ORPEA
LA VIE CONTINUE AVEC NOUS

REGISTRATION DOCUMENT 2011

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This registration document was filed with the Autorité des Marchés Financiers on 24 May 2012 in accordance with Article 212-13 of the General Regulations.
This document may not be used in the context of any financial operation unless completed by a transaction summary ("*note d'opération*") in respect of which the AMF has granted a visa.
It has been prepared by the issuer and its signatories therefore assume responsibility for its contents.

Pursuant to Article 28 of Regulation (EC) no. 809/2004 of the European Commission, this document incorporates by reference the 2009 registration document filed on 13 July 2010 under no. D.10-0625 (including the update filed on 6 December 2010 under no. D.10-0625-A01) and the 2010 registration document filed on 8 June 2011 under no. D.11-0549 (including the update filed on 14 November 2011 under no. D.11-0549-A01).
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, France).

This English translation of the Registration Document is a free translation of the original which was prepared in French, submitted to and registered with the Autorité des marchés financiers (AMF) on 24 May 2012 in accordance with Article 212-13 of the AMF General Regulations. It is not a binding document. In the event of any ambiguity or conflict between corresponding statements or items contained in this English translation and the original French version, the relevant statements or items of the French version shall prevail. The auditor's reports apply to the French version of the Management Report and the financial statements.

www.orpea-corp.com

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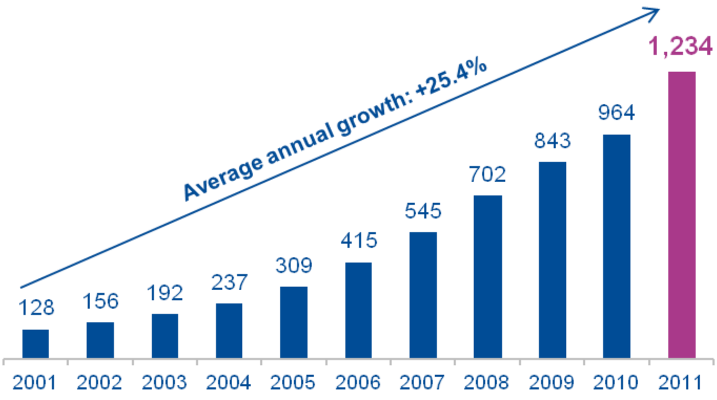
CHAPTER I: Key figures & selected financial information

1. REVENUE

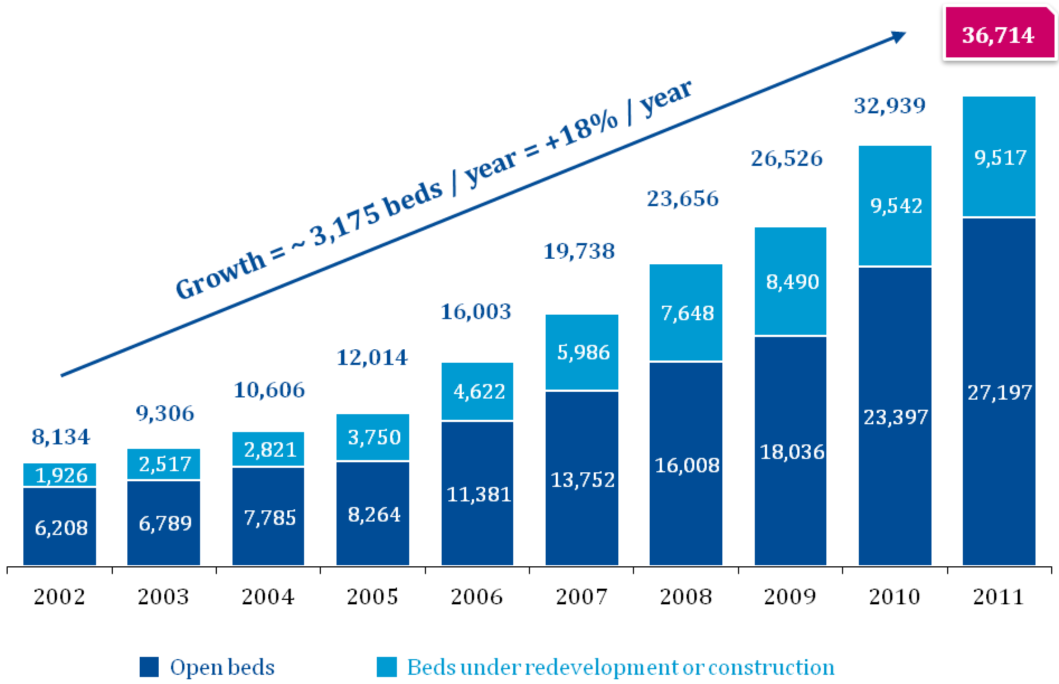
In €m	2011	2010	▲ %
France	1,094.5	846.6	+29.3%
	89%	88%	
International	139.6	117.6	+18.8%
	11%	12%	
Belgium	67.5	55.8	
Spain	30.5	29.9	
Italy	26.8	17.1	
Switzerland	14.8	14.9	
Total	1,234.1	964.2	+28.0%



2. 2. EXPANSION OF THE ORPEA NETWORK

2.1 – NUMBER OF BEDS IN THE ORPEA NETWORK

+10,000 beds in two years (2010 and 2011)



ORPEA
LIFE GOES ON WITH US

2.2 – SUMMARY OF BEDS IN OPERATION, UNDER REDEVELOPMENT AND UNDER CONSTRUCTION BY GEOGRAPHICAL AREA OVER THE LAST THREE YEARS:

	Number of facilities	Number of beds	2011 revenue	% 2011 revenue	Beds of which operational beds excluding beds under redevelopment	Beds of which beds under redevelopment	of which beds under construction
France	**322**	**28,590**	**1,094.5**	**88.7%**	**21,037**	**2,771**	**4,782**
Spain	21	2,938	30.5	2.5%	2,938	0	0
Belgium	36	3,799	67.5	5.5%	2,330	650	819
Italy	12	1,222	26.8	2.2%	817	40	365
Switzerland	2	165	14.8	1.2%	75	0	90
TOTAL	393	36,714	1,234.1	100.0%	27,197	3,461	6,056
	Number of facilities	Number of beds **	2010 revenue	%of 2010 revenue	Beds of which operational beds excluding beds under redevelopment	Beds of which beds under redevelopment	Beds of which beds under construction
France	**302**	**27,014**	**846.6**	**87.8%**	**19,588**	**2,859**	**4,567**
Spain	16	1,776	29.9	**3.1%**	1,776	0	0
Belgium	32	3,523	55.8	**5.8%**	2,190	491	842
Italy	12	1,222	17.1	**1.8%**	883	0	339
Switzerland	2	165	14.8	**1.5%**	75	0	90
TOTAL	364	33,700	964.2	100.0%	24,512	3,350	5,838
	Number of facilities ***	Number of beds*	2009 revenue	% of 2009 revenue	Beds of which operational beds excluding beds under redevelopment	Beds of which beds under redevelopment	Beds of which 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

** Figures to November 2011*

*** Figures to March 2011*

**** Figures to November 2010*

3. SELECTED FINANCIAL INFORMATION

Consolidated figures in millions of euros

	31.12.2011	31.12.2010	31.12.2009
Revenue	1,234.1	964.2	843.3
EBITDAR [1]	311.4	236.4	205.6
EBITDA [2]	218.2	172.3	151.4
Recurring Operating Profit	163.2	129.8	115.4
Operating profit	190.0	151.1	134.5
Net financial cost	(65.0)	(52.7)	(45.7)
Tax	(45.5)	(30.9)	(29.8)
Consolidated net income	80.3	66.3	61.2
Net profit (Group share)	80.3	66.3	61.1

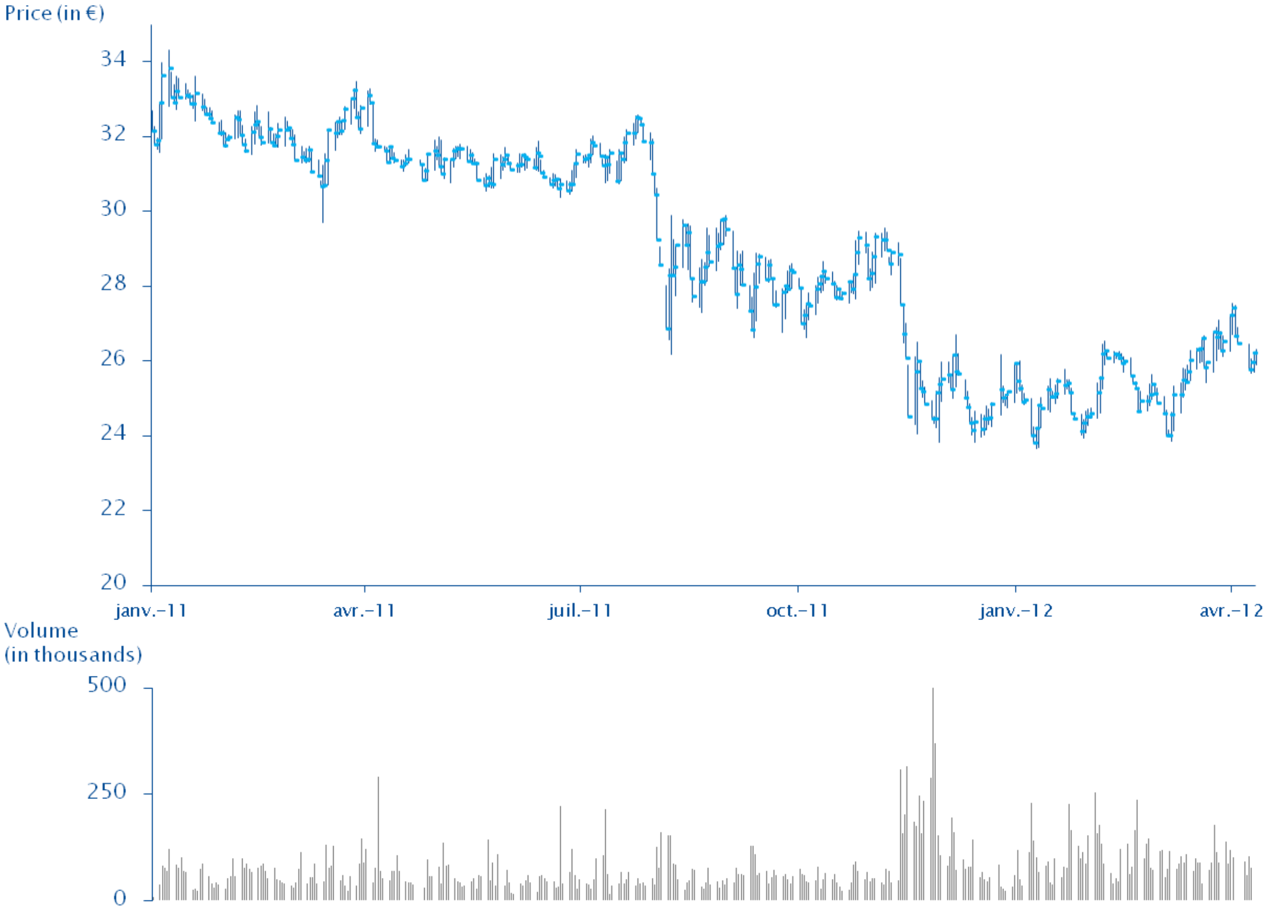
	31.12.2011	31.12.2010	31.12.2009
Cash flow	184.2	137.2	107.8
Cash flow from operating activities	202.3	135.6	127.0
Cash flow from investing activities	(349.5)	(296.7)	(258.2)
Cash flow from financing activities	180.1	302.3	213.0
Change in cash and cash equivalents	32.9	141.2	81.7
Cash and cash equivalents, end of period	309.5	276.5	135.4

	31.12.2011	31.12.2010	31.12.2009
Equity attributable to owners of the company	1,152	865	642
Current financial liabilities	587	509	340
Non-current financial liabilities	1,462	1,459	1,180
- Cash and cash equivalents	(309)	(277)	(135)
Net debt	**1,739**	**1,691**	**1,385**
Goodwill	323	431	204
Intangible assets	1,129	835	775
Property, plant and equipment*	2,338	2,030	1,744
TOTAL ASSETS	**4,482**	**3,880**	**3,061**
* Includes assets held for sale			

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

4. STOCK MARKET DATA

Share price trend:



Indices:

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

Stock market data for 2011:

- Average daily trading volume: 74,474 shares / day (+24% / 2010)
- Price to 31.12.2011: €25.185
- Weighted average price over the year 2011: €29.17
- 12-month high: €34.32
- 12-month low: €23.82
- Turnover: 36% in 12 months
- Market capitalisation: €1,335m
- No. of shares: 52,997,892

CHAPTER II / ABOUT THE ORPEA GROUP

1. PRINCIPAL INFORMATION ABOUT THE COMPANY

1.1. – NAME AND REGISTERED OFFICE

The company's name is Orpea.

Its registered office is at 115 rue de la Santé, 75013 Paris.

1.2– DATE OF INCORPORATION AND TERM

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.

1.3– LEGAL FORM

Société anonyme with a Board of Directors, governed by the French Commercial Code and its enforcement instruments.

1.4– CORPORATE PURPOSE

In accordance with article 2 of the articles of association, the Company's corporate purpose is:

- Creating, developing, acquiring, managing and operating, directly or indirectly, all types of medical care facilities, medical and social care facilities and residential facilities for the elderly, all types of residential facilities for disabled people of any age, and all hotel, hotel-related and leisure accommodation facilities;
- Providing technical, commercial, administrative and financial assistance to all companies whose business activity is directly or indirectly related to the foregoing;
- Acquiring and subscribing to equity instruments in all existing or future companies and creating and managing all financial investments;
- Secondarily, purchasing, enhancing the value of, exchanging and selling, after division and/or works where applicable, the property asset owned by the company at 2 rue Horace Choiseul, Vitry Chatillon (Essonne).

More generally, conducting all commercial, industrial, financial, real and non-real property transactions that are directly or indirectly related to or likely to facilitate the development of the foregoing activities.

1.5– FINANCIAL YEAR

The financial year begins on 1 January and ends on 31 December.

1.6- TRADE AND COMPANIES REGISTRY

The Company is entered in the Register of Trades and Companies of Paris under no. 401 251 566.

Its APE code is 8710 A.

1.7 – INSPECTION OF DOCUMENTS

The articles of association, minutes and other corporate documents are available for inspection at the company's head office at 3 rue Bellini, 92806 Puteaux cedex.

1.8 – APPROPRIATION AND ALLOCATION OF PROFITS

After deduction of any prior year losses, at least one twentieth of the year's net profit is transferred to the statutory reserve, until such time as it has reached a sum equal to one tenth of the company's share capital, and again at any time should it fall back below that minimum requirement for any reason.

The balance, plus any retained earnings from prior years, constitutes the profit available for distribution.

The shareholders have sole discretion over its allocation and may resolve to allocate all or part of it to retained earnings, to one or more general or special reserve accounts, or to the shareholders as a dividend. The shareholders may also resolve to distribute sums from other reserves to which they are entitled, either to pay or supplement the dividend or as an exceptional distribution; in this case, their resolution shall expressly indicate which reserve accounts are to be used.

However no distribution may be made if it would cause the company's net equity to fall below the amount of its share capital plus any non-distributable reserves.

Any losses, after approval of the financial statements by the general meeting of shareholders, are recorded on a special balance sheet account and deducted from net profits in future years until extinguished.

1.9 – GENERAL MEETINGS OF SHAREHOLDERS

Calling of meetings

General meetings of shareholders are called by the Board of Directors.

Failing that, a general meeting may also be called by:

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

Meetings are called in accordance with the provisions of the law.

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

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

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

If so stated by the Board of Directors in the convening notice, shareholders may attend general meetings by videoconference or any electronic means of communication including the Internet, in accordance with the provisions of the regulations in force at the time. Where applicable, this decision will be published in each notice of meeting.

