DOMEA is also authorised to accept young people on apprenticeships, with a new intake each year from February to June.

DOMEA trains employees, students and interns through practical, interactive learning, as well as providing individual support in direct association with employers, mentors and apprenticeship masters.

This institute illustrates the Orpea Group's commitment to high quality staff training, combining technical expertise with respect for the dignity of the sick and elderly.

Since September 2009, the institute has accepted an increasing number of students on part-time training to meet the strong demand from nursing homes, and now has a trainer dedicated to these students.

4. Social dialogue

▶ Framework: employee representative institutions

Social dialogue operates within the Group mainly through the following employee representative bodies:

- **Staff Delegates** in the Group's facilities, who meet monthly with the management representative to review questions raised by employees about the facility's operations. Answers are provided by management in the Staff Delegates book, after validation by Group Human Resources to ensure that the information provided is coherent and harmonised across the entire Group. The Staff Delegates are elected by employees for a term of four years. The last elections took place in the first quarter of 2007.

- **Works Council/Regional Works Councils.** Eight Regional Works Councils have now replaced the former single Works Council. Meetings take place monthly and extraordinary meetings can be arranged to handle specific issues if needed. Members are elected for a term of four years. The last elections took place in the first quarter of 2007 concurrently with the Staff Delegate elections.
  Issues addressed involve economic, social and financial matters. The minutes of each meeting are posted on special notice boards in all facilities.

- **Health and Safety Committee or Regional Committees.** Along the same lines as the Regional Works Councils, eight Regional Health and Safety Committees have replaced the former national Committee. They meet at least once a quarter to address all issues relating to working conditions, health and safety in the Group's facilities.
  Minutes of each meeting are also posted on the special notice boards.

- **Two Central Works Councils.** Members of the Central Works Councils are elected for a term running concurrently with that of the Regional Works Council members and Staff Delegates. They meet at least once every six months to address issues involving the general running of the company.
  Minutes of meetings are posted on the special notice boards.

The Central Works Councils have an operating budget and a staff welfare budget.

The Regional Health and Safety Committees have a specific budget provided entirely by the employer, used among other things to provide Committee members with additional training to make them as effective as possible in their responsibilities.

The Group also has trade union representatives who meet during negotiations on pay, working hours, incentive plans, employee savings, disability employment, etc.

▶ Company agreements

- *Incentive and profit-sharing agreements*

The Group's incentive and profit-sharing agreements have been in place for several years now. The entitlement is proportional to working hours (not based on salary received) to ensure a fairer split between employees.

The profit-sharing agreements were set up on 13/12/2000 and 20/11/2001. The incentive agreements were renewed for three years on 26 May 2008.

In renewing these agreements, the Group has confirmed its commitment to promoting staff involvement with residents and patients through the payment of a performance-related incentive bonus.

- *Agreements on disability employment in the Group*

Disability employment is a key component of the Orpea Group's human resources policy. Following the signature of company agreements on disability employment in 2008, a special unit within the Human Resources department was created to monitor achievement of the targets set.

Against this background and thanks to the involvement of everyone involved both internally and externally, the targets for recruiting disabled workers in 2009 were met overall by Clinea and exceeded more than twofold by Orpea. ***The rate of disability employment in 2009 was 5.31% for Clinea and 7.70% for Orpea.***

Many recruitment and integration measures were taken to achieve these results, highlighting the real commitment made by the Orpea Group in this field.

- *Agreements on the employment of older workers*

Agreements on the employment of older workers were also signed in September 2009.

To help older workers stay in employment and return to the job market, Orpea has committed to developing skills and qualifications through:

- access to training;
- career planning;
- transferring expertise and skills by developing mentoring;
- organising the end of career and the transition between employment and retirement.

- *Company agreements on the prevention of stress in the workplace and other psychosocial risks*

The prevention of risks in the workplace and the protection of employees' physical and mental health are key components of the Group's social policy.

As part of its commitment to sustainable development in working conditions, the Orpea Group has decided to strengthen its action in the prevention of stress and other psychosocial risks.

Agreements on the prevention of stress at work were signed in February 2010, for which the Orpea Group was ranked "green" under the Ministry of Employment's traffic light model.

5. Employee share ownership

Stock options or free shares have been granted to members of staff, with the aim of incentivising and retaining the best managers and ensuring that they share the same interests as the shareholders. The Board of Directors believes that in sharing the same interests, they will also share the same confidence in and contribute more actively to the Group's development.

There were no new plans in 2009.

At the time of the issue of bonds with redeemable share warrants (OBSAAR) on 14 August 2009, Group managers purchased 150,000 share warrants which were detachable from the bonds.

Group employees own about 0.2% of the company's share capital.

Stock options granted to employees and corporate officers

Two plans were exercisable in 2009.

1) Plan established during 2001

These options were exercisable from 20 May 2007 to 15 December 2009. The exercise price was set at €2.25 per share (after the stock split).

During 2009, 24,400 options were exercised giving rise to the issuance of 24,400 new shares.

The plan is now closed.

2) Plan established in 2003

The plan comprised 27,200 options, exercisable from 30 September 2007 to 30 September 2011. The exercise price was set at €5.89 per share (after the stock split).

No options were exercised during 2009. 23,060 options remained unexercised at 31 December 2009.

Summary of options exercised under the two plans in existence during 2009:

PLAN	EXERCISE PRICE	EXPIRY DATE	NUMBER OF OPTIONS AUTHORISED	NUMBER OF OPTIONS GRANTED	NUMBER OF OPTIONS CANCELLED	NUMBER OF OPTIONS EXERCISABLE	NUMBER OF OPTIONS EXERCISED	NUMBER OF OPTIONS OUTSTANDING
24.12 2001 PLAN	2.255	16/12/2009	320,000	104,244	0	0	104,244	0
30.09 2003 PLAN	5.895	01/10/2011	27,200	23,060	0	23,060	0	23,060

Number and exercise price of options exercised during the year

2-1- By the corporate officers

NONE

2-2- By the ten employees who exercised the most options

Name of holder	Plan no.	Number of options exercised	Price per share in € (after the stock split)
V. Rodriguez	2	6,400	2.25
B. Foussat	2	4,400	2.25
L. Carzon	2	3,500	2.25
P. Imbs	2	3,060	2.25
L. Frère	2	2,400	2.25
D. Rodriguez	2	2,400	2.25
C. Coffre	2	2,240	2.25

Free shares awarded to employees and corporate officers

Using the authorisation granted at the annual general meeting of 29 June 2006, the Board of Directors agreed on 29 June 2006 to grant 70,000 shares (after the stock split) which were subject to a **vesting period** of **two years and six months** as of the date of award.

Beneficiaries were required to remain with the Company or a related company on a permanent contract during the vesting period.

68,430 shares were allotted on the vesting date of 29 December 2009 and are subject to a lock-up period of **two years** from the vesting date. They have been issued in registered form and are held on an account specifying the lock-up requirement.

Risk management in the Orpea Group

The main risks likely to affect the Orpea Group's financial position and financial performance are described below. They are mainly related to its business sector and the implementation of its strategy.

However, the risks identified below are not exhaustive and Orpea gives no assurance that other risks, as yet unidentified or not considered to be material, will not arise in the future and have an adverse impact on the Group's operations, development, results and/or financial position.

RISKS RELATED TO THE GROUP'S BUSINESS SECTOR

1. Regulatory risks related to operating licences

▶ For long-term care facilities

In France, most of the Group's facilities are long-term care facilities for the elderly, also commonly known as nursing homes (EHPAD in France). This business is regulated by the law of 2 January 2002 on medical and social care institutions.
Long-term care facilities must have an operating licence, which is valid for 15 years, issued jointly by the local authority (*Conseil Général*) and the Regional Health Agencies (*Agences Régionales de Santé* or ARS).
The current legislation governing operating licences is set out in the law of 2 January 2002 (supplementing law no. 2001-647 of 20 July 2001 on care for the dependent elderly and the personal autonomy allowance, now set out in the French Social Action and Families Code).
A licence is required for all new facilities, extensions to existing homes (increase in authorised capacity) and conversions (change in resident category).

Obtaining an operating licence:

The process of obtaining a licence to operate a long-term care facility is due to change in the next few months. The CROSS and CROSMS organisations (which previously approved or rejected applications to open new facilities and gave an opinion on issuing licences) will disappear and a new competitive bidding procedure will be introduced.
The health authorities will not only identify the need for new facilities, but also define the territory, town or even neighbourhood where the facility is to be built, and the accommodation and care it must provide. Interested operators will therefore have to submit a bid in response to the specifications drawn up by the health authorities.

The enforcement legislation has not yet been published and it is difficult to predict the exact terms and conditions of the new procedure and to measure its impacts.
However, it seems that the procedure should simplify the preparatory work (especially in terms of needs analysis) which the Orpea Group currently has to do when applying for a licence.
In addition, during the experimental phase of running the Regional Health Agencies in 2009, five issues were addressed as "pilot projects", including the bidding procedure. Orpea has already

taken part in bids covering certain *départements* (Vaucluse, Somme, Pyrénées Atlantique) which had tested the new procedure. No particular difficulties were encountered given the experience of the Group's teams. The Orpea Group is therefore prepared for these new developments and able to respond effectively to local requests for proposals.

Until the procedure is fully operational, the Regional Health Agencies could still refuse an application for a long-term care facility licence due to budget constraints and lack of care funding. The Group could also run the risk of starting a new construction or extension with no formal assurance that it will obtain the care funding. However, this risk has been mitigated since December 2005 (article 5 of ordinance no. 2005-1477 of 1 December 2005), as the health authorities can now issue an operating licence with deferred funding. In this case, the Group can begin work with assurance that funding will be forthcoming.

Maintaining and renewing licences:

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

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

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

The Group protects against the risk of non-renewal following such assessments through its quality procedures, which are applicable at all stages of resident care, and the care provision traceability implemented by the Medical Department, combined with audits performed by the Quality and Works Departments.
In addition, the Orpea Group has embarked on a voluntary external assessment process for its long-term care homes, based on SGS Qualicert standards. The process began in 2009 with 19 facilities, all of which were certified on the basis of 21 criteria, reflecting their compliance with a set of tangible commitments to quality of service and consistency of care provided.
The process continues in 2010 with the assessment of 50 more 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. Quantified objectives for care activities based on local population needs are identified in regional medical care plans (*Schémas*

Régionaux d'Organisation Sanitaire or SROS). The third generation plans were published in March 2006.

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

A licence will lapse if:

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

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

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

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

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

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

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

There is a risk that the facility may no longer meet healthcare needs upon renewal of a licence or upon a sale and purchase, due to incompatibility with the guidelines set out in the SROS 3. 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 3 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. Otherwise, the Regional Health Agency's executive committee will serve an injunction on the licence holder, who will then be required to present an application for renewal through the usual channels (submission within a specific time window, opinion of the CROS, decision of the executive committee).

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

Two decrees of 17 April 2008 and a circular of 3 October 2008 have reformed the regulations on post-acute and rehabilitation care and physical therapy, repealing the regulations on rest homes, convalescence homes, health centres and rehabilitation homes which dated back to 1956.
The distinction between post-acute and rehabilitation care and physical therapy has also disappeared, with physical therapy now classified under a generic licence for post-acute and rehabilitation care. However, this has had no impact on the specific types of care provided as the new licences will specify, in addition to general care:

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

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

The reform began with a review of the post-acute and rehabilitation care sections of the various SROS plans, which was to be completed within 18 months, i.e. by October 2009.

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

The usual licence application procedure will then take place and operators will have two years from receiving their licence to bring their care facilities into line with the new provisions of the SROS plan.
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.

With this in mind, the Orpea Group has been preparing for the reform by analysing the positioning each of its facilities. This reform is actually an opportunity for the Orpea Group:

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

The Group has set up the internal organisation required to submit applications for licence confirmation and intends to capitalise on the reform to have Clinea's facilities recognised as specialists in various care fields, thereby enhancing their professional reputation and expertise.
Applications for licences in the Aquitaine, PACA and Paris regions are currently being drawn up.

Forthcoming reform of legislation on psychiatric care services

The authorities are planning to introduce reform to improve access to psychiatric care, which should result in a revision of the psychiatric care section of the SROS plans by the end of 2010. This could provide opportunities to create new facilities and/or devote existing facilities to this specialisation.

2. Regulatory risks related to pricing

► For long-term care facilities

The law of 2 January 2002 requires all long-term care facilities to sign an agreement with the local authority (*Conseil Général*) and the Regional Health Agency to obtain the status of "*Etablissement pour Personnes Agées Dépendantes*" (EHPAD) and to continue accepting elderly people requiring long-term care.
These "tripartite agreements" set out how the care facility operates and the medium-term objectives in terms of improvements, particularly in the quality of care provided. They have enabled long-term care facilities to become more professional and provide an increasing level of medical care.
They are valid for five years and must be renewed by negotiation with the health authorities. The Orpea Group has already renewed some of its first generation tripartite agreements. However, as part of the renewal process, additional quality, economic and/or financial requirements could be imposed on the Group, which could have an adverse impact on its results and financial position. In addition, should the Group be unable to renew the tripartite agreement for one of its facilities, its licence for that facility could be withdrawn.

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

- Accommodation fee

- Dependency allowance
- Medical care allowance

Only the accommodation fee is paid by the resident (or the local authority if the facility has beds available for "social security support" cases). Accommodation fees are set freely when a resident first arrives and then increase annually on 1 January each year by the percentage set by the Ministry of the Economy and Finance (or the local authority for residents on social security support). During the accommodation contract, therefore, the Orpea Group, like other nursing home operators, does not have control over its pricing. For 2010, prices cannot go up by more than 1% compared with the previous year.
The medical care and dependency allowances are closely related to the health authorities' pricing policy.
The dependency allowance is funded by the Personal Autonomy Allowance (APA) paid by the local authority, which covers a part of the cost depending on the level of dependency and the resident's resources.
The medical care allowance is funded by Social Security. The amount paid has increased following the application of the pathology assessment grid ("Pathos" grid) for calculating the medical care budget. This measure enables the home to take better account of residents' needs in terms of medical care and the increasing number of residents with multiple pathologies (not taken into account previously). The medical care budgets allocated to facilities have therefore been reassessed and the facilities have often been able to strengthen their paramedical teams.

A decree reforming the pricing of medical care and dependency allowances is due to be published before the end of the first half of 2010. The 2009 Finance Act redefined the respective responsibilities of the State, the local authority and the national health service in funding long-term care services, which is expected to lead to changes in the allocation of expenses between the medical care and dependency fees. However, the scope of the fees should remain unchanged in principle.

In addition, by 2011, there are plans to include the cost of drugs and medicines in the medical care allowance, which is not the case at present (see article 64 of the 2009 Finance Act). The Orpea Group is not concerned about this regulatory change as it has experience in managing internal dispensaries in its post-acute and rehabilitation care facilities. In addition, to prepare better for the change, the Group will pilot test the inclusion of drugs and medicines in some facilities currently being opened.

Lastly, the tripartite agreements require long-term care homes to implement a specific budget process. Budgets are negotiated with the health authorities on the basis of a set of objectives which the facility undertakes to meet.
Each year, budget proposals are drawn up by all homes for the following year and must be sent to the Regional Health Agency and the local authority by 31 October. Otherwise, the previous year's budget may be renewed without change.

Within the Orpea Group, these budgets are drawn up jointly by the Finance Department, the facility's management team and the Regional Division.
The Orpea Group complies with the deadlines and provides budgets for all its homes in timely fashion. It continuously upgrades its tools and systems to cope with the additional requirements

caused by expansion and to improve the budget process to guarantee continued timely submission of all budgets.

However, the budget submissions at end October do not presuppose that applications for revaluations will be taken into account as:

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

To monitor compliance with the budgets, facilities must draw up an annual account justifying the use of the budgets allocated in the previous year and a statement of expenses actually incurred in accordance with the objectives set in the tripartite agreement. These accounts must be sent to the health authorities before 30 April each year.

Orpea has the expertise required to meet these requirements through its dedicated Pricing Department, which assists the Group's homes in carrying out their budget procedure.

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

► For short-term care facilities

(post-acute and rehabilitation and psychiatric care homes)

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

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

For the Orpea Group's short-term care facilities, like other operators, rate changes are therefore partly contingent upon public policy. For 2009, the average national increase in rates for short-term care facilities was set at 1.5% and an increase of 0.5% has been announced for 2010.

In the future, there is a risk that public funding for this type of care could be reduced for cost cutting reasons. A general decrease in rates could have a negative impact on the Group, its results and financial position.

Furthermore, all short-term care facilities must enter into an objectives and resources contract (CPOM) for a period covering at least five years, setting out the facility's strategic guidelines, the authorised volume of business and the related pricing.

When negotiating its contracts with the health authorities, new obligations could be imposed on an Orpea Group facility (in terms of staffing, equipment, fittings, etc.) with no additional funding (such as a revaluation of the per diem rate), which could then have an adverse impact on the facility's financial position and results.

Lastly, in the next few years (in 2011 at the earliest), short-term care facilities will be subject to a new pricing system based on diagnosis-related groups (known as T2A in France). In the longer-term, this will provide greater transparency between the private and public sector by imposing an identical pricing method on everyone (this method is already applied in medical, surgical and obstetrics facilities).

This reform could have negative repercussions on the Group, if its business is not correctly valued from a pricing viewpoint.

To counter this potential risk, the Group has embarked on a policy of strengthening the level of medical care provided and specialising its activities. The Group's facilities provide a wide range of care services, both in full-time hospitalisation and outpatient care:

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

3. Risks related to a change of public policy in France

► Risk related to the future management of care provision by the Regional Health Agencies (ARS)

The government has created a new body to oversee the health system on a regional level - the Regional Health Agencies (ARS) - with the aim of controlling health costs, allocating care more equally across the country and developing a public prevention and health policy. This was the key innovation of the law on "Hospitals, patients, health and regions", which came into effect on 21 July 2009.
The new Regional Health Agencies combine the various organisations responsible for regional policies health into a single entity (previously split between the government departments via the DRASS and DDASS, the national health system and the Regional Hospitalisation Agencies). They are due to come on stream no later than 1 July 2010.
In each region, the Agency will be responsible for implementing a coordinated set of programmes and actions designed to achieve the objectives of the national health policy in terms of social and medical care on a regional and infraregional level.

In time, this new health authority, which covers both the short-term and long-term care sectors as well as general practitioners, should help simplify dialogue and the process of managing care facilities and boost the Group's development by reducing the number of parties involved, as the Regional Health Agencies will be responsible for implementing the country's overall health policy, including care for the elderly.

In addition, they will be required to implement a health prevention and education programme for the most critical pathologies in the their region. This programme should create future opportunities for the Orpea Group to create or extend facilities, as it will inevitably have repercussions on:

- post-acute and rehabilitation care facilities which will have to be developed to meet new needs;

- the long-term care sector, where needs will increase automatically as a result of changes in therapeutic behaviour.

Furthermore, to enable the hospitals to concentrate on acute care needs, under-occupied short-term stay beds could be redeployed as long-term care beds, and medical/surgical/obstetrics beds converted into post-acute care beds.
More in-depth planning will be required in both short-term and long-term care, to ensure that the beds are reconverted to meet needs and that the organisation and funding is provided by a single entity - the Regional Health Authority.

► Risks related to changes in public policy for care of the elderly

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

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

In addition, the government's stated objectives in terms of care for the dependent elderly seem to offer positive prospects, both through the Solidarity with the Aged Plan and the Alzheimer's Plan (creation of 7,500 beds a year). Various measures have already been budgeted in the Social Security Financing bill.
Furthermore, under the economic stimulus plan, financing has also been made available to the *Caisse Nationale de Solidarité pour l'Autonomie* (CNSA) to help launch the construction of new long-term care facilities which would immediately create jobs in the construction sector and, in the medium-term, sustainable jobs in the long-term care sectors. The number of new beds authorised in 2009 was increased to 12,500 according to government announcements. The Orpea Group took advantage of this stimulus plan, which provided the opportunity to relaunch nursing home projects awaiting funding and to position projects in the very short term within the framework of potential future licences.

► Changes in the method of allocating social benefits in France

A change in the method of allocating social benefits to the elderly, such as the Personal Autonomy Allowance, could lead to an increase in the portion of accommodation fees payable by residents and patients. This could have an adverse impact on the Group's operations and on their commercial appeal.

However, the annual income received by elderly people is tending to rise. People over the age of 85 will enjoy a 20% increase in their annual income from 2005 to 2015 and a 42% increase from 2005 and 2020.
Furthermore, a tax benefit was granted in 2007 to people living in long-term care facilities (accommodation fees eligible for income tax relief and cap on expenses raised to €10,000).

4. Social risks

Difficulties in recruiting qualified care staff (and in particular state-registered nurses and qualified care assistants) can affect planning and management and therefore the organisation and smooth running of the Group's facilities. Persistent difficulties could have an adverse impact on the quality of care provision.
In addition, a prolonged shortage of qualified care staff, if left unmanaged, could jeopardise the number of beds authorised or even the operating licence itself. All facilities must be able to provide residents and patients with continuity of care and medical treatment by an adequately staffed, qualified care team.
A lack of qualified staff could also put a brake on the Group's development.

To mitigate this risk, the Orpea Group has implemented an appropriate human resources management policy.
The training and career management policy (*as described in the previous section of this report*) is an effective means of attracting and retaining motivated employees who share the Group's values and ambitions.
Added to which, the Group's compensation policy offers many benefits (company agreements negotiated with the social partners in addition to individual compensation, incentive plans, death and disability insurance, social welfare budget for the works council, etc.).
Furthermore, DOMEA, the dedicated training institute for care assistants, provides the group with a pool of future qualified professionals dedicated to care of the elderly.

5. Climate risks

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

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

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

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

6. Risk of pandemic

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

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

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

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

RISKS SPECIFIC TO THE ORPEA GROUP OR RELATED TO ITS STRATEGY

7. Commercial and image risk related to potential liability actions

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

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

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

► Risk of maltreatment

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

With this in mind, the Group has drawn up a preventive and remedial protocol for maltreatment, which is not only designed to help prevent abuse (method of recruitment, staff integration, support and training), but also allows any person suspected of maltreatment or abuse to be suspended for as long as it takes to carry out an internal investigation.

A entire set of best practices has been drawn up to prevent and manage this risk. Procedures are available to control and secure each stage of resident or patient care. A special focus is placed on the traceability of medical care provided in order to guarantee the quality of care and provide a personalised care programme.
Consistent quality standards geared to all facilities have been drawn up under the responsibility of the Group Quality Department assisted by the Medical Department.

In addition, throughout the year, employees receive training on how to detect and prevent abuse. The training includes exchanging experiences, role playing and individual and collective action plans. Mini-refresher courses are also provided regularly in each facility.

The Orpea Group therefore endeavours to raise staff awareness of the values and best practices that are essential to ensure respect for the dignity and individuality of its residents and patients. These values are set out in the Orpea Quality Charter and in each facility's "Staff Commitments".

► Risk related to safety of premises

Like all premises open to the public, the Group's facilities are subject to strict regulations in terms of safety and the Group could be held liable in the event of infringement. In addition, a major change in these regulations could lead to substantial investment in conformity work and therefore have a negative impact on the Group's financial position and results.

To prevent this risk, the Orpea Group pays close attention to compliance with safety standards in its facilities. Regular internal audits are carried out by the Works Department and/or Quality Department.
In addition, the Group has adopted an investment policy to ensure regular maintenance and repair of all its facilities.

Its key priority is to make all facilities high-quality, secure and comfortable places. 80% of Orpea's facilities were built after 1988 and therefore form a consistent, homogeneous portfolio of assets that meet the most stringent regulatory standards and provide a level of comfort rivalled by few in the sector.

In terms of fire safety, the Group's facilities all strictly apply the standards currently in force. In addition, a prevention policy has been put in place consisting of providing training for all Group employees (three modules a year) and the performance of regular audits (by the municipal safety committee) and maintenance operations (fire safety system, extinguishers, fire doors, etc.).

► Risk of infection

The Group could be held liable in the event of infections in its facilities. All facilities have a efficient committee for the prevention of nosocomial infections, which is responsible for supervision and prevention plans (protocol, training, audit) ..) designed to control the risk of infection.

8. Risk related to legal actions for medical errors or negligence

Residents or patients could make claims or complaints about the quality of accommodation and the medical and paramedical care provided by an Orpea facility or take action for professional errors or negligence.
The facility could be held liable for professional errors or negligence committed by one of its employees, even though its doctors are also personally liable in this respect.
Apart from the image risk for the facility and the resulting reputational risk for the Group as a whole, Orpea could also be forced to pay compensation to the plaintiffs.

However, its facilities do not provide surgical care and as the medical activity is marginal, the risk of medical negligence is limited.

As regards negligence or failings in care provision, this risk is managed in the same way as the risk of abuse; care protocols and traceability of treatment provided are the main measures taken to prevent shortcomings and to control the effectiveness of care provision.

The Orpea Group has also taken out professional indemnity insurance under the legislation governing the medical liability of medical and long-term care facilities.
More specifically, the insurance contracts for Orpea's nursing homes cover the liability of medical and paramedical staff, whether employees or freelance, for errors, omissions or negligence in diagnoses, prescriptions or therapeutic applications, and during examinations, treatment and care provided on behalf of Orpea.
As regards post-acute and rehabilitation care facilities, as required under articles L.1142-2 of the French Public Health Code and L.251-1 of the French Insurance Code, the Group has insurance policies covering financial loss resulting from their liability for harm or injury suffered by patients and their dependents during prevention, diagnosis or care services.

9. Risk related to the Group's acquisition policy

► Competitive risk

The Orpea Group must continue to expand its care offering and develop innovative concepts if it wishes to maintain its position as a leading player in dependency care in the future.

The risk of new operators entering the market or of a substantial increase in competing care facilities is limited. Opening new medical and long-term care facilities is regulated and subject to obtaining an operating licence.

In addition, due to the ageing population, the supply of nursing home beds is well below the needs identified in France, despite the creation of several thousand beds since 2004 as a result of successive government policies *(the Solidarity with the Aged Plan has scheduled the creation of 7,500 additional nursing home beds each year until 2012).* However, whilst the national planning body (*Commissariat au Plan*) had already estimated the need at 50,000 to 60,000 additional beds, sector specialists recommend the creation of more than 100,000 new beds.

By contrast, in terms of acquisitions, the competition has been increasing due to the wave of consolidation in the dependency care sector in the past few years and particularly in 2009 (merger of Domus Vi and Dolcéa-GDP Vendôme). The emergence of national groups in the long-term care and post-acute and rehabilitation care sectors could cause a risk of overheating in the prices paid for independent facilities.
This risk could potentially put a brake on the Group's expansion policy given the difficulty in identifying facilities that meet its selective acquisition policy and its business and financial criteria.

However, there is still a substantial reservoir of potential targets as, apart from a few big groups (Medica, Korian, Dolcéa, Générale de Santé), the sector remains fragmented: with over 63,000 beds at end 2009, the 15 largest private French groups only accounted for 15% of the total number of nursing home beds in France *(Mensuel des Maisons de Retraite – January 2010).*
There is still a fairly large number of independent facilities, mainly family run, which no longer have the means to comply with regulatory standards or wish to hand over the reins, often because the founder has reached retirement age.
In addition, the current economic crisis has reduced the pool of potential investors, which could cause acquisition prices to stagnate or even fall.

To implement its expansion strategy, the Orpea Group has the expertise required to review all opportunities to create new and extend existing facilities, as well as acquire independent facilities.

► Risks related to the integration of facilities recently acquired by the Group

Orpea's network of facilities has expanded rapidly over the past few years through organic growth and acquisitions. The number of facilities has doubled in the last three years and more generally, the network has grown by an average of 2,700 beds a year since 2002.
The Group therefore has solid experience in acquiring facilities and proven expertise in bringing them up to its own quality standards.
There is a formal acquisition and integration procedure which has been circulated to all regional and divisional directors, setting out:

- actions to be implemented on a regulatory, legal and social level;
- reverse planning for deploying Orpea processes and internal audits to be carried out on administration, accommodation, care, catering and construction works.

However, like all procedures, it has its limitations and cannot guarantee the systematic success of all integrations which the Group might make in the future. Orpea could encounter difficulties in integrating some facilities, whose long-term profitability may not be as good as expected.

► Risk related to obtaining new financing

Orpea can provide no assurance that it will be able to obtain the financing it needs for its expansion, and particularly that market conditions will be conducive to raising funds.

However, Orpea's banking pool is confident in the Group due to the excellent visibility over future cash flows, which are not particularly affected by the current economic crisis.

10. Property risk

▶ Risk related to operating properties

As is the case for all facilities open to the public, the Group's French facilities are subject to the standards applicable as regards fire safety and disabled access.

The risk related to safety in the Group's facilities is dealt with in point 4 of the section on risks related to obtaining operating licences.

The Group complies with these standards and is subject to the usual periodical visits from the Fire Safety Commission (external inspection agency). The Group's Works Department is responsible for regular maintenance and monitors recommendations made by the Fire Safety Commission.

▶ Construction risk

As indicated in section VI 6. – Presentation of the Orpea Group, the Group builds a large number of its own facilities.

It is therefore vulnerable to all risks involved in construction, including:

- third party objections to planning permission, which may lead to delays in starting building work;
- delays in completing a project, due mainly to failure on the part of sub-contractors or bad weather conditions;
- temporary unfavourable opinion from the Safety and Disabled Access Committees, which may delay putting the facility into operation;
- emergence of defects.

To limit these risks, the Group has an in-house Property Development Department, which is responsible, in conjunction with external architects, for drawing up applications for planning permission in close cooperation with:

- operational staff (Regional Directors, Medical Department and Pricing Department) to draw up a functional project that will ensure smooth running of the facility and proper organisation of care provision;
- the administrative departments of the local authorities responsible for granting planning permission, which facilitates preparation of the application and obtaining permission.

As regards control over constructions operations, the Property Development Department regularly monitors works, costs and deadlines. In this respect, contingency provisions are applied through Special Administrative Terms and Conditions, which set the administrative terms and conditions specific to each contract (for example, late penalties).

In addition, all works are insured under comprehensive construction work policies.

▶ Risks related to property ownership

The main risk related to property ownership is the risk of vacancy and non-utilisation of the asset and therefore a lack of associated revenue and cash flows.
This risk is very limited for the Group as:

- Properties are operated or intended to be operated by the Group itself in carefully selected geographical areas, and are therefore not exposed to the risk of voluntary departure of a tenant;
- The risk of vacancy is virtually nil in a sector where strong structural demand outstrips current supply.

11. Environmental risk and environmental impacts of the Group's business

► Eco-construction and eco-management of new facilities to control environmental impacts:

For many years now, the Orpea Group has pursued a policy of continuous progress in the quality and safety of care provided to residents and patients. **In parallel, as the property developer for its facilities, Orpea has also endeavoured to develop a quality approach to the construction process.** In this respect, its new construction projects use renewable energies and meet the main HQE quality standards to limit their impacts on the environment, whilst providing healthy, comfortable living conditions.

The Property Development Department has reviewed the fourteen targets set in the HQE quality approach, defined a level to be met for each one and drilled them down into actions geared to the needs of each new project.
Consequently, the technical and design choices for new facilities are taken within a policy of **sustainable construction.**

To ensure that the building blends in well with its immediate environment, other issues are also reviewed, including:

- Use of opportunities offered by the environment: to design a project that blends in with the local surroundings (number of storeys, green roofs, treed areas, etc.);
- Solar orientation: north-south exposure is better for use of solar panels;
- Disabled access: this criteria is crucial as the Group's facilities care for dependent people.

In addition, Orpea endeavours to use natural materials, where possible found close to the site (e.g. cellulose or hemp wool insulation).

Lastly, Orpea also focuses on reducing energy consumption and wherever possible uses renewable energies (depending on the facility, wood-fired heating, solar thermal systems for hot water production, solar photovoltaic systems for electricity production, thermal insulation, rainwater recovery systems for watering gardens, etc.).

► Clinical waste management

Unlike the medical, surgical and obstetrics sector, dependency care involves little environmental risk in terms of managing clinical waste. The Group complies with all currently applicable regulations for disposing of potentially infectious waste.

All facilities are equipped with special receptacles for collecting sharp objects and "Cliniboxes" for other waste. Waste is removed by an authorised company under a service agreement. As required by law, each facility keeps waste destruction records for three years for traceability purposes.

These agreements and traceability records are made available to the various inspection organisations, mainly the French Health and Social Affairs Department (*Direction Départementale des Affaires Sanitaires and Sociales*).

Should the regulations become more stringent, the Orpea Group would probably incur expenses in complying with the new standards.

▸ Water quality

The microbiological quality of water is an important issue in controlling the risk of nosocomial infection. However, there is a risk of legionnella contamination in water systems and the facilities are responsible for checking and guaranteeing the quality of their water.

Orpea's facilities complies with the recommendations on the prevention of legionnella risk set out in DGS/SD7A/SD5C-DHOS-E4 no. 243 of 22 April 2002 for post-acute and rehabilitation care facilities and DGS/SD7A/DHOS-E4/DGAS/SD2/2005/493 of 28 October 2005 for long-term care facilities.

Orpea has implemented a policy to prevent and control legionnella risk, based primarily on best practices in water system maintenance (in particular hot water systems) and installations at risk.

The Works Department ensures that the hot water installations of all facilities are compliant and present no risk. It also checks that water systems are maintained regularly and properly by the maintenance officer in each facility.

In addition, a technical protocol of preventive measures against legionnella risk has been put in place in all the Group's facilities by the Quality Department and the Works Department.
Under the protocol, all Group facilities record water temperatures daily and take bacteriological samples every six months. In addition, taps, flexible hoses and shower heads are cleaned, descaled and disinfected every six months.
A protocol of actions to be taken in case of unsatisfactory results has also been drawn up, setting out the various stages of remedial treatment to be taken by the facility to ensure resident, patient and staff safety.

As required by the recommendations and regulations currently applicable, all Orpea's facilities keep records containing a plan of the water system in the building (pipework layout, materials used in pipework, list of usages), as well as temperature records, results of bacteriological tests and records of maintenance and cleaning operations.

12. Information systems risk

The Orpea Group uses information tools and systems to manage resident, patient and staff files. Failure of a software supplier used by the Group or the malfunction of one of its tools could temporarily disrupt the smooth running of the business.

The Orpea Group has therefore opted to develop a substantial part of its applications in-house, which also provides it with a system and applications geared specifically its needs in terms of size, business and strategy. In addition, the Group has implemented the resources required to secure its network and information systems and to avoid the risk of data loss, including daily data backup and centralisation of applications on a single platform.

Lastly, the Orpea Group sets aside an annual budget for developing its information systems.

FINANCIAL RISK MANAGEMENT

13. Customer risk

Orpea is not exposed to any major customer risk as its pricing is regulated.

In nursing homes, about three quarters of revenue is paid in advance by residents and/or their families. The risk is therefore spread across all residents in Orpea's facilities and no individual resident is a significant customer for the Group. In addition, the dependency allowance is broadly covered by the Personal Autonomy Allowance paid by the local authorities.
To protect against the risk of non-payment, the Group's nursing homes require all new residents to provide a security deposit plus a guarantee from a third party if necessary.
In addition, a head office department in charge of resident arrears controls trade receivables on an ongoing basis.

For post-acute and psychiatric care facilities, the per diem rates are paid directly by Social Security.

14. Credit, liquidity and treasury risk

► Exchange rate risk

Orpea is not exposed to exchange rate risk as virtually all its operations are in the euro zone. The only exception is the Clinique La Métairie in Switzerland near Geneva. However, with revenue of €8.3 million, this facility only represents just over 1% of the Group's total business.

Consequently, exchange rate risk cannot have an adverse impact on the Group's operations, results and financial position.

► Interest rate risk associated with the Orpea Group's debt

The Group's debt mainly comprises domestic debt at floating rates and is therefore exposed to the risk of an increase in short-term rates in the euro zone.

The Group's strategy since 2008 has been to hedge its interest rate risk on three quarters of its consolidated net debt. To do this, it uses a portfolio of financial instruments comprising interest rate swaps under which it receives mainly 3-month Euribor and pays a fixed rate specific to each contract, and interest rate options such as caps and collars. These financial instruments are qualified as cash flow hedges in accordance with IAS 39. Unrealised gains and losses arising from the remeasurement of these derivatives at fair value are recognised in equity at the year end.

Interest rate derivatives portfolio:

At 31 December 2008, the notional amount of the derivatives portfolio was €873 million. comprising fixed for floating (mainly 3-month Euribor) interest rate swaps with a constant or decreasing nominal profile.
At 31 December 2009, the notional amount of the derivatives portfolio was €1,072 million comprising fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options with a constant or decreasing nominal portfolio.

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 2009, net debt amounted to €1,385 million, of which about 6% was originally contracted at fixed rates, and the remainder at floating rates. Taking account of the hedges:

- The impact of a 1% (100 basis points) rise in interest rates would increase financial expense (before tax and capitalisation of borrowing costs) by €3.6 million;
- The impact of a 0.2% (20 basis points given current interest rate levels) decrease would reduce financial expense by €0.7 million.

15. Legal risk: legal and arbitration proceedings

The Group is not aware of any exceptional event or litigation, including in the recent past, that could have a material adverse effect on its assets and liabilities, financial position, operations or results.

To the best of the Group's knowledge, there are no governmental, legal or arbitration proceedings which may have or have had in the recent past significant effects on the Group's financial position or profitability.

16. Risk related to the departure of key employees

The Orpea Group's reputation is based on the experience and knowledge of its management team in creating, managing and integrating specialised dependency care facilities. Its continued development depends largely on the involvement of its key managers in future years.

To limit the disruption that could be caused by the departure of a key employee, Orpea has endeavoured, since its very creation twenty years ago, to build up and retain high quality, experienced teams. With this in mind, the continuous training policy, and in particular the Cadrélan programme established in 2008 in partnership with ESSEC and Paris V University, helps Orpea to develop the skills of employees who may, in time, be transferred to new positions within the Group.

INSURANCE AND QUALITY POLICY:

17. Main insurance contracts

Under its insurance programme, the Orpea Group has taken out policies with first-class insurance companies to cover property damage and business interruption, as well as consequential losses arising from liability claims against Group companies due to their operations in France.

Orpea's policy is to insure its assets at their replacement value and, for liability insurance, to estimate its own specific risks and the risks that might reasonably be expected to occur in its business sector.

The Group has no surgery or obstetrics activities, which is where the main risk factors lie for insurers and which have a substantial impact on insurance premiums.

All long-term and short-term care facilities have property and liability insurance cover with the following sums insured and limits:

RISKS INSURED
Comprehensive
Fire, explosions, Buildings: reconstruction value Content: replacement value
Storms Buildings: reconstruction value Content: replacement value
Water damage Buildings: reconstruction value Content: replacement value
Theft
Decontamination expenses (actual cost)
Machine breakage

Physical damage
Comprehensive information systems risks
Physical damage
Business interruption **Following fire, explosions, water damage, glass breakage, administrative closure, etc.** Amounts per facility: loss of gross profit based on a maximum annual revenue excluding tax. Benefits paid for a maximum of 24 months
Loss of business value Amounts per facility: total or partial loss of business value, capped.
Operating liability Bodily injury, physical damage and consequential loss Professional liability Bodily injury, physical damage and consequential loss

The Orpea Group has a directors' liability policy, covering any financial loss suffered by the Group arising from the failure of its *de facto* or *de jure* directors to comply with their legal, regulatory or statutory obligations in the course of their duties.
The policy also covers legal defence costs for civil and/or criminal actions,
as well as "crisis management expenses" to cover the cost of employing the services of a crisis management company.

The policy covers claims made against the insured worldwide (excluding negligence claims in subsidiaries located in common law countries).

An additional liability insurance tops up the main policies once they have been exhausted.
A specific organisation manages all risks, which are subject to mandatory regulatory controls by specialised companies to ensure compliance with safety and prevention regulations.

For construction projects, the Group has a property developer's liability policy covering its liability arising from construction work.

18. Continuous progress in quality of service and risk prevention

The Orpea Group pursues its aim of continuous progress in the services it provides through a quality approach combined with regular assessment of its facilities. The quality approach is ongoing whilst the assessments take place on a more ad hoc basis.

The quality approach is one of continuous progress in the quality of services provided by the Group. It is a voluntary, collective approach designed for the long-term and is pursued by all the Group's long-term and short-term care facilities to consolidate on its strengths and reduce its weaknesses.

The Quality Department, supported by the Medical Department, oversees and steers all these procedures. Design, implement, control and react are the daily watchwords of the Quality Department, with the well-being and safety of residents and patients always at the forefront.
Quality procedures at all stage of the care process (accommodation, medical care, hygiene, catering, activity organisation, safety, etc.) have been put in place in the Group's facilities, based on consistent quality standards adapted to all facilities.
Special attention is paid to the traceability of care and treatment to ensure continuity and a high quality of care provision.

The ultimate aim of all these procedures is to give employees a sense of responsibility and meaning in their job, which has a direct relationship with the provision of high-quality care.

This combination of quality approach and assessment is supported by a risk management policy.
The Orpea Group has implemented an organisation structure and procedures designed to identify, quantify, prevent and control as far as possible the risks inherent in its business activities, and to limit the potential negative impacts on its operations and development, financial position and results.

There are two components to the Group's risk management policy:

- ex post approach: analysis of reports of undesirable incidents;
- ex ante approach: methodical analysis of process to anticipate risks.

This policy is described in more detail in the Chairman's report on internal control.

General information about the share capital

1. Share capital

The share capital at 31 December 2009 was €48,558,965 divided into 38,847,172 fully paid shares all of the same class each with a par value of €1.25.

Double voting rights are granted to all fully paid shares registered in the name of the same shareholder for at least two years, in accordance with, and within the limitations set out in, article L. 225-13 of the French Commercial Code (Article 7 of the articles of association).

2. Authorities granted by the shareholders to the Board of Directors

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

Type of authority	Term	Use during the year
9th resolution – **Rights issues** of shares or securities conferring rights in the share capital.	26 months	Yes – issue of bonds with redeemable share warrants (OBSAAR) that could lead to the issuance of 1,190,787 new shares with an aggregate par value of €1,488,483.75 (see details below)
10th resolution– Issues, **without rights**, of shares or securities conferring rights in the share capital. Priority subscription period at the discretion of the Board of Directors Issues that may be made by way of private placements to qualified investors or a restricted circle of investors (offerings referred to in article L. 411-2 II of the French Monetary and Financial Code as amended by ordinance no. 2009-80 of 22 January 2009). *Issue price: at least equal to the minimum set out in the legislation and regulations prevailing on the date of issue.*	26 months	Yes: Issue of 1,920,000 new shares each with a par value €1.25, making a total capital increase of €2,400,000 (see details below)
11th resolution– Issues, **without rights**, of	26 months	No

securities as consideration for contributions in kind made to the company, up to a limit of 10% of the share capital. *Issue price set on the basis of a report by the appointed accountants on the valuation of the contributions and the grant of special benefits and their value.*		
12th resolution – Issues, **without rights**, of various securities in the event of a public share exchange offer initiated by the Company	26 months	No
13th resolution – Issues, **without rights**, of various securities with the issue price set freely. Issue price set by the Board of Directors on the basis of either (i) the weighted average share price on the day before the price fixing with a maximum discount of 15%, or (ii) an average of the quoted share prices selected from among all or some of the thirty trading days preceding the price fixing with a maximum discount of 10%.	26 months	No
14th resolution – Issues, **without rights**, of shares to a financial institution responsible for underwriting equity instruments (capital increase restricted to a category of persons) Issue price of new ordinary shares set on the basis of the volume weighted average price of the Company's ordinary shares over a period of three trading days immediately preceding their issuance, plus a discount that may not exceed 10%.	18 months	No
17th resolution – Capital increase by capitalisation of share premiums, reserves, profits or other capitalisable sums	26 months	No
18th resolution – Issues of securities carrying rights to the allotment of debt securities and not giving rise to a capital increase	26 months	No

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

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

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

Sub-limits: Issues:

- By private placement: 20% of the share capital a year (10th resolution)
- As consideration for contributions in kind: 10% of the share capital (11th resolution)

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

1-2 Separate, independent limit:

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

2- Use of authorities made during the year

2-1- Issue of share warrants on 14 August 2009 (AMF visa no. 09-225 dated 15 July 2009)

By decision of the Chief Operating Officer on 15 July 2009, acting under the delegation granted by the Board of Directors on 9 July 2009, itself acting under the authority granted at the annual general meeting of 26 June 2009, the Group made an issue of bonds with warrants to subscribe to new or purchase existing shares (OBSAAR) with pre-emptive rights in favour of the shareholders.

A total of 1,190,787 bonds were issued, each with one share warrant attached, making an aggregate par value of €216,723,234.

Characteristics of the bonds:

The bonds were taken up by a pool of banks at a price of €182 each.

They have a term of 6 years and are redeemable as follows:

- 14 August 2012: 20% of the bonds
- 14 August 2013: 20% of the bonds
- 14 August 2014: 30% of the bonds
- 14 August 2015: 30% of the bonds

The bonds were admitted to trading on Euronext Paris on 14 August 2009.

Characteristics of the share warrants:

1,190,787 share warrants were issued. They may not be sold during the first two years and will be admitted to trading on Euronext Paris on 15 August 2011. Between 14 August 2011 and 14 August 2015, they may give rise to the issuance or sale, at the Company's choice, of 1,190,787 shares to be subscribed or purchased at the price of €37.90 each.

2-2- Capital increase

By decision of the Chief Operating Officer on 15 October 2009, acting under the delegation granted by the Board of Directors on 13 October 2009, itself acting under the authority granted at the annual general meeting of 26 June 2009, the Group made a capital increase of €62,400,000 via the issuance of 1,920,000 new shares at a price of €32.50 per share. Following this transaction, the share capital was increased by €2,400,000 and the share premium by €60,000,000.

3. Movements in the share capital over the past five years

Date	Transaction	Par value of shares	Par value of transaction	Share premium	Number of shares issued	Total number of shares	Share capital after the transaction
16/04/02	Issue for cash	2.5	3,906,250	16,093,750	1,562	17,930	€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	18,274	€45,685,897
2007	Exercise of stock options	2.5	204,595		81	18,356	€45,890,492
31 July 2007	Two for one stock split	1.25				36,712	€45,890,492
31 March 2008	Exercise of stock options	1.25	162,350	138,294.90	129	36,842	€46,052,842
31 December 2008	Exercise of stock options	1.25	75,622.50	42,079	60	36,902	€46,128,465
3 July 2009	Exercise of stock options	1.25	14,550		11	36,914,412	€46,143,015
13 October 2009	Exercise of stock options	1.25	8,000		6	36,920	€46,151,015
20 October 2009	Issue for cash	1.25	2,400,000	60,000,000	1,920	38,840	€48,551,015
31 December 2009	Exercise of stock options	1.25	7,950		6	38,847	€48,558,965

4. Change in ownership structure and voting rights during the past three years

The share capital at 30 March 2010 was €48,558,965 divided into 38,847,172 shares each with a par value of €1.25, representing 56,483,915 theoretical voting rights (number of voting rights used to calculate notification of interest requirements, i.e. including voting rights attached to shares stripped of their voting rights).

The Company is authorised to trade in its own shares either on the stock market or otherwise, in accordance with the provisions of articles L 225-209 *et seq.* of the French Commercial Code, within the limits and for the purposes set out in the authorities granted to the Board of Directors at the annual general meeting of 26 June 2009. At 31 December 2009, the Company held 3,812 treasury shares. These shares are stripped of their voting rights by law.

<u>Ownership of the share capital and voting rights at 31 January 2010</u>

Shareholder	Number of shares	% of the share capital	Number of voting rights	% of voting rights
JC Marian	*11,506,846*	*29.62%*	*23,013,692*	*40.75%*
Marian family	*494,604*	*1.27%*	*989,208*	*1.75%*
JC Marian and family	12,001,450	30.89%	24,002,900	42.50%
Sempré	6,370,536	16.40%	11,198,912	19.83%
Treasury shares	3,812	0.01%	0	
Free float	20,471,374	52.70%	21,270,662	37.67%
Total	38,847,172	100.00%	56,472,474	100.00%

Sempré notified the Company, by way of rectification, that it had fallen below 20% of the voting rights on 1 February 2010, following the increase in the number of voting rights of Orpea SA as published by the Company on 1 February 2010 (AMF decision no. 210C0167 of 17 February 2010).

Sempré is a Luxembourg *société anonyme* registered at the Luxembourg Trade and Companies Registry, section B, under number 23.291. Its registered office is at 18 avenue Marie-Thérèse, L-2132 Luxembourg. It is validly represented by its liquidator, Maître Charles Kaufhold. In its notification of interest dated 4 July 2008 sent to the AMF (AMF decision no. 208C1270 of 4 July 2008), Sempré in liquidation described its ownership structure, indicating that its share capital was wholly-owned by Banque Degroof Luxembourg, itself controlled by Banque Degroof SA. If Sempré's liquidation procedure is closed, the Orpea shares it owns will be allocated to its shareholder, Banque Degroof Luxembourg.

The number of shares owned by each of the directors is provided in the section on corporate governance.

5. Shareholders' agreement

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

6. Control of the Company

Control of the Company is described above; however, the Company does not believe there is any risk of abuse of control.

First, its method of operation prevents such abuse. The powers of the Chairman and Chief Executive Officer are governed by the provisions of the law, as are related-party agreements (prior authorisation by the Board of Directors and approval by the general shareholders' meeting, with the person concerned abstaining from the vote).
Secondly, the Company's executive management is organised on a collegial basis with the roles and responsibilities of the Chairman and Chief Executive Officer and the Chief Operating Officer clearly split and defined (as described in the internal control report).
Lastly, the Company's operational management is organised through various committees, as described in the "Corporate governance" section of the management report.

7. Voting certificates

None

8. Investment certificates

None

9. 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.

No dividends were paid in respect of 2006 and 2007. A dividend of €0.10 per share was paid on 15 September 2009 in respect of 2008.

Corporate governance

1. Organisation of the Board of Directors

Orpea is governed by a Board of Directors comprising four directors serving for a term of six years.

▶ Name and position of directors:

NAME	POSITION ON THE BOARD	Term ends	Number of shares held at 26 May 2009
Jean-Claude Marian	Chairman of the Board of Directors and Chief Executive Officer	2011 general meeting	11,506,846
Yves Le Masne	Director and Chief Operating Officer	2012 general meeting	26,930
Brigitte Michel	Director	2011 general meeting	78,508
Alexandre Malbasa	Director	2011 general meeting	2

A list of directorships and other offices held by Messrs Marian and Le Masne in 2009 is provided in an appendix to this management report (Brigitte Michel and Alexandre Malbasa do not hold any other directorships or offices).

To the company's knowledge, there are no potential conflicts of interest between the duties of the directors towards the Orpea Group and their private interests. There are no family relationships between the directors and corporate officers. To the company's knowledge, there are no shareholders' agreements or other agreements relating to the share capital. The directors do not own shares in any of the Group's subsidiaries other than the qualifying shares they may be required to own by virtue of their office (1 to 2 qualifying shares depending on the articles of association).

The Chairman of the Board of Directors is the Chief Executive Officer of Orpea S.A.

Yves Le Masne, Chief Operating Officer, has the same powers with respect to third parties as the Chief Executive Officer. However, he must obtain prior authorisation from the Chairman of the Board of Directors or the Chairman and Chief Executive Officer for the following decisions:

- Acquiring or selling Company assets to a value of more than €20,000,000 per transaction;
- Making investments or divestments to a value of more than €20,000,000 per transaction;

- Making or cancelling commitments to a value of more than €20,000,000 in principal, excluding expenses and interest, per transaction;
- Giving guarantees, endorsements or other collateral in the Company's name in an amount of more than €20,000,000 per transaction in principal excluding expenses and interest.

2. Board committees

2-1- Group Executive Committee

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

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

2-2- Operations Committee

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

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

2-3 Works and Safety Committee

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

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

2-4 Business Development Committee

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

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

3. Directors' and executive compensation

3-1- Directors' fees

At the annual general meeting of 26 June 2009, the shareholders set the total amount of directors' fees for the current year at €75,000 to be allocated among the directors.

The Board of Directors agreed to allocate the fees between three directors as follows:

Alexandre Malbasa: €25,000
Brigitte Michel: €25,000
Yves Le Masne..€25,000

Historically, Dr Marian has always foregone his entitlement to directors' fees and did so again in 2009.

3-2 - Directors' and executive compensation

The following sums were paid in respect of 2009:

- Chairman and Chief Executive Officer: €448,630 gross;
- Chief Operating Officer: €823,215 gross.

The Company also paid the following professional fees:

- €116,375 excluding tax to Alexandre Malbasa for his litigation and pre-litigation services.

No stock options, share awards or performance shares were granted to the directors or corporate officers in 2009.

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

The 800 free shares awarded to the Chief Operating Officer in 2006 under the same vesting and lock-up terms as the share award plan for other group employees have now vested; their value at the time of the award was €20,000, or €25 per share.

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

Summary of compensation paid to the directors in 2009:

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.

There are no plans to pay the Chairman and Chief Executive Officer any performance-related compensation or incentive payments.

	2009		2008	
Dr Jean-Claude Marian, Chairman and Chief Executive Officer	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	448,630	448,630	430,460	430,460
Variable compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits	-		-	

	2009		2008	
Yves Le Masne, Chief Operating Officer	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	623,215	623,215	522,300	522,300
Variable compensation	300,000 (*)	200,000	100,000	0
Directors' fees	25,000	25,000	25,000	0
Benefits	Company car		Company car	

(*) including €100,000 in respect of 2008.

	2009		2008	
Brigitte Michel	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	–	–	–	–
Variable compensation	–	–	–	–
Directors' fees	25,000	25,000	25,000	25,000
Professional fees	0	0	0	0
Benefits	None		None	

	2009		2008	
Alexandre Malbasa	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	–	–	–	–
Variable compensation	–	–	–	–
Directors' fees	25,000	25,000	25,000	25,000
Professional fees	116,375	116,375	172,717	172,717
Benefits	None		None	

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

4. Corporate officers' share dealings

Person concerned: Dr. Jean-Claude Marian
Type of transaction: purchase of redeemable share warrants
Date of transaction: 14 August 2009
Unit price: €2.70
Amount of transaction: €1,002,207.60

Person concerned: Person related to Jean-Claude Marian
Type of transaction: purchase of redeemable share warrants
Date of transaction: 14 August 2009
Unit price: €2.70
Amount of transaction: €25,258.50

Person concerned: Person related to Jean-Claude Marian
Type of transaction: purchase of redeemable share warrants
Date of transaction: 14 August 2009
Unit price: €2.70
Amount of transaction: €25,401

Person concerned: Legal entity related to Jean-Claude Marian
Type of transaction: purchase of redeemable share warrants
Date of transaction: 14 August 2009
Unit price: €2.70
Amount of transaction: €1,311,568.20

Person concerned: Legal entity related to Jean-Claude Marian
Type of transaction: sale of redeemable share warrants
Date of transaction: 14 August 2009
Unit price: €2.70
Amount of transaction: €406,098.90

Person concerned: Yves Le Masne
Type of transaction: purchase of redeemable share warrants
Date of transaction: 14 August 2009
Unit price: €2.70
Amount of transaction: €50,004

ORPEA
LA VIE CONTINUE AVEC NOUS

Orpea share buyback programme

1. Purchases of treasury shares in 2009

In accordance with the resolutions passed at the annual general meeting of 27 June 2008, Orpea set up a share buyback programme for the purpose of trading in its own shares through a liquidity contract with Gilbert Dupont. The main purpose of the plan is to regulate Orpea's share price when moving against the general market trend.

<u>Information on the liquidity contract for 2009:</u>

Total purchases: 583,793 shares –> €19,470,662.40
Total sales: 569,985 shares –> €18,910,332.22

At 31 December 2009, Orpea held 27,418 treasury shares representing 0.06% of the share capital on that date.

No treasury shares were cancelled. The Company did not use derivative products.

▶ Summary report (at 28 February 2010)

Percentage of share capital held directly and indirectly	
Number of treasury shares cancelled in the last 24 months	0
Number of treasury shares held	18,197
Carrying amount of treasury shares	550,097
Market value of treasury shares	553,098

	Aggregate gross movements		Open positions on the date on which the description of the share buyback programme was published			
	Purchases	Sales/transfers	Open purchase positions		Open sale positions	
Number of shares	1,483,087	1,468,702	*Call options purchased*	*Forward purchases*	*Call options sold*	*Forward sales*
Average maximum maturity						
Average transaction price	36.08	36.08				
Average exercise price	36.08	36.08				
Amounts	53,504,355	52,987,956				

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

2. Renewal of authority to trade in the Company's shares

At the annual general meeting held to approve the financial statements for the year ended 31 December 2009, the shareholders will be asked to renew the authority for the Company to trade in its own shares. The new authority will supersede the one previously granted at the annual general meeting of 26 June 2009, the key terms and conditions of which are as follows:

- Securities concerned: ordinary shares
- Maximum percentage of share capital that may be held: 10% of the share capital held on the date of the transaction (i.e. 3,885,187 shares at present) 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.
  As the Company currently holds 18,627 shares (i.e. 0.05% of the share capital), the maximum number of shares that may be purchased is 3,866,560, or 9.95% of the share capital, unless some of the shares already held are sold or cancelled.
- Maximum purchase price: €50
- Maximum programme amount: €194,259,350
- 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.
- Life of programme: 18 months from the annual general meeting of 25 June 2010.

Purpose of programme:

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

- to allot shares upon the exercise of securities giving rights to shares of the Company by way of conversion, exercise, redemption, exchange or otherwise, in accordance with stock market regulations;
- to cancel the shares under the terms and conditions set out in the French Commercial Code, subject to approval of the 10th resolution at the annual general meeting;
- to keep all or some of the shares purchased to tender as payment for future acquisitions.

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

Statutory Auditors and statutory auditors' fees

1. Principal Statutory Auditors

- **Burband Klinger & Associés**

  Represented by Frédéric Burband

  8, rue Jacques Bingen, 75017 Paris.

Burband Klinger & Associés was first appointed at the annual general meeting of 27 June 2008 for a term of six years ending at the conclusion of the annual general meeting held to approve the 2013 financial statements.

- **Deloitte & Associés**

  Represented by Henri Lejette

  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 runs 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.

2. Alternate Statutory Auditors

- **Marc Tenaillon**

  Alternate to Burband Klinger & Associés

  Address: Immeuble Somag, 16 rue Ampère, 95307 Cergy Pontoise

Appointed at the same time and for the same term as Burband Klinger & Associés

- **BEAS**

  Alternate to Deloitte & Associés

  Address: 7-9 Villa Houssay, 92200 Neuilly-Sur-Seine

Appointed at the same time and for the same term as Deloitte & Associés, replacing Mrs Françoise Vainqueur, joint alternate statutory auditor, who resigned for personal reasons.