Composition of general meetings

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

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

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

Shareholders may appoint any person or legal entity of their choice as proxy in accordance with the applicable regulations. They may also vote by mail in accordance with the provisions of the laws and regulations by sending a proxy form or mail voting form for any shareholders' meeting either in paper form or, if permitted by the Board of Directors as stated in each notice of meeting, in electronic form.

On the decision of the Board of Directors, when an electronic admission card application, proxy form or mail voting form is used, the digital signature must arise from the use of a reliable identification process guaranteeing its link with the electronic form to which it is attached and notably consisting of a user ID and a password or any other means provided for or authorised by the applicable regulations.

Each share entitles the owner to one vote, with the exception of shares having a double voting right in accordance with and within the limits of article L. 225-123 of the Commercial Code as stipulated in article 7 above. The right to vote is vested in the beneficial interest owner for ordinary general meetings and the legal interest owner for extraordinary general meetings. However, the legal interest owner has the right to attend all general meetings.

In the absence of the Chairman of the Board of Directors, general meetings are chaired by the Deputy Chairman or a director duly empowered for the purpose by the Board of Directors.
Failing which, the assembly itself elects a chairman.

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

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

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

Double voting rights

Double voting rights are granted to all fully-paid shares that have been registered in the name of the same shareholder for at least two years, in accordance with and within the limitations of article L. 225-123 of the French Commercial Code.

In the event of a capital increase by way of capitalisation of reserves, profits or share premiums, double voting rights are conferred on the bonus shares issued to shareholders in respect of shares already entitled to double voting rights.

At 31 December 2011, 14,882,024 Orpea shares had double voting rights, or 28.08% of the capital. The total number of voting rights at that date amounted to 67,897,916 (including treasury shares).

Notifiable interests

All shareholders must comply with the legal notification requirements set out in articles L. 233-7 and L. 233-9 of the French Commercial Code and article 223-11 et seq. of the AMF General Regulation.

Failure to comply with the notification requirements will result in the shares that should have been notified being disqualified for voting purposes at all general meetings held for a period of two years after the date on which the requisite notification is finally made.

Similarly, the voting rights attached to shares which have not been duly and properly notified may not be exercised by the defaulting shareholder in person or by proxy.

It is specified that the Company's articles of association do not set out a notification threshold.

Form and disposal of shares

Shares are either in registered or bearer form, at the choice of the shareholder, notwithstanding any legal or regulatory requirements for shares to be held in bearer form.

Registered and bearer shares can be transferred or converted by means of an account-to-account transfer.

1.10 – SHARE CAPITAL

The share capital at 31 December 2011 was €66,247,365 divided into 52,997,892 fully paid shares all of the same class each with a par value of €1.25, including 25,483 treasury shares.

1.11 – AUTHORITIES GRANTED BY THE SHAREHOLDERS TO THE BOARD OF DIRECTORS

The table below summarises the currently valid authorities to increase the share capital granted to the Board of Directors by the shareholders at their **combined general meeting of 30 June 2011**, and the use made thereof.

The full text of these resolutions can be found on the website of the French Legal Announcements Bulletin (Bulletin des Annonces Légales Obligatoires) and on the Company website.

The Combined General Meeting of 30 June 2011, pursuant to its **25th resolution**, in accordance with article L. 225-129-2 of the Commercial Code, fixed at **€30,000,000 (thirty million euros)** or the equivalent in foreign currencies **the total** par value of immediate or future capital increases made pursuant to the **fourteenth to twenty-fourth resolutions**, plus the par value of any additional shares issued in accordance with the provisions of the law to preserve the rights of holders of securities or other instruments carrying rights to shares in the Company.

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

Type of authority	Term	Use during the year
14th resolution – **Rights issues of shares** in the company and/or securities carrying rights to shares (articles L. 225-132 and L. 228-91 of the Commercial Code). *– Total par value of capital increases: €30,000,000* *– Maximum par value of debt securities: €250,000,000* Amounts included in the overall ceiling set by the twenty-fifth resolution.	26 months	08/12/2011 Par value: €13,249,447.50 10,559,558 new shares
15th resolution – **Non-rights issues of shares** and/or securities carrying rights to shares by public offer (article L. 225-136, paragraph 1 of the Commercial Code). *– Total par value of capital increases: €30,000,000* *– Maximum par value of debt securities: €200,000,000* Amounts included in the overall ceiling set by the 25th resolution.	26 months	
16th resolution – **Non-rights issues of Company shares** and/or securities carrying rights to Company shares through private investments governed by paragraph 2 of article L. 411-2 of the Monetary and Financial Code (articles L. 225-1, paragraph 3 of the Commercial Code). Issue of up to 10% of the capital: price freely determined by the Board of Directors within the limits set by the 17th resolution: either the weighted average share price on the day before the price fixing, or the weighted average share price selected from among all or some of sixty trading days preceding the price fixing, in both cases with a discount of up to 12%. Issue greater than 10% and up to 20%: price determined in accordance with legal provisions, i.e. the weighted average with a maximum discount of 5%.	26 months	

– Total par value of capital increases: €30,000,000 *Amount included in the ceiling specified in the 15th resolution* *– Maximum par value of debt securities: €200,000,000* Amounts deducted from the Overall Ceiling fixed by the 25th resolution		
17th resolution – Issue of securities under the 15th and 16th resolutions, the issue price being set freely, within the limit of 10% of the capital per year (article L. 225-136 paragraph I of the Commercial Code). Price: either the weighted average share price on the day before the price fixing, or the weighted average share price selected from among all or some of sixty trading days preceding the price fixing, in both cases with a discount of up to 12%. Amount included in the ceiling under the 15th or 16th resolution	26 months	
18th resolution – Delegation of powers to the Board of Directors to make a capital increase to pay for contributions in kind made to the Company in the form of equity instruments or other securities, up to a maximum of 10% of the share capital (article L. 225-47 of the Commercial Code). Amount included in the ceiling specified in the 15th resolution	26 months	
19th Resolution – Issue of financial securities and/or transferable securities giving access to capital in a public exchange offer initiated by the Company (article L. 225-148 of the Commercial Code). *Maximum par value: €20,000,000* Amount deducted from the Overall Ceiling set by the 25th resolution	26 months	
20th Resolution – Increase in the amount of a rights or non-rights issue (article L. 225-135-1 of the Commercial Code). – within the limit of 15% of the initial issue – at the same price as the initial issue Amount deducted from each of the issues decided under the 14th, 15th, 16th and 17th resolutions	26 months	
21st resolution – Non-rights issues of securities carrying rights to shares to a category of persons underwriting the company's equity securities (article L. 225-138 of the Commercial Code). This resolution addresses the possible implementation of a capital increase by exercise of options (PACEO) by issuing share issue warrants for financial intermediaries. *Maximum par value: €3,750,000* *Unit price of share issue warrants fixed at €0.01* Amount deducted from the Overall Ceiling set by the 25th resolution	18 months	
22nd Resolution – Issue of shares reserved for members of an employee share ownership plan (articles L. 225-138-1 of the Commercial Code and L. 3332-1 et seq. of the Labour Code). *Maximum par value: €400,000* Amount deducted from the Overall Ceiling set by the 25th resolution	26 months	
23rd resolution – Bonus shares for company officers and employees (articles L. 225-197-1 et seq. of the Commercial Code). Total number of shares that can be allocated 300,000 shares Amount deducted from the Overall Ceiling set by the 25th resolution	38 months	
24th resolution – Stock options for company officers and employees (articles L. 225-177 et seq. of the Commercial Code). *Total number of shares that can be acquired: 300,000 shares* Amount deducted from the Overall Ceiling set by the 25th resolution	38 months	

25th resolution – Overall Ceiling for capital increases. *– maximum par value: €30,000,000* *– maximum par value of debt securities: €350,000,000*		
26th resolution – Capitalisation of share premiums, reserves, profits or other capitalisable sums (article L. 225-130 of the Commercial Code). Maximum par value: €30,000,000	26 months	
27th resolution – Issue of securities carrying rights to the allotment of debt securities and not giving rise to a capital increase *Maximum par value: €300,000,000*	26 months	

1.12 – FINANCIAL INSTRUMENTS GIVING ACCESS TO CAPITAL

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

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

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

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

At 31 December 2011, there were 1,163,709 warrants outstanding, 27,078 warrants having been exercised during FY 2011.

On the basis of the share capital at 31 December 2011 and given the new exercise parity, the potential dilutive effect of the warrants still in circulation at that date was 2.33%.

As of 16 April 2012, there were 1,163,558 warrants outstanding, 151 warrants having been exercised since 1 January 2012.

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

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

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

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

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

On 31 December 2011, there were 4,069,534 convertible bonds outstanding, the right to receive shares attached to 101 bonds having been exercised during FY 2011.

On the basis of the share capital at 31 December 2011 and given the new share allocation ratio, the potential dilutive effect of convertible bonds still outstanding at that date was 8.22%.

On 16 April 2012, there were 4,069,534 convertible bonds outstanding, no rights having been exercised since 31 December 2011.

- **Stock options**

For the record, on 31 December 2010 there were 18,360 stock options not exercised. Until 30 September 2011, each option could be used to purchase one share at a price of €5.89.
All 18,360 options were exercised during FY 2011.
On 16 April 2012, there were no longer any options to subscribe to the Company's shares.

- **Allocation of free new shares**

On 16 April 2012, there is no free allocation of new or existing shares.

1.13 – MOVEMENTS IN SHARE CAPITAL

Date	Transaction	Par value of shares	Par value of transaction	Share premium	Number of shares issued	Total number of shares	Share capital after the transaction
16/04/02	Issue for cash	2.5	3,906,250	16,093,750	1,562,500	17,930,772	€44,826,930
2004	Exercise of stock options	2.5	505,385		202,154		€45,332,315
2005	Exercise of stock options	2.5	227,527		91,011		€45,559,842
2006	Exercise of stock options	2.5	126,055		50,422	18,274,359	€45,685,897
2007	Exercise of stock options	2.5	204,5950		81,838	18,356,197	€45,890,492
31/07/07	Two for one stock split	1.25				36,712,394	€45,890,492
31 March 2008	Exercise of stock options	1.25	162,350	138,295	129,880	36,842,274	€46,052,842
31 December 2008	Exercise of stock options	1.25	75,622.50	42,079	60,498	36,902,772	€46,128,465
3 July 2009	Exercise of stock options	1.25	14,550		11,640	36,914,412	€46,143,015
13 October 2009	Exercise of stock options	1.25	8,000		6,400	36,920,812	€46,151,015
20 October 2009	Issue for cash	1.25	2,400,000	60,000,000	1,920,000	38,840,812	€48,551,015

31 December 2009	Exercise of stock options	1.25	7,950		6,360	38,847,172	€48,558,965
14 September 2010	Exercise of stock options	1.25	5,875		4,700	38,851,872	€48,564,840
31 December 2010	Contribution in kind by Neo Gema and Société de Participation Française	1.25	4,376,155	109,403,846	3,500,923	42,352,795	€52,940,993
17 October 2011	Stock options	1.25	22,950	85,282.20	18,360	42,371,155	€52,963,943.75
17 October 2011	Exercise of warrants	1.25	33,826.50	991,785.65	27,061	42,398,216	€52,997,770
9 November 2011	Exercise of warrants	1.25	21.25	623.05	17	42,398,233	€52,997,791.25
8 December 2011	Issue for cash	1.25	13,249,447.5	189,732,088.2	10,599,558	52,997,791	€66,247,238.8
15 December 2011	Bond conversion (OCEANE)	1.25	126.25	4.89	101	52,997,892	€66,247,365

1.14 – SHAREHOLDERS

1.14.1 – Orpea's shareholders as at 31 December 2011

Shareholder	No. of shares	% of share capital	Number of voting rights	% of voting rights
JC Marian	*10,695,968*	*20.18%*	*20,507,814*	*30.21%*
SANTE FINANCE ET INVESTISSEMENT	*1,005,500*	*1.90%*	*1,005,500*	*1.48%*
Marian family	*533,482*	*1.01%*	*959,114*	*1.41%*
JC Marian and family	**12,234,950**	**23.09%**	**22,472,428**	**33.11%**
Sempré	4,262,284	8.04%	8,181,660	12.05%
Neogema	4,348,783	8.21%	4,348,783	6.41%
FFP Invest	3,811,353	7.19%	3,811,353	5.61%
Treasury shares	25,483	0.05%		
Public sector	28,315,039	53.43%	29,065,692	42.82%
Total	**52,997,892**	**100.00%**	**67,879,916**	**100.00%**

On 16 December 2011, Foncière, Financière et de Participations (FFP) disclosed that, on 13 December 2011, it had exceeded the threshold of 5% of the share capital of Orpea, following the contribution of its entire interest in Orpea SA, i.e. 3,811,353 shares, to FFP Invest.

In parallel, on the same date, FFP Invest disclosed that it had exceeded the legal threshold of 5% of Orpea's share capital

On 14 December 2011, Jean-Claude Marian disclosed that on 8 December 2011 he had fallen below the threshold of one third of the voting rights of Orpea SA, directly and indirectly, through Santé Finance et Investissement, a société anonyme [public limited company] under Belgian law, this breach of the threshold resulting from a capital increase.

On 9 December 2001, Foncière, Financière et de Participations disclosed that it had exceeded, on 6 December 2011, the 5% threshold of voting rights in Orpea SA, this breach of the threshold resulting from the subscription to an Orpea SA capital increase.

On 28 July 2011, Jean-Claude Marian said that he had breached the lower threshold of 25% of Orpea's share capital, following the off-market sale to Foncière, Financière et de Participations (FFP) of 1,695,000 Orpea shares. In parallel, on the same date, FFP disclosed that it had exceeded the legal threshold of 5% of Orpea's share capital

On 26 May 2011, Société de Participation Française (SPF) notified the Company that it had fallen below the threshold of 5% of share capital and voting rights in Orpea following the payment of dividends in kind, as voted for at the general shareholders' meeting of 26 May 2011, for all shares held in Orpea to Neogema (owned by Philippe Austruy).
On the same date, Neogema notified the Company that it had gone over the threshold of 5% of share capital and voting rights in Orpea.

On 11 April 2011, Sempré notified the Company that it had fallen below the thresholds of 15% and 10% of share capital and the threshold of 15% of voting rights on 5 April 2011 as a result of the selling of shares off the market (AMF decision no. 211C0427 of 11 April 2011).

In a letter received on 4 January 2011, Philippe Austruy notified the Company that he had on 31 December 2010 indirectly gone over the thresholds of 5% of share capital and voting rights via NeoGema1 and Société de Participation Française2 (SPF) - companies that he owns - bringing his indirect holding to 3,500,923 Orpea shares representing the same amount of voting rights, i.e. 8.27% of share capital and 5.84% of voting rights in the company. This is the result of his subscribing to the reserved capital increase by means of the issuing of 3,500,923 new Orpea shares in compensation for the contributions made by NeoGema and SPF.

1.14.2 - Orpea's shareholders as at 31 December 2010

Shareholder	No. of shares	% of share capital	Number of voting rights	% of voting rights
JC Marian	*11,506,846*	*27.17%*	*23,013,692*	*38.39%*
Marian family	*494,604*	*1.17%*	*989,208*	*1.65%*
JC Marian and family	**12,001,450**	**28.34%**	**24,002,900**	**40.04%**
Sempré	**6,370,536**	**15.04%**	**11,198,912**	**18.68%**
SPF	2,842,804	6.71%	2,842,804	4.74%
NeoGema	658,119	1.55%	658,119	1.10%
Philippe Austruy	**3,500,923**	**8.27%**	**3,500,923**	**5.84%**
Treasury shares	**27,321**	**0.06%**	**0**	**0**
Public sector	**20,452,565**	**48.29%**	**21,250,554**	**35.45%**
Total	**42,352,795**	**100.00%**	**59,953,289**	**100.00%**

1.14.3 - Orpea's shareholders at 31 December 2009

Shareholder	No. of shares	% of share capital	Number of voting rights	% of voting rights
JC Marian	*11,506,846*	*29.62%*	*22,013,692*	*39.69%*
Marian family	*494,604*	*1.27%*	*989,208*	*1.78%*
JC Marian and family	**12,001,450**	**30.89%**	**23,002,900**	**41.47%**
Sempré	**6,370,536**	**16.40%**	**11,198,912**	**20.19%**
Treasury shares	3,812	0.01%	0	
Public sector	20,471,374	52.70%	21,267,127	38.34%
Total	**38,847,172**	**100.00%**	**55,468,939**	**100.00%**

1.14.4 - Shareholders' agreement

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

1.14.5 - Dividends

Pursuant to article 2277 of the French Civil Code, dividends that are not claimed within five years of their payment date will lapse and become the property of the State.