3. Professional fees paid in 2009 to the statutory auditors

In € thousands	Deloitte & Associés				Cabinet Burband Klinger & Associés			
	2009		2008		2009		2008 *	
	€	%	€	%		%	€	%
1. Audit								
1.1 Statutory and contractual audit services								
- Issuer	813,000	72%	729,308	79%	531,675	84%	195,000	62%
- Fully-consolidated subsidiaries	311,600	28%	193,360	21%	102,350	16%	120,255	38%
1.2 Other audit-related services								
- Issuer								
- Fully-consolidated subsidiaries								
Sub-total	**1,124,600**	100%	**922,668**	100%	**634,025**	100%	**315,255**	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	**1,124,600**	100%	**922,668**	100%	**634,025**	100%	**315,255**	100%

ANNEXES

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

I - Corporate governance

Orpea has continue to review its corporate governance system based on the recommendations made in the AFEP-MEDEF Code of Corporate Governance for Listed Companies (the "Code"). It notes that the composition of the Board of Directors meets the main guidelines set out in article 6 of the Code, as the presence of the Major Shareholder provides assurance that the interests of the shareholders will be taken into consideration and that the directors will be involved in defining the Group's strategy.

However, for historical reasons, the directors' term of office has been set in the Articles of Association at the legal maximum of six years rather than four as recommended in the Code. Most of the current directors are due to stand for re-election at the annual general meeting held to approve the financial statements for 2010. The Board of Directors will review the opportunity of revising this point of the Articles of Association at that time.

At the forthcoming annual general meeting, the Board of Directors proposes to elect one or more additional directors to enlarge the Board and to create specialised committees.

The Board of Directors notes that under the ordinance of 8 December 2008, the Company is required to create an Audit Committee before the end of August 2012. It intends to create such a committee first by strengthening the composition of the Board notably, as referred to above, by appointing one or more independent directors with expertise in finance and accounting.

The Board of Directors has not yet embarked on a self-assessment programme, but will do so once the Board of Directors has been enlarged.

As regards compensation, the Board notes that the AFEP/MEDEF recommendations of 6 October 2008 on executive compensation are already applied in the Group; the Chairman and Chief Executive Officer does not have an employment contract and there are no entitlements to termination benefits or supplementary pensions.

1. Composition of the Board of Directors and position held by the directors

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

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

First name - Name	Age	Term ends	Number of Orpea shares held *
Dr. Jean-Claude Marian	71	2011 general meeting	11,506,846
Yves Le Masne	46	2012 general meeting	26,930
Brigitte Michel	51	2011 general meeting	78,508
Alexandre Malbasa	51	2011 general meeting	2

A presentation of the other directorships and offices they hold is provided in an annex to the management report.

► Powers of the Board of Directors

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

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

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

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

To date, the Board does not have any specialised committees. However, to deal with issues essential to implementing the Group's strategy, Executive Management has established various management committees to assist it, including the Group Executive Committee, Operations Committee, Works and Safety Committee and Business Development Committee, as described in the management report.

► No separation of the offices of Chairman of the Board of Directors and Chief Executive Officer

Under French legislation, companies with a Board of Directors may elect to separate or combine the offices of Chairman and Chief Executive Officer.

As set out in the AFEP-MEDEF Code of Corporate Governance dated December 2008 (article 3.1), the law does not indicate a preference for either option and gives the Board of Directors full discretion to choose between the two methods of management according to its own specific needs and requirements.

Orpea's Board of Directors has elected to combine the offices of Chairman and Chief Executive Officer. This decision has been taken for a period of two years in accordance with the provisions of the articles of association.

Dr Marian is Chairman and Chief Executive Officer.

At the proposal of the Chief Executive Officer, the Board of Directors has appointed Yves Le Masne as Chief Operating Officer.

► Powers of the Chief Executive Officer and Chief Operating Officer

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

However, prerogatives have been allocated between the Chief Executive Officer and the Chief Operating Officer on a purely internal basis.

Consequently, Dr. Jean-Claude Marian, Chairman and Chief Executive Officer, focuses more particularly on the operational management of the Group's international facilities and activities.

The Chief Operating Officer has the same powers as the Chief Executive Officer in dealings with third parties.

However, the Board of Directors has restricted the powers of the Chief Operating Officer. He is required to obtain prior authorisation from the Chairman of the Board of Directors or the Chairman and Chief Executive Officer for the following decisions:

- Acquiring or selling Company assets to a value of more than €20,000,000 per transaction;
- Making investments or divestments to a value of more than €20,000,000 per transaction;
- Making or cancelling commitments to a value of more than €20,000,000 in principal, excluding expenses and interest, per transaction;
- Giving guarantees, endorsements or other collateral in the Company's name in an amount of more than €20,000,000 per transaction in principal excluding expenses and interest.

2. Board practices

▸ Holding Board meetings

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

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

▸ Board's work in 2009

During 2009, the Board of Directors met eleven times. It considered and took decisions on all items tabled on the agenda of its meetings, in accordance with the provisions of the law and regulations applicable in France.

In 2009, in its primary areas of responsibility, the Board took decisions on the Group's development strategy, the issue of bonds with redeemable share warrants (OBSAAR), the capital increase with waiver of pre-emptive rights, the grant of collateral for financing transactions (bank loans and finance leases) necessary to the Group's development, and the interim and annual financial statements.

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

3. Directors' and executive compensation

The Board set the compensation payable to Messieurs Marian and Le Masne, and agreed that in addition to his basic annual salary, Mr Le Masne would receive a performance-related bonus of up to 35% of his total basic salary.

Information on the total compensation paid in 2009 to the directors and corporate officers by the company and companies controlled by it within the meaning of article L 233-16 of the French Commercial Code is provided in the management report.

No stock options or share awards were granted to the directors or corporate officers in 2009.
No commitment has been made to either the Chairman and Chief Executive Officer or the Chief Operating Officer in respect of termination benefits or non-compete benefits .
They have no specific supplemental pension entitlements (article 39 regulations).

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

Dr Marian is covered by the death and disability policy.

► Directors' fees

At the annual general meeting of 26 June 2009, the shareholders set the total amount of directors' fees at €75,000. The Chairman and Chief Executive Officer waived his right to directors' fees some years ago and his portion is allocated among the other three members of the Board.

II. Information liable to have an influence on the outcome of a public offer

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

- The Company's capital structure and significant direct or indirect interest in its share capital are described in the management report;
- The articles of association contain no restrictions on voting rights, apart from the disqualification of voting rights attached shares that have not been notified to the company in accordance with the requirements on notifiable interests;
- There are no shareholders' agreements to the Company's knowledge;
- There are no securities conferring special control rights, apart from shares with double voting rights;
- The rules for appointing and removing members of the Board of Directors are those set out by law;
- There are no agreements to pay the corporate officers severance benefits in the event of termination or change of office following a public offer;
- In 2007, the Company obtained a loan of €150 million with a pool of banks comprising ABN, Calyon and Natixis, containing an accelerated repayment clause should the percentage of voting rights held directly or indirectly by the major shareholder (Dr Jean-Claude Marian) fall below 20%. The €217 million OBSAAR bond issue made in 2009 contains an accelerated redemption clause at the holders' option in the event of a change of control of the company (change of majority voting rights or more than 40% of voting rights if no other shareholders holds a higher percentage). The Group also has various other loans which contain an accelerated repayment clause should the percentage of voting rights held by the major shareholder (Dr Jean-Claude Marian) fall below 10 or 20%. All in all, the amount of debt concerned by the clauses at 31 December 2009 was €811 million.
- At the annual general meeting of 26 June 2009, 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.

III – The Orpea Group's internal control system

1. Internal control framework and general principles at Orpea

Definition and objectives of internal control at the Orpea Group

Internal control covers procedures, plans of action and means of organisation adopted within the Orpea Group, as well as codes of conduct and best practice recommended at all of its facilities, supporting management of the Group's activities and operations, as well as efficient use of its resources.

The Orpea Group's internal control procedures are defined by Executive Management and implemented by managers and staff in order to ensure:

- observance of applicable laws and regulations by the Group's facilities;
- effective application of the guidance and directives set by Executive Management, and in particular that the behaviour of the Group's employees complies with the Group's standards and regulations in terms of conduct;
- correct operation and effective application of the Group's internal procedures and protocols;
- protection of the Group's assets;
- reliability of financial information and financial statements published and communicated to the entire financial community.

More generally speaking, the internal control process therefore helps to improve the Group's financial and operating performance.
However, as with any control system, it cannot provide certainty that the targets set by the company will be achieved in view of the limitations inherent to any procedure.

Background to the Orpea Group's internal control system

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

To comply with applicable laws and regulations, the Orpea Group has teams of lawyers specialising in particular in healthcare law, healthcare and medical regulations, commercial law and property law. These teams permanently oversee any regulatory changes that apply to the Group's activities, and provide real-time information and training for Executive Management, Regional and Divisional Departments, the Quality Department and the Medical Department, to ensure that these changes are immediately factored into the Group's internal procedures.

Scope covered by the internal control system

The internal control procedures described in this report are applied by Orpea SA and all of its subsidiaries (referred to in this report as "the Group").
Directors of foreign subsidiaries are responsible for ensuring that the Group's internal control procedures are correctly applied.

2. Parties involved in internal control

▶ Executive Management / Executive Committee

The Group's Executive Management consists of three members: the Chairman and Chief Executive Officer (Dr Jean-Claude Marian), the Deputy Chief Executive Officer (Yves Le Masne), who is also Chief Financial Officer, and the Chief Operating Officer (Jean-Claude Brdenk).

Executive Management is responsible on a collegiate basis for the Group's operational management. This means that it is in charge of implementing the Group's strategy and driving forward and overseeing internal control procedures.

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

▶ Internal audit

The Company has an internal audit function, provided by financial services management auditors for the management audit, business managers for the works department for audits concerning buildings, and by quality auditors for operating audits relating to operations.

Their role is to assist Executive Management in:

- identifying and assessing risk;
- monitoring and control of the implementation of corrective measures, with the aim of enabling the Group to carry out its business adequately, particularly in terms of commitments, legal oversight, employee, accounting and financial law and health and safety;
- drawing up the steering of procedures and standard documents, which lay out the process to safeguard operations for the Group as a whole;
- carrying out specific audits, particularly when acquiring a facility or group of facilities.

This internal audit function reports to the head office. Regional departments are in charge of carrying out quarterly audits of their facilities (long-term care facilities and clinics), to ensure in particular that care of residents and patients is provided on a constant level and that the Quality policy defined by Executive Management has been implemented effectively.

▶ The Quality Department

In collaboration with the Medical Department, the Quality Department oversees compliance with specific regulations applicable to the Group's activities.

It also works with all of the Group's facilities in implementing measures to ensure continuous improvement in the quality of care services provided. In this respect, it supplies protocols, monitoring tools and mini-refresher courses.

Each quarter, it carries out an assessment of all of the Group's facilities on the basis of eight self-assessment grids concerning the various aspects of caring for patients and residents and their families, such as health centre management, cleanliness of the premises, administrative records of residents/patients, employee records and management of the facility.

In addition, each year in organises an internal competition, "*Le Trophée Qualité*", which rewards the top three teams for their knowledge and correct application of internal procedures, as well as the quality of their care services.

The Quality Department therefore plays a key role in the Group's operating internal control, by monitoring the correct operation of facilities and strict application of operating procedures.

► **Head office central departments**

The Group's head office central departments are in charge of overseeing application of the decisions made by Executive Management and centralising information obtained from operating sites. They process this information and, in their advisory capacity, ensure that the information provided to them is reliable and relevant.

► **A high level of awareness of internal control in the operating environment**

All of the Group's employees are aware of and trained in how to ensure that facilities operate as best possible and how to offer a high standard of care to residents and patients.

In order to disseminate the Group's ethical values as widely as possible and unite employees around these values, the staff at each facility define their own charter of commitments on the basis of Orpea's core values, namely respect, patience, listening, good humour, cooperation, responsibility, trust and professional conscience.

Each person's responsibilities are defined and formally laid out in the form of hierarchical and functional organisational structures, or even job descriptions.

Furthermore, the Orpea Group's human resources management policy provides a permanent pool of staff with the necessary knowledge and skills to become operating or regional/divisional directors.
Thanks to its training policy, the Group favours internal recruitment for management positions. Orpea therefore has the necessary skills to ensure that it achieves its targets and to keep up with the Group's expansion.
The training policy, based on modules created specifically to meet the Group's needs, also helps to raise employees' awareness of professional best practices on a regular basis.

3. Internal control components:

The Orpea Group's internal control process is characterised by the implementation of a management model centralised at the level of the administrative head office, and standardisation of procedures at Group level.

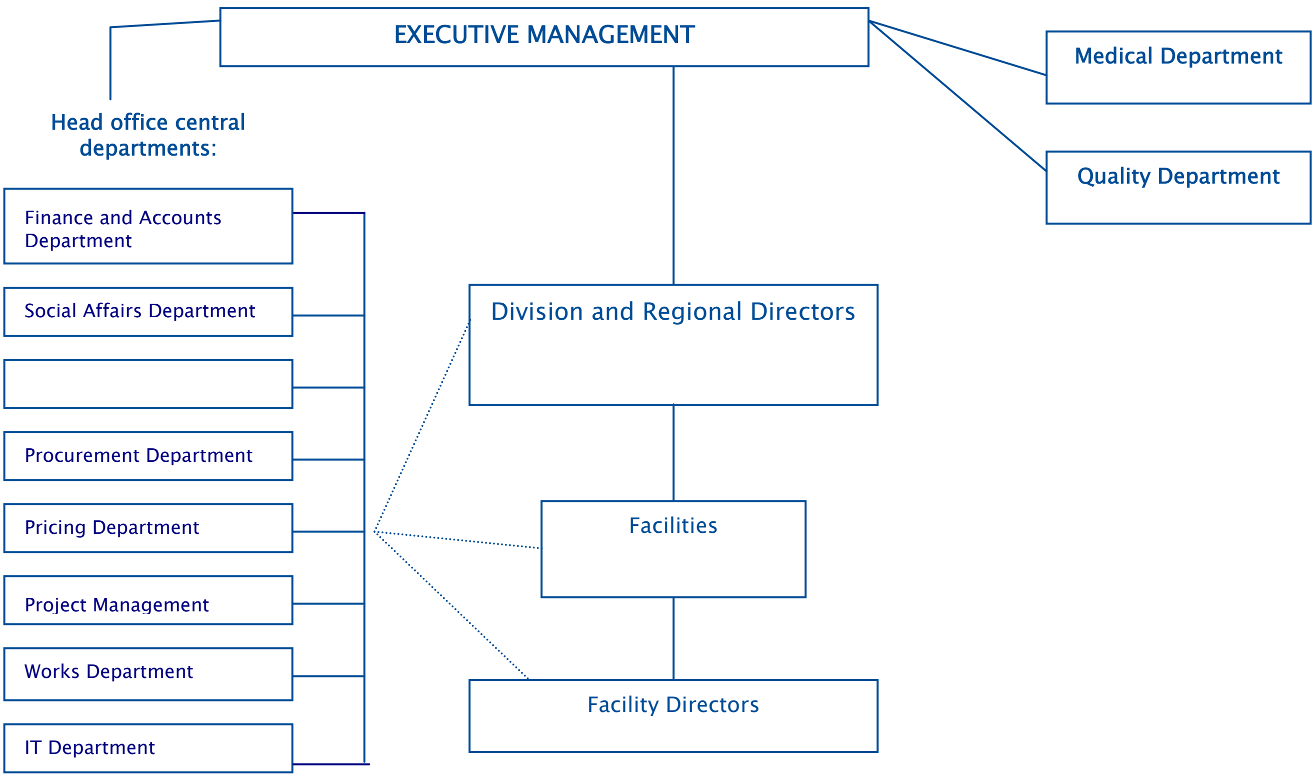
► **A centralised organisational structure to ensure tighter control of the Group's operations**

The advantages of the centralised management system are:
- centralised information and therefore processing of information;
- responsiveness;

- uniform procedures;
- economies of scale in management.

Uniform procedures and the centralised organisational model help to enhance the Group's internal control system both on a purely operational level and from an accounting and financial perspective, helping to achieve more effective control.

This configuration allows for more effective control of the Group's activities.



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

This allows for effective and responsive management of the Group's activities and close monitoring of the targets to be achieved.

► Tools shared by all to ensure closer monitoring

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 Orpea's business on which the IT system is based are designed in-house by the IT department, with the help of external service providers 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.

To standardise and control the management of its facilities, the Group has put together manuals of accounting, administrative and even care and medical procedures. All of these procedures and protocols cover a variety of themes – such as care services, meals, health and safety, and administration – and are the responsibility of each operating director.
These procedures explain and describe in detail how a process should be carried out. Some procedures instigate a validation process so that decisions are made at the appropriate level, with the necessary and relevant information, and so that their implementation is closely verified.

Lastly, working tools and instruments have been created at Group level and are given to all employees 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.
Facilities that have been unable to meet the targets set – in terms of results and/or quality – are required to implement corrective measures immediately. Their performance is then assessed on a regular basis.

IV - The Orpea Group's operating internal control

1. The Orpea Group's Quality policy

Quality of care is the Orpea Group's main aim. In order to achieve this, Orpea has adopted the resources to implement a Quality policy and created a Quality Department, which reports to Executive Management.

The Quality Department, with the help of the Medical Department, is in charge of not only implementing the quality procedure, but also monitoring its application by carrying out regular audits.

Within the framework of its audits, the Quality Department helps facility directors and their staff to implement measures to ensure continuous improvement in practices and risk management.

All of the Group's employees are involved in improving quality: typical example at a Group clinic

WHO	DOES WHAT
DEPARTMENT	Implement and support quality improvement measures at the facility Appoint a quality officer Take part in the Steering Committee Daily management, monitoring and involvement
QUALITY OFFICER	Organise quality improvement measures Manage documentary management Communicate to staff Form project groups Use reports of undesirable events Implement assessments
STEERING AND RISK MANAGEMENT COMMITTEE	Analyse reports of undesirable events and make an assessment Ensure progress made by project groups Analyse satisfaction questionnaires, indicators and assessments Communicate to staff Manage the certification process
PROJECT GROUP	Resolve issues Draw up a procedure Assess the correct application of a procedure/organisational structure
ALL STAFF	Participate in project groups Keep up to date with quality improvement measures and risk management by consulting the display panel Report any events or risks of undesirable events Learn about the relevant procedures Inform the quality officer of any areas that need to be improved at the facility

2. Risk management at the Orpea Group

The Orpea Group endeavours to anticipate and manage the risks to which its facilities may be exposed and which may impact its assets, activities and financial position.

These risks are identified and analysed in the management report in a dedicated chapter entitled "Risk management at the Orpea Group", which provides details of the procedures in place to improve anticipation and treatment of these risks, as well as coverage of certain risks, such as insurance and interest rate hedging.

Due to its business activities, the question of the Orpea Group's may be raised in the event of:

- failures in the provision of care (negligence, suspected maltreatment);
- health and safety issues at its facilities (pandemic, heat wave, water quality, building safety etc.).

In order to address the operating risks relating to the Orpea Group's activities, an organisational structure and procedures have been implemented with the aim of identifying, analysing and preventing these risks as far as possible, and limiting any negative effects that may impact the Group's activities and development.

The Group's risk management is based on two main approaches:

- retrospective approach: analysis of reports of undesirable events;
- predictive approach: methodical analysis of processes in order to prevent risks.

STEERING AND RISK MANAGEMENT COMMITTEE
multi-disciplinary

ALL PROFESSIONALS

VOLUNTARY REPORTING

HANDLING OF INFORMATION
By the Quality Officer with an automated report

INFORMING THE PROFESSIONALS CONCERNED AND IMPLEMENTING IMMEDIATE CORRECTIVE MEASURES

ANALYSIS OF INFORMATION BY THE STEERING AND RISK MANAGEMENT COMMITTEE
Using the
PARETO + ISHIKAWA method

IMPLEMENTATION OF CORRECTIVE AND PREVENTIVE MEASURES

ANNUAL RISK ASSESSMENT;
- At the level of each facility

REPORTING TO THE GROUP RISK AND QUALITY DEPARTMENT
- to improve processes at facilities

The risks to which the facility is exposed are identified for each activity in order to implement preventive measures.

For each risk, the Quality Department identifies the cause, i.e. the origin of the risk, and then determines the expected effects. For each effect, it determines:

- one or more preventive measures: i.e. a measure taken to eliminate the causes or effects of a potential undesirable event to prevent it from occurring;
- and one or more corrective measures: i.e. a measure taken to eliminate the causes or effects of an existing undesirable event to prevent it from reoccurring.

A risk register has therefore been complied by all of the Group's clinics. For this register to constitute a practical tool, each facility has to implement the preventive measures recommended in the register in order of priority.

This register is updated on the basis of the assessment of reports by the Quality Department and on the request of the facilities.

The Orpea Group has also introduced a procedure for managing complaints from residents and patients or their families, with the aim of defining the conduct to be applied when receiving a written complaint, namely reporting the information and allocating roles in order to provide an appropriate response to the problem raised.
A procedure has also been created to present the conduct to be applied in the event of maltreatment or a serious problem at one of the Group's facilities. The framework of this procedure covers:

- events concerning the health of patients and residents (insufficient supervision, suicide etc.);
- events concerning the safety of patients and residents (running away, theft, loss claims etc.);
- events relating to the management of the facility (employee conflicts, disciplinary measures etc.).

These procedures give the Chief Operating Officer a permanent and immediate overview of the situation at all of the Group's facilities in France and abroad, in order to provide the most appropriate solutions as quickly as possible.

In addition to this control system, the Group has an insurance policy that optimises the conditions for covering property damage and business interruption risk, as well as consequential losses arising from liability claims against Group (see the management report).

V – Internal control procedures relating to the preparation and treatment of financial and accounting information

1. The structure of the Finance Department

▸ Composition of the Finance Department

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

This department is made up of dedicated staff who, under the leadership of the Deputy Chief Executive Officer – who looks after finance – and the Chief Financial Officer, are responsible for accounting and finance procedures in the areas of accounting, consolidation, cash management, financial services and management reporting.

In terms of accounting procedures, the Accounts Department – under the supervision of the Deputy Chief Financial Officer – is headed in France by an accounts manager and a deputy accounts manager, and in other countries by an accounts manager in each country. In France, the accounts department consists of around 50 people, including a department dedicated to supplier accounting with dedicated staff.

The Deputy Chief Financial Officer is in charge of producing the Group's consolidated financial statements and supervises management of financing and cash flow.

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

▸ Economic and financial performance monitoring tools

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

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

A budget control document is put together each month to allow for monitoring of sales growth and operating expenses. This therefore allows for monthly analysis of financial information relating to operations. This information is given to the Chief Operating Officer and to Division and Regional Directors during operations committee meetings, at which plans of action are drawn up if necessary with the heads of technical head office departments (medical, social affairs, procurement, catering and works).

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

▶ Cash flow management

Orpea Group pays close attention to cash flow management, as facilities do not have signatory authority for bank accounts. The Accounts Department is therefore responsible for dealing with and paying invoices.

In order to improve the Group's financial security, issuing of payment orders is strictly limited. Payments in the form of cheques, transfers and money orders can only be made by six people for the entire Group.

These six signatories are:
- the Chairman and Chief Executive Officer, with no limit on the amount;
- the Deputy Chief Executive Officer for amounts up to €5,000,000 and jointly with the Chief Operating Officer or the Deputy Chief Financial Officer for higher amounts;
- the Chief Operating Officer or the Deputy Chief Financial Officer, who alone can sign off payments of up to €3,000,000, or sign off higher amounts jointly;
- Accounts and Payroll managers, who alone can sign off payments of up to €150,000, and can sign off higher amounts jointly, but only from three bank accounts.

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.
For example, a daily check on the basis of the numbers of cheques issued allows for the listing of discrepancies in the amount and time lags, meaning that the facility does not need to perform bank reconciliations to identify any anomalies as early as possible.

2. Process for the preparation of accounting and financial information

▶ Preparation of the financial statements

The Finance Department prepares the Group's consolidated financial statements on the basis of:
1. French companies' financial statements prepared by the accounts department;
2. foreign companies' financial statements prepared by the various accounts departments in each of the countries of origin, production of which is supervised by the Deputy Chief Financial Officer.

Due to its significant expansion – both in France and abroad – the Group needs to continue to enhance its administrative and accounting methods, particularly in the areas of structuring teams, overseeing property construction projects and changes to consolidation software, the process for which – initiated in 2008 – will become operational in the second half of 2010.
The general accounting information for foreign facilities was fully centralised during the first half of 2009 to include Belgium, the latest country in which the Group operates. For the preparation of the 2010 financial statements, this will allow it to work by consolidation sub-group, as is already the case for Spain.

The Group's two largest foreign subsidiaries will therefore benefit from independent accounts departments, allowing for effective handling of information for both the production of the financial statements and daily management reporting analysis.

Under the supervision of the Finance Department, the Group's administrative and accounting staff benefit from ad hoc external support in performing their duties.

▶ Investor relations

Investor relations is the direct responsibility of Executive Management.

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

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

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

▶ The 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 Chief Executive Officer, the Chief Financial Officer and the Deputy Chief Financial Officer, who attest to the quality, reliability and exhaustiveness of the financial information provided, is sent to the Statutory Auditors twice a year.

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

Annex 2 - Statutory Auditors' report on the Chairman's report

Burband Klinger & Associés
8, rue Jacques Bingen
75017 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
prepared in accordance with article L. 225-235 of the French Commercial Code (*Code de Commerce*) on the Chairman's report

Year ended 31 December 2009

Dear Shareholders,

As statutory auditors to Orpea SA and in accordance with the provisions of article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of the Board of Directors for the year ended 31 December 2009 in accordance with the provisions of article L. 225-37 of the French Commercial Code.

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

Our role is to:
- report on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code. It should be noted that our role is not to verify the fairness of this other information.

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

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

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

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

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

Other information

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

Paris and Neuilly-sur-Seine, 9 June 2010

The Statutory Auditors

Burband Klinger & Associés — Deloitte & Associés

Frédéric Burband — Henri Lejetté

Annex 3 – List of directorships and other offices held by the directors

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Jean-Claude Marian

Directorships and offices within the Group

Chairman and Chief Executive Officer: ORPEA

Yves Le Masne

Directorships and offices within the Group

Chief Operating Officer: Orpea

Chairman of S.A.S: Clinea, Organis, Clinique Champvert, Company Champvert, Résidence Saint Luc, La Saharienne, Immobilière Leau Bonneveine, MDR La Cheneraie, Résidence la Cheneraie, SAS les Fondateurs, CCR du Lavarin, Maja, Château de Bonneveine, Sylvinvest, Clinique médicale Les Oliviers, Résidence du Lac, Château de Villeniard, Mex, SFI France, Douce France Santé, Clinique Beau Site, Le Clos du Roy, Sas Hôtel de l'Espérance, La Chavannerie, Ondine, Résidence Klarene,

Clinea's permanent representative: Sté civile des praticiens du grand pré

Orpea's permanent representative Orpea: Gerone Corp, Les Charmilles, Maison de retraite Paul Cézanne

Director: Clinique Médicale du Château d'Herblay, Clinique de l'Emeraude, Château du Bel Air, Le Château de Saint Valery

Director of associations: Association Languedocienne de Gériatrie

Legal manager of SARL: Niort 94, Sarl 95, Sarl 96, Sarl 97, La Maison de Louise, Gessimo, La Maison de Camille, La Maison de Lucile, La Maison de Salomé, La Maison de Mathis, La Bretagne, L'Atrium, Gestihome Senior, Domea, Vivrea, Orpéa Dev, Les Matines, Bel Air, L'Allochon, SPI, Amarmau, Reine Bellevue, Lagardelle Santé, SOGIMOB, L'Ombrière, Régina Renouveau, Saint Sulpice Sarl, Résidence du Parc de Bellejame, Résidence de Savigny, Résidence de la Puisaye, Douce France Santé Arcachon, Douce France Santé Dourdan, DFS Immobilier, Le Verger d'Anna, Clinique du Château de Loos, Les Courtils, Marc Aurèle Immobilier,

Legal manager of SNC: Espace Ado Bel Air, Margaux Pony, Than Co, Snc Maison Rose, Snc Brechet et Cie

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 2, 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, du 12 rue Fauvet, Douarnenez ORPEA, Kods, Barbacanne, Slim, Saintes B.A, le Barbaras, La Sélika, JEM2, château de la Chardonnière, des Anes, Spaguy, La Salvate, sci de la Drone, du Caroux, Héliades santé, Sci du Mont d'Aurelle, Sci Les Orangers, Sci Ansi, Sci BRBT, SFI Bellejame, Sci Sequoia, SCI du Grand Parc, Sci du Jardin des Lys, Sci Berlaimont, Sci Rue de Londres, Sci Château de Loos, Calista Santé, Cardiopierre

Directorships and offices outside the Group

Legal Manager of SCI Villa de la Maye

Brigitte Michel

Directorships and offices within the Group

Director: Orpea

Alexandre Malbasa

Directorships and offices within the Group

Director: Orpea

Orpea
La Vie Continue avec Nous

Annex 4 - Five-year financial highlights

Five year highlights for Orpea SA

	31/12/2009	31/12/2008	31/12/2007	31/12/2006	31/12/2005
Share capital at the year end					
Share capital	48,558,965	46,128,465	46,029,669	45,685,898	45,559,843
Number of ordinary shares in issue	38,847,172	36,902,772	36,823,735	18,274,359	18,223,937
Maximum number of shares authorised					
By conversion of bonds	0	0	674,602	1,349,203	2,023,805
By exercise of warrants	1,355,268	188,881	267,918	278,837	281,099
Operations and results for the yer					
Revenue	380,391,749	337,521,389	311,886,054	235,667,707	188,791,127
Operating profit	33,937,766	29,409,966	21,394,195	16,902,727	11,211,049
Net finance cost	(1,136,474)	(13,114,436)	(16,446,498)	(5,992,198)	(27,974,872)
Pre-tax profit on ordinary activities	32,801,292	16,295,530	4,947,697	10,910,529	(16,763,823)
Exceptional items	(26,798,224)	(6,892,254)	(2,337,339)	(3,580,679)	26,217,583
Profit-sharing and incentive payments (1)			0	52,306	
Income tax	(931,447)	4,290,469	492,695	2,491,397	7,851,055
Net profit	6,934,516	5,112,807	2,117,663	4,786,148	1,602,705
Dividend payout			0	0	0
Per share data					
Earnings per share	0.18	0.14	0.06	0.26	0.09
Diluted earnings per share	0.17	0.14	0.06	0.24	0.08
Employees					
Average number of employees	5,113	4,800	4,602	4,196	3,298
Total payroll costs	125,171,761	110,943,052	96,808,073	85,036,866	70,423,714
Social security charges	47,814,950	37,159,645	33,076,427	28,283,013	23,645,648

(1) Since 2002, incentive payments have been recognised as operating costs.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

ORPEA

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2009

SA ORPEA, *société anonyme* with share capital of €48,558,965
Reg. no: RCS PARIS B 401 251 566 / APE Code: 853 D

Registered office: 115, rue de la Santé, 75013 Paris

Head office: 3, rue Bellini, 92806 Puteaux

Consolidated income statement

in thousands of euros	*Notes*	31-Dec-09	31-Dec-08
REVENUE		**843,321**	**702,321**
Cost of materials consumed and other external charges		(219,657)	(185,396)
Staff costs		(425,039)	(354,081)
Taxes other than on profit		(42,778)	(36,415)
Depreciation, amortisation and provisions		(35,997)	(28,642)
Other recurring operating income		122	363
Other recurring operating expense		(4,557)	(3,232)
Recurring operating profit		**115,414**	**94,920**
Other non-recurring operating income	*3.19*	207,028	160,139
Other non-recurring operating expense	*3.19*	(187,893)	(148,171)
EBIT		**134,549**	**106,888**
Financial income		30,069	39,596
Financial expense		(75,737)	(82,282)
Net finance cost	*3.20*	**(45,668)**	**(42,686)**
PRE-TAX PROFIT		**88,881**	**64,202**
Income tax expense	*3.21*	(29,828)	(16,119)
Share in profit (loss) of associates		2,121	319
NET PROFIT		**61,174**	**48,401**
Attributable to minority interests		36	22
Attributable to owners of the Company		**61,138**	**48,378**
Number of shares		38,847,172	36,902,772
Basic earnings per share (in euros)		1.57	1.31
Diluted earnings per share (in euros)		1.57	1.30

Consolidated balance sheet

in millions of euros		31-Dec-09	31-Dec-08
Assets	*Notes*		
Goodwill	*3.1*	203,680	179,365
Intangible assets, net	*3.2*	775,351	610,217
Property, plant & equipment, net	*3.4*	1,168,042	1,169,510
Property in course of construction	*3.4*	494,135	309,003
Investments in associates and joint ventures	*3.5*	3,095	5,123
Non-current financial assets	*3.6*	13,738	13,617
Deferred tax assets	*3.21*	11,728	12,411
Non-current assets		**2,669,771**	**2,299,245**
Inventories		3,405	2,744
Trade receivables	*3.7*	76,495	71,045
Other assets, accruals and prepayments	*3.8*	93,944	96,098
Cash and cash equivalents	*3.12*	135,366	53,654
Current assets		**309,210**	**223,541**
Assets held for sale		**82,208**	**49,085**
TOTAL ASSETS		**3,061,189**	**2,571,872**

Equity and liabilities	*Notes*		
Share capital		48,559	46,128
Consolidated reserves		274,351	168,596
Revaluation reserves		257,580	277,576
Net profit for the period		61,138	48,378
Equity attributable to owners of the Company	*3.10*	**641,628**	**540,678**
Minority interests		257	284
Total equity		**641,885**	**540,962**
Non-current financial liabilities	*3.12*	1,180,239	1,033,847
Provisions	*3.11*	18,701	11,716
Post-employment and other employee benefit obligation	*3.11*	14,976	13,274
Deferred tax liabilities	*3.21*	455,388	378,723
Non-current liabilities		**1,669,305**	**1,437,559**
Current financial liabilities	*3.12*	257,811	207,861
Provisions	*3.11*	8,933	7,494
Trade payables	*3.14*	149,095	90,164
Tax and payroll liabilities	*3.15*	137,019	107,948
Current income tax liability	*3.15*	2,094	20,912
Other liabilities, accruals and prepayments	*3.16*	112,840	116,690
Current liabilities		**667,792**	**551,070**
Liabilities associated with assets held for sale		**82,208**	**42,280**
TOTAL EQUITY AND LIABILITIES		**3,061,189**	**2,571,872**

Consolidated statement of cash flows

in thousands of euros	*Notes*	**31-déc-09**	**31-déc-08**
Operating activities			
● Net profit		61,138	48,378
● Elimination of non-cash items related to operating activities (*)		20,425	38,905
Cost of debt		45,668	42,686
● Gains on disposals not related to operating activities, net of tax		(19,441)	(16,648)
Cash generated by consolidated companies		**107,790**	**113,321**
● Change in operating working capital			
- Inventories		(661)	(671)
- Trade receivables	3.7	2,386	(7,747)
- Other assets	3.8	25,225	(682)
- Tax and payroll liabilities		4,047	339
- Trade payables	3.14	16,094	(2,349)
- Other liabilities	3.16	(27,878)	(2,029)
Cash flows from operating activities		**127,004**	**100,183**
Investing and development activities			
● Acquisitions of subsidiaries		(125,209)	(216,113)
● Disposals of properties and other non-current assets		158,296	162,930
● Acquisitions of intangible assets and property, plant & equipment		(100,430)	(167,021)
● (Increase) decrease in property in course of construction	3.4	(185,132)	(161,444)
● Change in other non-current assets and other movements		(5,774)	6,533
Cash flows from investing activities		**(258,248)**	**(375,114)**
Financing activities			
● Capital increases		63,586	142
● Government grants			
● Additions to (repayments of) bridging loans and bank overdrafts	3.12	(111,691)	61,028
● Additions to finance leases	3.12	88,219	77,502
● Additions to other debt (including OBSAAR €209m net in 2009)	3.12	335,641	259,243
● Repayments of other debt	3.12	(76,563)	(60,478)
● Repayments of finance leases	3.12	(40,552)	(21,103)
● Cost of debt and other movements	3.20	(45,683)	(42,686)
Cash flows from financing activities		**212,957**	**273,648**
Change in cash and cash equivalents		**81,712**	**(1,284)**
Opening cash and cash equivalents		53,654	54,938
Closing cash and cash equivalents		**135,366**	**53,654**
Breeakdown of closing cash and cash equivalents		**135,366**	**53,654**
● Short-term investments	3.12	28,129	2,946
● Cash	3.12	107,237	50,708
● Bank overdrafts			

The notes form an integral part of the consolidated financial statements

(*) Mainly including depreciation, amortisation, provisions, deferred taxes, share in profit (loss) of associates, excess of acquisition cost over fair value of assets and liabilities acquired, restructuring costs and non-recurring costs incurred on acquisitions of facilities.

Statement of changes in consolidated equity

in thousands of euros except for number of shares	Number of shares	Share capital	Share premiums	Revaluation reserve	Other reserves	Net profit	Attributable to owners	Minority interests	Total
31-Dec-07	**36,823,735**	**46,030**	**24,136**	**286,465**	**102,688**	**41,239**	**500,559**	**58**	**500,614**
Appropriation of net profit					41,239	(41,239)			0
Change in fair value of properties				13,319			13,319		13,319
Post-employment benefit obligation					1,181		1,181		1,181
Financial instruments				(22,208)			(22,208)		(22,208)
Fair value changes recognised directly in equity		**0**	**0**	**(8,889)**	**1,181**	**0**	**(7,708)**	**0**	**(7,708)**
2008 net profit						48,378	48,378		48,378
Exercise of stock options	79,037	98	58				156		156
Treasury shares					(425)		(425)		(425)
Other					(278)		(278)	226	(52)
31-Dec-08	**36,902,772**	**46,128**	**24,194**	**277,576**	**144,405**	**48,378**	**540,677**	**284**	**540,962**
Appropriation of net profit					44,688	(48,378)	(3,690)		(3,690)
Change in fair value of properties				(16,393)			(16,393)		(16,393)
Post-employment benefit obligation					254		254		254
Financial instruments				(3,899)			(3,899)		(3,899)
Fair value changes recognised directly in equity		**0**	**0**	**(20,292)**	**44,942**	**(48,378)**	**(23,728)**	**0**	**(23,728)**
2009 net profit						61,138	61,138		61,138
Exercise of stock options	24,400	31	25				56		56
Treasury shares							0		0
Share warrants			3,218				3,218		3,218
Capital increase	1,920,000	2,400	57,968				60,368		60,368
Other					(102)		(102)	(27)	(129)
31-Dec-09	**38,847,172**	**48,559**	**82,187**	**#**	**189,245**	**61,138**	**638,411**	**257**	**641,885**

Statement of comprehensive income

in thousands of euros	**31-Dec-09**	31-Dec-08
Net profit for the period	**61,138**	48,378
Changes in fair value of cash flow hedges	(5,946)	(33,869)
Actuarial gains or losses on employee benefit obligation	387	1,801
Tax effect on other income and expense recognised directly in equity	1,914	11,041
Comprehensive income before revaluation of properties	**57,493**	**27,351**
Revaluation of properties	(25,000)	20,313
Tax effect on other income and expense recognised directly in equity	8,607	(6,994)
Comprehensive income after revaluation of properties	**41,100**	**40,670**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

Notes to the consolidated financial statements

Amounts are expressed in thousands of euros unless otherwise stated

The 2009 consolidated financial statements for the Orpea Group were approved by the Board of Directors on 11 May 2010.

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 Basis for accounting

The Orpea Group's financial statements have been prepared in accordance with the international accounting standards applicable at 31 December 2009 as endorsed by the European Union in regulations 1606/2002 and 1725/2003. International accounting standards include International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and interpretations issued by the Standards Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC). These standards and interpretations are collectively referred to as IFRSs. The significant accounting policies used by the Group are described below.

Adoption of new IFRSs applicable to the Group:

The following new standards, amendments and interpretations that are mandatory for periods beginning on or after 1 January 2009 were adopted by the Group but had no impact on the consolidated financial statements as presented.

- IAS 1 revised – Presentation of Financial Statements: presentation of a statement of comprehensive income.
- IFRS 8 – Operating Segments: the segments previously used by the Group have not been changed.
- IAS 23 revised – Borrowing Costs: in 2005, on first-time adoption of IFRSs, the Group elected to capitalise borrowing costs as part of the cost of its property development projects.

Standards that have not yet been endorsed by the European Commission have not been early adopted.

Early adoption of IFRS 3 and IAS 27 revised:

The Group has elected to early adopt IFRS 3 revised – Business Combinations and IAS 27 revised – Consolidated and Separate Financial Statements as of 1 January 2009. Compared with the published interim financial statements at 30 June 2009, business combinations made in the first half of 2009 have been adjusted accordingly.

Standards and interpretations applicable as of 1 January 2010:

The Group is assessing whether IFRIC 15 is applicable to its property development projects and analysing its potential impact on the financial statements.

Other new standards, amendments and interpretations published by the IASB but not yet applicable (whether or not endorsed by the European Union) have not been early adopted.

The Group does not expect their future adoption to have any material impact.

Transition to IFRSs and adoption of IAS 16 for measuring property assets

The Orpea Group adopted IFRSs for the first time on 1 January 2005. The 2004 financial statements and the opening balance sheet at 1 January 2004 were adjusted in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards to reflect the impact of the associated changes of accounting methods.

The main elections made upon first-time adoption of IFRSs were:

- Recognition and measurement of operating licences as identifiable intangible assets and recognition and measurement of properties in accordance with IFRS 3 – Business Combinations as of the date of acquisition.
- Treatment of properties in accordance with IAS 17 – Leases.

As permitted by IFRS 1, the Orpea Group elected for retrospective application of IFRS 3 – Business Combinations as of the date on which the current shareholders acquired control and for all subsequent acquisitions.

All properties financed under lease agreements are treated as finance leases.

As of the 2007 financial statements, the Group elected to measure its fully or jointly-owned operating properties comprising land and buildings using the revaluation method set out in IAS 16, which it believes gives a more accurate view of the value of its property portfolio. Details are provided in note 1.8.

1.2 Basis of accounting

The financial statements are prepared under the historical cost convention, except for the fully or jointly-owned properties operated by Group, which are measured at fair value (see note 1.8) and available-for-sale assets, which are measured at the lower of cost and fair value less costs to sell. Financial liabilities are measured at amortised cost.

The carrying amounts of hedged assets and liabilities recognised on the balance sheet are adjusted to take account of changes in the fair value of the hedged risks.

1.3 Use of estimates and assumptions

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities recognised on the consolidated balance sheet, disclosures about those assets and liabilities, the reported amounts of income and expenses recognised on the income statement, and commitments relating to the reporting period. Actual amounts appearing in the Group's future financial statements may differ from current estimates. Estimates and assumptions are reviewed regularly.
The key assumptions involve:

- Determining the fair value of properties;
- Data used for impairment testing of intangible assets and property, plant & equipment;
- Provisions for post-employment benefits (see note 3.11);
- Provisions for litigation risks.

1.4 Consolidation principles

Entities in which the Group directly or indirectly owns more than 50% of the voting rights and entities over which it has exclusive control are fully consolidated.
Entities over which the Group has significant influence are accounted for using the equity method. Significant influence is presumed to exist when the Group owns more than 20% of the voting rights.

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 financial year end is 31 December.

1.5 Business combinations

Business combinations are accounted for using the purchase method in accordance with IFRS 3 – Business Combinations, published in January 2008 by the International Accounting Standards Board (IASB) and early adopted by the Group as of 1 January 2009.

Acquisitions of business operations are always conditional upon the Group obtaining a licence as the new operator from the supervisory bodies. Other conditions precedent may be added on a case-by-case basis. In such cases, the acquisition and its consolidation are accounted for when the conditions precedent have been met.

A business combination is accounted for only as of the date on which control is acquired.

If an equity interest in the entity was held prior to acquiring control, it is remeasured at fair value and any difference is now recognised in non-recurring operating income or expense.

The cost of an acquisition comprises the following items on the acquisition date:

- the fair value of assets, liabilities and contingent liabilities acquired;
- any equity instruments issued by the Group in consideration for control of the acquired entity.

Transaction costs, such as intermediaries' fees, advisory, legal, accounting, appraisal and other fees, and associated taxes and duties, are now recognised in profit or loss as non-recurring operating expenses. Prior to the adoption of IFRS 3 revised as of 1 January 2009, transaction costs were included in the cost of the acquisition for the purpose of determining goodwill.

Identifiable assets, liabilities and contingent liabilities of the acquired entity which meet the conditions for recognition set out in IFRS 3 are measured at fair value except for assets (or disposal groups) that qualify as non-current assets held for sale under IFRS 5, which are recognised and measured at fair value less costs to sell.

On first-time consolidation of an acquired entity, the Group has twelve months in which to determine the fair value of identifiable assets, liabilities and contingent liabilities acquired.

In light of current regulations, licences to operate short-term and long-term care facilities are recognised and measured as identifiable intangible assets on the date of acquisition. Licences for facilities acquired in Belgium and Italy have been recognised as intangible assets since 1 July 2007. Operating licences for other foreign facilities do not meet the definition of an identifiable intangible asset and are accordingly included in goodwill.

Properties are measured at fair value taking account of their specific characteristics.

The difference between the cost of an acquisition and the Group's interest in the fair value of identifiable assets and liabilities acquired on the acquisition date is recognised as goodwill. Goodwill is measured in the functional currency of the acquired entity and recognised as an asset on the balance sheet. It is not amortised but tested for impairment whenever there is objective evidence that it might be impaired and at least once a year at the year end (see note 1.9 below). Goodwill impairment losses are recognised in profit or loss under "other operating income and expense" and may not be reversed.

If the fair value of assets, liabilities and contingent liabilities acquired is higher than the cost of the acquisition, the negative goodwill is recognised immediately in profit or loss under "other non-recurring operating income".

Goodwill arising on entities accounted for by the equity method is included in "investments in associates and joint ventures".

Upon disposal of a subsidiary, jointly-controlled entity or facility, the corresponding goodwill is included when determining the gain or loss on disposal.

1.6 Translation of the financial statements of foreign operations

The consolidated financial statements are prepared in euros.

Financial statements of subsidiaries with a different functional currency are translated into euros as follows:

- at the official rate on the balance sheet date for assets and liabilities;
- at the average rate for the period for income statement and cash flow statement items.

Any resulting translation differences are recognised as a component of equity under "Translation reserve ".

The Group's Swiss subsidiary, which only operates one facility, is the only subsidiary whose functional currency is not the euro.

1.7 Intangible assets

Intangible assets mainly comprise licences to operate long-term care homes and short-term post-acute and psychiatric care facilities in France, Belgium and Italy. These licences are considered to have an indefinite useful life as they are renewable provided the facilities are operated strictly in accordance with the terms and conditions of the licence. They are recognised and measured at cost. Cost is equal to the price actually paid when acquired separately or at fair value when acquired as part of a business combination.
Fair value is estimated according to the type of operation and ranges from 100% to 125% of annual revenue in France (for 12 facilities) and 80% for Belgium and Italy.
These licences are not amortised but tested for impairment on each balance sheet date or whenever there is objective evidence that they might be impaired. If their recoverable amount is lower than their carrying amount, an impairment loss is recognised in profit or loss under "other non-recurring operating expense".

The amortisation period for other intangible assets ranges from 1 to 5 years.

1.8 Property, plant and equipment

Property, plant and equipment mainly comprises land, buildings, fixtures and fittings and equipment.

The Group's operating properties are either acquired or built or redeveloped by the Group.

To ensure that its quality requirements are met, the Group manages all its own construction or redevelopment projects. These projects are recognised on the balance sheet under "property in the course of construction".

As part of its asset management policy, the Group regularly sells properties it owns either as a block or by lots (sales to investors under tax efficient schemes). Disposals may include properties owned and operated by the Group for several years and also properties that have been recently acquired, redeveloped or built. Properties kept by the Group are usually financed under finance leases.

Properties which the Group intends to sell are classified as "assets held for sale".

Measurement of property, plant and equipment

Property, plant and equipment other than operating properties are measured at cost less accumulated depreciation and impairment, in accordance with the benchmark treatment set out in IAS 16 – Property, plant and equipment.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are now capitalised as part of the cost of that asset, as required by IAS 23 – Borrowing Costs.

Revaluation of operating properties

Fully or jointly-owned properties comprising land and buildings operated by the Group are measured at fair value in accordance with paragraph 31 of IAS 16 – Property, Plant and Equipment.

The fair value of each property is reviewed at each year end by external professionally qualified valuers. Fair value is calculated by capitalising an estimated market rent for each facility. The capitalisation rates used are based on location, type of operation, operating conditions and ownership method (fully or jointly-owned).

The fair value of a property is allocated between the buildings and land. The buildings are valued at replacement cost amortised over the period from the construction date to the valuation date in order to factor in wear and tear. The remainder of the fair value is allocated to the land.

The difference between cost and fair value is recognised in equity under "revaluation reserve" net of taxes.

If the fair value of a property falls below cost, an impairment loss is recognised in profit or loss under "other non-recurring operating expense".

Fair value adjustments to buildings are depreciated over the residual life of each facility.

Depreciation of property, plant and equipment

Property, plant & equipment are depreciated on a straight-line basis over the estimated useful life of each item or each significant part of an item where it comprises distinct parts with different useful lives, as follows:

- Buildings, fixtures and fittings: 12 to 60 years
- Plant and equipment: 3 to 10 years
- Other: 3 to 10 years

Property, plant & equipment are tested for impairment whenever there is objective evidence that they might be impaired and any impairment losses are recognised in profit or loss.

Proprietary property development projects

Under its expansion policy and in order to meet its quality standards, the Group manages its own operating property development or redevelopment projects.

These properties are either intended to be kept by the Group or to be sold to investors.

The cost of new or redeveloped properties includes the cost of purchasing the land, any buildings to be redeveloped and all development and redevelopment costs. Development and redevelopment costs include direct production costs and borrowing costs directly attributable to the production of the asset in accordance with paragraph 11 of IAS 23 – Borrowing Costs.

The margin on property developments or redevelopments to be sold off-plan to investors is accounted for using the percentage of completion method.

Progress payments received on off-plan sales are deducted from the value of the project.

Gains or losses on sales of properties are recorded under "other non-recurring operating income and expense" to distinguish them from operating revenue.

Finance leases

In accordance with IAS 17 – Leases, lease contracts are classified as finance leases when substantially all of the risks and rewards incidental to ownership of the asset are transferred to the lessee.

All other lease contracts are classified as operating leases. Operating lease payments (other than service costs such as insurance and maintenance) are recognised as an expense on a straight-line basis over the term of the contract.

1.9 Impairment of non-current assets

In accordance with IAS 36 - Impairment of Assets, the Group assesses the recoverability of its non-current assets as follows:

- Property, plant & equipment and intangible assets with a finite useful life are tested for impairment whenever there is objective evidence that they might be impaired;
- Intangible assets with an indefinite useful life and goodwill are tested for impairment whenever there is objective evidence that they might be impaired and at least once a year on the balance sheet date.

Impairment testing consists in comparing the carrying amount with the higher of fair value less costs to sell and value in use. Value in use is determined by discounting the future cash flows expected to be generated from continued use of the assets over their estimated useful lives and their residual sale value at the end of that period. The discount rate used is equal to the Group's weighted average cost of capital, which is representative of the sector rate (see note 3.3).

Any impairment of a cash generating unit (CGU), or group of CGUs in the case of foreign operations, is deducted first from the corresponding goodwill, if any, and then from the remainder of the CGU's assets in proportion to their carrying amount.

Each long-term or short-term care facility is a CGU. A CGU's main assets are goodwill when allocated to the CGU, intangible assets (operating licence) and the operating property measured at fair value if the Group is the owner (see note 1.8).

1.10 Investments in associates and joint ventures

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 is adjusted by the Group's share of their net results after acquisition. If the Group's share of their losses exceeds its interest in the entity, the Group discontinues recognising its share of any further losses unless it has an obligation to recapitalise the entity or make payments on its behalf.

Investments in associates and joint ventures classified as held for sale are accounted for in accordance with IFRS 5 (see note 1.12).

1.11 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.

1.12 Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, assets or groups of assets (disposal groups) – particularly properties or facilities which the Group intends to sell within a period of 12 months – are classified as non-current assets held for sale and discontinued operations if the sale is highly probable and the asset or disposal group meets the criteria for such classification.

These assets are measured at the lower of their carrying amount and fair value less costs to sell. The carrying amount for operating properties is the latest fair value determined in accordance with paragraph 31 of IAS 16 (see note 1.8).

1.13 Trade and other operating receivables

On initial recognition, trade receivables are measured at face value, which is considered to be the best estimate of their fair value at inception. A provision for impairment is recognised when there is objective evidence that the Group may be unable to recover the full amount on the original terms and conditions of the transaction. The age of a receivable and a debtor's habitual arrears are evidence of impairment.

The amount of the impairment provision is equal to the net present value of the cash flows which are considered to be unrecoverable. Based on past experience, impairment rates are typically as follows:

– Social security organisations:	
Receivables more than 27 months past due:	100%
Receivables between 24 and 27 months past due:	75%
Receivables between 18 and 24 months past due:	50%
Receivables between 12 and 18 months past due:	25%
– Private top-up health insurers:	
Receivables more than 18 months past due:	100%
Receivables between 12 and 18 months past due:	75%
– Patients:	
Receivables more than 6 months past due:	100%
– Residents:	
Receivables between 1 and 12 months past due:	50%
Receivables more than 1 year past due:	100%
– Residents receiving social security support:	
Receivables more than 2 years past due:	50%
Receivables more than 3 years past due:	100%

Receivables with a maturity of more than one year are discounted if the impact is material.

1.14 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.

1.15 *Contribution Economique Territoriale*

The French 2010 Finance Act published on 30 December 2009 abolished the *Taxe Professionnelle* business tax and replaced it with a new levy called the *Contribution Economique Territoriale* (CET), which is broken down into two components of different types:

- The *Cotisation Foncière des Entreprises* (CFE) is based on the rental values of assets liable to property tax. This component is very similar to the existing *Taxe Professionnelle* and will accordingly be recognised as an operating expense as of 1 January 2010.
- 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 will accordingly be recognised as an income tax in accordance with IAS 12 as of 1 January 2010.

Consequently, a deferred tax expense has been recognised in profit or loss at 31 December 2009 in accordance with IAS 12. The basis for calculating the tax liability mainly comprises the carrying amounts of property, plant & equipment and intangible assets with a finite useful life.
Goodwill, operating licences with an indefinite useful life and land are not included in the basis for calculation in light of the provisions of SIC 21.

1.16 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at bank and short-term investments that are highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash and short-term investments comprise balances on bank accounts, cash in-hand, term deposits of less than 3 months and debt securities traded on official markets that are subject to an insignificant risk of a fall in value. They are treated as financial assets held for trading and measured at fair value. Changes in fair value are recognised in profit or loss.

1.17 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.

1.18 Stock option and stock award plans

Stock options are granted to certain managers of the Group.

In accordance with IFRS 2 - Share-based Payment, plans established after 7 November 2002 are measured at their market value on the grant date using the Black & Scholes model. The resulting obligation is recognised in equity and expensed to profit or loss under staff costs over the vesting period, which is typically five years.

At the annual general meeting of 29 June 2006, the shareholders authorised the Board of Directors of Orpea SA to make awards of new or existing stock to executive directors and employees of the Company and related companies. The total number of shares that may be awarded under this authorisation may not exceed 90,000. The authorisation was given for a period of 38 months from the annual general meeting of 29 June 2006.

On 29 June 2006, the Board of Directors used this authorisation to award 35,000 shares to Group employees (70,000 shares after the stock split). On 29 December 2009, the Board of Directors awarded 68,420 shares to 1,975 employees.

1.19 Post-employment and other employee benefit obligation

In France, the Group is governed by the single 'FHP' collective bargaining agreement for the private healthcare sector dated 18 April 2002, which provides for payment of a lump-sum benefit upon retirement based on the employee's length of service, grade and salary on the retirement date.

No other post-employment or long-term benefits are granted to employees in service.

Outside France, the Group applies the relevant local provisions in each country. Switzerland is the only country where it has defined benefit pension plans.

The Group's post-employment benefit obligation is calculated on the basis of actuarial estimates using the projected unit credit method. Actuarial assumptions include staff turnover, salary increases, inflation and life expectancy and are disclosed in note 3.11.

The actuarial obligation is recognised in the balance sheet after deduction of any plan assets measured at fair value.

Cumulative actuarial gains and losses arising from experience adjustments or the effects of changes in financial, economic or demographic assumptions (change of discount rate, annual salary increases, length of service life, etc.) are recognised immediately in the Group's obligation with a corresponding amount in a separate component of equity (other reserves), in accordance with the option granted under the IAS 19 amendment of December 2004.

Current and past service cost is recognised as an operating expense. Interest cost and expected return on plan assets are recognised in net finance costs.

1.20 Provisions

The Group recognises a provision when it has legal or constructive obligation to a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If is not probable but possible that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is recognised off-balance sheet as a contingent liability.

Provisions related to the operating cycle are classified as short-term regardless of their probable reversal date. They mainly concern employee-related risks and are measured by the social affairs department according to the risk incurred by the Group and the stage of progress in any proceedings pending.

Provisions that are not directly related to the operating cycle and which have a probable reversal date beyond one year are classified as long-term. They mainly comprise provisions for litigation, taxes and similar, and restructurings.

1.21 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.

1.22 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).

1.23 Revenue

Revenue mainly comprises payment for accommodation and care services provided to residents and patients. It is recognised when the service is provided.

For long-term care homes, the day rate is payable as follows:

- the "accommodation" component is paid by the resident;
- the "long-term care allowance" component is paid by the resident and the local authority (the day rate is set by the local authority depending on the level of care required and forecast expenses);
- the "medical care" component is paid by the regional health insurance fund (the day rate is set according to the level of care required and forecast expenses).

For short-term care facilities, the day rate is payable as follows:

- the "private room" component is paid by the patient or the patient's top-up private health insurance;
- the "medical care" component is paid by the regional health insurance fund.

The only seasonal effect is the number of days in operation, which is higher in the second half of the calendar year than the first.

1.24 Other income statement aggregates

The Group main business consists of operating long-term and short-term care facilities. Recurring operating profit is derived from these operations, whether through recurring or occasional, principal or incidental transactions.

Gains or losses on disposals of properties are recognised in "other non-recurring operating income and expense". This line item includes gains or losses on all transactions which, due to their nature or frequency, cannot be considered to be part of the Group's ongoing operations.

The main items are the potential impacts of changes in scope of consolidation, including income and expenses recognised since 1 January 2009 in accordance with IFRS 3 revised, gains or losses on disposals of property assets, expenses incurred in redeveloping facilities acquired, other expenses incurred in connection with the Group's development projects and any impairment of unamortised intangible assets and goodwill.

1.25 Earnings per share

Basic earnings per share is calculated on the basis of the weighted average number of shares in issue during the year less any treasury shares held and deducted from equity.

Diluted earnings per share takes account of all potentially dilutive instruments, such as options, warrants and convertible bonds. Options and warrants are dilutive when their exercise price is lower than the market price. In this case, the "treasury method" is used to determine the dilutive impact. The weighted average number of shares is increased by the number of new shares issued upon exercise of the options or warrants less the number of shares that could be repurchased at the market price with the exercise proceeds.