The table below shows the amount of the dividend per share paid since 2008, as well as the applicable tax regime:

Financial year	Net dividend received (€)	Distributed income giving entitlement to 40% reduction (€)	Distributed income not giving entitlement to 40% reduction (€)	Total (€)
2008	0.10	0.10	N/A	0.10
2009	0.15	0.15	N/A	0.15
2010	0.23	0.23	N/A	0.23

1.14.6- Employee shareholders

There is no group savings plan (or similar plan) allowing Orpea to know the exact number of shares held by employees.

However, on 29 June 2006, the Board of Directors agreed to grant 68,430 free shares to employees (currently representing 0.16% of the share capital), with the beneficiaries agreeing to hold the shares until 31 December 2010.

1.15 – INFORMATION LIABLE TO HAVE AN INFLUENCE ON THE OUTCOME OF A PUBLIC OFFER

We provide the following information in accordance with article L. 225-100-3 of the French Commercial Code:

- the Company's capital structure and significant direct or indirect interest in its share capital are described in the management report;
- the articles of association contain no restrictions on voting rights, apart from the disqualification of voting rights attached to shares that have not been notified to the company in accordance with the requirements on notifiable interests;
- there are no shareholders' agreements to the Company's knowledge;
- there are no securities conferring special control rights, apart from shares with double voting rights;
- the rules for appointing and removing members of the Board of Directors are those set out by law;
- there are no agreements to pay the corporate officers severance benefits in the event of termination or change of office following a public offer;
- The €217 million OBSAAR bond issue made in 2009 and the €180 million OCEANE bond issue made in 2010 contain an early redemption clause at the holders' option in the event of a change of control of the company (change of majority voting rights or more than 40% of voting rights if no other shareholder holds a higher percentage). In 2011, amendments to contracts with ABN and Natixis led to the removal of this clause.
- The Group also has various other loans which contain an early repayment clause should the percentage of voting rights held by the majority shareholder (Dr Jean-Claude Marian) fall below 10 or 20%.

All in all, the amount of debt covered by these clauses on 31 December 2011 was €617 million.

- At the combined general meeting of 30 June 2011, the shareholders authorised the Board of Directors to use the share buyback programme in the event of a public offer for the Company's shares.

1.16 – SHARE BUYBACK PROGRAMME

1.16.1 – 2011 share buyback programme

In accordance with the provisions of articles L. 225-209 et seq. of the French Commercial Code, at the annual general meeting of 30 June 2011, the shareholders authorised the Board of Directors to trade in Orpea's own shares for a period of 18 months, within the limits and for the purposes of the share buyback programme: maximum purchase price of €50 per share, while the number of shares to be purchased may not exceed 10% of the Company's share capital.

For the implementation of the share buyback programme, the Company has signed a liquidity contract with Gilbert Dupont. This contract complies with the AMAFI code of conduct approved by the AMF on 1 October 2008. Gilbert Dupont trades in the Company's shares on an arm's length basis and has sole responsibility for investment and divestment decisions, which must comply with the purpose of the contract and ensure its continuity. The sole purpose of the liquidity contract is therefore to make a market in the shares and ensure regular price quotations to avoid swings in share price which are not warranted by market trends. In any event, transactions made under the liquidity contract must not hamper the market's normal operation. Gilbert Dupont is also committed to the principle of proportionality set out in the charter. Thus, resources held on the liquidity account must be commensurate with the purpose of the liquidity contract.

Under the liquidity contract, the Company has:

- bought 2,334,445 shares for a total of €80,309,195, representing a weighted average value of €34.40 per share;
- sold 2,312,538 shares for a total of €79,605,151, representing a weighted average value of €34.42 per share.

The Company has not used any derivatives and does not have any open positions.

The Company has not cancelled any shares.

At 31 December 2011, the Company held 25,483 shares directly, with a par value of €1.25, representing 0.04 % of the share capital, with a market value of €641,642 (based on the share price at 30 December 2011, i.e. €25.18).

These shares were allocated as follows:

- 21,907 bearer shares allocated for the purpose of ensuring liquidity;
- 3,576 registered shares allocated to cover stock option plans or other employee shareholding schemes.

1.16.2 - Renewal of the share buyback programme - Description of the share buyback programme in accordance with articles 241-1 et seq. of the AMF General Regulations

This paragraph contains information about the share buyback programme to be presented to the general meeting of the shareholders on 29 June 2012.

1) Breakdown of the shares held directly or indirectly by the issuer as at 30 April 2012 by purpose.

On At 30 April 2012, Orpea held a total of 31,158 shares directly, allocated as follows:

- 27,582 bearer shares under a liquidity contract with Gilbert Dupont for the purpose of ensuring the shares' liquidity;
- 3,576 shares in registered form,

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

2) Description of the treasury shares buyback programme to be submitted to the general meeting called to approve the accounts ended 31 December 2011

Related securities: ordinary shares

2) Purpose of the share buyback programme

The purpose of the share buyback programme is:

a) to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the Autorité des Marchés Financiers;

b) to allot all or some of the shares purchased to employees and/or officers of the Company and/or the Group under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, share award plans or employee share ownership plans;

c) to allot shares upon the exercise of securities carrying rights to shares of the Company by way of conversion, exercise, redemption, exchange or otherwise, in accordance with stock market regulations;
d) to cancel the shares under the terms and conditions set out in the French Commercial Code, subject to the thirteenth resolution being passed;
e) to keep all or some of the shares purchased to tender as payment for future acquisitions or any other transaction that may be authorised by the regulations in force; or
f) to implement any market practices that may be authorised by law or by the Autorité des Marchés Financiers.
The shares purchased and kept by Orpea will be stripped of their voting rights and will not be entitled to dividend payments.

Maximum percentage of share capital, maximum number and type of securities, maximum purchase price

- Maximum percentage of share capital that may be held: 10% of the Company's share capital held on the date of the transaction (i.e. 5,299,789 shares at 31 December 2011) to take account of any capital increases or reductions made during the life of the programme. The number of shares used to calculate the percentage held is the number of shares purchased less any shares sold during the life of the programme for liquidity purposes.

- Maximum purchase price: €50
- Maximum amount of the programme: €264,989,450
- Terms and conditions: shares may be purchased, sold, transferred or exchanged by all means on or off the market, including block trades and use of derivatives, bearing in mind that the proposed resolution does not limit the amount of the programme that may be used to make block purchases.

Term of buyback programme

The share buyback programme may be implemented for a period of 18 months from the annual general meeting of 29 June 2012.

2. CORPORATE GOVERNANCE

2.1 – 2011 REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

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

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

The following is contained in chapter II of this document:

- Information relating to shareholders' participation in the annual general meeting is provided in section "*1.9.9 – General meetings of shareholders*".
- Items likely to have an impact in the event of a public offering are provided in section "1.15 – "*Items likely to have an impact in the event of a public offering* ".
- Orpea capital allocation as at 31 December 2011, in paragraph "1.14 – Shareholders of the Company."

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

Pursuant to article L. 225-37 of the Commercial Code, the Board of Directors of the Company approved this chapter at its meeting on 26 March 2012.

I- Corporate governance

Based on the AFEP/MEDEF Code of April 2010 on Corporate Governance of listed companies (hereinafter "AFEP/MEDEF Code"), Orpea continued during the year to consider changes to its governance.

The AFEP/MEDEF Code can be found at: www.medef.com.

Thus, the Board decided on 15 February 2011 to separate the roles of Chairman and CEO.

The Board of Directors was also extended when renewing the appointments of the directors at the general meeting convened to approve the financial statements for the year ended 31 December 2010. The term of office for directors was reduced from six years to four years and appointments were staggered to avoid a block renewal. Continuing the strengthening of the Board, two new directors were appointed by the Ordinary General Meeting of 17 October 2011.

On 14 November 2011 the Board of Directors adopted rules of procedure to improve its operations. On this occasion, it reaffirmed its commitment to the AFEP/MEDEF Code.

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

I.1- Composition and operating procedures of the Board

I.1.1 - Members of the Board of Directors

Reducing the term of office for directors and staggering appointments

The Combined General Meeting of Shareholders on 30 June 2011, in its 29th resolution, decided to reduce the term of office of directors to four years and arrange for appointments to be staggered to avoid a block renewal. The Board of Directors decided to apply article 12 of the AFEP-MEDEF Code, which stipulates that "terms of office shall be staggered so as to avoid a block renewal and promote a smooth renewal of Directors".

Reappointments and new appointments

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

The Ordinary General Meeting of 17 October 2011 appointed two new directors: Foncière, Financière et de Participations (FFP) and Neo Gema, whose permanent representative is Mr Philippe Austruy, for a period of four years.

On 15 February 2012, FFP resigned as a director following the contribution of its entire shareholding in the Company to FFP Invest.

FFP Invest was co-opted for the remaining term of office of FFP; its permanent representative is Mr Thierry Mabille de Poncheville.

The General Meeting of 29 June 2012 will be called to decide on ratification of the appointment of FFP Invest made at the Board meeting of 15 February 2012.

The current Board

The Company is managed by a Board of Directors, currently consisting of seven members, of whom three are from major shareholders.

Director's full title	Age	Term ends	Number of Orpea shares held	Number of warrants held (ii)
Dr Jean-Claude Marian	73	2015 AGM	11,701,468 (i)	706,547 (iii)
Yves Le Masne	49	2015 AGM	78,000	18,520
Brigitte Michel	54	2013 AGM	50,508	-
Alexandre Malbasa	53	2013 AGM	2	-
Jean-Patrick Fortlacroix	54	2014 AGM	153	-
FFP Invest, represented by Thierry Mabille de Poncheville	56	2015 AGM	3,811,353	-
Neo Gema, represented by Philippe Austruy	63	2015 AGM	4,348,783	-

(i) including 1,005,500 shares owned by SANTE FINANCE ET INVESTISSEMENT, controlled by Jean-Claude Marian.
(ii) redeemable stock warrants (BSAAR) exercisable at any time until 14 August 2015, each warrant capable when exercised of generating 1.062 Orpea shares at a unit price of €37.90.warrants to subscribe for or purchase shares (warrants)
(iii) 706,547 warrants held directly and indirectly through FORINVEST, a company controlled by Jean-Claude Marian

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

The list of offices held in any company during FY 2011 and over the last five years by each of the officers is attached to this Report.

A Board whose composition is diverse and complementary

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

Co-founder of the Orpea Group, Jean-Claude Marian was previously medical director of a medical teaching institute and co-founder and director of a hospital engineering and planning firm. He therefore has many years experience in designing and organising care facilities.

Yves Le Masne, a member of the group for 19 years, trained as a computer science engineer specialising in management audit and finance. He has served in the group as Head of Management Audit and as Chief Financial Officer. In 2006 he was appointed Chief Operating Officer, and became a member of the board. Since 15 February 2011, he has served as Orpea's CEO. His long career in the group has given him a thorough knowledge of the group's activities and its organisation.

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

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

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

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

The Board met nine times during the year, five times were subsequent to the appointment of new directors. The directors were present and involved; they voted on all items on the Board's agenda.

Representation of women and men compliant with the law of 27 January 2011

A woman has sat on the Board since 1998.

The transitional provisions of the Act of 27 January 2011 recommend that if either gender is not represented on the board as at 28 January 2011, a representative of that gender should be appointed at the next ordinary general meeting to approve the appointment of directors. These provisions are met.

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

Independence of directors

In accordance with the AFEP-MEDEF Code, "independent director should be understood not simply as meaning a non-executive director, i.e. not exercising managerial functions within the company or its group, but also lacking any particular link (significant shareholder, employee or other) with them."

The criteria set by the AFEP-MEDEF Code in order to qualify as an independent director are that the director:

◆ is not, and has not been an employee or Corporate Officer of the Company, employee or Director of the parent company or of a company which the Company consolidates, and has not been within the last five years;

◆ is not a Corporate Officer of a company in which the Company, directly or indirectly, acts as a Director or in which an employee designated as such or a Corporate Officer of the Company (currently or in the last five years) is a Director;

◆ is not a customer, supplier, merchant banker or investment banker:

- with significant weighting for the Company or its Group,- significant for the Company or its affiliates, or

- for which the Company or its Group represents a significant share of their business;

◆ has no close family tie with a Corporate Officer;

◆ has not been an auditor of the Company in the last five years;

◆ has not been a Director for more than 12 years.

Moreover, the AFEP-MEDEF Code states "with respect to directors representing major shareholders in the company or its parent company, they can be considered independent if they do not participate in the control of the company. Beyond a threshold of 10% capital or voting rights, the Board should, on the advice of the Appointments Committee, always review the qualification of an independent director, taking into account the composition of the company's capital and the existence of a potential conflict of interest."

Given this definition and the criteria set by the AFEP-MEDEF Code, the Board discussed at its meeting on 26 March 2012 the situation of each member. Three Directors were considered independent: Jean-Patrick Fortlacroix, FFP Invest and Neo Gema, and their permanent representatives (Mr Thierry de Poncheville and Mr Philippe Austruy).

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

The Board decided to review for the next year the independent status of Ms Brigitte Michel, insofar as, although she has been a Board member for over 12 years, she participates first in Board discussions with complete freedom of opinion and expression, and second receives no fees from the Group in a professional capacity.

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

Absence of family ties between officers

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

No conflict of interest

To the company's knowledge, there are no potential conflicts of interest between the duties of the corporate officers to the Orpea Group and their private interests. The Chairman of the Board of Directors, the Managing Director and Chief Operating Officer do not hold any professional or corporate office outside the group that might generate a business relationship with the group. There are no contracts or agreements between directors and the group with the exception of those employment contracts hereinafter mentioned. There are no financial flows between the directors and the group, with the exception of Mr Malbasa, who received fees during FY 2011. These flows are not considered significant. It is specified as necessary that no account has been taken of financial flows between the group and Neo Gema, since these flows are only a consideration for the transfer of Mediter securities which have enabled Neo Gema to receive Orpea securities and a cash payment.

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

Contracts between Board Members and Orpea

Mr Yves Le Masne, CEO, has an employment contract.

It is stated that Mr Jean-Claude Brdenk, COO and not a Board member, also has an employment contract.

No conviction or criminal liability of corporate officers

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

Directors' duties defined in the Rules of Procedure of the Board of Directors

► Shareholdings

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

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

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

► Managing conflicts of interest

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

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

► Professional secrecy

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

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

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

► Market Conduct

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

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

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

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

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

In addition, they are prohibited, as recommended by the AMF, to perform any transactions on the securities during the following periods:

- at least 30 calendar days before the date of the press release of the annual and half-yearly results, as well as on the day of said press release;

- at least 15 calendar days before the date of the press release on the quarterly results, and on the day of said press release.

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

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

Regulated related-party agreements and commitments

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

I.1.2 - Organisation of the Board

Conduct of Board meetings:

The Board meets as often as required in the interests of the Company. Meetings are called by the Chairman of the Board by any means.

A convening notice 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.

To facilitate the holding of meetings, the Board of Directors approved, in late 2011, the schedule of 2012 Board meetings.

A quorum is reached when at least half of the Board members are present. A director may be represented by another director who has been granted special powers.

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

The minutes summarise the discussions and clarify decisions.

Rules of Procedure for the Board of Directors

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

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

At the time of adopting the Rules, the Board set up two committees: the Audit Committee and the Appointments and Remuneration Committee.

Study Committees

Audit Committee:

The Audit Committee monitors issues relating to the preparation and control of accounting and financial information in order to prepare decisions of the Board in the finance and accounting field.