1.26 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.

1.27 Segment information

The Group has not changed its method of reporting segment information since adopting IFRS 8 as of 1 January 2009. Segment information is still disclosed on the basis of two operating segments as before, being the two segments used by the Group to analyse its activity and monitor its development. These segments are France and International (see note 3.18).

1.28 Organic growth

Organic or internally-generated growth (excluding acquisitions), is derived from building new facilities, extensions or redevelopments, trends in occupancy rates and changes in rates charged.

Organic growth is analysed on an individual facility basis. The revenue generated by a facility for a given month of the year is included in organic growth if the facility was already operated by the Group or under development in the same month of the previous year.

2. Scope of consolidation

2.1 Changes in scope of consolidation during the financial year

Orpea has strengthened its network of care facilities in operation or under development as follows:

- Acquisition in the first half of ten facilities in France at Montmorency, St Palais sur Mer, Arcachon, Pau, Montpellier, Callas, Crosne, Soubise and two at Marseille.

- Acquisition in the second half of eleven facilities in France at St Georges de Didonne, Tournan en Brie, Mareuil les Meaux, Gan, Dreux, Louvroil, Sevrier, Chaponost, Loos and two at Berlaimont.

- Acquisition of the remaining 51% of the SFI Group, previously 49%-owned and accounted for by the equity method in the Group's consolidated financial statements. The SFI Group operates fourteen facilities in France at Cagnes, Marcoussis, Savigny sur Braye, Lavau, Vaux sur Lunain, Leudeville, Arcachon, Dourdan, Toulouse, Sainte Terre, Wissous, Reims, Saint Vrain and Colomiers.

The Group also opened three new facilities with a total of about 260 beds upon completion of projects started in prior years.

The Group has supported this expansion with the acquisition of certain operating properties, either directly or through companies.

2.2 Impact of changes in scope of consolidation on 2009 data

Revenue rose by 20% compared with 2008, an increase of €141 million, due both to organic growth and acquisitions.

Organic growth

Organic or internally-generated growth is derived from new developments, extensions and redevelopments of facilities, trends in occupancy rates and changes in rates charged (see note 1.28). Organic revenue growth was 11.1% in 2009.

External growth

External growth is derived from acquisitions (directly or indirectly through companies) of facilities in operation or under development and the related land.

During 2009, investments in external growth amounted to about €125 million and the amount of debt taken on by the Group to about €35 million.

Based on a provisional estimate of the fair value of assets acquired, the total investment on the acquisition date can be summarised as follows:

	Number of facilities	Number of beds	Operating licences	Goodwill and intangibles in course of allocation	Properties
			(in €m)	(in €m)	(in €m)
France	35	2,741	157	30	161
International	0	0	0	0	0
Italy					
Switzerland					
Belgium					
Spain					
Total	35	2,741	157	30	161

Deferred taxes liabilities recognised in respect of these acquisitions amounted to about €75 million.

2.3 Impact of early adoption of IFRS 3 revised

The Orpea Group early adopted as of 1 January 2009 the new version of IFRS 3 – Business Combinations published in January 2008 by the International Accounting Standards Board (IASB).

The impact on the consolidated financial statements was as follows:

- Recognition in non-recurring operating expense of transaction costs related to business combinations completed in 2009, totalling €1.9 million. These costs were previously capitalised in the cost of the acquisition to be allocated to the assets and liabilities acquired.
- Recognition in non-recurring operating income of €14.3 million following the revaluation of the 49% non-controlling interest previously held in the SFI Group at the time of the Group's acquisition of the remaining 51% on 1 July 2009.

In addition, a specific, non-recurring deferred tax charge of €8 million, unrelated to the adoption of IFRS 3 revised, was recognised following the introduction of the *Contribution Économique Territoriale* levy payable by French entities as of 1 January 2010 in replacement of the current *Taxe Professionnelle* (see notes 1.15 and 3.21).

2.4 Scope of consolidation at 31 December 2009

Consolidated companies Name	% control	% interest	Consolidation method
ORPEA SA	100.00%	100.00%	Parent
EURL LES MATINES	100.00%	100.00%	FC
SAS CLINEA	100.00%	100.00%	FC
SARL BEL AIR	100.00%	100.00%	FC
SCI ROUTE DES ECLUSES	100.00%	100.00%	FC
SCI DES RIVES D'OR	100.00%	100.00%	FC
SCI ORPEA DU CHÂTEAU NERAC	100.00%	100.00%	FC
SCI DE LA TOUR DE PUJOLS	100.00%	100.00%	FC
SCI DES RIVES DE LA CERISAIE	100.00%	100.00%	FC
SCI DU VAL DE SEINE	100.00%	100.00%	FC
SCI DU CLISCOUET	100.00%	100.00%	FC
SCI DES RESIDENCES DE L'AGE D'OR	100.00%	100.00%	FC
SCI GAMBETTA	100.00%	100.00%	FC
SCI CROIX ROUSSE	100.00%	100.00%	FC
SCI LES DORNETS	100.00%	100.00%	FC
SCI DU CHÂTEAU D'ANGLETERRE	100.00%	100.00%	FC
SCI MONTCHENOT	100.00%	100.00%	FC
SCI DU 115 RUE DE LA SANTE	100.00%	100.00%	FC
SCI L'ABBAYE VIRY	100.00%	100.00%	FC
SCI LES TAMARIS	100.00%	100.00%	FC
SCI DU 3 PASSAGE VICTOR MARCHAND	100.00%	100.00%	FC
SCI FAURIEL	100.00%	100.00%	FC
SCI DU PORT THUREAU	100.00%	100.00%	FC
SCI DE L'ABBAYE MOZAC	100.00%	100.00%	FC
SCI DE LA RUE DES MARAICHERS	100.00%	100.00%	FC
SCI LE BOSGUERARD	100.00%	100.00%	FC
SCI LE VALLON	100.00%	100.00%	FC
SCI BEL AIR	100.00%	100.00%	FC
SCI BREST LE LYS BLANC	100.00%	100.00%	FC
SCI SAINTE BRIGITTE	100.00%	100.00%	FC
SARL AMARMAU	100.00%	100.00%	FC
SARL VIVREA	100.00%	100.00%	FC
SARL NIORT 94	100.00%	100.00%	FC
SCI LES TREILLES	100.00%	100.00%	FC
SCI LES FAVIERES	100.00%	100.00%	FC
SA LES CHARMILLES	100.00%	100.00%	FC
SA BRIGE	100.00%	100.00%	FC
SRL ORPEA ITALIA	100.00%	100.00%	FC
SARL 96	100.00%	100.00%	FC
SARL SPI	100.00%	100.00%	FC
SARL 95	100.00%	100.00%	FC
SCI LA TALAUDIERE	100.00%	100.00%	FC
SCI SAINT PRIEST	100.00%	100.00%	FC
SCI BALBIGNY	100.00%	100.00%	FC
SCI SAINT JUST	100.00%	100.00%	FC
SCI CAUX	100.00%	100.00%	FC
SAS LA SAHARIENNE	100.00%	100.00%	FC
SCI IBO	100.00%	100.00%	FC
SARL ORPEA DEV	100.00%	100.00%	FC
SCI BEAULIEU	100.00%	100.00%	FC

Consolidated companies Name	% control	% interest	Consolidation method
SCI LES MAGNOLIAS	100.00%	100.00%	FC
SCI COURBEVOIE DE L'ARCHE	100.00%	100.00%	FC
SARL DOMEA	100.00%	100.00%	FC
SAS ORGANIS	100.00%	100.00%	FC
SARL MAISON DE LOUISE	100.00%	100.00%	FC
SARL GESSIMO	100.00%	100.00%	FC
SARL MAISON DE CAMILLE	100.00%	100.00%	FC
SARL MAISON DE LUCILE	100.00%	100.00%	FC
SARL MAISON DE SALOME	100.00%	100.00%	FC
SARL MAISON DE MATHIS	100.00%	100.00%	FC
SA DOMAINE CHURCHILL	100.00%	100.00%	FC
SA RS DOMAINE CHURCHILL	100.00%	100.00%	FC
SA LONGCHAMP LIBERTAS	100.00%	100.00%	FC
SL TRANSAC CONSULTING CO	100.00%	100.00%	FC
SARL LA VENITIE	100.00%	100.00%	FC
SA CASA MIA IMMOBILIARE	100.00%	100.00%	FC
SARL L'ALLOCHON	100.00%	100.00%	FC
SA CLINIQUE LA METAIRIE	100.00%	100.00%	FC
SCI KOD'S	100.00%	100.00%	FC
SCI BARBACANNE	100.00%	100.00%	FC
SA DOMAINE LONGCHAMP	100.00%	100.00%	FC
SARL LA BRETAGNE	100.00%	100.00%	FC
SCI SAINTES	100.00%	100.00%	FC
SARL ATRIUM	100.00%	100.00%	FC
SCI BARBARAS	100.00%	100.00%	FC
SARL GESTIHOME SENIOR	100.00%	100.00%	FC
SA CALIDAD RESIDENCIAL	100.00%	100.00%	FC
SCI SLIM	100.00%	100.00%	FC
SCI SELIKA	100.00%	100.00%	FC
SARL MAISON DE CHARLOTTE	100.00%	100.00%	FC
SAS RESIDENCE ST LUC	100.00%	100.00%	FC
SARL L'ERMITAGE	100.00%	100.00%	FC
SCI JEM II	100.00%	100.00%	FC
SARL REINE BELLEVUE	100.00%	100.00%	FC
SA ORPEA BELGIUM	100.00%	100.00%	FC
SASU LE VIGE	100.00%	100.00%	FC

Consolidated companies Name	% control	% interest	Consolidation method
SA GERONE CORP	100.00%	100.00%	FC
SL DINMORPEA	100.00%	100.00%	FC
SA CLINIQUE LA LIRONDE	100.00%	100.00%	FC
SA CLIN MED DU CHÂTEAU D'HERBLAY	100.00%	100.00%	FC
SAS CLINIQUE CHAMPVERT	100.00%	100.00%	FC
SAS CCR DU LAVARIN	100.00%	100.00%	FC
SARL LAGARDELLE SANTE	100.00%	100.00%	FC
SCI LES ANES	100.00%	100.00%	FC
SCI SPAGUY	100.00%	100.00%	FC
SCI LA DRONE	100.00%	100.00%	FC
SCI CHÂTEAU DE LA CHARDONNIERE	100.00%	100.00%	FC
SCI LA SALVATE	100.00%	100.00%	FC
SAS MAJA	100.00%	100.00%	FC
SCI DU CAROUX	100.00%	100.00%	FC
CLINEA ITALIA SPA	100.00%	100.00%	FC
SAS LA CLAIRIERE	100.00%	100.00%	FC
SRL CANTON DI MEZZO	100.00%	100.00%	FC
SARL ALTERNATIVE HOSPITALISATION	100.00%	100.00%	FC
SARL RESIDENCE LA CLAIRIERE	100.00%	100.00%	FC
SAS CHAMPVERT	100.00%	100.00%	FC
SA DAVER	100.00%	100.00%	FC
SA BORA	100.00%	100.00%	FC
SA GRAY	100.00%	100.00%	FC
SCI MANUJACQ	100.00%	100.00%	FC
SPRL RESIDENCE PARADIS	100.00%	100.00%	FC
SA JB VAN LINTHOUT	100.00%	100.00%	FC
SA VINTAGE CLASSICS INTERN	100.00%	100.00%	FC
SPA VILLA DI SALUTE	100.00%	100.00%	FC
SARL SOGIMOB	100.00%	100.00%	FC
ASSOC LANGUEDOCIENNE DE GERIATRIE	100.00%	100.00%	FC
SA PREMIER	100.00%	100.00%	FC
SC LES PRATICIENS DU GRAND PRE	100.00%	100.00%	FC
SAS MDR LA CHENERAIE	100.00%	100.00%	FC
SAS RESIDENCE DE LA CHENERAIE	100.00%	100.00%	FC
SCI DU 12 RUE DU FAUVET	100.00%	100.00%	FC
SCI HELIADES SANTE	100.00%	100.00%	FC
SA IMMOBILERE LEAU	100.00%	100.00%	FC
SARL 97	100.00%	100.00%	FC
SC CARDIOPIERRE	100.00%	100.00%	FC
SARL L'OMBRIERE	100.00%	100.00%	FC

Consolidated companies Name	% control	% interest	Consolidation method
SA RESIDENCE DU GRAND CHEMIN	100.00%	100.00%	FC
SA VILLERS SERVICES	100.00%	100.00%	FC
SA SENIORIE DE L'EPINETTE	100.00%	100.00%	FC
SA RESIDENCE SENIOR'S WESTLAND	100.00%	100.00%	FC
SA SENIOR'S WESTLAND HOLDING	100.00%	100.00%	FC
SARL IDF RESIDENCE RETRAITE LE SOPHORA	100.00%	100.00%	FC
SA EMCEJIDEY	100.00%	100.00%	FC
SCI DOUARNENEZ	100.00%	100.00%	FC
SA MAISON DE RETRAITE PAUL CEZANNE	100.00%	100.00%	FC
SCI SUPER AIX	100.00%	100.00%	FC
SARL MAISON DE RETRAITE LE SEQUOIA	100.00%	100.00%	FC
SARL MAISON D'OMBELINE	100.00%	100.00%	FC
SARL LA RETRAITE DU LEU	100.00%	100.00%	FC
SNC LES JARDINS D'ESCUDIE	100.00%	100.00%	FC
SA RESIDENCE DU MOULIN	100.00%	100.00%	FC
SARL RESIDENCE DU PARC	100.00%	100.00%	FC
SAS CARDEM	100.00%	100.00%	FC
SA ORPEA BELGIUM IMMOBILIER	100.00%	100.00%	FC
SA CARINA	100.00%	100.00%	FC
SA ODE HOLDING	100.00%	100.00%	FC
SA LES AMARANTES	100.00%	100.00%	FC
SA LES AMARANTES MULTI SERVICES	100.00%	100.00%	FC
SA PALACEA	100.00%	100.00%	FC
SA SAINT FRANCOIS	100.00%	100.00%	FC
SA LE THINES	100.00%	100.00%	FC
SA CHÂTEAU DE LA LYS	100.00%	100.00%	FC
AGRICOLA MEDITERRANEA	100.00%	100.00%	FC
SARL FRANCE DOYENNE DE SANTE	100.00%	100.00%	FC
SA LE CHÂTEAU ST VALERY	100.00%	100.00%	FC
SAS RESIDENCE KLARENE	100.00%	100.00%	FC
SNC BRECHET CFT ET CIE	100.00%	100.00%	FC
SAS RESIDENCE ONDINE	100.00%	100.00%	FC
SAS SFI France	100.00%	100.00%	FC
SAS CHÂTEAU LAFITTE	100.00%	100.00%	FC
SAS SYLVINVEST	100.00%	100.00%	FC
SCI LES ORANGERS	100.00%	100.00%	FC
SA CHÂTEAU BEL AIR	100.00%	100.00%	FC
SA CLINIQUE L'EMERAUDE	100.00%	100.00%	FC
SAS HOTEL DE L'ESPERANCE	100.00%	100.00%	FC
SAS CLINIQUE BEAU SITE	100.00%	100.00%	FC
SAS LE CLOS DU ROY	100.00%	100.00%	FC
SCI DU MONT D'AURELLE	100.00%	100.00%	FC
SCI ANSI	100.00%	100.00%	FC
SARL REGINA RENOUVEAU	100.00%	100.00%	FC
SCI BRBT	100.00%	100.00%	FC
SNC MAISON ROSE	100.00%	100.00%	FC
SCI RUE DE LONDRES	100.00%	100.00%	FC
SCI CHÂTEAU DE LOOS	100.00%	100.00%	FC
SCI BERLAIMONT	100.00%	100.00%	FC
SARL MARC AURELLE IMMOBILIER	100.00%	100.00%	FC
SCI DU GRAND PARC	100.00%	100.00%	FC
SCI SEQUOIA	100.00%	100.00%	FC
SAS CLINIQUE MEDICALE LES OLIVIERS	100.00%	100.00%	FC
SNC ESPACE ADO BEL AIR	100.00%	100.00%	FC
SARL ST SULPICE	100.00%	100.00%	FC
SA CLINIQUE REGINA	100.00%	100.00%	FC
SARL CLINIQUE DU CHÂTEAU DE LOOS	100.00%	100.00%	FC
SARL LES COURTILS	100.00%	100.00%	FC
SAS LA CHAVANNERIE	100.00%	100.00%	FC
SCI DU JARDIN DES LYS	100.00%	100.00%	FC
SAS DOUCE France SANTE	100.00%	100.00%	FC
SARL RESIDENCE DU PARC DE BELLEJAME	100.00%	100.00%	FC
SCI BELLEJAME	100.00%	100.00%	FC
SARL RESIDENCE DE SAVIGNY	100.00%	100.00%	FC

Consolidated companies Name	% control	% interest	Consolidation method
SARL RESIDENCE LA PUYSAIE	100.00%	100.00%	FC
SAS CHÂTEAU DE VILLENIARD	100.00%	100.00%	FC
SA CLINIQUE DU CABIROL	100.00%	100.00%	FC
SARL RESIDENCE DE L'OASIS	100.00%	100.00%	FC
SARL RESIDENCE RENE LEGROS	100.00%	100.00%	FC
SAS MEX	100.00%	100.00%	FC
SNC MARGAUX PONY	100.00%	100.00%	FC
SNC THAN CO	100.00%	100.00%	FC
SARL LES VERGE D'ANNA	100.00%	100.00%	FC
SARL DFS IMMOBILIER	100.00%	100.00%	FC

3. NOTES TO THE FINANCIAL STATEMENTS

3.1 Goodwill

The main movements during the year were as follows:

	France	International	Total
Opening net goodwill	111,299	68,066	179,365
Business combinations	25,277	(962)	24,315
Closing net goodwill	**136,576**	**67,104**	**203,680**

Accumulated impairment amounted to €74 thousand.

A non-recurring impairment loss of €7.5 million was recognised in 2009 following the sale of two properties. The corresponding goodwill had arisen as a result of the recognition of a deferred tax liability on the fair value adjustment.

3.2 Intangible assets

The following table shows the main intangible assets and accumulated amortisation:

	31/12/2009			31/12/2008		
	Gross	Amort. Prov	Net	Gross	Amort. Prov	Net
Operating licences	759,301	6,114	753,187	597,910	1,970	595,940
Advances and downpayments	8,373		8,373	6,395		6,395
Other	18,537	4,745	13,791	12,432	4,550	7,882
Total	786,210	10,859	**775,351**	616,737	6,520	610,217

At 31 December 2009, operating licences comprised the licences to operate facilities in France, Belgium and Italy considered to have in indefinite useful life.

Amortisation of other intangible assets is recognised in profit or loss under "depreciation, amortisation and provisions".

An impairment loss of €4.1 million was recognised to cover the risk related to two licences not yet operated. Impairment losses are recognised in "other non-recurring operating expense".

The following table shows the movement in intangible assets by type (net):

	Operating licences	Advances & downpayments	Other	Total
At 31 December 2007	**481,211**	**1,993**	**10,874**	**494,079**
Increase	5,904	5,145	2,953	14,002
Decrease	(232)	(743)	(782)	(1,757)
Amortisation and provisions			(995)	(995)
Reclassifications and other	16,190		(3,445)	12,745
Effect of changes in scope	92,867		(723)	92,144
At 31 December 2008	**595,940**	**6,395**	**7,882**	**610,217**
Increase	1,707	16,446	4,169	22,322
Decrease	(262)	(13,619)	(507)	(14,388)
Amortisation and provisions	(4,143)		(1,000)	(5,143)
Reclassifications and other	(1,056)	(849)	3,160	1,255
Effect of changes in scope	161,001		87	161,088
At 31 December 2009	**753,187**	**8,373**	**13,791**	**775,351**

Advances and downpayments recognised as intangible assets mainly comprise prepayments made under contractually agreed acquisitions of facilities.

3.3 Periodic impairment testing

In accordance with IAS 36, the cash generating units were tested for impairment, including goodwill, intangible assets with an indefinite useful life and property, plant & equipment (see note 1.9). The tests did not reveal any impairment.

The main assumptions used in the final quarter of 2009 were:

- growth rate over 20 years: 3.0%;
- discount rate: 7.0%;
- capex required to maintain the asset: 2.5% of revenue.

Some cash generating units may be sensitive to a hypothetical increase in the discount rate or growth rate. A hypothetical change of 100 basis points in either rate would not lead to the recognition of an impairment loss.

3.4 Property, plant & equipment

3.4.1 Movements in property, plant & equipment including those in the course of construction

The following table shows the main items of property, plant and equipment, including those in the course of construction, and accumulated depreciation:

	31/12/2009			31/12/2008		
	Gross	Depr. Prov	Net	Gross	Depr. Prov	Net
Land	423,990	94	423,896	463,639	51	463,588
Buildings	887,574	168,199	719,375	811,799	142,076	669,723
Plant	125,318	46,734	78,584	88,733	33,838	54,895
Properties in course of construction	494,198	62	494,135	309,003		309,003
Other	58,470	30,075	28,395	56,221	25,834	30,387
Properties held for sale	(82,208)		(82,208)	(49,085)		(49,085)
Total	1,907,342	245,164	**1,662,177**	1,680,312	201,800	1,478,513

Depreciation is recognised in profit or loss under "depreciation, amortisation and provisions".

Impairment losses are recognised in "other non-recurring operating expense".

The following table shows movements in the net carrying amount of property, plant and equipment.

	Land	Buildings	Plant	Properties in course of construction	Other	Properties held for sale	Total
At 31 December 2007	**378,746**	**494,996**	**48,281**	**257,354**	**25,939**	**0**	**1,205,316**
Acquisitions	19,502	110,788	12,998	174,303	28,819		346,410
Change in fair value	11,307	9,006					20,313
Disposals	(10,050)	(45,683)	(3,503)	(86,720)	(10,526)		(156,482)
Depreciation		(18,607)	(4,642)		(5,254)		(28,503)
Reclassifications & other	(42,779)	92,780		(40,300)	(9,701)	(49,085)	(49,084)
Changes in scope	106,862	26,443	1,761	4,366	1,110		140,542
At 31 December 2008	**463,588**	**669,723**	**54,895**	**309,003**	**30,387**	**(49,085)**	**1,478,513**
Acquisitions	4,861	9,428	18,427	203,808	5,671		242,195
Change in fair value	(25,000)						(25,000)
Disposals	(30,693)	(19,086)	(1,005)	(83,222)	(6,439)		(140,445)
Depreciation	(14)	(21,370)	(11,061)		(2,178)		(34,623)
Reclassifications & other	(2,541)	47,813	16,386	(48,973)	91	(33,123)	(20,347)
Changes in scope	13,695	32,868	942	113,519	863		161,887
At 31 December 2009	**423,896**	**719,375**	**78,584**	**494,135**	**28,395**	**(82,208)**	**1,662,177**

The main movements in 2009 were due to capital expenditure required for the ongoing operation of facilities, investments in new facilities or extensions, acquisitions of properties through business combinations (€161.9 million in France) and acquisitions of properties in the course of construction.

3.4.2 Revaluation of operating properties

The impact of revaluing operating properties in accordance with IAS 16 was as follows:

	Impact of IAS 16 measurement	
	31-Dec-09	**31-Dec-08**
Land	206,348	231,348
Buildings	90,385	90,385
Depreciation	-6,760	-5,198
Properties	**289,973**	**316,535**

The corresponding tax, calculated at standard rates, amounted to €102.1 million.

The amount of additional depreciation arising as a result of the revaluation of buildings in 2009 was €1.6 million.

The average values of properties measured using the revaluation method were as follows:

Price per m² GLA (in €)	**31-Dec-09**	**31-Dec-08**
Paris	5350	5,800
Inner Paris suburbs	3360	3,300
Outer Paris suburbs and other major cities	2500	2,480
Other	1680	1,600

3.4.3 Finance leases

Property, plant and equipment financed by finance leases include the following assets at their gross value:

	31-Dec-09	**31-Dec-08**
Land	165,897	76,887
Buildings	424,328	288,967
Assets under finance leases	**590,225**	**365,854**

All finance leases are property leases.

Future minimum payments under finance leases are disclosed in note 3.24.

3.4.4 Operating leases

Operating lease payments are as follows:

	31-Dec-09	**31-Dec-08**
Lease payments	54,213	44,501
Total	**54,213**	**44,501**

Operating leases are almost exclusively comprised of renewable leases with fixed rents revisable in accordance with changes in the INSEE construction cost index, the rate of revaluation of old age pensions or fixed rates.

Minimum future lease payments under operating leases are presented in 3.22.

3.4.5 Investment property

The Group does not own any properties other than those used in its operations. Accordingly, IAS 40 - Investment Property does not apply.

3.5 Investments in associates and joint ventures

At 31 December 2009, investments in associates and joint ventures amounted to €3 million, comprising Orpea SA's 49% non-controlling interest in SA Family Santé, a development company.

3.6 Non-current financial assets

Non-current financial assets break down as follows:

	31-Dec-09 Net	31-Dec-08 Net
Non-consolidated investments	1,042	926
Loans	8,436	8,722
Security deposits	4,260	3,969
Total	**13,738**	**13,617**

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-09	31-Dec-08
Advances and downpayments made	1,300	1,301
Trade receivables	75,195	69,744
Total	**76,495**	**71,045**

The rise in trade receivables was due to the Group's strong growth. Due to the nature of its activity, all trade receivables are due within one month.

3.8 Other assets, accruals and prepayments

	31-Dec-09	31-Dec-08
Development-related assets	17,671	26,369
VAT receivables	27,175	28,581
Other receivables	38,208	29,949
Supplier accounts in debit	4,691	4,426
Prepaid expenses	6,199	6,773
Total	**93,944**	**96,098**

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 property assets.

3.10 Equity

3.10.1 Share capital

	31-Dec-09	31-Dec-08
Number of shares authorised	38,847,172	36,902,772
Number of shares issued	38,847,172	36,902,772
Par value per share (€)	1.25	1.25
Share capital (€)	48,558,965	46,128,465
Treasury shares	27,192	63,718

On 31 July 2007, Orpea made a two for one stock split, thereby doubling the number of shares in issue.

On 20 October 2009, Orpea made a €2,400,000 capital increase by issuing 1,920,000 new shares.

Since 31 December 2006, the exercise of stock options has had the following impact on share capital and share premiums:

(in thousands of euros)	Number of shares	Share capital	Share premiums
Share capital at 31/12/2007	**36,823,735**	**46,030**	**24,136**
Exercise of options	79,037	99	58
Share capital at 31/12/2008	**36,902,772**	**46,128**	**24,194**
Exercise of options	24,400	31	25
Capital increase	1,920,000	2,400	57,968
Share capital at 31/12/2009	**38,847,172**	**48,559**	**82,187**

3.10.2 Earnings per share

Average weighted number of shares in issue

	31-Dec-09		31-Dec-08	
	Basic	Diluted	Basic	Diluted
Ordinary shares *	38,847,172	38,847,172	36,902,772	36,902,772
Stock options		77,300		184,029
Treasury shares	(27,192)	(27,192)	(63,718)	(63,718)
Exercise of share warrants				
Weighted average number of shares	**38,819,980**	**38,897,280**	**36,839,054**	**37,023,083**

* Net of treasury shares in 2008

Earnings per share

(en euros)	31-Dec-09		31-Dec-08	
	Basic	Diluted	Basic	Diluted
Earnings	**1.57**	**1.57**	1.31	1.30

3.10.3 Dividends

No dividend was paid in 2006, 2007 or 2008.

At the annual general meeting of 26 June 2009, the shareholders approved a 2008 dividend of €0.10 per share making a total payout of €3,690,277, paid in September 2009.

3.10.4 Stock option plans

First plan

The first plan authorised at the shareholders' meeting of 10 May 2000 is closed.

Second plan

On 21 September 2001, the shareholders authorised the Board of Directors to grant 160,000 options to subscribe for new shares with a par value of €2.5, making a total potential capital increase of €400,000. The exercise price was set at €4.51. On 24 December 2001, the Board of Directors used the authorisation to grant a total of 160,000 options to certain employees. They are exercisable as of 20 May 2007 and are valid for eight years as of the date of grant. The beneficiaries are required to be employed by the Company or the Group at the time of exercise. For some beneficiaries, exercise of the options is contingent on the attainment of targets.

After the two for one stock split, the number of options granted represented 320,000 potential new shares.

At 31 December 2009, 265,760 new shares had been issued on the exercise of stock options granted under this plan.

Third plan

On 30 June 2003, the shareholders authorised the Board of Directors to grant 13,600 options to subscribe for new shares with a par value of €2.5, making a total potential capital increase of €34,000. On 30 September 2003, the Board of Directors used the authorisation to grant 13,600 options to one employee. They are exercisable as of 30 September 2007 and are valid for a period of eight years from the date of grant. The beneficiary is required to be employed by the Company or the Group at the time of exercise. The exercise price was set at €11.79.

After the two for one stock split, the number of options granted represented 27,200 potential new shares.

At 31 December 2009, 4,140 new shares had been issued on the exercise of stock options granted under this plan.

No stock options have been granted to anyone who was an executive officer on the date of grant.

In accordance with the principles set out in note 1.18, only the plan granted in June 2003 has been valued and recognised in the financial statements.

3.10.5 Share warrants

On 17 August 2009, Orpea made an issue of bonds with redeemable share warrants (OBSAAR), leading to the issuance of 1,190,787 share warrants exercisable from 14 August 2011 to 14 August 2015 inclusive and entitling the holder to subscribe for one new Orpea share at a price of €37.90. The maximum dilutive effect is 3.23% of the share capital.

3.10.6 Treasury shares

On 29 June 2006, the shareholders authorised a share buyback programme to enable the company to ensure liquidity and make a market in the shares, optimise its capital management and grant shares to employees particularly through stock award plans.

On 29 December 2009, 68,420 shares were awarded to 1,975 Group employees.

At 31 December 2009, the Group held 27,192 treasury shares which were deducted from consolidated reserves in a total amount of €1,235 thousand.

3.11 Provisions

Provisions break down as follows:

(in thousands of euros)	01-Jan-09	Actuarial gains or losses	Reclassification	Charge for the year	Reversal in the year (used)	Reversal in the year (not used)	Change in scope and others	31-Dec-09
Liabilities and charges	12,485			10,568	(2,979)	(2,454)	1,295	18,925
Restructuring	6,722			1,500	(2,419)		2,901	8,706
Post-employment ben. obl.	13,274	(393)		1,672	(1,489)		1,918	14,976
Total	32,484	(393)	0	13,740	(6,887)	(2,454)	6,114	42,610

Provisions for liabilities and charges taken during the year include the sum of €8.2 million recognised in non-recurring operating expense to cover risks related to property projects.

At the year end, short-term provisions included €5,065 thousand in provisions for employment disputes and €3,868 thousand in restructuring provisions.

The provision for post-employment benefits breaks down as follows:

(in thousands of euros)	31-Dec-09	31-Dec-08
France	13,802	11,422
International	1,181	1,851
Total	**14,976**	**13,274**

Movements in the French post-employment benefit obligation break down as follows:

	31-Dec-09				31-Dec-08			
(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	**11,422**	**(11,422)**			**10,973**	**(10,973)**		
Current service cost	635	(635)	(635)		707	(707)	707	
Interest cost	594	(594)	(594)		514	(514)	514	
Expected return on assets								
Employer's contributions								
Actuarial gains or losses	38	(38)		(38)	(1,420)	1,420		1,420
Benefits paid	(801)	801			(736)	736		
Changes in scope	1,918	(1,918)			1,384	(1,384)		
Closing	**13,806**	**(13,806)**	**(1,229)**	**(38)**	**11,422**	**(11,422)**	**1,221**	**1,420**

Movements in the International post-employment benefit obligation break down as follows:

(in thousands of euros)	31-Dec-09 Present value of obligation (*)	Provisions on balance sheet	Profit or loss	Equity	31-Dec-08 Present value of obligation (*)	Provisions on balance sheet	Profit or loss	Equity
Opening	**1,851**	**(1,851)**			**2,369**	**(2,369)**		
Current service cost	249	(249)	(249)		287	(287)	287	
Interest cost	194	(194)	(194)		242	(242)	242	
Expected return on assets	(183)	183	183		(231)	231	(231)	
Employer's contributions	(505)	505			(540)	540		
Actuarial gains or losses	(425)	425		425				
Benefits paid								
Plan curtailments					(276)	276	(276)	
Changes in scope								
Closing	**1,181**	**(1,181)**	**(260)**	**425**	**1,851**	**(1,851)**	**22**	

(*) Net of plan assets

The main actuarial assumptions at 31 December 2009 were:

	31-Dec-09		31-Dec-08	
	France	International	France	International
Discount rate	4.65%	3.00%	6.00%	3.00%
Annual rate of salary increase taking account of inflation	3.50%	2.25%	3.50%	2.25%
Expected rate of return on plan assets	NA	3.00%	NA	3.00%
Retirement age	65	65	65	65
Social security rate	average actual rate		average actual rate	

The actuarial gains or losses recognised in equity arise from experience adjustments, particularly as regards assumptions on staff turnover, changes in financial assumptions (discount rate) and economic assumptions (annual salary increases), and new legislation introduced by the social security financing act.

At 31 December 2009, sensitivity of the French post-employment benefit obligation to a 0.5% increase in the discount rate was €834 thousand.

3.12 Financial liabilities and cash and cash equivalents

Net debt breaks down as follows:

(in thousands of euros)	Net 31 December 2009	Net 31 December 2008
Property	**1,180,784**	**998,320**
Long-term bank borrowings	286,273	250,561
Finance lease obligations	329,965	280,643
Bond issue	209,120	
Bridging loans	355,426	467,117
Other	**339,474**	**285,667**
Miscellaneous financial liabilities and debt	315,902	271,249
Finance lease obligations	23,572	14,418
Total gross debt (*)	**1,520,258**	**1,283,988**
Cash and cash equivalents	(135,366)	(53,654)
Total net debt (*)	**1,384,892**	**1,230,334**

(*) Including liabilities associated with assets held for sale

The following table shows movements in financial liabilities in 2009:

(in thousands of euros	1-Jan-09	Increase	Decrease	Changes in scope	31-Dec-09
Bond issue	0	209,120			**209,120**
Long-term property loans	250,561	83,885	(48,172)		**286,274**
Property finance lease obligations	280,643	72,658	(34,145)	10,808	**329,964**
Property bridging loans	467,117		(111,691)		**355,426**
Non-property finance lease obligations	14,418	15,561	(6,407)		**23,572**
Other debt and financial liabilities	271,249	37,752	(28,391)	35,292	**315,902**
Total gross debt (*)	1,283,988	418,976	(228,806)	46,100	**1,520,258**
Cash and cash equivalents	(53,654)	(81,712)			**(135,366)**
Total net debt (*)	1,230,334	337,264	(228,806)	46,100	**1,384,892**

(*) Including liabilities associated with assets held for sale

The following table shows a breakdown of net debt by maturity:

	31-Dec-09	Under one year (*)	One to five years	Over five years
Bond issue	209,120		146,384	62,736
Long-term property loans	286,274	72,477	139,866	68,699
Property finance leases	329,964	24,905	141,822	163,241
Property bridging loans	355,426	190,017	98,756	75,654
Non-property finance lease obligations	23,572	6,404	17,168	
Other debt and financial liabilities	315,902	46,216	242,297	23,620
Total gross debt	**1,520,258**	340,019	786,293	393,950
Cash and cash equivalents	(135,366)	(135,366)		
Total net debt	**1,384,892**	204,653	786,293	393,950

(*) Including liabilities associated with assets held for sale

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 6 or 7 years;
- Financing properties recently acquired or in the course of redevelopment or construction through bridging loans.

  Bridging loans comprise financing lines dedicated to a specific project and general bank credit lines. These properties are intended either to be sold to third parties or to be kept by the Group, in which case they are usually subsequently refinanced through finance leases.

• The Group's expansion policy requires it to regularly obtain new bank credit facilities or sell properties to investors.

On the date of the Board meeting that approved the financial statements, the Group had unutilised medium and long-term credit facilities totalling €103 million (including €57 million in property finance leases).

Bank covenants

Most loans taken out by the Group, other than property finance leases, have been subject to the following contractually defined covenants since 31 December 2006:

- Net debt to EBITDA ratio:

R1 = consolidated net debt (excluding property debt)
consolidated EBITDA – 6% of property debt

- Gearing ratio restated for property:

R2 = consolidated net debt
Equity + quasi equity (i.e. deferred tax liabilities arising on the revaluation of intangible assets in the consolidated financial statements)

At 31 December 2009, these ratios stood at 2.53 and 1.62 respectively, within the required limits of 5.5 for R1 and 2.2 for R2 at 31 December 2009.

Bond issue

In the second half of 2009, Orpea made an issue of bonds with redeemable share warrants (OBSAAR) in a nominal amount of €217 million and net IFRS amount of €209 million. The share warrants attached to the bonds have been measured at fair value and recognised in equity in an amount of €3 million.

The bonds are redeemable on the basis of 20% of the par value per year in 2012 and 2013 and 30% per year in 2014 and 2016.

The interest coupon is 3-month Euribor + 137 basis points excluding costs.

Cash and cash equivalents

At end 2009, cash and cash equivalents comprised €28,129 thousand in short-term investments such as money-market mutual funds with first class financial institutions and €107,237 thousand in bank credit balances.

3.13 Financial instruments

3.13.1 Interest rate risk

Interest rate risk management strategy:

The Group's debt mainly comprises domestic debt at floating rates and is therefore exposed to the risk of an increase in short-term rates in the euro zone.

The Group's strategy since 2008 has been to hedge its interest rate risk on three quarters of its consolidated net debt. To do this, it uses a portfolio of financial instruments comprising interest rate swaps under which it receives mainly 3-month Euribor and pays a fixed rate specific to each contract, and interest rate options such as caps and collars. These financial instruments are qualified as cash flow hedges in accordance with IAS 39. Unrealised gains and losses arising from the remeasurement of these derivatives at fair value are recognised in equity at the year end.

Interest rate derivatives portfolio:

At 31 December 2008, the notional amount of the derivatives portfolio was €873 million, comprising fixed for floating (mainly 3-month Euribor) interest rate swaps, with a constant or decreasing nominal profile.
At 31 December 2009, the notional amount of the derivatives portfolio was €1,072 million, comprising fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options with a constant or decreasing nominal profile.

	Fair value	**Maturity (€m)**				
	31/12/2009	2010	2011	2012	2013	2014
Average notional (€m)	-39.8	1,033	938	766	344	93
Effective rate		3.4%	3.4%	3.5%	3.5%	2.9%

At 31 December 2009, the accumulated revaluation gains on these cash flow hedges, i.e. €39.8 million, was fully recognised in equity.

At end 2008, the fair value and maturity of the interest rate derivatives was as follows:

	Fair value (€m) 31/12/2008	Year end nominal (€m)			
		2009	2010	2011	2012
Year end notional (€m)	-31.5	841	628	259	223
Effective rate		3.9%	4.1%	4.4%	4.4%

At 31 December 2008, the accumulated revaluation gains on these cash flow hedges, i.e. €31.5 million, was fully recognised in equity.

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 2009, net debt amounted to €1,385 million, of which about 6% was originally contracted at fixed rates, and the remainder at floating rates.
Taking account of the hedges:

- The impact of a 1% (100 basis points) rise in interest rates would increase financial expense (before tax and capitalisation of borrowing costs) by €3.6 million;
- The impact of a 0.2% (20 basis points given current interest rate levels) decrease would reduce financial expense by €0.7 million.

Movement in cash flow hedging reserve:

(in thousands of euros)	**31-Dec-09**
Opening hedging reserve	(33,869)
Change in fair value during the period	(23,695)
Of which recognised in profit or loss	17,749
Sub-total	(5,946)
Closing hedging reserve	**(39,815)**

3.13.2 Value of financial assets excluding derivatives

(in thousands of euros)	31-Dec-09
Equity investments	892
Other non-current financial assets	12,696
Short-term investments	28,129
Financial assets excluding derivatives	**41,717**

3.14 Trade payables

	31-Dec-09 Net	31-Dec-08 Net
Advances and downpayments received	6,154	5,967
Trade payables	142,940	84,197
Total	**149,095**	90,164

The sharp increase in trade payables is due to the Group's proprietary property development projects.

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-09 Net	31-Dec-08 Net
Development-related liabilities	18,595	27,268
Security deposits	19,851	16,058
Commitments to work on buildings sold	11,404	17,353
Client accounts in credit	4,331	3,909
Other prepaid income	5,503	3,908
Derivative financial instruments	40,331	29,784
Other	12,824	18,410
Total	**112,840**	**116,690**

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-09	31-Dec-08
Revenue			
France		739,186	613,125
Rest of Europe		104,135	89,196
	Total	**843,321**	**702,321**
Recurring operating profit			
France		108,037	92,419
Rest of Europe		7,377	2,500
	Total	**115,414**	**94,920**
Assets			
France		2,716,252	2,224,642
Rest of Europe		349,695	346,932
	Total	**3,065,947**	**2,571,575**
Liabilities excluding equity			
France		2,130,183	1,733,745
Rest of Europe		293,879	296,867
	Total	**2,424,062**	**2,030,613**

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-09	31-Dec-08
Proceeds from property sales	169,607	144,070
Cost of properties sold	(145,846)	(130,656)
Provision reversal	3,590	3,075
Provision charge	(13,881)	(3,130)
Other income	35,081	12,994
Other expense	(29,416)	(14,385)
Total	**19,135**	11,968

This item mainly comprises:

- net gains on sales of property assets for €21 million;

- expenses connected with the redevelopment of facilities recently acquired through business combinations and other development-related expenses for €(22) million;
- income and (expense) recognised on business combinations for €25.3 million (including €14.3 million related to the SFI acquisition).

3.20 Net finance costs

(in thousands of euros)	**31-Dec-09**	31-Dec-08
Interest on bank debt and other financial liabilities	(35,226)	(50,601)
Interest on finance leases	(11,425)	(15,397)
Net expense on interest rate derivatives	(17,747)	
Financial expense	**(64,398)**	**(65,998)**
Captalised borrowing costs (*)	18,667	19,767
Interest income	63	535
Net income on interest rate derivatives		3,010
Financial income	**18,730**	**23,312**
Net finance cost ………………………………………………………	**(45,668)**	**(42,686)**

(*) Calculated at an average rate of 5.0% in 2009 versus 6.9% in 2008 on facilities in the course of construction or redevelopment (see note 1.8)

3.21 Tax expense

Orpea SA has elected for group tax relief with all subsidiaries in which it owns more than 95%, except for those acquired in 2009.

(in thousands of euros)	**31-Dec-09**	31-Dec-08
Current income taxes	13,500	20,386
Deferred income taxes	16,328	(4,266)
Total	**29,828**	16,119

Deferred taxes assets/(liabilities) break down as follows by type of temporary difference:

(in thousands of euros)	31-Dec-09	31-Dec-08
Fair value of intangible assets	(219,015)	(163,793)
Fair value of PPE (*)	(227,462)	(207,260)
Capitalisation of finance leases	(20,144)	(15,296)
Timing differences	(5,108)	(5,162)
Tax loss carryforwards	11,728	8,495
Deferral of capital gains	1,769	1,918
Employee benefits	5,124	5,413
CVAE deferred tax (**)	(7,875)	
Financial instruments and other	17,322	9,373
Total	**(443,661)**	(366,313)

(*) Including €102.1m related to the revaluation of properties (see note 1.8).

(**) €8m of deferred tax recognised in accordance with IAS 12 on depreciable PPE and amortisable intangible assets of French companies liable for the new *cotisation sur la valeur ajoutée des entreprises* (CVAE) as of 1 January 2010.

The deferred tax liability recognised in the balance sheet breaks down as follows:

(in thousands of euros)	31-Dec-09	31-Dec-08
Assets	11,728	12,411
Liabilities	(455,388)	(378,723)
Net	**(443,661)**	(366,313)

The difference between the theoretical tax rate, i.e. 34.43% in 2009, and the effective tax appearing in the income statement, breaks down as follows:

(in thousands of euros)	31-Dec-09	31-Dec-08
Effective rate:	**30.25%**	**24.98%**
- Permanent differences and other:	2.12%	0.50%
- Impact of business combinations	7.13%	3.09%
- Impact of property disposals	6.72%	5.51%
- Impact of reduced tax rates:	-0.03%	-0.04%
- Impact of companies accounted for at equity	0.91%	0.76%
- Non-recognition of tax loss carryforwards	0.51%	-0.37%
- Impact of changes of rates	0.00%	0.00%
- *Cotisation sur la valeur ajoutée des entreprises* (CVAE)	-13.18%	
Theoretical rate	**34.43%**	34.43%

Deferred taxes on the revaluation of intangible assets amounted to €219,015 thousand at 31 December 2009. These intangible assets are not intended for sale.

3.22 Commitments and contingent liabilities

3.22.1 Off-balance sheet commitments

Debt-related commitments

Contractual commitments	31/12/2009	31/12/2008
Counter-indemnities on contracts	**0**	**0**
Receivables sold not yet matured	**0**	**0**
Collateral	**857,003**	**713,273**
Financing property assets	*283,505*	*233,547*
Non-property borrowings and financial liabilities	*228,254*	*192,958*
Finance leases	*345,244*	*286,768*
Guarantees	**5,088**	**5,088**
Related to property assets	*4,158*	*4,158*
Related to non-property borrowings and fin. liabs.	*930*	*930*
Related to finance leases		
Total	**862,091**	**718,361**

Development commitments

Properties in the course of construction financed under finance leases on which lease payments had not begun at 31 December 2009 amounted to about €30 million.

Lease commitments

Minimum future lease payments on finance leases break down as follows at 31 December 2009:

	Minimum future payments
Under one year	33,419
One to five years	100,256
Over five years	267,351
Total	**401,026**

Operating lease commitments break down as follows at 31 December 2009:

	Minimum future payments
Under one year	54,213
One to five years	162,639
Over five years	433,704
Total	**650,556**

The Group mainly enters in leases with a non-cancellable period of twelve years.

Commitments related to individual training rights (DIF)

The law of 4 May 2004 on professional training introduced a system whereby employees can build up training rights to be used at their discretion with their employer's agreement. The minimum annual amount is 20 hours capped at a cumulative total of 120 hours.

At 31 December 2009, these training rights did not generate any additional costs as they are financed by reimbursements obtained under professional training contracts.
The expense is recognised as and when the hours are used.

Commitments received

The Group has been given a pledge over land in Spain as collateral for a loan of €2.2 million granted by Orpea SA.

The Group has a call option on 51% of Société Family Santé before 31 December 2013.

Other commitments

At end 2009, conditional commitments to acquire facilities, operating licences and land amounted to €11.9 million.

3.22.2 Contingent liabilities

Management broadly believes that the provisions recognised on the balance sheet for known disputes involving the Group should be sufficient to avoid any substantial impact on the Group's financial position or results.

3.23 Analysis of financial assets and liabilities in accordance with IFRS 7

Financial assets and liabilities in accordance with IFRS 7 break down as follows:

(in thousands of euros)	Classification in balance sheet	Level (*)	Carrying amount 31-Dec-09	Carrying amount 31-Dec-08	Fair value 31-Dec-09	Fair value 31-Dec-08
HELD-TO-MATURITY ASSETS			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
LOANS AND RECEIVABLES			**86,928**	**82,435**	**86,928**	**82,435**
Short-term loans	Short-term loans					
Long-term loans	Other non-current financial assets	2	7,473	8,722	7,473	8,722
Receivables related to asset disposals	Short-term receivables related to asset disposals					
Security deposits	Other non-current financial assets	2	4,260	3,969	4,260	3,969
Trade receivables	Trade receivables	2	75,195	69,744	75,195	69,744
AVAILABLE-FOR-SALE ASSETS			**28,129**	**2,946**	**28,129**	**2,946**
Equity investments	Other non-current financial assets					
Mutual funds	Cash and cash equivalents	1	28,129	2,946	28,129	2,946
Other						
FINANCIAL ASSETS AT FAIR VALUE			**0**	**0**	**0**	**0**
Interest rate derivatives						
Currency derivatives						
CASH AND CASH EQUIVALENTS	Cash and cash equivalents	1	**107,237**	**50,708**	**107,237**	**50,708**
FINANCIAL ASSETS			**222,294**	**136,089**	**222,294**	**136,089**

(*) Level 1: financial assets and liabilities quoted in active markets, where fair value is the quoted price.

(*) Level 2: financial assets and liabilities not quoted in active markets, where fair value is measured using valuation techniques for which all significant inputs are based on observable market data.

(*) Level 3: financial assets and liabilities not quoted in active markets, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

in thousands of euros	Balance sheet classifications	Level (*)	Carrying amount 31-Dec-09	Carrying amount 31-Dec-08	Fair value 31-Dec-09	Fair value 31-Dec-08
FINANCIAL LIABILITIES AT FAIR VALUE			**36,396**	**29,784**	**36,396**	**29,784**
Currency derivatives	Other liabilities					
Interest rate derivatives	Other liabilities	2	36,396	29,784	36,396	29,784
Other obligations	Other liabilities					
FINANCIAL LIABILITIES AT AMORTISED COST			**1,660,373**	**1,365,907**	**1,660,373**	**1,365,907**
Bonds convertible, exchangeable or redeemable for shares	LT and ST financial liablities					
Bank borrowings	LT and ST financial liablities	2	850,819	721,003	850,819	721,003
Finance lease obligations	LT and ST financial liablities	2	353,536	291,636	353,536	291,636
Other liabilities	LT and ST financial liablities	2	315,902	271,561	315,902	271,561
Trade payables	Trade payables	2	140,116	81,707	140,116	81,707
TOTAL			**1,696,769**	**1,395,691**	**1,696,769**	**1,395,691**

(*) Level 1: financial assets and liabilities quoted in active markets, where fair value is the quoted price.
(*) Level 2: financial assets and liabilities not quoted in active markets, where fair value is measured using valuation techniques for which all significant inputs are based on observable market data.
(*) Level 3: financial assets and liabilities not quoted in active markets, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

3.24 Transactions with related parties

Associates and joint ventures

At 31 December 2009, the Group owned 49.4% of Société F. Santé through SARL 96.

Benefits granted to directors and executive officers

Gross compensation, fees inclusive of tax and benefits paid in 2009 to the executive officers of SA Orpea totalled €1.4 million compared with 1.3 M € in 2008.

Directors' fees paid to members of the Board of Directors amounted to €75,000 in 2009.

There are no entitlements to termination benefits.

3.25 Employees

Movements in the average number of employees were as follows:

	31-Dec-09	31-Dec-08
Managers	1,558	1,290
Non-managers	17,764	14,870
Total	**19,322**	16,160

3.26 Statutory Auditors' fees

Fees paid to the Statutory Auditors for their services to the Group amounted to €1,758 thousand in 2009.

3.27 Post-balance sheet events

The Group continued its expansion in France with the acquisition of:

- four long-term care facilities totalling 179 beds;
- one psychiatric care facility with 116 beds.

Investments made as of 11 May 2010 when the Board of Directors approved the financial statements amounted to about €24 million.

The table below breaks shows investments made in 2010 by type and by country:

	Number of facilities	Number of beds	Land	Buildings
France	5	295	1	1
International				
Italy				
Switzerland				
Belgium				
Spain				
Total	5	295	1	1

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' audit report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in such audit reports, whether qualified or not, that is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification of information in the group management report.

The statutory auditors' report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

Burband Klinger & Associés
8, rue Jacques Bingen
75017 Paris

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

ORPEA

Société anonyme

115, rue de la Santé
75013 Paris

Statutory Auditors' report
on the consolidated financial statements
Year ended 31 December 2009

Dear Shareholders,

In our capacity as Statutory Auditors to Orpea SA, we hereby present our report on our audit of Orpea's consolidated financial statements for the year ended 31 December 2009 as attached hereto, the basis for our assessments and the specific investigations and disclosures required by law.

The consolidated financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on those financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis or using other selective methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly in all material respects the financial position, assets and liabilities and results of the consolidated group of companies for the year ended 31 December 2009 in accordance with international financial reporting standards (IFRSs) as endorsed by the European Union.

Without qualifying our opinion, we draw your attention to note 1.1. to the consolidated financial statements, which:

- presents developments in IFRSs and particularly the impact of new standards adopted by the Group in 2009 for its consolidated financial statements at 31 December 2009;
- describes the Group's early adoption of IFRS 3 (2008) Revised for its consolidated financial statements at 31 December 2009, the impact of which is presented in note 2.3.

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 section entitled "Significant accounting policies" in the notes to the consolidated financial statements. We assessed the appropriateness of the method used which is based on estimates and reviewed the underlying data and assumptions used by the Group for its impairment testing.
- In accordance with paragraph 31 of IAS 16, properties comprising land and buildings fully or jointly-owned and operated by the Group are measured at their fair value on the balance sheet date by professionally qualified valuers as described in note 1.8 to the section entitled "Significant accounting policies" of the notes to the consolidated financial statements. As part of our overall assessment of the accounting policies used by the Group, we assessed the appropriateness of the accounting methods described above and the disclosures provided in the notes to the consolidated financial statements.

Our assessments of these matters formed an integral part of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

III. Specific investigations and disclosures

We also performed the specific investigations required by law on the information provided in the Group management report, in accordance with the professional standards applied in France.

We have no matters to report as to its fairness or its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 9 June 2010

The Statutory Auditors

Burband Klinger & Associés	Deloitte & Associés
Frédéric Burband	Henri Lejetté

STATUTORY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

SA ORPEA

STATUTORY FINANCIAL STATEMENTS
31 December 2009

SA ORPEA, *société anonyme* with share capital of €48,558,965
Reg. no: RCS PARIS B 401 251 566/APE CODE: 853 D

Registered office: 115, rue de la Santé, 75013 Paris

Head office: 3, rue Bellini, 92806 Puteaux

STATUTORY INCOME STATEMENT

(in euros)	31-Dec-09	31-Dec-08
- REVENUE	**380,391,749**	**337,521,389**
- Increase(decrease) in work in progress	(40,214,258)	(50,984,383)
- Other operating income	13,555,587	13,043,594
- Purchases and other external charges	118,627,740	98,057,267
- Taxes other than on profit	15,326,487	12,962,732
- Staff costs	172,986,711	148,102,697
- Depreciation, amortisation and provisions	9,228,773	9,029,034
- Other operating expense	2,711,438	2,018,904
OPERATING PROFIT	**34,851,930**	**29,409,966**
- Financial income	58,146,153	49,496,531
- Financial expense	63,152,374	62,610,966
NET FINANCE COST	**(5,006,221)**	**(13,114,435)**
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**29,845,709**	**16,295,530**
- Exceptional gain (loss)	(23,842,641)	(6,892,254)
- Employee profit sharing		
- Income tax	(931,447)	4,290,469
NET PROFIT	**6,934,516**	**5,112,806**

STATUTORY BALANCE SHEET

ASSETS (in euros)	31-Dec-09			31-Dec-08
	Gross	Depr., amort. and provisions	Net	Net
Non-current assets				
- Intangible assets	149,096,286	563,040	148,533,246	123,792,772
- Property, plant & equipment	146,884,141	58,490,183	88,393,958	85,510,100
- Financial assets	225,078,142	1,976,107	223,102,035	197,994,568
TOTAL NON-CURRENT ASSETS	**521,058,569**	**61,029,329**	**460,029,240**	**407,297,441**
Current assets				
- Inventories and work in progress	60,645,655	1,188,655	59,457,000	52,972,415
- Advances and downpayments made	1,341,055		1,341,055	1,243,402
- Trade receivables	32,832,370	3,027,919	29,804,451	29,975,140
- Other receivables	699,311,075	1,335,250	697,975,825	579,142,616
- Marketable securities	25,692,476		25,692,476	1,666,904
- Cash	98,637,893		98,637,893	34,287,695
- Prepaid expenses	1,251,609		1,251,609	2,525,537
TOTAL CURRENT ASSETS	**919,712,134**	**5,551,825**	**914,160,309**	**701,813,709**
- Deferred charges		-	-	-
TOTAL ASSETS	**1,440,770,703**	**66,581,154**	**1,374,189,549**	**1,109,111,150**

EQUITY AND LIABILITIES

(in euros)	31-Dec-09	31-Dec-08
Equity		
- Share capital	48,558,965	46,128,465
- Share premiums and reserves	88,039,591	29,791,143
- Retained earnings	35,453,983	34,287,095
- Net profit for the year	6,934,516	5,112,806
Special tax-allowable reserves	221,867	
TOTAL EQUITY	**179,208,922**	**115,319,508**
Provisions for liabilities and charges	9,977,710	3,928,485
Liabilities		
- Borrowings and financial liabilities	943,765,513	781,704,695
- Advances and downpayments received	1,723,782	2,157,510
- Trade payables	31,975,804	33,102,205
- Tax and social security liabilities	48,885,769	51,774,860
- Other liabilities	150,126,604	112,271,658
- Prepaid income	8,525,446	8,852,229
TOTAL LIABILITIES	**1,185,002,918**	**989,863,157**
TOTAL EQUITY AND LIABILITIES	**1,374,189,549**	**1,109,111,150**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

I – ACCOUNTING PRINCIPLES, SIGNIFICANT EVENTS OF THE YEAR AND EVENTS AFTER THE BALANCE SHEET DATE

I.1 ACCOUNTING PRINCIPLES

The statutory financial statements have been prepared in accordance with the provisions of CRC regulation 99-03 since 1999, CRC regulation 00-06 since 1 January 2002 and CRC regulations 2002-10 and 2004-06 since 1 January 2005.

The following fundamental accounting concepts have been applied:

- Going concern;
- Consistency of accounting methods;
- Independency of financial years.

The financial statements are prepared under the historical cost convention, with the exception of operating licences and equity interests that were revalued as a result of the merger operations in 1998.

I.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used are as follows:

I.2-1 INTANGIBLE ASSETS

Intangible assets mainly comprise licences to operate long-term care facilities. They are tested annually for impairment, which consists in comparing their carrying amount with the higher of the following two values:

1) Value in use, which is determined by discounting the future cash flows expected to be generated from continued use of the assets.

The discount rate used is equal to the Orpea Group's weighted average cost of capital and the residual value is determined using a perpetual growth rate based on the growth outlook for the company in light of potential trends in its business sector;

2) Fair value less costs to sell.

If the carrying amount is higher than value in use or fair value less costs to sell, as applicable, an impairment loss is recognised for the difference.

Technical losses incurred on merging subsidiaries into the Company are recognised in intangible assets.
They are equal to unrealised gains on assets recognised or not in the subsidiary's financial statements less any liabilities not recognised in the subsidiary's financial statement in application

of accounting principles, up to a maximum of the difference between the carrying amount of the interest previously held and the merged subsidiary's net assets.
They are allocated on a non-accounting basis to the assets transferred according to their actual estimated value.

I.2-2 Property, plant and equipment

Property, plant and equipment, comprising land, buildings, fixtures and fittings, equipment and furnishings, are measured at acquisition cost (purchase price plus transaction costs), production cost or transfer value.