Without prejudice to the powers of the Board and General Management, the Committee is responsible specifically for monitoring:

a) the process by which financial information is compiled;

b) the effectiveness of internal control and risk management procedures;

c) the statutory auditing of the financial statements and, where applicable, the consolidated financial statements by the Statutory Auditors;

d) and for issuing a recommendation on the Statutory Auditors proposed for appointment by the General Meeting and ensuring their independence.

On 14 November 2011, the Board of Directors appointed, as the first members of this Committee, and for the duration of their term of office, Messrs Thierry de Poncheville, Alexandre Malbasa and Jean-Patrick Fortlacroix.

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

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

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

Appointments and Remuneration Committee:

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

- to assist the Board in deciding how to exercise General Management and on the status of corporate officers;
- to make proposals to the Board for selection of Directors;
- to discuss the qualification of independent director, which is reviewed annually by the Board prior to publication of the Annual Report;
- to issue an opinion on the proposals by the Chairman of the Board for appointment of the Chief Executive Officer;
- to ensure implementation of the Code of Corporate Governance to which the Company refers;
- to prepare Board decisions on updating its Rules of Procedure;

- to develop proposals relating specifically to
  - the fixed and variable remuneration of the Chairman and any other benefit received
  - the fixed and variable remuneration of the Chief Executive Officer and any other benefit received (retirement, severance pay, etc.)
  - the amount of the total attendance fees to be submitted for approval to the General Meeting and their method of distribution
  - the establishment of long-term incentive plans, such as those involving distributions of stock options or bonus shares to corporate officers.

On 14 November 2011, the Board of Directors appointed, as the first members of this Committee, and for the duration of their term of office, Ms Brigitte Michel and Messrs Thierry de Poncheville and Philippe Austruy.

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

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

This Committee met for the first time on 21 March 2012. It elected Mr Thierry de Poncheville as its Chairman. On this occasion, it discussed the qualification of independent director and made recommendations on this matter to the Board. It also made recommendations on executive compensation.

Assessment by the Board of Directors

During FY 2011, the Board specifically discussed its composition and operation. It therefore proposed at the general meeting of the shareholders (i) its expansion with the appointment of independent directors, (ii) reducing the term of office administrator (term from six years to four years) and (iii) the staggering of terms to avoid a renewal of the board as a whole. The general meetings on 30 June 2011 and 16 October 2011 approved these appointments and changes.

The Board considered that the operation of the Board continues to improve and that its expansion was a way forward, including the establishment of Rules of Procedure, specifying and improving the Board's operating procedures and by a regular debate on the Group's strategic imperatives.

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

I.1.3 – Procedures for General Management

On 15 February 2011, the Board of Directors decided to separate the offices of Chairman and Chief Executive Officer, with Jean-Claude Marian continuing to act as Chairman of the Board of Directors and Yves Le Masne appointed Chief Executive Officer.

Role and powers of the Chairman and the Chief Executive Officer

The Chairman of the Board of Directors shall represent the Board of Directors. He shall organise and manage the Board's work and report on it to the general meeting of shareholders. He is responsible for ensuring that the Company's governing bodies function correctly and, more particularly, that the directors are capable of fulfilling their duties.

Working in close collaboration with General Management, he may represent the Group in its high-level relations with the supervisory authorities and the Group's major partners both nationally and internationally. He is involved in setting out the main tenets of the Group's strategy, particularly with regard to acquisitions.

The Chief Executive Officer has the widest powers to act in the name of the Company at all times and in all circumstances. He/she shall exercise these powers within the limits of the company object and subject to those that the law expressly allocates to meetings of shareholders and to the Board of Directors.

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

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

- investment in or acquisition of any asset or holding worth over €20 million
- divestment/sale of all non-active real estate worth over €5 million
- divestment/sale of all real estate assets worth over €30 million per transaction
- any loan or financing worth over €50 million, or modification of an existing loan or financing worth over €50 million
- the constitution of securities, endorsements or other guarantees worth over €50m
- any decision regarding the strategic direction of a group company or any substantial change in the orientation or activity of a company
- the adoption and amendment of the Orpea or Group annual budget or business plan
- any capital transaction (including, but not limited to: merger, demerger, asset contribution, capital increase or reduction of capital, issue of any securities, creating a class of shares)
- distribution policy for dividends or any other distribution made by the Company to its shareholders
- remuneration of the Company's corporate officers
- any significant recruitment (gross annual salary exceeding €200K)
- any plan or allocation of stock options, free shares or statutory or optional profit sharing any plan or issue of stock options, free shares, profit sharing or participation,

I.1.4 – The Board's work in 2011

The Board met nine times during FY 2011, with an attendance rate of 90% on average.

During FY 2011, the Board discussed the group's financial position at the time of closing the annual accounts and reviewing the interim financial statements.

The commitments given by the Company were reviewed and authorised on the occasion of each financing transaction. To facilitate financing and increase responsiveness, the Board of Directors authorised the CEO, for a period of one year, to grant securities, endorsements and other guarantees on behalf of the Company up to a maximum commitment of €200 million, provided that no security, endorsement or guarantee exceeds the sum of €50 million. Twice a year, a statement of commitments granted under this authorisation will be presented to the Board.

The Board also advised on major group development and strategy decisions. It also ruled on the rights issue finalised on 8 December 2011.

Board discussions were enriched by the work specifically of the Finance Committee, the Works and Safety Committee and the Development Committee.

The Board set up two committees to improve governance, namely the Audit Committee and the Appointments and Compensation Committee. These committees act strictly within the framework of the duties entrusted to them by the Board. These committees met for the first time in 2012 to mark the closing of the year 2011; their work facilitated the discussions and decisions of the Board which adopted these accounts.

I.2 – Compensation of corporate officers

General Information – Directors' fees

No stock options, share awards or performance shares were granted to the directors or corporate officers in 2011.

No Board member has any entitlement to severance benefits in the event of termination or change of duties.

No commitment has been made to the Chairman, the 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).

The Ordinary General Meeting of 17 October 2011 capped the maximum overall fees allocated to directors at €175,000.

A total of €106,250 was distributed to directors, pro rata temporis, in early 2012, in respect of FY 2011, as follows:

	2011	2010
Dr Jean-Claude Marian	6,250	-
Yves Le Masne	25,000	25,000
Brigitte Michel	25,000	25,000
Alexandre Malbasa	25,000	25,000
Jean-Patrick Fortlacroix	12,500	-
FFP Invest, represented by Thierry Mabille of Poncheville	6,250	-
Neo Gema, represented by Philippe Austruy	6,250	-

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

Compensation of Mr Jean-Claude Marian

In 2011, Jean-Claude Marian was appointed as Chairman and CEO of the Company until 15 February 2011, then as Chairman of the Board of Directors as of 16 February 2011, the Board meeting on 15 February 2011 having split the roles of Chairman of the Board and CEO.

On 15 February 2001, the Board of Directors ratified a total of €440,000 in annual gross earnings from his position as Chairman of the Board.

Jean-Claude Marian receives no options, bonus shares or performance shares. He does not have any entitlement to severance benefits in the event of termination or change of duties ("parachute" clause).He does not benefit from any commitment or compensation which may be payable following termination or change in duties ("parachute" clause).

Jean-Claude Marian does not have any specific supplementary or "top hat" pension plan (article 39).

Summary of compensation paid to Jean-Claude Marian

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

	FY 2011		FY 2010	
Dr Jean-Claude Marian, Chairman of the Board of Directors	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	450,932	450,932	448,630	448,630
Variable compensation	none	none	none	none
Benefits in kind	none		none	
Directors' fees	6 250	none	none	none
Benefits in kind	none		none	
Stock options	none		none	
Bonus shares	none		none	
Supplementary (top hat) pension	none		none	
"Parachute" clause	none		none	
Non-compete benefits	none		none	

Compensation of Mr Yves Le Masne

In 2011, Yves Le Masne was appointed Chief Operating Officer of the Company until 15 February 2011, and then CEO as of 16 February 2011, the Board meeting of 15 February 2011 having decided to split the appointments of Chairman of the Board (since exercised by Mr Marian) and CEO.

The same Board meeting noted that Yves Le Masne had been tied to the Company for several years by an employment contract under his duties as CFO. It did not seem fair to the Board, after a long successful track record in the group (Mr Le Masne has been with the group for 19 years), and for the simple reason for accepting the appointment as CEO, that Mr Le Masne would lose the benefits he would have continued to enjoy had he refused this appointment and retained his employment contract.

The Board meeting on 15 February 2011 ratified Mr Le Masne's gross annual fixed compensation at €720,000.

The Board decided to pay during FY 2011, under the year 2010, a premium amounting to €250,000 gross, according to quantitative and qualitative criteria (criteria not made public for reasons of confidentiality).

Yves Le Masne has been covered by an unemployment insurance policy, the premiums for which have been paid by the Company since 2009. The premiums amounted to €3,698 in 2011.

Mr Le Masne receives no options, bonus shares or performance shares. He does not have any entitlement to severance benefits in the event of termination or change of duties ("parachute" clause).

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

Summary of compensation paid to Yves le Masne

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

	FY 2011		FY 2010	
Yves Le Masne, Chief Executive Officer	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation				
Under the employment contract	520,000	520,000	503,215	503,215
As corporate officer	200,000	200,000	120,000	120,000
Total	720,000	720,000	623,215	623,215
Variable compensation	250,000	250,000	300,000	300,000
Directors' fees	25,000	none	25,000	25,000
Benefits in kind	Company car		Company car	
Stock options	none		N/A	
Bonus shares	none		N/A	
Supplementary (top hat) pension	none		N/A	
"Parachute" clause	none		N/A	
Non-compete benefits	none		N/A	

Remuneration Compensation of Mr Jean-Claude Brdenk

Jean-Claude Brdenk was appointed Chief Operating Officer by the Board of Directors on 15 February 2011 and is responsible for assisting the Chief Executive Officer in the operational management of the group's facilities.

The Board authorised the continuation of Jean-Claude Brdenk's employment contract in his role as Group Operations Director. It decided that the employment contract will continue under the same terms of duties and remuneration in force on that day, and awarded him the annual sum of €50,000 in consideration of his duties as Chief Operating Officer.

Jean-Claude Brdenk receives no options, bonus shares or performance shares. He does not have any entitlement to severance benefits in the event of termination or change of duties ("parachute" clause).He does not enjoy any commitment or compensation which may be payable following termination or change in duties ("parachute" clause).

Jean-Claude Brdenk does not have any specific supplementary or "top hat" pension plan (article 39). Mr Brdenk has no specific supplementary pension plan (so-called "top hat" scheme - article 39).

Summary of compensation paid to Jean-Claude Brdenk

	FY 2011		FY 2010	
Jean-Claude Brdenk, Chief Operating Officer	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation				
Under the employment contract	360,000	360,000	340,000	340,000
Under the As corporate officer	50,000	-		
Total	410,000	360,000	340,000	340,000
Variable compensation	135,000	135,000	125,000	125,000
Directors' fees	none	none		
Benefits in kind	Company car		Company car	
Stock options	none		N/A	
Bonus shares	none		N/A	
Supplementary (top hat) pension	none		N/A	
"Parachute" clause	none		N/A	
Non-compete benefits	none		N/A	

Other compensation

In addition to directors' fees, Mr Alexandre Malbasa was paid €100,800 in 2011 in fees for his assistance with pre-litigation and litigation.

Summary

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

I.3 – Summary of transactions performed in 2011 by Orpea's corporate officers (article 223-26 of the General Regulation of the AMF)

By Jean-Claude Marian or persons associated with him

Person	Date of transaction	Type of transaction	Unit price	Total
Santé Finance et Investissements	11/12/2011	Transfer	€25.65	€7,696,500.00
Jean-Claude Marian	11/12/2011	Acquisition	€25.65	€7,696,500.00
Nicole Marian	08/12/2011	Subscription	€19.15	€18,709.55
Santé Finance et Investissements	08/12/2011	Subscription	€19.15	€25,000,325.00
Jean-Claude Marian	08/12/2011	Subscription	€19.15	€11,185,936.30
Jean-Claude Marian	25/07/2011	Transfer	€35	€59,325,000.00

By Mr Yves Le Masne

Person	Date of transaction	Type of transaction	Unit price	Total
Yves Le Masne	08/12/2011	Subscription	€19.15	€35,408.35

By FFP

Person	Date of transaction	Type of transaction	Unit price	Total
FFP	08/12/2011	Subscription	€19.15	€20,17,991.15
FFP	25/11/2011	Acquisition	€24.784	€2,143,816.00
FFP	24/11/2011	Acquisition	€25.294	€1,112,936.00
FFP	23/11/2011	Acquisition	€25.43	€1,957,296.24

By Neo Gema

Person	Date of transaction	Type of transaction	Unit price	Total
NeoGema	08/12/2011	Subscription	€19.15	16,655,846.55

II- Internal control and risk management procedures implemented by the Company

The Board of Directors permanently displays its firm and clear commitment to maintaining and improving effective internal control and risk management procedures, based on solid ethics, an appropriate organisational structure and clearly defined responsibilities, as well as an active approach to anticipating and managing the risks associated with the Group's activities.

1. Internal control definitions and objectives

Internal control procedures apply to the Company and its consolidated subsidiaries ("the Group") and are rolled out immediately at all newly acquired facilities with the aim of helping to achieve the following objectives:

- Successful implementation of the strategy determined by General Management;
- Observance of laws and regulations applicable to the Group's facilities;
- Identification, assessment and management of risks;
- Valuation of the Company's portfolio and maintaining its assets;
- The reliability of the Group's financial and accounting information.

Internal control procedures should also enable the Group to continue to expand and improve its financial and operating performance in a control environment suited to its business activities.

As with any control system, it cannot ensure with absolute certainty that these objectives will be achieved, but aims primarily to create optimum conditions for achieving these objectives.

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

The Group's General Management ensures that its directives are clearly communicated to all employees and that its strategy is clear to everyone, so that all employees understand their duties and the framework within which they must be performed.

2.1. The Group's values

Orpea's development is based on a set of values relating primarily to its core business line of care services, in the wider sense of the term. These values include listening to and respecting people, trust, responsibility and a professional conscience.

These values relate to a business that is based primarily on interpersonal relations and the relationship of trust built up between Orpea and its employees on one hand and its residents and their families on the other.

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

2.2. Charters

In order to unite employees around Orpea's values, an Ethics Charter has been drawn up for the Group as a whole and made available to all employees. On the basis of this charter and the values they wish to make a priority, the staff at each facility define their own Commitments charter.

In order to offer residents and patients at Orpea facilities the best care possible, the Group has very demanding standards concerning the quality and skill of its staff both at the time of recruitment and later on, offering a highly developed internal training policy. Employees undergo regular training to raise their awareness of professional best practices and enable them to acquire the knowledge needed to move into management positions. The Group favours internal recruitment. This training is provided either as conventional training programmes using video materials developed specifically by and for the Group - covering areas such as "fall prevention", "handling patients", "wellbeing" and "nutrition" - or through e-learning modules for in-house software training such as pharmacy management, schedule management and payroll.

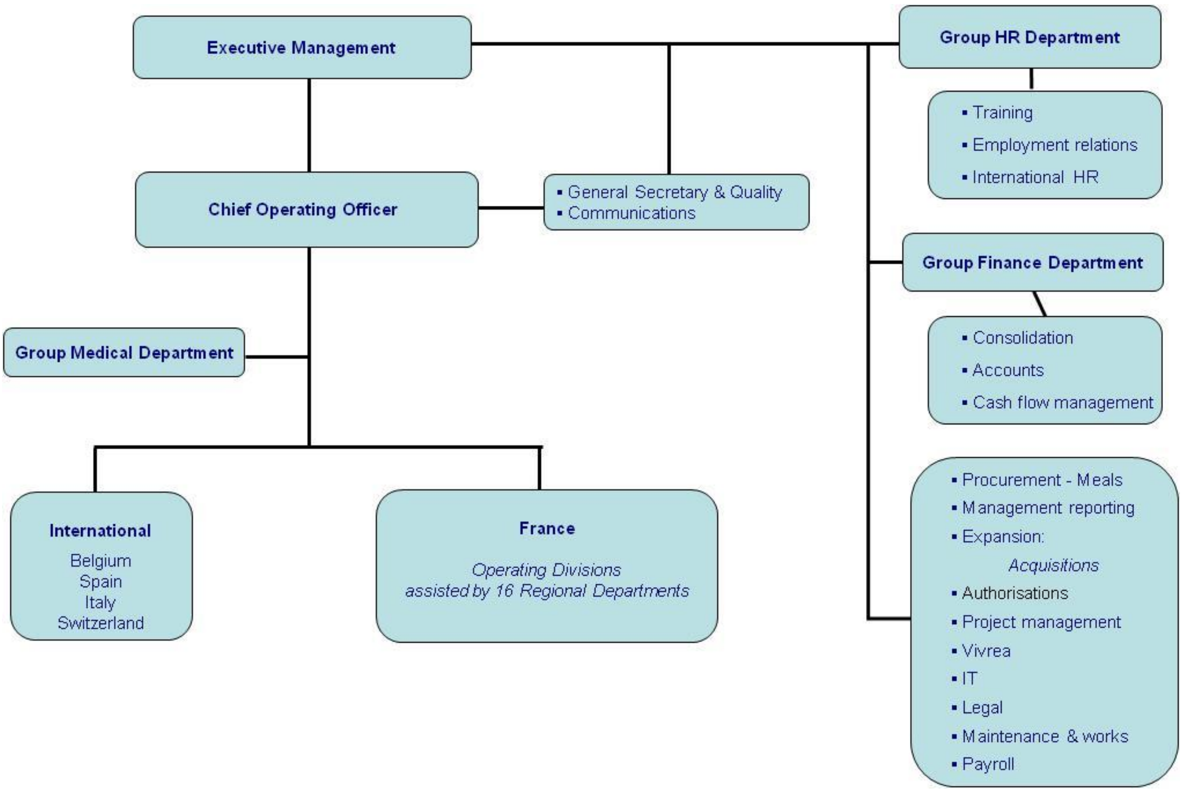
2.3. Other references

Orpea also has a legal team specialising primarily in healthcare law, regulations for post-acute and psychiatric care facilities and nursing homes, commercial law and property law. This team informs Executive Management, Regional and Divisional Departments, the Quality Department and the Medical Department on a real-time basis of changes in regulations, which are then passed on to the Group's internal procedures, with a view to ensuring optimal management of the Group's activities.

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

3.1. A centralised organisational structure to ensure effective control of the Group's operations

The Group's organisational structure centralises all administrative duties at the headquarters, thereby encouraging facility and or regional/division directors to focus their efforts on serving residents and patients.



The Group also has operations committees ("COMEX") that meet every month, bringing together the Chief Operating Officer, Regional Directors and Division Directors. The managers of central departments and the heads of the Quality and Medical departments also attend these committee meetings depending on the agenda. These committees review all issues relating to the life of the Group, and discuss in particular current plans of action, plans of action to be implemented, budgets, quality and the training plan. They also review the Group's commercial performance and main expenses.

Decisions made within the operations committees are always cascaded and their implementation explained during monthly meetings with the Division Director, Regional Directors and Operating Directors.

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

This organisational structure favours:

- economies of scale thanks to the pooling of administrative management costs;
- responsiveness as a result of being able to obtain appropriate solutions by contacting the person suited to the type of problem encountered;
- standardisation, improvement and harmonious dissemination of Group procedures.

It therefore helps to optimise the way in which the Group's facilities are run.

The Group's IT system is adapted to its current organisational targets and has been designed in order to be changing and to adapt to the Group's development. The IT applications specific to its activities are designed in-house by the IT department, in certain cases with the help of external service providers in order to meet the Group's specific requirements and benefit from regular updates.

These applications are protected in order to ensure that stored data is kept. Emergency procedures allow for business continuity, which is essential for a Group whose facilities are in operation 24 hours a day, seven days a week. A hotline is open seven days a week. An on-site and remote back-up system is managed by dedicated staff, who in turn are managed by an external company.

3.2. Internal dissemination of information

The procedures manual covering all procedures (care services, health and safety, meals, accounting and administrative) and protocols covering a variety of themes (such as care services, health and safety, meals and administration) is given to each operating director on taking up his position. These procedures explain and describe in detail how a process should be carried out. Updates are systematically sent to operating directors by post with a request for confirmation that they have been received and successfully implemented at each facility. In addition to describing in detail how each process should be carried out, this creates a validation process so that decisions are made at the appropriate level, with full awareness of the relevant information required, and that their implementation is closely monitored.

Before taking up his or her duties, the Operations Manager receives integration training in two stages: theoretical training concerning care, residential and administrative procedures, and immersion training at one of the Group's sites during which the new manager works side by side with the existing manager and is involved in all of the facility's activities.

Various IT and monitoring tools are also accessible at Group level in order to facilitate their everyday duties and ensure that these duties are performed in strict accordance with Group procedures.

For example, daily, weekly and monthly reporting tables have been created for the reporting of indicators relating to the level of activity, as well as monthly quality indicators. These tables are completed by the facilities and sent to the Regional or Division Director, as well as to the Quality Department. They allow for monitoring of each facility's progress in achieving quantitative and qualitative targets relating to specific areas. Each facility's performance is therefore assessed and communicated on a regular basis, and information obtained from these assessments allows facilities that have been unable to achieve the targets set to implement corrective measures immediately.

The indicators on which these assessments are based can be consulted in real time on the Group's intranet site, which consolidates all information twice daily.

In addition, information from self-diagnosis questionnaires and satisfaction questionnaires resulting from residents and their families, charters and standards, as well as information relating to the directives of the various departments, contribute to the general information of the Group and its employees.

4. Risk management

The Orpea Group's internal control system forms part of an ongoing process of identifying, assessing and managing risk factors that may prevent it from achieving its targets and with a view to improving its performance. This process is implemented on both a retrospective and a forward-looking basis.

These risks are identified and looked at more specifically in section 5 of the Management Report.

4.1. Bodies for the identification, assessment and management of risks relating to the Group's activities

The Group has adopted an organisational structure designed to ensure optimal management of the risks and opportunities specific to its business activities. The parties involved in internal control – operating and central teams – look after procedures in their respective area of responsibility and thereby contribute to risk management.

4.1.1. General Management and Executive Committee

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

Orpea's Executive Committee consists of the Group's Chairman (Dr Jean-Claude Marian), the Chief Executive Officer (Yves Le Masne), who centralises financial control in the wider sense (management, accounting and financial control) and the Chief Operating Officer (Jean-Claude Brdenk) who, as Chairman of the Executive Committee, centralises control on an operating level.

The committee meets regularly in order to make quick decisions relating to the implementation of the Group's strategy and the arbitrage operations required between the various departments.

The Audit Committee, which was set up in late 2011, is responsible for monitoring the effectiveness of internal control and risk management. It reports to the Board on its duties.

4.1.2. Operational internal audit

4.1.2.a. Targets

An ongoing Group internal audit is intended to:

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

4.1.2.b. The players

Control of operations, observance of procedures and internal control is the responsibility of:

- each operating director, who in collaboration with heads of department – including the coordinating doctor, coordinating nurse, head chef and head of maintenance – performs a quarterly self-assessment of their facility. On the basis of this assessment, the regional departments are responsible for performing quarterly audits of the facilities in their region, primarily to ensure that care of residents and patients is correctly provided on a continual basis and that this care meets the requirements of the Quality policy set out by General Management and the Quality Department.
- each Quality Department, which carries out a specific internal audit of operations on a permanent basis, using information collected by means of satisfaction surveys and various kinds of assessments planned throughout the year or random checks. This information is then processed in order to be used in defining the Group's Quality policy;
- the Works Department, which performs audits of the buildings in which the Group's facilities operate;
- operational auditors, who analyse the economic indicators for the performance of the Group's facilities.

4.2. Identification, assessment and management of risks relating to post-acute and psychiatric care facilities and nursing homes

The identification, assessment and management of risks relating specifically to post-acute and psychiatric care facilities and nursing homes is based primarily on information collected at facilities either by facility directors or by the Quality Department.

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

Preventive measures

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

A business continuity plan has also been drawn up for each facility in the event of a major crisis affecting its operations, such as H1N1 flu or epidemics in general, severe bad weather preventing access to the facility and industrial action, etc.). The purpose of the business continuing plan is to describe all of the measures to be taken during this period.

There is also a "Plan Bleu" (nursing homes) or a "Plan Blanc" (post-acute and psychiatric care facilities), which lists all of the human, equipment and logistic resources to be used in the event of a public health crisis and provides for the creation of a crisis unit. These plans are communicated to the supervisory and health authorities and provide information about the resources available in order to best manage a public health crisis at the level of the département and the region as a whole.

Responsiveness at the onset of risk

According to the procedure for management of risks relating to the Group's activities implemented within the framework of this retrospective approach to risk identification and management, all of the Group's facility managers are required to inform the Regional Manager systematically and immediately of any unusual events, including complaints from residents, patients and their families or technical issues at facilities. The Regional Manager then informs the Divisional Manager and the Chief Operating Officer, who are then responsible for implementing and monitoring corrective action plans and taking measures to avoid the occurrence of unusual events of this kind, in accordance with the risk management objectives described above, and for informing the supervisory authorities.

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

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

This crisis management unit, formed mainly of the Group Operations Director, the Legal Director, Quality Manager, Group Medical Officer, Communications Manager and Head of Supervision, is to accompany the Divisional Manager and/or the Regional Manager and the manager of the institution, organising immediate and thorough investigation. In parallel, it aims to establish communication with the complainant and/or with the person concerned. The cell members also arrange contact with the regulatory authorities, which must be notified of the incident as soon as it has been clarified and defined precisely to facilitate an initial investigation.

As regards incidents that fall under civil liability, and where it is considered that the procedure initiated may affect the group image, the group's policy, in agreement with the insurance company to instruct systematically his own counsel to defend the interests of the relevant facility. This method of operation allows for greater responsiveness, since the group's counsel already has a thorough knowledge of its business and operations and can concentrate on the issues to be dealt with more immediately than a colleague who does not usually represent the group and does not necessarily, at the outset, have a good understanding of its operations.

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

The Administration and Finance Division

Its mission is to This division works with and advises operational staff on financial, legal and administrative matters. It has set up systems and procedures that apply to all group operatives in terms of financial reporting and cash pooling.

It is located at Company headquarters in Puteaux.

Composition of the Finance Department

Since the Board of Directors' decision of 15 February 2011 to separate the offices of Chairman and Chief Executive Officer, the Chief Executive Officer has been in charge of investor relations financial communications and all corporate finance transactions, with the Chief Financial Officer in charge of organising and coordinating the Group's accounting procedures, conventional financing and cash flow management.

The Finance Department is also divided up into dedicated units which – under the leadership of the Chief Financial Officer – look after accounting and finance procedures in the areas of accounting, consolidation, cash management and financial services .

For accounts processing, the accounts department is managed in each country where the group operates by an accounting manager.

In France, the accounts department consists of two divisions: one handling general accounting, specifically patients and residents, the other handling suppliers.

Consolidation is supervised by the Group accounting manager.

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

Economic and financial performance monitoring tools

Operational management control

The reporting system for the various economic indicators allows for continuous and uniform monitoring of the development of the performance of each of the Group's facilities and ensuring that they correspond to the targets set.

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

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

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

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

This report is drafted on the 15th of the following month and includes payroll information, sales information, other expense items and customer care.

This information is given to the Chief Operating Officer and to Divisional and Regional Managers during Operations Committee Meetings, at which plans of action are drawn up if necessary with the headquarters engineering managers (medical, social affairs, procurement, catering and works).

Meetings are also organised each month in each region to implement these plans of action with the directors of the facilities concerned, thereby resolving any discrepancies.

The occupancy rate, sales and operating expenses for all facilities are monitored in real-time thanks to an intranet system, which allows for all data to be consolidated twice a day.

Real Estate management

Real estate and construction monitoring is subject to dedicated management audit provided by a full time person.

For each construction or major renovation of a facility, a global budget and schedule are drawn up by the project management department. This budget is entered into a database developed in-house, detailing each line item. The budget is then converted into a "contract" corresponding to the agreements signed with various stakeholders. Invoices are entered daily, enabling real estate management audit to monitor expenditure and compliance with the schedule.

A monthly report for each site is presented to senior management and project management to monitor compliance with the schedule and any differences with the budgets and thereby take the necessary corrective measures.

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

Cash flow management

Cash flow management is fully centralised at the administrative head office for each country in which Orpea operates. The Group's facilities do not issue any payments and the head office is responsible for dealing with payment of all supplier invoices.

Signatory authority for payment orders is limited to just six people in management positions. These authorities are governed by different provisions: independent and/or joint signatures, based on caps and signatory.

The Group's cash flows are also monitored on a daily basis in order to identify any unusual transactions.

Information is centralised automatically every night by reporting bank information for the previous day, which is integrated into a cash flow software package.

Process for the preparation of accounting and financial information

The significant growth of the Orpea Group in recent years involves updating its internal organisation, which is changing all the time.

In light of the Group's expansion, a plan is to be implemented in 2011 that should help in particular to reduce the time it takes to produce the Group's consolidated financial statements and to formalise certain procedures.

Preparation of the financial statements

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

Each country has its own accounts system and posts its line items daily. The French accounting teams use the Harmony software, along with continuous monitoring software developed in-house. Internationally, each country uses the Navision software.

For Through daily importing operations, the Finance Department can consult transactions posted by foreign subsidiaries.

A monthly report by facility is also drawn up for the attention of the Finance Department.

The consolidated accounts are prepared on a biannual and annual basis, this process being overseen by the Group head of accounts and his team of 3 to 4 employees. The financial statements also involve all accounts teams in France and abroad. The closing process takes place in three steps:

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

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

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

The Audit Committee

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

Investor relations

Investor relations is the direct responsibility of Executive Management.

The public is informed of the full-year and half-year financial statements after they are approved by the Board of Directors.

A timetable for the dissemination of the Group's financial information is therefore drawn up each year and made available to the public, mainly via the Company's website.

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

Twice a year, General Management presents the Group's results to the financial community.

The Group strives to communicate throughout the year and to keep in regular contact with its shareholders and new institutional investors in France, Europe and the United States, including participation in thematic conferences organised by banks and brokers.

Statutory Auditors

The Statutory Auditors perform the following in respect of the accounting and financial information of the Company and its consolidated subsidiaries:

- a limited review at the end of the first half of the year;

- an audit at the end of the financial year.

A representation letter co-signed by the Chairman, the Chief Executive Officer and the 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.

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

NOTES

List of offices held by officers at 31 December 2011

➢ Jean-Claude Marian

Directorships and offices within the Orpea Group:

- Director and Chairman of the Board of Directors of Orpea
- Director of Casa Mia Immobiliare (Italy)
- Director of Orpea Iberica (Spain)
- Director of Residencial Senior 2000 (Spain)
- Director of CM Extremadura Dos 2002 (Spain)
- Director of Dinmorpea (Spain)
- Director of Orpea Belgium (Belgium)
- Director of Orpea Belgium Immobilier (Belgium)

He does not hold any directorships or other offices outside the Group.