They are depreciated on a straight-line basis over the estimated useful life of each item or each significant part of an item where it comprises distinct parts with different useful lives, as follows:

- Buildings, fixtures and fittings: 12 to 60 years
- Plant and equipment: 3 to 10 years
- Other: 3 to 10 years

I.2-3 Investments in subsidiaries, other long-term equity interests and related receivables

This item comprises equity interests in subsidiaries and other companies, measured at cost or transfer value.

Impairment losses are recognised if the value in use falls below the carrying amount. Value in use is determined by discounting the future cash flows expected to be generated by their continuing use including disposal value.

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.
Changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

I.2-5 Trade and other operating receivables

Receivables are measured at their face value but are written down if their estimated fair value falls below their face value.

A provision for impairment is recognised when there is objective evidence that the company may be unable to recover the full amount on the original terms and conditions of the transaction. The age of a receivable and a debtor's habitual arrears are evidence of impairment.

Based on past experience, impairment rates are typically as follows:

- Receivables more than 6 months past due: 50% or less depending on the resident's financial position (guarantee, own assets, etc.)
- Receivables more than 1 year past due: 100% or less depending on the resident's financial position (guarantee, own assets, etc.)

However, impairment rates applied to receivables due from residents on social support are as follows:

- Receivables more than 2 years past due: 50%
- Receivables more than 3 years past due: 100%

I.2-6 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at bank and risk-free short-term investments in mutual funds.

I.2-7 Stock options, share warrants and share awards

Orpea has set up three stock option plans for some of its managers.

In addition, 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 corporate officers and employees of the Company and related companies, which will vest as follows:

- all or some of the shares after a minimum vesting period of 4 years and no lock-up period;
- all or some of the shares after a minimum vesting period of two years, plus a minimum lock-up period of two years after the vesting date.

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.
The Board of Directors used the authorisation to award 70,000 shares to employees and on 29 December 2009, 68,420 shares vested and were allotted to 1,975 employees.

On 17 August 2009, the company made an issue of bonds with redeemable share warrants attached (OBSAAR), leading to the issuance of 1,190,787 share warrants exercisable from 14 August 2011 to 14 August 2015 inclusive and entitling the holder to subscribe for one Orpea share at a price of €37.90. The maximum dilutive effect is 3.23% of the share capital.

I.2-8 PROVISIONS

The Company recognises a provision when it has an obligation to a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and its amount can be estimated reliably.
If it is not probable but only possible that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably, it is recognised off-balance sheet as a contingent liability.

Provisions for employee-related disputes are estimated by the social affairs department depending on the risk incurred by the company and the stage of progress in any proceedings pending.

Provisions for tax disputes are estimated by the finance department after a full review of any tax audits in progress.

Where applicable, provisions may be recognised against various equity interests depending on the investee company's net assets and commitments to the Orpea at the year end.

I.2-9 FINANCIAL LIABILITIES

Financial liabilities are measured at their face value net of any associated transaction costs, which are recognised in the net finance cost.
If the future interest expense is hedged, the hedged liability is still measured at amortised cost.

Net debt comprises short and long-term financial liabilities and the market value on the balance sheet date of interest rate hedging instruments, less the value of cash and cash equivalents held on that date.

It includes property bridging loans which are bank loans allocated specifically to financing operating properties recently acquired or in the course of construction.

Borrowing costs are recognised as an expense in the period in which they are incurred, except for those directly attributable to the purchase, construction or production of an asset, which are capitalised in the cost of that asset.

I.2-10 FINANCIAL INSTRUMENTS AND DERIVATIVES

The company's debt mainly comprises domestic debt at floating rates and is therefore exposed to the risk of an increase in short-term rates in the euro zone.

Under its risk management policy, the company uses derivative instruments such as swaps and interest rate options under which it receives Euribor and pays a fixed rate specific to each contract depending on the Euribor rate.

The purpose of these transactions is to convert floating rate debt into fixed debt in order to optimise the risk profile according to expected trends in interest rates.

In addition, derivative instruments either have a constant or a decreasing nominal profile.

During 2009, the company pursued the interest rate risk management policy first introduced in 2008, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

At each year end, a provision is taken for unrealised losses on derivative instruments that do not qualify as hedges and changes in these provisions are recognised through profit or loss.

I.2-11 Revenue

Revenue mainly comprises:

1) Payment for accommodation and care services provided to residents, which is recognised when the service is provided.

The per diem rate is payable as follows:

- the "accommodation" component is paid by the resident;
- the "dependency allowance" component is paid by the resident and the local authority (the per diem rate is set by the local authority depending on the level of care required and forecast expenses);
- the "medical care" component is paid by the regional health insurance fund (the per diem rate is set according to the level of care required and forecast expenses).

2) Proceeds from the disposal of properties built or developed by the company to third parties. Changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

I.2-12 Income tax

Orpea is the head of the tax consolidation group formed with subsidiaries that are at least 95%-owned.

In 2009, the terms and conditions of the group tax relief agreement were revised such that the Company, like each of the subsidiaries in the tax group, now pays income tax calculated on its own earnings.

I.3 SIGNIFICANT EVENTS OF THE YEAR

Revenue generated by the company's care facilities amounted to €380,392 thousand in 2009, an increase of 12.70%. Net profit totalled €6,934,516.

During 2009, Orpea strengthened its network of facilities in France through:

- acquisition in the first half of two facilities at Montmorency and Saint Palais sur Mer;
- acquisition in the second half of three facilities at Saint Georges de Didonne, Tournan en Brie and Mareuil les Meaux;
- acquisition in the second half of the remaining 51% of the SFI Group, previously 49%-owned. The SFI Group operates eleven long-term care facilities at Marcoussis, Savigny sur Braye, Lavau, Vaux sur Lunain, Villemoison, Arcachon, Dourdan, Toulouse, Cagnes sur Mer, Sainte Terre and Guîtres and a short-term care facility at Colomiers.

Orpea also acquired three business operations in St Antoine de Padoue, Marseille and Carpentras and opened a facility in Caen.

In order to simplify its legal structure, five subsidiaries were merged into the Company at the year end by way of a transfer of all their assets and liabilities:

- SA Aquarelle,
- SAS Résidence du Lac,
- SAS Maison de l'Océane,
- SARL SAE Renouard Résidence,
- SAS Les Fondateurs.

On 20 October 2009, Orpea made a €2,400,000 capital increase by issuing 1,920,000 new shares.

In the second half of 2009, Orpea made an issue of bonds with redeemable share warrants (OBSAAR) in a net amount of €209 million.

I.4 – EVENTS AFTER THE BALANCE SHEET DATE

Since 1 January 2010, the company has continued to expand, acquiring three long-term care facilities (one in Crosne and two in Eysines) and opening two new facilities (in Brasles and Toulouse).

II - NOTES TO THE FINANCIAL STATEMENTS

N.B.: *Amounts are expressed in euros unless expressly stated otherwise.*

II.1 BALANCE SHEET

II.1-1 INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

Intangible assets:

Movements in gross intangible assets:

Gross value	Opening balance	Increase	Decrease	Mergers	Closing balance
Concessions, patents	220,589	457,684		11,173	689,446
Goodwill	116,442,274	6,953,570		14,951,025	138,346,868
Other	1,757,951	168,668	5	12,528	1,939,142
Downpayments	5,830,642	13,759,955	11,469,765	0	8,120,832
Total	124,251,455	21,339,876	11,469,771	14,974,726	149,096,286

Movements in amortisation of gross intangible assets:

Amortisation	Opening balance	Increase	Decrease	Mergers	Closing balance
Concessions, patents	194,114	32,107		11,126	237,347
Goodwill	0				0
Other	264,569	48,598		12,525	325,692
Downpayments	0				0
Total	458,683	80,705	0	23,651	563,040

Property, plant and equipment:

Movements in gross property, plant & equipment:

Gross value	Opening balance	Increase	Decrease	Mergers	Closing balance
Land	1,158,519	2,700,000	2,700,000	907,426	2,065,945
Buildings	83,099,435	10,857,128	4,168,407	3,550,532	93,338,683
Plant & equipment	21,637,364	2,719,634	1,517,192	694,632	23,534,445
Vehicles	221,792	40,410	2,005	29,822	290,018
PPE in progress	10,048,946	16,669,634	20,637,050	324,538	6,406,069
Other	20,301,559	2,634,930	2,001,249	313,740	21,248,981
Total	136,467,616	35,621,734	31,025,902	5,820,690	146,884,141

Movements in depreciation of gross property, plant & equipment:

Depreciation	Opening balance	Increase	Decrease	Mergers	Closing balance
Land	0			89,274	89,274
Buildings	25,830,328	3,601,837	1,018,230	911,805	29,325,740
Plant & equipment	14,024,125	2,153,262	240,658	521,947	16,458,675
Vehicles	140,197	29,675	2,005	28,857	196,723
PPE in progress	10,966,728	1,311,179	142,460	284,319	12,419,765
Total	50,961,378	7,095,955	1,403,353	1,836,202	58,490,183

Financial assets:

Movements in gross financial assets:

Gross value	Opening balance	Increase	Decrease	Mergers	Closing balance
	193,434,446	62,727,923	401,384	(38,943,358)	216,817,627
Loans	4,928,616	521,183	32,703	16,896	5,433,992
Other financial assets	2,097,610	16,751,525	16,130,959	108,347	2,826,523
Total	200,460,673	80,000,630	16,565,046	(38,818,115)	225,078,142

Loans and other financial assets break down as follows:

	31/12/2009	Under 1 year	Over 1 year
Loans	5,433,993	17,410	5,416,583
Security deposits	2,077,174	2,077,174	
Treasury shares	749,348	749,348	
Total	8,260,515	2,843,932	5,416,583

Movements in provisions against financial assets:

Provisions	Opening balance	Increase	Decrease	Mergers	Closing balance
Equity interests	2,439,999		489,999		1,950,000
Loans	26,107				26,107
Total	2,466,106	0	489,999	0	1,976,107

II . 1 – 2 LIST OF SUBSIDIARIES AND OTHER EQUITY INTERESTS

Company	Share capital	2009 reserves and retained earnings	Number of shares held	% of share capital held	Previous year's net profit	2009 equity	2009 carrying amount of shares	
							Gross	Net
SCI Route des Ecluses	303,374	976,844	300,340	99%	122,967	1,403,184	303,374	303,374
SCI Les Rives d'Or	1,524	857,728	1,509	99%	169,812	1,029,065	933,755	933,755
SCI du Château	1,524	905,685	1,509	99%	257,796	1,165,006	1,353,340	1,353,340
SCI Tour Pujols	1,524	345,925	1,509	99%	238,822	586,272	1,364,795	1,364,795
SCI La Cerisaie	1,524	1,221,397	1,509	99%	190,871	1,413,793	47,224	47,224
SCI Val de Seine	1,524	1,568,000	1,509	99%	243,633	1,813,158	711,307	711,307
SCI Cliscouet	1,524	204,644	1,509	99%	101,961	308,129	1,494	1,494
SCI Age d'Or	2,549,161	6,411,834	2,523,669	99%	997,539	9,958,534	6,234,540	6,234,540
SCI Gambetta	1,524	2,687,243	1,509	99%	431,561	3,120,329	1,509	1,509
SCI Croix Rousse	1,524	2,800,746	1,522	99%	496,245	3,298,515	1,509	1,509
SCI Les Dornets	1,524	(193,396)	1,522	99%	237,883	46,011	1,494	1,494
SCI Château d'Angleterre	1,646	(362,294)	1,631	99%	476,707	116,060	1,763,577	1,763,577
SCI Montchenot	1,524	8,801,896	1,509	99%	587,725	9,391,146	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	6,167,099	1,372	90%	1,474,222	7,642,845	1,372	1,372
SCI Abbaye	1,524	(330,148)	1,372	90%	(1,339,349)	(1,667,972)	344,410	344,410
SCI Les Tamaris	1,524	407,905	1,509	99%	151,786	561,216	1,357	1,357
SCI Passage Victor Marcha	1,524	1,397,782	1,509	99%	544,538	1,943,845	1,509	1,509
SCI Fauriel	1,524	(442,249)	1,509	99%	(1,997,871)	(2,438,596)	1,618,841	1,618,841
SCI Port Thureau	1,524	307,517	1,509	99%	154,486	463,527	63,708	63,708
SCI de l'Abbaye	1,524	(719,161)	1,509	99%	54,468	(663,169)	1,509	1,509
SCI Les Maraichers	1,524	(209,879)	1,509	99%	162,248	(46,107)	99,595	99,595
SCI Bosguerard	1,524	349,207	1,509	99%	88,551	439,283	1,274,306	1,274,306
SCI Le Vallon	1,524	4,126,668	1,372	90%	(962,624)	3,165,568	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	(1,389,946)	717	47%	(6,676,443)	(8,064,865)	717	717
SCI Bel Air	1,524	(24,192)	1,509	99%	868,595	845,927	335,837	335,837
SAS CLINEA	6,511,863	45,301,017	6,511,863	100%	7,783,689	59,596,569	16,358,818	16,358,818
SARL Les Matines	7,622	1,021,265	7,622	100%	(1,146,642)	(117,755)	7,622	7,622
SARL Bel Air	1,265,327	999,956	1,265,327	100%	242,764	2,508,047	840,604	840,604
SARL Amarmau	7,622	(565,875)	7,622	100%	(93,418)	(651,671)	7,622	7,622
SARL 94 Niort	7,700	3,168,681	7,700	100%	1,861,758	5,038,139	7,700	7,700
SARL 95	7,700	(200,575)	7,700	100%	-67,241	(260,117)	7,700	7,700
SCI Sainte Brigitte	1,525	(493,120)	1,524	100%	-18,446	(510,040)	1,524	1,524
SARL VIVREA	150,000	(720,251)	150,000	100%	1	(570,250)	150,000	150,000
SA LES CHARMILLES	76,225	2,100,216	74,701	98%	207,382	2,383,822	3,092,517	3,092,517
SCI KOD'S	22,650	170,179	22,650	100%	55,422	248,250	68,017	68,017
SARL LA BRETAGNE	277,457	(1,305,322)	277,457	100%	22,827	(1,005,038)	11,300	11,300
SARL RESIDENCE LA VENI	13,300	(30,401)	13,300	100%	-1,602	(18,703)	744,999	744,999
SARL L'ATRIUM	7,622	(648,727)	7,622	100%	-115,209	(756,315)	985,140	985,140
SARL GESTIHOME SENIOR	400	(3,065)	400	100%	-673	(3,338)	410,849	410,849
SARL MAISON DE CHARLC	7,500	(1,295,350)	7,500	100%	-149,232	(1,437,081)	2,703,650	2,703,650
SA BRIGE	1,200,000	(2,657,481)	1,200,000	100%	-32,688	(1,490,168)	670,000	670,000
SRLORPEA ITALIA	850,000	(95,518)	850,000	100%	-1,215,643	(461,162)	682,862	682,862
SCI LES TREILLES	15,245	1,571,151	15,243	99.99%	338,669	1,925,065	2,363,698	2,363,698
SARL L'ALLOCHON	3,049	(356,534)	3,049	100%	910,311	556,826	6,111,550	6,111,550
SCI LES MAGNOLIAS	1,525	143,430	1,510	99%	-193,875	(48,920)	1,510	1,510
SCI Courbevoie de l'Arche	1,525	(549,256)	1,509	99%	-410,907	(958,638)	1,509	1,509
SCI le Barbaras	182,939	672,508	182,939	100%	303,038	1,158,486	821	821
SARL DOMEA	100,000	(77,924)	100,000	100%	-1,252	20,824	100,000	100,000

SARL 96	7,700	962,174	6,900	90%	632,744	1,602,618	6,930	6,930
SCI BEAULIEU	3,049	(10,648)	3,049	100%	0	(7,599)	30,490	30,490
SAS LA SAHARIENNE	1,365,263	(304,911)	1,365,263	100%	(175,953)	884,399	5,712,440	5,712,440
SARL ORPEA DEV	100,000	779,777	100,000	100%	(1,108)	878,670	100,000	100,000
SAS ORGANIS	37,000	(914,037)	37,000	100%	(277,551)	(1,154,588)	11,775,946	9,825,946
GRUPO CARE	63,921	560,358	63,921	100%	(1,542,096)	(917,817)	17,878,321	17,878,321
DINMORPEA	5,000	(354,631)	5,000	100%	(584)	(350,215)	5,000	5,000
SRL CASA MIA IMMOBILIAI	20,000,000	(3,111,242)	20,000,000	100%	(91,680)	16,797,078	17,646,819	17,646,819
Belgique	31,500,000	11,186,817	500,000	100%	1,902,787	44,589,604	15,339,179	15,339,179
SA DOMAINE DE CHURCHIL	65,000	10,047,559	65,000	100%	(54,833)	10,057,726	12,135,729	12,135,729
SA DOMAINE DE LONGCHA	65,000	12,347,430	6,500	10%	(438,986)	11,973,443	1,414,449	1,414,449
SA LONGCHAMPS LIBERTA	90,000	(694,542)	90,000	100%	686,558	82,016	554,719	554,719
SA RS DOMAINE DE CHURC	265,000	(229,478)	265,000	100%	225,139	260,661	3,075,311	3,075,311
TRANSAC CONSULTING CO	3,009	(9,002)	3,009	100%	0	(5,993)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	(2,377,913)	37,200	100%	(278,114)	(2,618,827)	2,644,007	2,644,007
SAS Cardem	38,200	(70,405)	38,200	100%	(120,457)	(152,662)	548,300	548,300
SARL L'Ermitage (Contes)	7,622	(228,729)	7,622	100%	(5,590)	(226,697)	625,858	625,858
SARL Avigestion	2,000	(9,709)	400	20%	(701,187)	(708,896)	58,565	58,565
SARL Benian	1,000	(688)	200	20%	(688)	(375)	300,200	300,200
SCI JEM II	152	117,849	137	90%	54,077	172,078	883,500	883,500
SARL Reine Bellevue	6,000	798,100	6,000	100%	5,042	809,142	3,370,835	3,370,835
SARL La Doyenne de Santé	8,000	(13,364)	4,000	50%	(17,299)	(22,663)	1,267,425	1,267,425
SASU Le Vige	37,126	(80,874)	37,126	100%	(192,672)	(236,420)	1,350,000	1,350,000
SA Gerone	710,000	(180,006)	710,000	100%	(8,736)	521,258	2,982,451	2,982,451
SCI Douarnenez	1,500	11,485	1,500	100%	14,869	27,854	1,485	1,485
SCI Barbacane	1,524	546,578	15	1%	48,584	596,686	15	15
SCI Selika	10,671	1,893,304	15	0.14%	2,285,444	4,189,419	15	15
SCI SLIM	762	323,257	762	100%	84,986	409,006	1,830	1,830
SCI SAINTES BA	1,524	859,834	15	1%	236,828	1,098,187	15	15
SCI Les Anes	1,000	14,362	1	0.10%	(47,871)	(32,509)	1	1
SARL L'Ombrière	8,000	(585,299)	8,000	100%	(19,728)	(597,027)	822,027	822,027
SAS MDR La Cheneraie	254,220	(286,986)	3,991	2%	(272,080)	(304,846)	146,044	146,044
SARL IDF resid Ret.Le Soph	7,622	(20,343)	152	2%	(61,725)	(74,446)	80,000	80,000
SA Paul Cezanne	60,980	649,529	60,980	100%	53,691	764,200	8,443,331	8,443,331
SARL Le Sequoia	7,622	(241,653)	7,622	100%	(277,917)	(511,948)	2,439,120	2,439,120
SNC les Jardins d'Escudie	100,000	(1,585,786)	100,000	100%	(443,648)	(1,929,433)	824,310	824,310
SA Résidence du Moulin	38,112	(393,478)	38,112	100%	(238,864)	(594,230)	2,100,466	2,100,466
SC Les Praticiens	87,600	(247)	876	1%	(3,380)	83,973	67,009	67,009
SAS Résidence La chenera	2,537,040	310,034	2,537,040	100%	399,381	3,246,456	7,025,417	7,025,417
SA EMCEJIDEY	293,400	319,087	283,307	97%	9,439	621,927	4,177,013	4,177,013
SARL Résidence du Parc	18,560	(5,737)	18,560	100%	(7,201)	5,623	5,810	5,810
SCI du Fauvet	1,524	(57,727)	152	10%	(203,673)	(259,875)	68,306	68,306
OPCI	400,000	0	280,000	70%	0	400,000	817,462	817,462
SA Château St Valéry	76,225	487,003	76,225	100%	262,758	825,986	3,665,763	3,665,763
Sci Ansi	22,867	97,052	22,867	100%	65,279	185,198	40,400	40,400
SARL St Sulpice	1,000	0	1,000	100%	0	1,000	1,000	1,000
SAS Résidence Klarene	21,600	124,053	21,600	100%	68,314	213,967	3,117,539	3,117,539
SAS Résidence Ondine	11,420	(1,000)	11,420	100%	36,351	46,771	2,730,479	2,730,479
SAS SFI France	4,000,000	(4,554,698)	4,000,000	100%	(853,911)	(1,408,609)	23,305,520	23,305,520
Other securities						0	19,458	19,458
Other securities (access)							276,832	276,832
Total							**216,817,627**	**214,867,627**

II . 1 – 3 INVENTORIES AND WORK IN PROGRESS

	Net 31/12/2009	Net 31/12/2008
Petits matériels et fournitures	1 068 767	770 941
En cours immobiliers	58 388 233	52 201 474
Total	59 457 000	52 972 415

Small equipment and supplies
Property work in progress

Property work in progress amounted to €58,388,233 including €10,135,709 in borrowing costs paid during the construction period (€6,030,691 in 2008), calculated at an average rate of 4.94% (6.90% in 2008).

Property project	Net 31/12/09 (€K)
Alençon	4,322
Viry	3,371
Toulouse	8,076
Joinville	3,495
Tours	10,846
Villers Allerand	2,889
Ste Maxime	3,117
Courbevoie	812
Neuilly	1,365
Carcassonne	1,708
Nice	2,282
Limoges	2,405
Montpellier	2,631
Toulouse III	425
St Quentin	1,098
Paris Chaillot	554
Paris les Musiciens	759
Mérignac	597
Other facilities	7,636
Total	58,388

II . 1 – 4 RECEIVABLES

	Gross 31/12/2009	Provisions 31/12/2009	Net 31/12/2009	Net 31/12/2008
Trade receivables	32,832,370	3,027,919	29,804,451	29,975,140
Tax and social security receivables	16,722,382		16,722,382	14,842,462
Intragroup and shareholders	657,538,880		657,538,880	550,369,384
Other	25,049,812	1,335,250	23,714,562	13,930,770
Total	732,143,445	4,363,169	727,780,276	609,117,756

All receivables are due in less than one year.

II. 1 – 5 MARKETABLE SECURITIES

Carrying amount	31/12/2008	Acquisitions	Disposals	Provisions	Merger	31/12/2009
Mutual funds (1)	1,261,980	34,854,288	10,570,562	0	26,950	25,572,657
Treasury shares (2)						
Held to regulate price	550,362	16,087,335	15,888,347	0		749,349
(number)	(21,712)					(23,606)
Reserved for employees	809,573	946,198	1,636,031			119,740
(number)	(42,006)					(3,586)
Equity investments (3)	190,994,448	62,782,736	456,197	489,999	-38,943,358	214,867,627

(1) No impairment losses were recognised against marketable securities as their fair value was higher than their carrying amount.
(2) At the annual general meeting of 29 June 2006, the shareholders authorised a share buyback programme to enable the company to ensure liquidity and make a market in the shares, optimise its capital management and grant shares to employees particularly through stock award plans.
(3) See II.1-2 List of subsidiaries and other equity interests

II. 1 – 6 COMPOSITION OF THE SHARE CAPITAL

(in thousands of euros	No. of shares issued	Share capital	Share premiums and reserves	Retained earnings	Net profit for the period	Special tax-allowables reserves	Dividends
At 31/12/2007	*36,823,735*	**46,029,669**	**29,626,807**	**32,275,316**	**2,117,662**	**0**	**0**
Appropriation of net profit			105,884	2,011,779	-2,117,662		
Stock option plans	*79,037*	98,796	58,452				
2008 net profit					5,112,806		
At 31/12/2008	*36,902,772*	**46,128,465**	**29,791,143**	**34,287,095**	**5,112,806**	**0**	**0**
Appropriation of net profit			255,640	1,166,888	-5,112,806		3,690,278
Stock option plans	*24,400*	30,500	24,522				
Cap. increase 20/09/09	*1,920,000*	2,400,000	57,968,286				
Dividends							-3,690,278
Special tax-allowable reserves						221,867	
2009 net profit					6,934,516		
At 31/12/2009	*38,847,172*	**48,558,965**	**88,039,591**	**35,453,983**	**6,934,516**	**221,867**	**0**

Stock option plan		2000 plan	2001 plan	2003 plan
Number of shares at outset		897,648	320,000	27,200
Options exercised				
	in 2005	586,330		
	in 2006	100,844		
	in 2007	50,876	220,001	4,140
	in 2008	57,678	21,359	
	in 2009	0	24,400	
Total		795,728	265,760	4,140
Options outstanding		101,920	54,240	23,060

At the annual general meeting of 26 June 2009, the shareholders approved a 2008 dividend of €0.10 per share making a total payout of €3,690,277.20, paid in September 2009.
On 20 October 2009, Orpea made a gross capital increase of €62,400,000 by issuing 1,920,000 new shares.

The share capital at the year end was €48,558,965, broken down as follows:

Class of shares	Number of shares			Par value (in €)	
	Opening	Issued in year (*)	Closing	Opening	Closing
Ordinary shares	36,902,772			1.25	
Ordinary shares		1,944,400			
Ordinary shares			38,847,172		1.25

II . 1 – 7 Provisions

	Opening balance	Charge for the year	Reversal (used)	Reversal (not used)	Mergers	Closing balance
Equity interests	0	221,867				221,867
Special tax-allowable reserves	**0**	**221,867**	**0**	**0**	**0**	**221,867**
Employment disputes	1,858,892	825,878	299,976	402,783	52,779	2,034,790
Risks on equity interests	0	2,849,419				2,849,420
Financial instruments	0					0
Non-conversion of convertible bonds	0					0
Other	2,069,594	3,939,342	237,785	788,000	110,351	5,093,500
Provisions for liabilities and charges	**3,928,485**	**7,614,639**	**537,762**	**1,190,783**	**163,130**	**9,977,710**
Equity interests	2,466,106			489,999		1,976,107
Inventories	1,067,143	121,512				1,188,655
Trade receivables	2,735,821	1,330,809	100,643	961,232	23,165	3,027,919
Other	2,477,126	57,126	419,903	787,893	8,694	1,335,250
Impairment provisions	**8,746,296**	**1,509,447**	**520,546**	**2,239,124**	**31,859**	**7,527,931**
Total	**12,674,782**	**9,345,953**	**1,058,308**	**3,429,907**	**194,989**	**17,727,509**

The main movements during the year arose from provisions for financial support provided to foreign subsidiaries (€2,849 thousand), a provision for risk in respect of a property development project (€3,915 thousand) and a reversal of impairment provisions against securities and receivables from a subsidiary which were no longer necessary (€1,278 thousand).

II . 1 -8 LIABILITIES

	31/12/2009	31/12/2009	31/12/2008	31/12/2008
Borrowings and financial liabilities (1)	943,765,513		781,704,694	
Under one year		*352,932,835*		*337,351,030*
1 to 5 years		*495,368,107*		*399,344,343*
Over 5 years		*95,464,571*		*45,009,321*
Trade payables	31,975,804		33,102,205	
Under one year		*31,975,804*		*33,102,205*
1 to 5 years				
Over 5 years				
Tax and social security liabilities	48,885,770		51,774,860	
Under one year		*48,885,770*		*51,774,860*
1 to 5 years				
Over 5 years				
Intragroup and shareholders	127,285,531		75,430,061	
Under one year		*127,285,531*		*75,430,061*
1 to 5 years				
Over 5 years				
Other liabilities	22,841,074		36,841,597	
Under one year		*6,788,587*		*22,282,299*
1 to 5 years		*16,052,487*		*14,559,298*
Over 5 years				
Total	1,174,753,690	1,174,753,690	978,853,418	978,853,418

(1) Including €316,373K in additions and €154,890K in repayments during the year

Borrowings and financial liabilities

Orpea Group's financing policy

Financing requirements have increased as a result of the Group's strong growth momentum. Orpea not only finances its own expansion operations, but also those of its subsidiaries, and principally Clinea.

Property-related borrowings are loans contracted to finance the construction, acquisition or renovation of properties.

Bank covenants

Most loans taken out by the company are subject to the following financial ratios, assessed on a group level:

$$R1 = \frac{\text{consolidated net debt (excluding property debt)}}{\text{consolidated EBITDA} - 6\% \text{ of property debt}}$$

Gearing ratio restated for property:

$$R2 = \frac{\text{consolidated net debt}}{\text{equity + quasi equity}}$$

At 31 December 2009, these ratios stood at 2.53 and 1.62 respectively, within the required limits of 5.5 for R1 and 2.2 for R2.

II . 1 – 9 FINANCIAL INSTRUMENTS

At 31 December 2009, the notional amount of the derivatives portfolio was €1,072 million, comprising fixed for floating (mainly 3-month Euribor) interest rate swaps and interest rate options with a constant or decreasing nominal portfolio. These derivative financial instruments all qualify for hedge accounting in accordance with article 372-2 of the French General Chart of Accounts.

	Fair value	**Maturity (€m)**				
	31/12/2009	2010	2011	2012	2013	2014
Average notional (€m)	(39.8)	1,033	938	766	344	93
Effective rate		3.4%	3.4%	3.5%	3.5%	2.9%

The fair value of hedging instruments at 31 December 2009, i.e. €39.8 million, is not recognised on the balance sheet date but recorded symmetrically with the hedged items at the maturity of each contract.

At end 2008, the fair value and maturity of the interest rate derivatives was as follows:

	Fair value (in €m)	**Year-end nominal (€m)**			
	31/12/2008	2009	2010	2011	2012
Year end notional (€m)	(31.5)	841	628	259	223
Efffective rate		3.9%	4.1%	4.4%	4.4%

II. 1 -10 OTHER

Accrued expenses

	31/12/2009	31/12/2008
Borrowings and financial liabilities	2,205,008	3,729,344
Trade payables	14,057,382	14,473,486
Tax and social security liabilities and other	15,442,930	15,908,052
Total	31,705,320	34,110,883

Accrued income

	31/12/2009	31/12/2008
Trade receivables	3,515,997	3,560,606
Other receivables	5,432,813	4,950,766
Total	8,948,810	8,511,372

Prepaid expenses

	31/12/2009	31/12/2008
Operating	615,171	1,363,352
Financial	636,438	1,162,185
Exceptional		0
Total	**1,251,609**	**2,525,537**

Prepaid income

This item comprises prepaid income in respect of property work in an amount of €4,282 thousand and the portion of care allowances received yet to be allocated to future expenses in an amount of €4,243 thousand.

	31/12/2009	31/12/2008
Operating	8,525,446	8,852,229
Total	**8,525,446**	**8,852,229**

II. 1 -11 INFORMATION ON RELATED PARTIES

ENTITY	No.	Trade receivables	Other receivables	Other payables	Other financial income	Financial expense	Dividends
SAS LA SAHARIENNE	23		3,007,175		209,403	35,048	
SARL LES MATINES	63	552,814	30,398,084		1,362,369		
SARL BEL AIR	76			325,840		6,477	
SARL 95	95		2,726,999		129,549		
SARL 96	96		16,121,791		716,665		
SA LES CHARMILLES	135		730,440		42,258		
SARL MAISON DE LOUISE	150		2,005,239		89,250		
SARL GESSIMMO	153		1,824,514		74,572		
SARL MAISON DE CAMILLE	156		2,254,287		80,615		
SARL MAISON DE LUCILE	157		3,391,519		142,712		
SARL MAISON DE SALOME	158		2,562,877		104,569		
SARL MAISON DE MATHYS	159		1,721,112		68,361		
Résidence du Parc de Bellejame	161			200,539		3,623	
Résidence de Savigny	162		375,231		5,925	13,654	
Résidence de la Puisaye	163		191,325			18,969	
LA BRETAGNE	180		1,101,212		54,095		
SARL CHATEAU DE VILLENIARD	182		230,710		27,901		
LA VENITIE	186		23,301		1,015		
SARL L'ATRIUM	187			301,090		3,287	
SARL GESTIHOME	189		4,886				
SARL ST LUC	192		2,619,163		100,778		
SARL MAISON DE CHARLOTTE	193		3,908,548		132,265		
SAS cliniq LA LIRONDE	197			777,720		8,886	
SA cliniq. CHATEAU D'HERBLAY	198		6,217,574		188,860		
SAS CLINEA	200	134,035	129,746,438		6,784,228		
SAS LA CLAIRIERE	209			9,569			
FURIANI	211						
SAS Cliniq. Médicale de CHAMPVERT	214			5,143,707		176,476	
SAS CARDEM	215		209,781		22,432		
SARL L'ERMITAGE	216		125,724		5,312		
MAREUIL LES MEAUX	230		6,694				
SARL France Doyenne de Santé	233		167,300		3,158		
SARL ALTERNATIVE A L'HOSPITALISATION	238		1,503				
SARL LA CLAIRIERE	239		1,266				
SAS LE VIGE	246		755,577		31,920		
SARL CCR du LAVARIN	247		732,161		41,826		
SA CLINIQ. DU CABIROL	248			2,014,462	15,621	17,395	
SA GERONE CORP	251		585,930		18,718		
SARL L'OASIS	254			75,658		5,277	
SARL RENE LEGROS	255		57,886		1,775		
SAS MDR LA CHENERAIE	262		445,048		20,649		
SARL LA RETRAITE DU LEU	267		582,389		20,392		
SARL MARENGO-JOLIMONT	274			232,241	16,940	9,063	
SARL IDF LE SOPHORA	278		880,712		28,068		
SA PAUL CEZANNE	281		222,812		23,047		
SARL LE SEQUOIA	283		241,912		6,057		
SARL MAISON D'OMBELINE	289		610,465		27,980		
SNC LES JARDINS D'ESCUDIE	290		1,949,559		81,652		
SA Résidence du MOULIN	291		1,025,469		42,425		
SAS Clinique les Oliviers	293			214,723	5,723		
SA Clinique du château de bel air	294			694,120	3,672		
SNC Espace Afo bel air	295		658,198		10,531		
SA Le Château St Valéry	296			494,525		9,455	

SARL le Jardin d'Inès	297		925,964			
SAS Clinique L'Emeraude	298		5,961,604		150,515	
SARL DOMEA	300		78,555		5,527	
SA Clinique Régina	302		235,713		838	
SA Clinique Beau Site	308		18,164		1,754	
Le Clos du Roy	312			40,409		
Clinique du Bocage	315		297,095		2,263	
Clinique la Chavanerie	316			24,081		
Château de Loos	317		66,899			
Clinique Robert Schumann	318			111,141		
SAS Résidence Klarène	319		372,113		1,199	
SAS Résidence Ondine	320		374,371		1,056	
SARL SER	400		19,555,374		809,180	
SARL ORPEA DEV	500			876,250		
SAS ORGANIS-	600		2,125,374		142,435	
SAS SFI France	701		11,850,326		207,736	34,656
SAS DOUCE France Santé	702		4,926,339		57,509	
GRUPO CARE	800		10,758,510		248,615	
DINMORPEA	802		2,294,301		92,503	
BRIGE	900		2,934,798		25,399	
QUALISANITA	902		4,700,000			
MGL ITALIA	903					
CASAMIA IMMOBILIARE	907		14,448,591			
ORPEA BELGIUM	950		6,151,477		141,583	
DOMAINE DE CHURCHILL	951		3,103,490		13,683	
DOMAINE DE LONGCHAMP	952		863,249			
DOMAINE DE LONGCHAMP	953					
SUISSE CLINIQ. LA METAIRIE	970		2,944,950			
SARL TRANSAC Espagne	980		190,716			
SCI LES ECLUSES	1,003			994,628		42,510
SCI RIVES D OR	1,009			540,990		20,245
SCI DU CHÂTEAU	1,014			1,297,949		54,410
SCI TALAUDIERE	1,015		2,080,860		95,876	
SCI ST PRIEST	1,016			601,454		27,270
SCI BALIBIGNY	1,017			745,554		33,462
SCI ST JUST	1,018			627,744		28,406
SCI CAUX	1,019			718,889		32,652
SCI TOUR PUJOLS	1,020			709,139		26,990
SCI CERISAIE	1,027	498,165		1,206,172		51,004
SCI VAL DE SEINE	1,028	427,950		4,013,638		91,082
SCI CLISCOUET	1,033			223,959		6,977
SCI AGE D OR	1,040			8,926,715		388,650
SCI GAMBETTA	1,041			2,385,728		99,912
SCI CROIX ROUSSE	1,042			3,593,167		156,661
SCI LES DORNETS	1,046		333,647		22,304	
SCI CHÂTEAU ANGLETERRE	1,047			2,684,304		70,687
SCI MONTCHENOT	1,048			7,591,762		325,135
SCI 115 RUE DE LA SANTE	1,052		45,313,758		2,243,193	
SCI ABBAYE VIRY	1,053		16,046,515		1,092,782	
SCI TAMARIS	1,054			631,939		30,859
SCI VICTOR MARCHAND	1 055			961,385		36,843
SCI BEAULIEU	1,056		7,599			
SCI FAURIEL	1,057	6,023,863	27,604,582		1,608,460	
SCI PORT THUREAU	1,058			299,005		9,537
SCI ABBAYE MOZAC	1,059		805,287		37,626	
SCI LES MARAICHERS	1,060			569,826		26,796
7903SCI BOSGUERARD	1,065			455,993		19,157

SCI LE VALLON	1,066		14,937,728		623,519	
SCI BEL AIR	1,071	799,504	4,098,637		181,505	
SCI BREST LE LYS BLANC	1,072		24,287,960		986,568	
SARL SPI	1,074		1,786,300		81,850	
SCI LES MAGNOLIAS	1,080		771,073		27,551	
SCI COURBEVOIE DE L ARCHE	1,081			3,083,255		143,483
SARL AMARMAU	1,083		858,922		46,733	
SCI STE BRIGITTE	1,092		6,238,224		286,195	
SARL NIORT 94	1,094	9,060,971	157,701,830		7,152,784	
SARL 1097	1,097		2,222,396		58,356	
SCI LES TREILLES	1,127			1,731,993		74,936
SCI LES FAVIERES	1,130		660,314		29,740	
SCI IBO	1,142		192,451			35,045
SCI du 12 rue Fauvet	1,145			10,859,351		21,167
SCI DOUARNENEZ	1,154		700,346		68,375	
SCI SFI BELLEJAME	1,161		332,084		1,992	
SCI KODS	1,165		53,361		4,312	
SCI BARBACANNE	1,166			1,210,018		76,771
SCI SLIM	1,167	245,207	11,797,118		315,339	
SARL L'ALLOCHON	1,168		1,050,209			27,149
SCBA	1,171			4,084,315		181,489
SCI ST DIDIER	1,187		952,075		42,900	
SCI SELIKA	1,192		6,833,294		187,548	
SCI JEM II	1,193		173,472		8,336	
SCI CHATEAU DE LA CHARDONNIERE	1,198			126,396		5,364
SCI LES ANES	1 201		782,577		41,445	
SCI SPAGUY	1,209		2,179			
SC CALISTA SANTE	1 211		0			
SARL REINE BELLEVUE	1 213		3,320,023		142,145	
SI de CHAMPVERT	1 214		698,489		29,946	
SCI LA SALVATE	1,220			4,867,383	37,273	
SCI de la DRONE	1,224		1,055,201		27,237	
SARL L'OMBRIERE	1,235		730,933		33,998	
SAS MAJA	1,237			53,482		2,765
ASSOC LANGUEDOCIENNE GERIATRIE	1,239		35,692		1,158	
SARL LAGARDELLE	1,240		6,634		3,890	
SARL SOGIMOB	1,242		98,611			
SCI DE CAROUX	1,243			7,962		
SCI du Mont d'Aurelle	1,244		120,826		2,784	
SC LES PRATICIENS	1,249			4,839		
SAS RESIDENCE LA CHENERAIE	1,262			387,042		39,602
SAS IMMO LEAU BONNEVEINE	1,270			14,347,684		440,686
SCI HELIADES SANTE	1,271			13,068,321		175,437
SNC Margaux Pony	1,273			184,378		13,426
SNC Than Co	1,274			148,186		11,824
SC CARDIOPIERRE	1,277			4,907,692		64,045
SA EMCEJIDEY	1,278		214,341		5,518	
SCI SUPER AIX	1,281			1,070,664		55,824
SAS SYLVINVEST	1,290		642,162		12,422	
SARL RESIDENCE DU PARC	1,291		58,357		1,851	
SAS Château Laffitte	1,292			479,763	7,176	
SCI Les Orangers	1,293		97,514		2,198	
SCI DU GRAND PARC	1,294			7,719,634		15,439
SCI SEQUOIA	1,295		573			
SARL RENOUVEAU REGINA	1,302		1,917,999		43,246	
SCI ANSI	1,304			6,903,315		69,197

SCI BRBT	1,309			68,735			
SCI Les Jardins du Lys	1,312		458				
SNC de la Maison Rose	1,315		618,357		3,694		
SCI Rue de Londres	1,316		2,827,736		16,897		
SCI Château DE LOOS	1,317			634,116		1,268	
SCI Berlaimont	1,318	9,905	217,218		1,663		
SNC Brechet CFT et Cie	1,319		4,146				
SARL Marc Aurelle	1,320		1,739				
EURL DFS Immobilier	1,702		646,278			8,714	
Other				20,990	137		32
Merged companies					20,863	1,180,921	16,731,842
		17,752,414	657,538,880	127,285,531	28,284,464	4,566,064	16,731,874

II . 2 INCOME STATEMENT

II . 2 – 1 REVENUE

	31/12/2009	31/12/2008
Care facility operations	338,835,956	287,344,621
Sales of property assets	41,555,793	50,176,768
Total	380,391,749	337,521,389

II . 2 – 2 OPERATING INCOME

	31/12/2009	31/12/2008
Care facility operations	338,835,956	287,344,621
Revenue from operating activities	**338,835,956**	**287,344,621**
Sales of property assets	41,555,793	50,176,768
Decrease in work in progress	(40,214,258)	(50,984,383)
Revenue from property activities	**1,341,535**	**(807,615)**
Work capitalised	5,182,349	3,244,515
Operating subsidies	152,799	175,528
Provision reversal and expense transfer	8,196,241	9,599,843
Other income	24,198	23,708
Other operating income	**13,555,587**	**13,043,594**
Total revenue	**353,733,079**	**299,580,600**

II . 2 -3 NET FINANCE COST

	31/12/2009	31/12/2008
Interest on bank debt and other financial expense	(25,407,746)	(44,559,168)
Bond issue expenses	(4,359,746)	
Net expense on debt write-offs		(5,121,452)
Provisions for support for foreign subsidiaries	(2,849,419)	0
Other expense	(15,238)	0
Income from equity interests	16,731,874	
Net income from intragroup current accounts	23,718,400	26,470,508
Net income from financial instruments	(18,112,848)	2,382,543
Capitalised borrowing costs	4,664,439	4,525,372
Provision reversal	489,999	2,755,135
Net proceeds from disposal of marketable securities	11,309	153,824
Other financial income	122,752	278,804
Net finance cost	**(5,006,221)**	**(13,114,436)**

II . 2 -4 EXCEPTIONAL ITEMS

		31/12/2009		31/12/2008
Exceptional gains		15,933,483		35,913,853
Operating activities	*(20,543,767)*		*145,900*	
Capital transactions	*32,738,888*		*35,644,021*	
Provision reversals and expense transfers	*3,738,361*		*123,932*	
Exceptional losses		39,776,124		42,806,108
Operating activities	*8,905,695*		*4,779,224*	
Capital transactions	*26,441,549*		*36,602,331*	
Exceptional depr., amortisation and provisions	*4,428,880*		*1,424,553*	
Net exceptional loss		**(23,842,641)**		**(6,892,254)**

	31/12/2009	**31/12/2008**
Gains or losses on property disposals	6,293,989	(957,015)
Restructuring and development costs	(5,932,100)	(4,630,871)
Merger losses	(21,480,866)	0
Provisions for sundry receivables	(2,906,524)	(862,291)
Provisions for treasury shares	404,728	(404,728)
Accelerated tax depreciation	(221,867)	0
Other adjustments	0	(37,350)
Net exceptional loss	**(23,842,641)**	**(6,892,254)**

II . 2 – 5 INCOME TAX

As head of the Orpea tax consolidation group, Orpea calculates the tax payable on the group's taxable income.
The tax group has no further tax loss carryforwards, although a few subsidiaries have tax losses that can be set against their own taxable profits.

At 31 December 2009, the Orpea tax group's aggregate net profit amounted to €15,396,346 including Orpea SA's tax loss of €2,917,517 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.

Given the net profit for the period and the various adjustments made, the income tax for the period is therefore a credit of €931,447 broken down as follows:

	Before tax	Tax	After tax
Profit on ordinary activities	29,845,708	6,903,680	22,942,028
Exceptional items	(23,842,641)	(7,835,127)	(16,007,514)
Taxable profit	6,003,067	(931,447)	6,934,515

Timing differences between the tax treatment and accounting treatment of various transactions are likely to affect the future tax liability as follows:

- Add-backs to be made in future years:
  - Tax deferred unrealised gains on purchased goodwill arising as a result of mergers: €43,560 thousand
  - Tax deferred unrealised gains on securities arising as a result of mergers: €19,021 thousand
  - Gain on leasehold rights deferred over 15 years: €492 thousand

- Deductions to be made in future years:
  - Organic social security organisation: €635 thousand
  - Unrealised gain on mutual funds: €101 thousand
  - Provisions for loss-making contracts: €114 thousand
  - Expenses on purchase of securities: €2,980 thousand

II . 2 – 6 Expense transfer

	31/12/2009	31/12/2008
Restructuring cost	2,003,031	1,976,346
Captalised expenses	1,304,669	1,729,150
Insurance reimbursements	152,168	159,223
Incapacity and disability reimbursements	1,155,455	1,052,449
Training reimbursements	1,575,127	1,964,480
Sickness reimbursements	160,408	246,691
Other	152,877	2,634
Borrowing costs on property projects	4,664,439	4,525,372
Exceptional costs on share awards	1,636,031	
Total	**12,804,205**	**11,656,343**

III – FINANCIAL COMMITMENTS AND OTHER INFORMATION

III.1 Off-balance sheet commitments

Financial commitments

Contractual commitments (in €K)	31/12/2009	31/12/2008
Counter-indemnities on contracts		
Receivables sold not yet matured (Dailly discounting)		
Collateral	168,856	94,358
Guarantees	93,856	93,856
Total	262,712	188,214

Contractual commitments (in €K)	31/12/2009	Payments due by maturity		
		Under 1 year	1 to 5 years	Over 5 years
Long-term debt	710,471	119,638	495,368	95,465
Finance lease obligations	39,570	8,677	25,242	5,651
Operating lease obligations				
Irrevocable purchase commitments				
Other long-term commitments				
Total	750,041	128,315	520,610	101,116

Lease commitments

	Property finance leases	Other finance leases
Value at inception	31,463,093	35,459,955
Lease payments for the period	2,286,325	6,862,424
Cumulative lease payments in prior years	10,121,984	10,594,622
Theoretical depreciation for the period	575,484	3,062,267
Cumulative depreciation in prior periods	3,721,865	4,257,806
Lease payments outstanding - under 1 year	2,286,325	6,390,976
Lease payments outstanding - 1 to 5 years	9,145,300	16,096,545
Lease payments outstanding - over 5 years	5,650,514	0
Repurchase value	13,721,142	0

Other commitments

The amount of employee retirement benefit obligations, determined using a projected unit credit method, amounted to €4,193 thousand in 2009 compared with €2,771 thousand at end 2008.

The main actuarial assumptions at 31 December 2009 were:

- rate of salary increase: 3.5% taking account of inflation;
- discount rate: 4.65%;
- retirement age: 65 years;
- social security contribution rate: same as 2009.

The amount paid by the company in retirement benefits amounted to €140,799 in 2009.

There were no material commitments in respect of long-service awards.

The law of 4 May 2004 on professional training introduced a system whereby employees can build up training rights to be used at their discretion with their employer's agreement. The minimum annual amount is 20 hours capped at a cumulative total of 120 hours.

At 31 December 2009, these training rights did not generate any additional costs as they are financed by reimbursements obtained under professional training contracts. The expense is recognised as and when the hours are used.

In 2002, Orpea granted its subsidiary, SA Clinique du Docteur Courjona, a debt write-off of €1,915,487 with a claw-back condition.

At end 2009, conditional commitments to acquire facilities, operating licences and land amounted to approximately €11 million.

III.2 INTERNAL RESTRUCTURING

In order to simplify its legal structure, five subsidiaries were merged into the Company at the year end by way of a transfer of all their assets and liabilities: SA Aquarelle, SAS Résidence du Lac, SAS Maison de l'Océane, SARL SAE Renouard Résidence and SAS Les Fondateurs.

On 13 October 2009, the Board of Directors of Orpea resolved to wind up each of these subsidiaries without liquidation, under the terms and conditions set out in article 1844-5 para. 3 of the French Civil Code.

The various assets and liabilities of each of these subsidiaries have now been taken over and are accounted for by Orpea.

These transactions gave rise to a merger loss of €36,431,906 including €14,951,039 allocated to intangible assets, broken down as follows:

- SARL SAE Renouard Résidence: €3,641,013
- SA Aquarelle: €1,467,886
- SARL Résidence du Lac: €7,275,152
- SAS Maison de l'Océane: €2,566,987

III.3 EMPLOYEES

At 31 December 2009, full-time equivalents employed by SA ORPEA were as follows:

	31/12/2009	31/12/2008
Managers	399	361
Non-managers	4,714	4,439
Total	5,113	4,800

III.4 – STATUTORY AUDITORS' FEES

Professional fees paid to the statutory auditors in 2009 amounted to €1,940 thousand.

III.5 BENEFITS GRANTED TO DIRECTORS AND CORPORATE OFFICERS

Gross compensation, fees inclusive of tax and benefits paid in 2009 to the corporate officers of Orpea SA totalled €850 thousand compared with €739 thousand in 2008.

Directors' fees paid to members of the Board of Directors amounted to €75,000 in 2009.

There are no entitlements to post-employment or severance benefits.

STATUTORY AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' audit report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in such audit reports, whether qualified or not, that is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification of information in the group management report.

The statutory auditors' report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

Burband Klinger & Associés 8, rue Jacques Bingen 75017 Paris	Deloitte & Associés 185 avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex

ORPEA

Société anonyme

115, rue de la Santé
75013 Paris

Statutory Auditors' Report

on the statutory financial statements

Year ended 31 December 2009

Dear Shareholders,

In our capacity as Statutory Auditors to the company, we hereby report to you, for the year ended 31 December 2009, on:

- our audit of the accompany financial statements of Orpea SA;
- the basis for our assessments;
- the specific procedures and disclosures required by law.

These financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on those financial statements based on our audit.

I. Opinion on the statutory financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis or using other selective methods, evidence supporting the amounts and disclosures in the statutory financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects the financial position and assets and liabilities of the company as at 31 December 2009 and the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

II. Basis for our assessments

As required by the provisions of article L. 823-9 of the French Commercial Code on the basis for our assessments, we draw your attention to the following matters:

- Note 1.2.1 of the notes to the statutory financial statements describes the accounting methods used to measure operating licences recognised as intangible assets.
- Note 1.2.3 of the notes to the statutory financial statements describes the accounting methods used to measure equity interests recognised as non-current financial assets.

As part of our overall assessment of the accounting policies used by the company, we assessed the appropriateness of the accounting methods described above and the disclosures provided in the notes to the statutory financial statements.

Our assessments of these matters formed an integral part of our audit of the statutory financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

III. Specific procedures and disclosures

We also performed the other procedures required by law in accordance with the professional standards applicable in France.

We have no matters to report regarding the fairness and consistency with the financial statements of the information given in the management report, and documents addressed to the shareholders with respect to the financial position and the financial statements.

As regards the information provided pursuant to the provisions of article L.225-102-1 of the French Commercial Code on remuneration and benefits paid to and commitments made to the directors and corporate 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, 9 June 2010

The Statutory Auditors

Burband Klinger & Associés	Deloitte & Associés
Frédéric Burband	Henri Lejetté

X/ SIGNIFICANT EVENTS SINCE 30 APRIL 2010

1. Revenue for the first quarter up 16.2%

On 5 May 2010, the Orpea Group announced its revenue for the first quarter of 2010.

In €m IFRS	Q1 2010	Q1 2009	% change
France	**203.6**	**173.0**	*+17.7%*
% of total revenue	*88%*	*87%*	
International	**27.6**	**26.0**	*+6.1%*
% of total revenue	*12%*	*13%*	
Belgium	13.3	11.9	
Spain	7.4	6.9	
Italy	4.3	4.8	
Switzerland	2.6	2.4	
Total revenue	**231.2**	**199.0**	*+16.2%*
o/w organic growth			*+9.6%*

Orpea recorded further sustained business growth in the first quarter of 2010, both in France and Europe, with revenue up 16.2% to €231.2 million.

Organic growth remained very robust at almost 10%, despite the relative lack of openings in the first quarter. This sustained growth is due to the strong appeal of Orpea's facilities, driven by the quality of services and care provided and its new or recent buildings located in the heart of large urban areas.

International business posted another strong performance, with strong organic growth once again illustrating the perfect suitability of Orpea's offer in care for highly-dependent people. These excellent performances confirm the substantial potential offered by Orpea's international network given that 50% of beds are still being redeveloped or built.

Capitalising on its clearer than ever visibility, with a reservoir of almost 9,000 beds guaranteeing buoyant organic growth for at least the next four years and the financing capacity required to make value-creating acquisitions, Orpea is extremely confident in its ability to meet its 2010 revenue target of €960 million in a context of continued strong profitability. with further improvements in debt ratios and growth in cash flows.

XI/ Documents on display

This list comprises the annual information document published on 10/06/2010 pursuant to article 451-1-1 of the French Monetary and Financial Code and article 221-1-1 of the AMF's General Regulation, supplemented by the Orpea Group's latest publications.

1. Publications on the AMF's website

Published on Autorité des Marchés Financiers' website (**www.amf-france.org**)

Publication date	Type of document
14/04/2010	Declaration by corporate officers directors
17/02/2010	Notification of interests
28/08/2009	Declaration by corporate officers directors
26/08/2009	Declaration by corporate officers directors
15/07/2009	Issuance and admission: bonds with redeemable share warrants
08/07/2009	2008 registration document

2. Publications in the BALO

Published on the Journal Officiel website (**www.journal-officiel.gouv.fr**)

Publication date	Type of document
09/06/2010	Notice of annual general meeting
19/05/2010	Second notice of annual general meeting
31/08/2009	Definitive 2008 financial statements, closed on 31 December 2008
17/07/2009	Notice to holders of stock options granted by Orpea on 24 December 2001 and 30 September 2003

3. Publications on the Company's website

Published on Orpea's website (www.orpea.com)

Publication date	Heading	Type of document
10/06/2010	Documentation	Annual financial report at 31 December 2009
09/06/2010	Documentation	Notice of annual general meeting on 25 June 2010
02/06/2010	Press releases	Number of voting rights and shares – Declaration May 2010
19/05/2010	Documentation	Second notice of annual general meeting

10/05/2010	Press releases	Number of voting rights and shares – Declaration April 2010
05/05/2010	Press releases	Q1 2010 revenue: up 16.2% to €231.2 million
12/04/2010	Press releases	Number of voting rights and shares – Declaration March 2010
31/03/2010	Documentation	Presentation of 2009 annual results
31/03/2010	Press releases	2009 net profit up 26.1% to €61 million
10/03/2010	Press releases	New developments and revenue growth of 45% over 3 years
05/03/2010	Press releases	Number of voting rights and shares – Declaration February 2010
09/02/2010	Press releases	Strong growth in 2009 revenue, up 20.1% to €843.2 million
01/02/2010	Press releases	Number of voting rights and shares – Declaration January 2010
20/01/2010	Documentation	Number of shares and voting rights at 31.12 2009
14/01/2010	Documentation	Annual liquidity contract report
27/10/2009	Press releases	Strong growth in Q3 2009 revenue, up 20.3% to €217.9 million
23/10/2009	Press releases	Number of shares and voting rights after capital increase
22/10/2009	Documentation	Interim financial report at 30 June 2009
15/10/2009	Press releases	Success of €62.4 million capital increase
15/10/2009	Press releases	Capital increase of about €50 million
13/10/2009	Press releases	Continued growth momentum: +1,627 beds
08/09/2009	Documentation	Presentation of 2009 interim results
08/09/2009	Press releases	Strong, robust growth in H1 2009 results
12/08/2009	Press releases	Euronext notice
21/07/2009	Documentation	Results of votes at annual general meeting of 26/06/2009
21/07/2009	Documentation	Number of shares and voting rights at 30/06/2009
16/07/2009	Documentation	Securities note on the OBSAAR bond issue
15/07/2009	Press releases	€217 million issue of bonds with redeemable share warrants (OBSAAR)
15/07/2009	Press releases	H1 2009 revenue up 22.5% to €404.5 million
09/07/2009	Press releases	Availability of 2008 registration document
09/07/2009	Documentation	2008 registration document
02/07/2009	Press releases	Interim liquidity contract report
12/06/2009	Documentation	Annual information document

4. Publications on an AMF-approved newswire

Published on newswire (www.lesechos-comfi.fr)

Publication date	Type of document
10/06/2010	Press release on availability of 2009 annual financial report
02/06/2010	Information on total number of voting rights, May 2010
10/05/2010	Monthly information on total number of voting rights, April 2010
05/05/2010	Q1 2010 revenue up 16.2% to €231.2 million
12/04/2010	Monthly information on total number of voting rights, March 2010
31/03/2010	2009 net profit up 26.1% to €61 million
10/03/2010	New developments adding 1,547 beds in 6 months

05/03/2010	Monthly information on total number of voting rights, February 2010
09/02/2010	Very strong growth in 2009 revenue, up 20.1% to €842.3 million
01/02/2010	Monthly information on total number of voting rights and shares comprising the share capital
20/01/2010	Number of shares and voting rights at 31.12 2009
14/01/2010	Annual liquidity contract report
27/10/2009	Strong growth in Q3 2009 revenue, up 20.3% to €217.9 million
23/10/2009	Number of shares and voting after the capital increase
22/10/2009	2009 interim report
15/10/2009	Success of €62.4 million capital increase
15/10/2009	€50 million capital increase may be raised to €63 million
13/10/2009	Continued growth momentum (+1,627 beds in 6 months)
08/09/2009	Strong, robust growth in H1 2009 results
21/07/2009	Number of shares and voting rights comprising the share capital
15/07/2009	Press release on launch of €217 million OBSAAR bond issue
15/07/2009	Q1 2009 revenue: up 22.5% to €404.5 million
09/07/2009	Press release on availability of 2008 registration document
02/07/2009	Interim liquidity contract report at 30.06.09
12/06/2009	Annual information document

ORPEA
La Vie Continue avec Nous

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