➢ Yves Le Masne

Directorships and offices within the Orpea Group:

- Director and Chief Executive Officer of Orpea
- Chairman of Clinea SAS

Chairman of S.A.S : La Saharienne, Résidence Saint Luc, La Clairière, Clinique de Champvert, CCR Lavarin, MDR La Cheneraie, Organis, Société de Champvert, Maja, Résidence La Cheneraie, Immobilière Leau Bonneveine, Château de Villeniard, Le Vigé, Mediter, Centre Gérontologique, Clinique de Soins de Suite du bois Guillaume, Clinique Psychiatrique de Seine Saint Denis, Le Clos St Sébastien 44, SFI France, Douce France Santé, Massilia Gestion Santé, Gerone Corp, Mex, Clinique Beau Site, Le Verger d'Anna, Hôtel de l'Espérance, La Chavannerie, Résidence Klarene, Ondine, Clinique de l'Isle le Moulin, Home la Tour, Les Oliviers de St Laurent, Société d'exploitation de la clinique Parassy, Emeraude Participations, Holding Mandres, Le Château de Bregy, Le Clos d'Aliénor, Les Jardins d'Aliénor, Les Jardins de la Crau, Les Jardins du Mazet, L'Occitanie, Holding Mieux Vivre, Les Pivoines, Le Clos d'Arnouville 95, Le Clos de l'Oseraie 95, Résidence Notre Dame, SAS Le Clos Heimsbrunn 68, Les Grands Pins, Les Lys, Bellevue 33, Château de Champlatreux, Résidence de l'Isle, Soleil d'Automne, Le Clos d'Arvert 17, Résidence du Château de Mons 17, Les Jardins de Romilly, Les Tilleuls, Le Clos d'Etrechy 91, Les Jacourets, Emcejidey

Orpea Permanent Representative (Director): Paul Cezanne, Résidence du Moulin, Le Vieux Chateau, Les Charmilles, Le Clos Saint Grégoire,

DOUCE France SANTE Permanent Representative (Director): Clinique du Cabirol,

Associate Director: Association Maisons de Retraite de la Picardie,

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

Legal manager of SARL: Les Matines, Bel Air, SARL 95, SARL 96, La Maison de Louise, Gessimo, La Maison de Lucile, La Maison de Salomé, La Maison de Mathis, La Bretagne, L'Atrium, Gestihome Senior, Maison de Retraite L'Ermitage, IDF Résidences Retraite, Le Séquoia, La Maison d'Ombeline, Domea, Vivrea, Orpea Dev, SPI, Amarmau, Niort 94, SARL 97, L'Allochon, Reine Bellevue, L'Ombrière, Sogimob, Résidence du Parc, Résidence du Parc de Bellejame, Résidence de Savigny, Résidence de la Puisaye, La Venetie, France Doyenne de Santé, Douce France Santé Arcachon, Douce France Santé Dourdan, Regina Renouveau, Marc Aurele Immobilier, DFS Immobilier, CRF Clinea Livry, ADC 09, Gueroult, Saint Sulpice, Clinique du Château de Loos, Les Courtils, Résidence Les Cédres, Normandy Cottage, SARL Ancienne Abbaye,

Legal manager of SCI: Route des Ecluses, les Rives d'Or, du Château, la Talaudière, Orpea de St Priest, Balbigny, Orpea St Just, Orpea Decaux, La Tour Pujols, Les Rives de la Cerisaie, Val de Seine, le Clisclouet, Age d'Or, Gambetta, Croix Rousse, Les Dornets, Château d'Angleterre, Montchenot, 115 rue de la Santé, L'Abbaye, Les Tamaris, 3 Passage Victor Marchand, Fauriel, Port Thureau, Orpea de l'Abbaye, Rue des Maraichers, Le Bosguerard, Le Vallon, Bel Air, Brest le Lys Blanc, Les Magnolias, Courbevoie de l'Arche, Sainte Brigitte, Les Treilles, Les Favières, IBO, SCI du 12 rue Fauvet, Douarnenez Orpea, Kods, Slim, Saintes B.A, Le Barbaras, La Sélika, JEM2, Château de la Chardonnière, SCI des Anes, Spaguy, La Salvate, SCI de la Drone, SCI du Caroux, Héliades Santé, Cardiopierre, Super Aix Paul Cézanne, SCI Les Chesnaies, SCI SFI Bellejame, Calista Santé, Sci du Mont d'Aurelle, Les Oranges, Du Grand Parc, Ainsi, BRBT, Du Jardin des Lys, De la Rue de Londres, Château de Loos, Berlaimont, Les Oliviers, Portes d'Auxerre WB, SCI Barbusse, SCI Normandy Cottage Foncier, SCI du Bois Guillaume Rouen, SCI Rezé, SCI Caserne de Draguignan

Directorships and offices outside the Group
Legal Manager of SCI Villa de la Maye

- **Alexandre Malbasa**

- Director of Orpea

- **Brigitte Michel**

- Director of Orpea

- **Jean-Patrick Fortlacroix**

- Director of Orpea
- Director and Chairman, ADD EQUATION
- Manager of CADECO

- **Société Foncière, Financière et de Participations (FFP)**

- Director of Orpea

Other directorships and positions held:
- Member of the Supervisory Board of IDI
- Member of the Supervisory Board of Zodiac Aerospace,
- Member of the Supervisory Board of ONET
- Chairman of Financière Guiraud
- Manager of FFP- Les Grésillons
- Manager of Valmy-FFP

Other directorships held during past 5 years that have expired:
- Director of Marco Polo Investments,
- Manager of Marne-FF

- **Thierry Mabille de Poncheville**

- FFP's permanent representative on Orpea's Board of Directors

Other directorships and positions held:
- Member of the Supervisory Board of ONET
- Director, Groupe PSP SAS
- Director of the Sicav M.O. SELECT
- FFP's permanent representative on Orpea's Board of Directors
- Manager of PAMAT, a non-profit association
- Deputy Manager of Bannot, a non-profit association

Positions held over the last five years and no longer held:
- Director, Sedim
- Director, SA Comtoise de Participation
- Director, La Française de Participations Financières
- Director, Moria SA

- **Neo Gema**

- Director of Orpea

Other directorships and positions held:
- Director and Chairman, SA MEDIBELGE
- Director and Chairman, SA L'Adret
- Director and Chairman, SA Résidence Diamant
- Director and Chairman, SA Résidence du Golf
- Director, SA International Résidence Service
- Director and Chairman, SA Linthout
- Director and Chairman Philip New SA
- Director and Chairman, SA Parc Palace
- Director and Chairman, SA Progestimmob
- Director and Chairman, SA Residence Rinsdelle
- Director and Chairman, SA Top Sénior
- Director and Chairman, SA La Seniorie du Vigneron
- Director, SA Medidep Belgique
- Manager, SARL Château Chesnois
- Manager, SARL Mikanna

- **Philippe Austruy**

- Neo Gema's permanent representative on Orpea's Board of Directors

Other directorships and positions held:
- Manager of SARL Neo Gema
- Director and Chairman, SA Feninvest
- Neo Gema's Permanent Representative on the Board of Directors of SA International Résidence Service

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

This is a free translation into English of the statutory auditors' report on the Chairman's 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 reports.
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
140 rue du Faubourg Saint-Honoré
75008 Paris

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

Orpea
Société Anonyme (public limited company)
115 rue de la Santé
75013 Paris

Statutory Auditors' Report
drawn up pursuant to article L. 225-235 of the Commercial Code,
on the report by the Chairman of the Board of Directors

Financial year ended 31 December 2011

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 2011 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 under article L. 225-37 of the French Commercial Code on matters relating to corporate governance.

Our role is to:

- report on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and

- confirm that the report contains the other information required by article L. 225-37 of the French Commercial Code. It is not our role to verify the fairness of this other information.

We conducted our work in accordance with the professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information underlying the information presented in the Chairman's report, and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we may have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information provided about the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with article L. 225-37 of the French Commercial Code.

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, 15 May 2012

The Statutory Auditors

Burband Klinger & Associés	**Deloitte & Associés**
Frédéric Burband	**Joël Assayah**

CHAPTER III: THE ORPEA GROUP'S ACTIVITIES

The Orpea Group's purpose and business is to offer global dependency care 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 complementary care industries. The creation of the Regional Health Agencies (Agences Régionales de Santé or ARS) in France, as the single control and regulatory authority for primary healthcare services, post-acute and psychiatric care and medical and social care facilities, making it France's main health authority, perfectly illustrates this desire to coordinate all healthcare operators and professionals in order to implement a general regional healthcare policy, ensuring better access to care services and making life easier for patients.
The Orpea Group has firmly established its position in this evolving environment and the care services it offers meet the expectations of the supervisory authorities and its residents and patients. The Group has therefore become the leader in the treatment of dependency care in Europe with almost 37,000 beds

1. THE EXPERTISE OF ORPEA: OVERALL CARE OF DEPENDENCY

The Orpea Group's business has been built up around different forms of dependency care: loss of independence due to ageing and care for people with health conditions.

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

Specifically, six levels of loss of independence or physical or psychological dependency were defined, allowing people to benefit or not from the APA. These levels are set out in the AGGIR (Gerontological Independence Group Iso-Resources) scale, based on the observation of everyday tasks or activities actually performed or not by the person concerned. Only those who fall into the first four groups are entitled to the APA allowance.

Major dependency corresponds to:

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

Partial dependency corresponds to:

- **level GIR 3** for people with preserved mental independence, partially able to move, but needing assistance every day and several times a day for their bodily autonomy. They are unable or only partially able to wash and dress themselves. In addition, they require help from another person to go to the toilet;

and level GIR 4 for people unable to stand up, lie down or sit by themselves, but who are able to move around at home once standing, sometimes requiring help to go to the toilet and get dressed. Most of the people in this group are able to feed themselves. This group also comprises people with no locomotion problems but requiring help with bodily activities and meals.

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

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

<u>1. Multi-disciplinary post-acute care clinics ("Soins de Suite Polyvalents"):</u> these clinics receive all kinds of patients for medical reasons after a hospital stay for an acute medical or surgical condition, or those referred from home by a doctor.

<u>2. Specialist post-acute care clinics ("Soins de Suite Spécialisés"):</u> these clinics look after patients whose condition requires specific medical monitoring:

- *treatment of musculoskeletal conditions;*
- *treatment of nervous system conditions;*
- *treatment of cardiovascular conditions;*
- *treatment of respiratory conditions;*
- *treatment of conditions of the digestive, metabolic and endocrine systems;*
- *treatment of onco-haematological conditions;*
- *treatment of burns;*
- *treatment of addictions;*
- *treatment of elderly people with multiple pathologies, who are dependent or at risk of dependency.*

The Orpea Group operates both multi-disciplinary and specialist post-acute and rehabilitation care facilities.

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

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

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

2. ORPEA: HIGH QUALITY CARE SERVICES BUILT UP METHODICALLY OVER 23 YEARS

The Orpea Group has been built up methodically, as a result of which it is now able to offer high quality global dependency care, making it one of the leading names in France and other countries in a fast-growing sector.

The network of facilities providing global dependency care in Europe comprises:

- nursing homes: EHPAD in France and their equivalents in Belgium, Italy and Spain;
- multi-disciplinary and specialist post-acute and rehabilitation care facilities in France, and soon in Switzerland;
- general psychiatric clinics in France and Switzerland.

2.1 – HISTORY AND DEVELOPMENT OF THE COMPANY:

1989: The Orpea Group is founded by the current Chairman, Dr Jean-Claude Marian.

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

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

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

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

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

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

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

2006: Further international expansion: acquisitions of facilities in Switzerland (psychiatric clinic in Nyon, by Lake Geneva), Belgium (geriatric complex in the centre of Brussels) and Spain (Grupo Care, one of the market leaders in dependency care in Spain with 15 facilities representing 1,504 beds).

2007: Orpea is eligible for the **Deferred Settlement Service** (DSS), improving the stock's liquidity.

Its international expansion strategy has paid off: for the first time, 10% of consolidated sales are generated outside France, representing an increase of over 85%.

2008-2009: Orpea structures its presence in Europe by creating functional head offices in Belgium and Italy, and rolling out its quality policy at all of its facilities in Europe in order to replicate the French management model.

2010: Orpea carries out the largest acquisition in its history, with the strategic acquisition of Mediter – which notably owns a majority stake in the Mieux Vivre Group – and the acquisition of a 49% stake in Medibelge, representing a total of 4,866 beds at 57 facilities.

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

In November 2011, the Orpea Group had 36,714 beds at 393 sites in Europe, including 30,658 beds in operation and 6,056 under construction

France
28,590 beds
322 facilities

Beds in operation: 21,037
Beds under redev.: 2,771
Beds under constr.: 4,782

Belgium
3,799 beds
36 facilities

Beds in operation: 2,330
Beds under redev.: 650
Beds under constr.: 819

Spain
2,938 beds
22 facilities

Beds in operation: 2,938
Beds under redev.: 0
Beds under constr.: 0

Italy
1,222 beds
12 facilities

Beds in operation: 817
Beds under redev: 40
Beds under constr.: 365

Switzerland
165 beds
2 facilities

Beds in operation: 75
Beds under redev.: 0
Beds under constr.: 90

2.2 – ORPEA: A PAN-EUROPEAN GROUP:

Thanks to the expertise acquired in France, Orpea is able to offer structured and innovative care services with the same goal in each country in which it operates: to offer high-quality care services for the elderly.

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

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

2.2.1 - France

The Orpea Group has a network of 322 facilities and 28,590 beds (including 2,771 beds under redevelopment and 4,782 under construction), comprising:

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

The Orpea Group's facilities are spread across a large part of France, with coverage allowing it to operate in départements with high population densities and therefore greater demand, with facilities located in or close to major cities.
The Group is particularly strong in the regions of Ile-de-France, Rhône-Alpes and Provence-Alpes-Cote d'Azur. The Group's facilities are modern, with an average age of below ten years, providing a pleasant quality of life for patients and residents.

2.2.2 - Belgium:

Orpea's network consists of:

- serviced residences for autonomous elderly people;
- rest homes for able-bodied and semi-able-bodied elderly people;
- rest and care homes for dependent and confused elderly people.

Since 2006, the Group has continued to expand in these countries and now owns 3,799 authorised beds at 36 sites, with 650 beds currently under redevelopment and 819 under construction.
Belgian institutions are located throughout the territory: 39% of beds are in the region of Brussels, 27% in Wallonia and 33% in Flanders.
In just a few years, Orpea Belgium SA has become a leading operator in the rest and care homes sector, drawing on the Group's expertise, particularly in safety, staff training, caring for people with Alzheimer's and high quality residential services.

2.2.3 - Spain:

Formerly known as CARE Group, the Spanish subsidiary was renamed Orpea Iberica.

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

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

Following the acquisition of Artevida, finalised in January 2012, the Group has 21 facilities and 2,938 beds in major Spanish cities, 51% of which are in Madrid.

2.2.4 – Italy:

The Orpea Group has a network of 1,222 beds, of which 40 are under redevelopment and 365 under construction, at 12 facilities.
The Orpea Group operates only in northern Italy, more specifically covering two areas: Piedmont and the Marches. This is even more significant given that regulatory conditions and the organisation of the Italian market are completely decentralised.
All of the Orpea Group's Italian facilities offer a particularly high level of medical services, with different statuses:

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

All of these facilities have been created by Orpea, unlike in France, Belgium and Spain, where a number of sites are the result of acquisitions.
Since 2011, the Italian subsidiary has also grown in the field of psychiatry, with the acquisition of a clinic in Turin.

2.2.5 – Switzerland:

The Orpea Group has two facilities representing 165 beds: a well-known psychiatric clinic in Nyon, which has 150 years' experience in treating mental health disorders, and authorisation to create 90 beds in a post-acute and rehabilitation care facility on the same site, due to open at the end of 2012.

3. ORPEA RENOWNED EXPERTISE AND DEVELOPMENT FUELLED BY GROWING NEEDS

It is proven that as they advance in age, the elderly lose their independence at a quicker rate.
The number of elderly people living at home therefore decreases with age, resulting in an increase in care requirements with the need for temporary stays at post-acute and rehabilitation care facilities or placements at long-term care facilities.

3.1 – CONSIDERABLE NEEDS FUELLED BY THE AGEING OF THE POPULATION IN FRANCE

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

Life expectancy has continued to increase in France over the last few years, to 77.8 years for men and 84.5 years for women. Over the last ten years, the increase in life expectancy has been due to the decline in mortality between the age of 70 and 90. As such, there is an increase in the number of

centenarians living in France, with 15,000 in France on 1 January 2010, in other words 13 times more than in 1970. The French population is therefore continuing to age and people aged 65 or over now represent 16.8% of the population.
(Source: INSEE Première - nos. 1318 + 1319 - October 2010 + no. 1332 - January 2011)

In its forecasts for 2060, INSEE expects the ageing of the French population to accelerate. According to the central scenario, the number of people aged 60 or over is expected to rise by 10.4 million between 2007 and 2060, giving a total of 23.6 million people aged 60 or over in 2060 (an increase of 80%). The increase would be even greater in the oldest section of the population: the number of people aged over 75 years would increase from 5.2 million in 2007 to 11.9 million in 2060, while the number of people over 85 years would rise from 1.3 million to 5.4 million. The number of centenarians is expected to reach 200,000 people.
This sharp increase of people aged over 85 years is particularly marked in the short term: today there are an estimated 1.5 million people aged over 85 and this will rise to 2 million by 2015, an increase of 33% in four years.
This ageing of the population is inevitable, in the sense that it is already implied by the current age structure of the population, i.e. the people who will be 60 in 2060 have already all been born.
(Source: INSEE Première - nos. 1319 + 1320 - October 2010)

The ageing of the population results in an increase in the number of dependent elderly people requiring help or care. According to the Igas (General Inspectorate of Social Affairs), the number of dependent persons will double by 2060, rising from 1.15 million to 2.3 million people.
According to INSEE's "Disability, incapacity and dependency" studies of 1998 and 1999, more than 40% of dependent elderly people are aged 85 or over. Dependency begins to increase rapidly from the age of 80, to reach the critical threshold at 85. Persons with the heaviest dependence (severe mental + physical dependence) are most numerous among those aged 85 and over. Among others who are mentally dependent but less physically dependent, most fall into the 60-74 age group.

The number of elderly people living in nursing homes therefore rose by 2% between 2003 and the end of 2007, with around 657,000 residents in total.
The percentage of elderly people living in institutions inevitably increases with age, representing 10% of people aged 75 or over, and rising to 24% of people aged over 85 *(as evidenced by the INSEE Première survey no. 1319, the majority of people living at home are able-bodied or assisted).*

Finally, the increase in the number of people aged over 75 has already had a significant impact on the total number of long-term care beds per person in France. Indeed, this rate has decreased significantly in ten years: of 166 places per 1,000 people aged over 75 years in 1996, this rate decreased to 140 per 1,000 in late 2003, eventually reaching 127 per 1,000 in late 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" no. 689 - May 2009)

France has to face up to a scarcity and inadequacy of beds.
These major trends explain the need to create new long-term care facility places. In response, the French government has launched a number of ministerial programmes aiming to develop solutions to provide care and accommodation for dependent elderly people, such as the Solidarity with the Aged Plan and the Alzheimer's Plan. Industry professionals believe that it will be necessary to create 20,000 to 30,000 beds in the next three to five years to cope with the increasing number of dependent people.

In addition, the Report by the Audit Office in November 2005 recognises that 5-10% of total beds (public, voluntary and private) are "inadequate" and must be rebuilt. This accounts for 25,000 to 50,000 beds (considering only beds in nursing homes and LTC facilities).

3.2 – THE CONSEQUENCES OF THE AGEING OF THE POPULATION: MEDICAL NEEDS AND GROWING SPECIALISATION OF FACILITIES

3.2.1- Long-term care facilities

The profile of elderly people entering long-term care facilities has changed considerably over the last few years.

The average age of entering a nursing home was 84 years and 2 months at the end of 2007, compared with 81 years and 10 months in 1994. In this respect, it can be noted that residents aged 95 and over make up a growing proportion of the population living in nursing homes, accounting for 10% of residents in late 2007, 2 percentage points more than in 2003.
(Sources: DREES "Etudes et Résultats" no. 689 – May 2009 and no. 699 – August 2009)

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

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

At the same time, there has been an increase in the number of older people affected by senile dementia.

Alzheimer's disease is the most common cause of dementia in the elderly, accounting for over 70% of cases of dementia in France. It is also the main reason for entering a nursing home. Today, 50-70% of people living in nursing homes for the elderly in France show signs of early or confirmed dementia.
The PAQUID study assessed the prevalence in France of Alzheimer's disease and related syndromes with age. If 5% of people over 65 are affected, the disease is observed in 25% of people over 80 years. Based on this study and taking into account the figures from INSEE for the French population in 2009, the number of people affected by the disease or related disorders is estimated at 865,000.

This number will increase with an ageing population. According to a report compiled in 2005 for the French Parliament Public Health Assessment Committee (OPEPS), the number of new cases of dementia each year is estimated at over 225,000. Therefore, the number of people aged over 75 suffering from dementia in France is likely to exceed 1.1 million in 2020 and 2 million in 2040.

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

The "revolution" relating to longevity has therefore changed the sector in terms of increasing the range of medical services provided.

With the 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.
(Source: Mensuel des Maisons de Retraite no. 108, February 2008 + DREES Etudes & Résultats no. 689 – May 2009)

This provision of medical services has entailed heavy investment, particularly in terms of medical equipment and recruiting qualified care staff.
The sector, and above all residents, has benefited from improvement particularly in terms of quality of care.

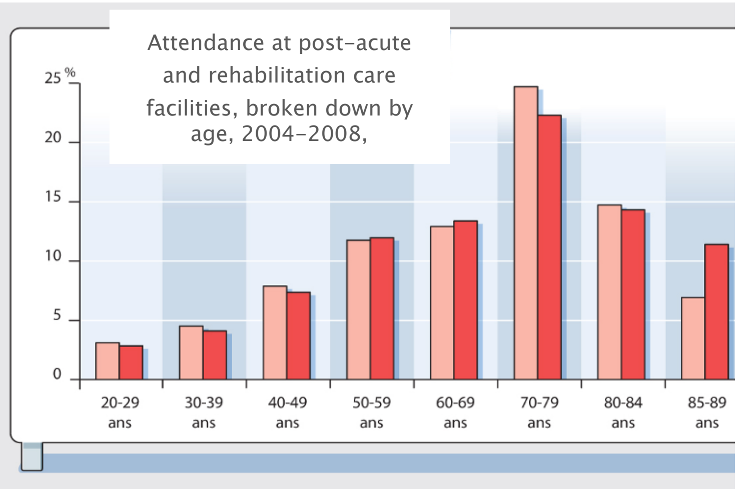
It should be stressed that the most dependent elderly people are cared for primarily at private for-profit facilities:

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

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

3.2.2- Post-acute and rehabilitation care facilities

The profile of patients at post-acute and rehabilitation care facilities has also changed.
The proportion of patients aged 85 to 89 admitted to post-acute and rehabilitation care facilities has risen sharply in recent years. Thus, in 2009, while the average age of patients treated was 69.3, the median age was 75 and 20% of patients were aged over 83.



In addition to the phenomenon of the ageing of the population, the length of acute care stays is decreasing steadily due to changes in medical and surgical practices, in particular anaesthesia and surgical techniques, resulting in patients being admitted with greater dependency needs.

This trend has been accentuated with the introduction of the "T2A" diagnosis-related group payment system in France, given that medical-surgical clinics, for which greater productivity is a key factor, will send their patients to post-acute and rehabilitation care clinics more quickly.
Post-acute and rehabilitation care facilities have therefore taken the place of medical-surgical clinics in France, which have an average stay of 5.9 days (or even 4.8 days in the private sector) compared with an average of around 34.3 days at post-acute and rehabilitation care facilities. *(Source: DREES – Panorama des établissements de santé [Health facilities survey] – 2011 edition)*

Short-stay facilities have therefore had to review their upstream activities and in particular to negotiate agreements with post-acute and rehabilitation care facilities in order to be able to obtain beds for the patients quickly.

Consequently, due to growing care needs and an increasingly close relationship to acute care services provided at medical, surgical and obstetric clinics, post-acute and rehabilitation care clinics offer complex rehabilitation treatments provided by multi-disciplinary medical, paramedical and social care teams.
Post-acute and rehabilitation care facilities are therefore becoming increasingly specialised depending on the pathologies they care for.
Among admissions to post-acute and rehabilitation facilities, 60% are for rehabilitation, 18% for recovery following surgery and 17% for chemotherapy, radiotherapy or palliative care.

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

3.3.1- Belgium

In the near future, Belgium will experience a sharp increase in the number of elderly people, with the numbers aged over 70 rising from 1,388,000 in 2010 to 1,971,000 in 2030, an increase of 42%. The increase is even greater for people aged over 90, with the number expected to double between 2010 and 2020 to reach 117,000 people. (*Source: Statbel – EU population 1 January 2001*) Yet this is the sector of the population that most closely matches the needs for accommodation in nursing homes.

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

The trend to institutions for the elderly is identical to that of France: increasingly later entry with a higher dependency level. Institutions are therefore forced to increase the amount of drugs they use.

3.3.2 – Spain

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

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

3.3.3 – Italy

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

27% of the population aged over 85 is concentrated in the northern regions of Italy (Lombardy, Piedmont and Liguria).

4. ORPEA A KEY PLAYER IN A PROTECTED ENVIRONMENT

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

4.1 – A BUSINESS CONTROLLED BY A "NUMERUS CLAUSUS" [RESTRICTED NUMBERS]

On the basis of its expertise and its ability to meet the expectations of planning authorities for the healthcare and medico-social sector, Orpea has decided to establish its presence in countries with a regulated and secured dependency care market.

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

In France

Healthcare and medical and social care facilities in France are controlled and governed by a single supervisory authority, the Regional Health Agencies (Agences Régionales de Santé or ARS).

The introduction of the Regional Health Agencies on 1 April 2010 created a new local organisational structure covering all care services – from healthcare to medical and social care – on a regional level, thereby taking over the responsibilities of the Regional Hospital Agencies (Agences Régionales d'Hospitalisation), DRASS, DDASS, URCAM and CRAM.
The role of the Regional Health Agencies is to draw up the Regional Health Project (PRS), which determines a regional healthcare policy, implementing the priorities and objectives of national healthcare policy on a regional scale.

In order to operate, long-term care facilities need to obtain authorisation to operate, which is granted for a period of 15 years by joint decree of the head of the Local Authority (*Conseil Général*) and the local *Préfet* for the funding of the national health system.
This system was set out by the law of 2 January 2002 concerning medical and social care institutions, amended by the HPST hospital reform bill of 21 July 2009.

This authorisation system concerns both requests to create new long-term care facilities and requests for extensions – i.e. increasing the authorised capacity – **and conversions** – i.e. changing the category of beneficiaries.
In any case, these requests need to fall within the framework of the needs and objectives analysed and listed by the supervisory authorities, using their programming tools:

- **PRIAC** sets regional and interdepartmental priorities for financing the creation, extension and conversion of nursing home places over a three-year period. Each year, on the basis of PRIAC's analysis of each region, the CNSA is able to negotiate the national health spending target (ONDAM) and then allocate national health system credits and government credits by setting regional and departmental budgets. The aim is to help to balance out the provision of medical and social care services across the country.
- **Departmental "Gerontological Frameworks"** (Schèmes Gérontologiques) are drawn up over a five-year period by the General Council (Conseil Général) and submitted to the local Prefect (Préfet) for approval. They define priorities – which operators must consider in developing creative projects – for territorial needs for equipment, as well as the preferred type of accommodation: specific units for confused elderly people, beds dedicated to respite care, etc.

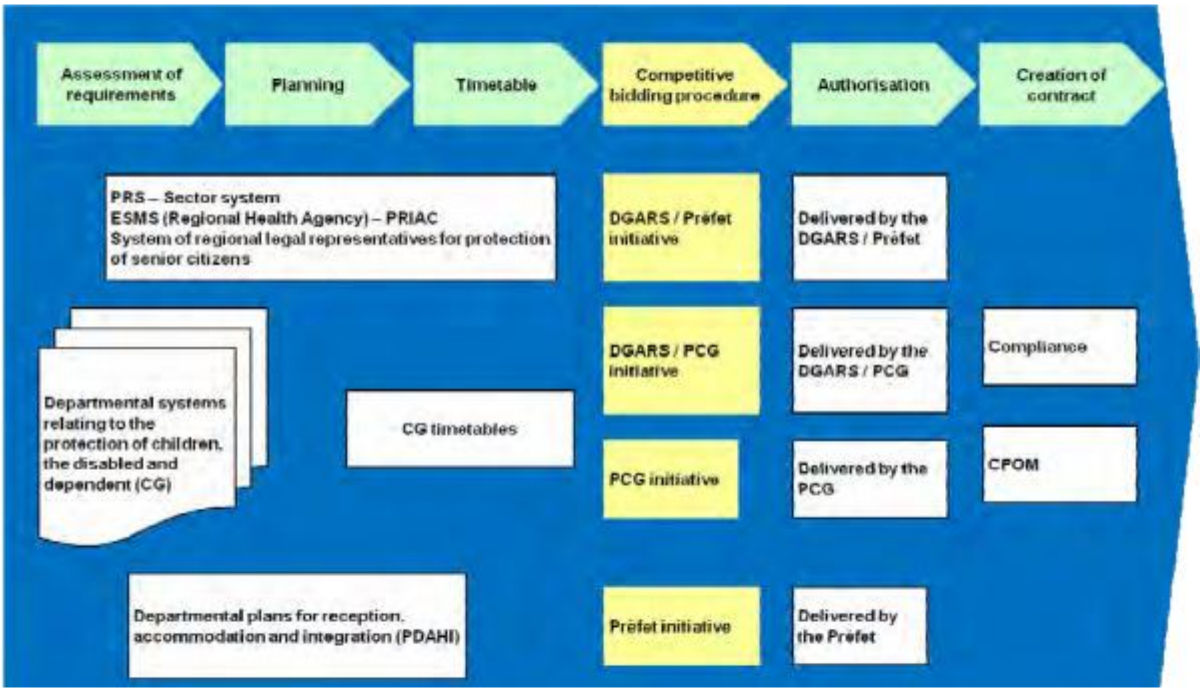
In addition, some *départements* go further and also develop specifications, particularly for protected units for confused elderly people, with capacity from 12 to 14 beds, architectural features, the average ratio in terms of nursing staff, etc.

These requests to create new facilities or extend existing facilities must comply with strict procedures. The HPST hospital reform bill reformed the authorisation procedure by making widespread the **competitive bidding procedure** for the creation, conversion and extension of medical and social care facilities, including long-term care facilities for the elderly. This procedure was specified by the decree of 26 July 2010, which was published in the *Journal Officiel* of 27 July 2010 and came into effect on 1 August 2010.

One of the components of the Regional Health Project drawn up by the Regional Health Agencies is the medical and social care regional organisation system (SROMS), which plans and initiates necessary changes to facilities and services to care for dependent elderly people.
The relevant authorities establish their priorities on the basis of:

– the needs defined in Regional Health Projects and various departmental plans (including SROMS and PRIAC);
– as well as available funding.

These priorities are then factored into specifications setting out and specifying the needs to be met and the framework of projects.
The new competitive bidding procedure should allow for more rapid funding of authorised facilities and the implementation of projects more suited to regional requirements.



Source: CNSA guidelines for the implementation of the competitive bidding authorisation procedure and drawing up specifications – 3 September 2010

The main stages of the competitive bidding procedure are:

1) Publication by the **Regional Health Agency of the SROMS plan**

2) **Publication of a timetable for competitive bids,** describing the requirement for facilities or services in each region.

In principle, the strategic regional plan will not be published until the summer or even early autumn of 2011. While waiting for regional healthcare plans to be drawn up – with a target of 2011 – competitive bidding procedures will be launched on the basis of PRIAC regional and interdepartmental priorities, in connection with departmental systems. During this transitional period, a number of authorisations have been and could still be granted in 2010 on the basis of applications under review from 2009-10.

3) **Launch of a competitive bidding procedure with specifications drawn up jointly by the Conseil Général and the Regional Health Agency:**

The announcement of the competitive bidding procedure is published in the administrative notices of the Regional Health Agency and the Conseil Général. It also states the selection criteria and grading methods, the deadline for receiving applications and details of how replies should be sent.
The specifications to be met by the applicant shall state the following:
- capacity in terms of the number of beds and places;
- location;
- description of the main characteristics and architectural or environmental requirements;
- funding and costs: operating costs, means of funding and the projected amount of costs to be paid by residents and patients;
- whether or not it is eligible for social security support.

4) **Applicant's response (within a deadline of at least 60 days and no more than 90 days)**

5) **Instruction procedure: appointment of an instructing officer at the Regional Health Agency and the *Conseil Général*:**

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

6) **Opinion of the selection committee**

All proposals will then be reviewed and ranked by a committee on the basis of pre-defined criteria and requirements set out in the specifications.
The committee then ranks proposals, gives an opinion on each and eliminates those that do not meet the requirements set out in the specifications.

7) **The relevant authorities – namely the *Conseil Général* and the Regional Health Agency – have a maximum of six months from the deadline for submitting applications to grant authorisation.**

Their decision is based on the presentation report prepared by the selection committee. However, the authorities do not have to abide by the committee's opinion, which is provided only on a consultative basis.
The President of the *Conseil Général* and the head of the Regional Health Agency jointly sign the authorisation papers for the selected candidate. Authorisations are given to long-term care facilities for a period of 15 years.

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

After this visit, the authorities compile a report that is sent to the operator within two weeks, allowing it to open the facility. If the authorities believe that the facility does not meet the required standards,

the operator is informed in writing of the changes that need to be made within a set time frame, after which another inspection is carried out.
The facility will also have to request an inspection of its kitchens by the veterinary services department.

When a licence is renewed after the 15-year term, the facility also undergoes an internal and external assessment of its compliance with best practice procedures, references and recommendations.
The results of the external assessment carried out by an independent organisation dictate the terms and conditions of licence renewal. The external assessment mainly covers operations and the quality of services provided.

In Belgium

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

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

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

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

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

In Italy

There are various types of facility in Italy:

- assisted residential facilities ("*Residenza Sanitaria Assistita*" or RSA), which offer the highest level of medical services;
- flexible residential facilities ("*Residenza Assistenziale Flessibile*" or RAF), offering temporary or permanent stays for semi-able-bodied people with different specialist units: convalescence, stabilised psychiatric patients, care for mental and physical disabilities;
- protected residential facilities ("Résidence Protégée" or RP), equivalent to long-term care facilities.

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

Italy's authorisation systems were initially defined on a national level. These national regulations set out the minimum structural and organisational requirements for nursing homes. For example, a facility must have no more than 120 beds.

Then, on the basis of this national regulatory framework, each region then has to adopt its own procedures and define its own requirements. While each region has adopted national requirements, their own procedures are inevitably more restrictive than national requirements. For example, in Piedmont, each accommodation unit constitutes a fully autonomous "*nucleo*", comprising a maximum of 20 beds, and with its own facilities such as a restaurant and health centre.
The authorisation system is therefore planned by each region and then implemented by the local health authority (ASL).

Facilities are monitored primarily by the health authorities by means of surprise checks.

In Spain

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

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

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

4.1.2- Authorisation system for post-acute and rehabilitation care facilities in France

Like long-term care facilities, clinics need to obtain authorisation to operate. Authorisation is given for a period of five years.
The creation, extension and operation of short-term care facilities is also governed by complex regulations designed to regulate hospital capacity with the dual aim of cost control and quality of care provision.

The government order of 4 September 2003 simplified the authorisation system considerably, introducing an authorisation for each type of activity - rather than for a certain number of beds or places - which is now recognised according to the number of days for full hospitalisation and the number of places for day hospitalisation.

All authorisation holders also sign a five-year renewable multi-year objectives and resources contract or CPOM (*Contrat Pluriannuel d' Objectifs et de Moyens*) with their ARS (Regional Health Agency).
The CPOM defines the strategic direction of the facilities on the basis of regional healthcare organisation plans (SROS), which describe the changes that 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 certification 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.

Lastly, renewal of an authorisation is subject to the results of an assessment report sent to the Regional Health Agency 14 months before the expiry date. If the results are satisfactory, the licence will be renewed automatically without further formality. However, if the results are not satisfactory, the ARH (Regional Hospital Agency) executive committee will issue an injunction, stating the reasons. This is sent to the party holding the authorisation, which then has to present a request for renewal in accordance with the usual process.

4.2 – CONTROLLED PRICING

4.2.1 – Long-term care facilities

In France

In France, each long-term care facility has to draw up and sign a five-year tripartite agreement with the head of the Conseil Général and the relevant authority for establishing care prices – the head of the Regional Hospital Agency – in accordance with the decrees and order of 26 April 1999 and the decree of 4 May 2001 concerning reforms to the pricing of long-term care facilities.

The resources allocated to long-term care facilities are therefore determined for the duration of the tripartite agreement. However, the level of dependency of residents at each facility is to be assessed each year within the framework of the tripartite agreement in order to adjust the number of care staff on a regular basis with a view to improving care services for the most dependent.

The pricing of long-term care facilities breaks down into three components:

- *the accommodation fee*, covering all general administration services, residency, meals, cleaning and social activities at the facility that are not related to people's level of dependency.
  The accommodation fee is payable in full by the resident (or the Conseil Général if the facility has beds approved for social security support). The revaluation 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. However, the pricing of accommodation is free for any new entrant.
- *the dependency allowance*, which comprises all support and supervisory services required to carry out essential everyday tasks, not related to the care services the elderly person may receive. These services correspond to additional residential costs related directly to the residents' level of dependency, whether this concerns relationship services, activities and help with everyday and social tasks, or residential services and various supplies contributing directly to providing dependency care.
  The dependency allowance is funded by the APA allowance, which covers part of the cost depending on the elderly person's level of dependency and resources. The APA currently represents an expenditure of €5.3 billion for 1.15 million beneficiaries. This allocation is financed 72% by the Conseils Généraux and 28% by the government. (*Source: Synerpa White Paper – March 2012*)

- ***the medical care allowance***, which covers paramedical services needed for the care of residents' somatic and psychological conditions, as well as paramedical services corresponding to care services relating to residents' level of dependency. This fee is charged on a daily basis partly or in full (depending on the option selected by the long-term care facility). If the facility opts for the full *per diem* rate, this includes medical services.
  The care services fee is funded by the national health system (*Assurance Maladie*), paid directly to the facility on a monthly basis in the form of a lump sum.

It should be specified that dependency and care fees at a long-term care facility are administered and controlled. The full amount allocated must be spent. Care homes therefore do not make any profit on these services.

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 Finance Act). No such decrees have been published as yet and consultations are continuing, which could result in a proposal by March 2013.

In Belgium

- *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 an 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" defined according to strict categories. The Ministry for Economic Affairs has ten days to respond and validate or refuse 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;
- an additional amount known as the "troisième volet" [section 3], which subsidises some of the 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.

In Italy

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

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

In Spain

Accommodation and care fees are freely determined in Spain and are paid in full by the resident.
In some cases, nursing homes and the relevant regional authorities sign agreements with the main aim of "reserving" a number of beds for dependent people requesting help or full or partial provision of services. These people generally live within the region concerned. Under these agreements, rates are set in advance and cannot be increased by private centres beyond what is agreed with the regional authorities. These may be by mutual agreement with a given centre, but in most cases they are the result of winning calls for tenders launched by the authorities, in which a number of operators compete. Sometimes, the aid resulting from these agreements is due even if the "reserved" beds are not occupied. In other cases, the aid allocated to centres is only paid according to the occupancy rate of these beds by beneficiaries.

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

Prices for post-acute and rehabilitation care and psychiatric care facilities are set by the Social Security department. They are set out in targets and resources contracts signed by post-acute and psychiatric care facilities, whether public or private, with Regional Health Agencies.
On the basis of this pricing system, for each patient looked after, Social Security pays a *per diem* rate, as well as other fees if applicable, on the basis of prices determined and set by the supervisory authority.
Each year, the Social Security Budget Act (LFSS) draws up a national health spending target (ONDAM), allowing the government to determine - particularly for post-acute and rehabilitation care and psychiatric care facilities - a national financial target (OQN) representing the annual spending budget for the private hospital sector covered by Social Security.
Negotiations are held each year between the government and the Fédération de l'Hospitalisation Privée (FHP) to determine:

- the national average change in service fees for post-acute and Psychiatry;
- and the average change in fees in each region.

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

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

ONDAM
National health spending target

Set by the Social Security Budget Act (LFSS)

↓

OQN
National financial target

Set by ministerial order

↓

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

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

↓

A budget for each facility

Allocated by ARS (Regional Health Agencies)

The Regional Health Agencies also set rates for new facilities, or new activities authorised for an existing facility, on the basis of average regional rates.
However, in the case of newly created services through the regulatory process, new rates are set by the national agreement between the government and the facilities federations.

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

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

France's diagnosis-related group payment system, "T2A" or "*Tarification à l'Activité*", was introduced by the Social Security Budget Act for 2004.

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

There are three categories of rates under the T2A system:

- A *per diem* rate by type of stay: determined on the basis of Groupements Homogènes de Séjour or GHS (Homogeneous Group of Stays), this is an all-inclusive tariff set for each pathology or specific treatment, covering all direct and associated costs of a service, such as medicines and medical devices.

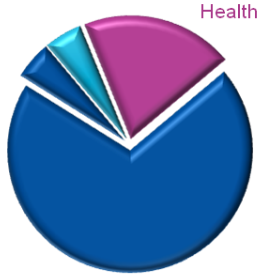
- Non-GHS: actions funded as a single service: home hospitalisation, external medical consultations, emergency consultations and organ transplants.

- Some particularly expensive medicines and medical devices (implants) are still financed by means of a specific tariff if they are on a restricted list.

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

- <u>Summary of *per diem* rates for facilities in France:</u>

► <u>Nursing homes</u>



► <u>Post-Acute and Psychiatric facilities</u>

5. ORPEA'S GLOBAL DEPENDENCY CARE OFFERING: INNOVATIVE ACCOMMODATION SERVICES AND A WIDE RANGE OF CARE SERVICES AT ALL STAGES OF DEPENDENCY

5.1 – THE ORPEA GROUP'S CARE FACILITIES FOR THE ELDERLY

The Orpea Group's care facilities for the elderly in France, Belgium, Italy and Spain offer the following services:

- care and support services tailored to each resident (for example, there is a specialist unit for sufferers of Alzheimer's-type conditions at most facilities);
- logistical and residential services, such as accommodation, meals, laundry, room cleaning and various entertainment activities.

On the basis of the Group's procedures, each facility draws up its own care plan suited to its residents. This care plan, conveyed by all staff, combines quality of life and quality of care on a daily basis, offering professional care ensuring the safety and well-being of residents.

5.1.1- Various residential services –

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, specific procedures (particularly in terms of staff training) were also implemented to meet that special care.
The aim of these protected units is to maintain and stimulate an interactive life that is as undisrupted as possible, as well as ensuring the safety of confused residents.
Partnerships have been established with the authorities and healthcare professionals in order to cover all aspects of providing dependency care for these residents as far as it is possible.

5.1.2- Care services in nursing home

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

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

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

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

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

A number of residences also offer:

- rehabilitation sessions or "gentle" physical activities in the physiotherapy room;
- relaxation sessions in the spa bath or in the Snoezelen multi-sensory stimulation area.

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

5.1.3- Care plans in nursing home

Each of the Group's facilities draws up its own care plan suited to its residents.

Staff endeavour to create a pleasant and welcoming living environment by organising activities each day.
A coordinated programme of events is arranged by a qualified professional with two main aims:

- **occupational**, relating to or concerning socio-cultural activities (dressmaking, shows, days out, etc.): Orpea's priority is to make all of its facilities real places for living in order to enable residents to rebuild their ties with the local community;
- **therapeutic**, with workshops on keeping up physical and intellectual capabilities (press review, gentle gymnastics, visual arts, etc.).

Family and friends are also invited to take part in the life of the facility in order to maintain family ties and encourage intergenerational relations.

Finally, Orpea endeavours to make its facilities places of contact by involving them in community life, in order to develop a rich and dynamic social life to ensure the well-being of the elderly people at its facilities.
This includes the organisation of activities with children from nearby schools, as well as with local associations.

5.2 – THE ORPEA GROUP'S POST-ACUTE AND REHABILITATION CARE CLINICS

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

Orpea has successfully achieved this positioning by:

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

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

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

2- Physical medicine and physical therapy: these services are intended to provide active care of post-surgical trauma or orthopaedic patients, or of patients with degenerative neurological or vascular conditions. Patients with a disability may be fitted with a temporary or permanent prosthesis.
In accordance with the specifications, the aims are to:

- offer a high level of physical therapy with medico-technical support;
- provide the necessary complementary care services, such as occupational therapy, psychology and support services;
- teach patients the compensation techniques and adaptations they need.

To do this, the Group's clinics have 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.
The resources are adapted, specialised facilities, staffed by people trained in geriatric care services, such as physiotherapy, occupational therapy, physical therapy and activities within suitable architectural surroundings in the form of protected units with care given in closed units, allowing for the management of disoriented patients wandering off.
These units are characterised by:

- a specific care structure adapted to the patient's needs;
- therapeutic care and workshops adapted to patients' remaining abilities and reassessed as their physical disability develops.

This is provided in a carefully thought-out architectural environment adapted for disabilities and therapeutic resources.
These premises are optimal for looking after people with associated pathologies in addition to their cognitive pathology, who require an organised structure to help them prepare for the future with the most challenging care requirements.

6- Other specialist services are provided at the Group's clinics:

• *care of chronic neurovegetative states* or minimally conscious states, allowing patients with very severe neurological after-effects to benefit from continuous high-level care, both of the patients themselves and their families in a delicate and difficult situation.
These units provide long-term care of patients with brain injuries that are deemed irreversible and requiring daily assistance.
They aim to provide the necessary stimulation and rehabilitation care for highly dependent patients, to continue to provide high-quality assistance by focusing on family relationships, and to offer rehabilitation care with supervision by neurologists and physiotherapists.
Patients benefit from large rooms with individual care resources, looked after by trained, pro-active and motivated staff. The team includes specialist doctors who provide permanent medical care, as well as a high standard of psychological supervision.

• *multi-functional medical services,* for short stays for diagnosis and treatment. These multi-functional units cover general pathology but are generally strongly focused on geriatric care. The definition of these units is caring for patients for a short period for acute pathologies requiring diagnosis and appropriate treatment.
These units aim to provide acute care ahead of emergency services and general practitioners, provide high quality care in accordance with protocols and best practices, provide preparatory care for example to enter a post-acute and rehabilitation care facility, and improve care services by participating in care networks on key issues such as oncology, renal failure and Alzheimer's.

The resources provided are medical units with access to complementary examinations, with a permanent care structure with constant medical presence, available and trained staff, and access to current and known medical treatments.

The Group has continued with its approach to specialise its post-acute and rehabilitation care clinics, particularly within the framework of authorisation renewals in 2010.
The pace of development of post-acute and rehabilitation care facilities and the trend towards specialisation are in anticipation of the introduction of the T2A payment system in France, allowing for the provision of units that comply with the PMSI classification system as major clinical categories, with a parallel valuation.

In parallel with the specialisation of its care services, the Orpea Group has also developed daily hospital services to respond to patients' desire to receive rehabilitation during the day at clinics and return home in the evening.

5.3 – THE ORPEA GROUP'S PSYCHIATRIC CLINICS

The Group's psychiatric facilities receive patients with acute mental pathologies requiring care over an average stay of 30 days (ranging from one to six months depending on the pathology). The Group's Clinics provide psychiatric treatment and psychotherapeutic monitoring:

- mood disorders (depression, bipolar disorder);
- anxiety disorders (obsessive compulsive disorder, panic disorder, generalised anxiety, social phobia);
- addictions (alcohol dependency, behavioural addictions);
- overuse syndromes;
- some forms of psychotic disorders.

The Orpea Group invites each of these clinics to develop a centre of knowledge, which has enabled a number of its facilities to develop real expertise, for example:

- **Clinique Lyon Lumière (Meyzieu 69):**
  - *The Geriatric Psychiatry unit* receives 40 elderly patients with psychiatric pathologies specific to ageing. Care is provided by two geriatric psychiatrists, a geriatrician, a neuropsychologist, a neurologist and an enhanced paramedical team.
  - *The Cognitive Behavioural Therapy unit* offers care for obsessive compulsive disorders (OCD).This department was the object of a report on OCD at the clinic broadcast in the "*Jour Après Jour*" programme on France 2 on 20 February 2007, as well as in "*Tellement vrai*" on 14 May 2009.
  - *The Sleep Disorders unit* which opened in 2010 and offers investigation and treatment of sleep disorders.

- **Clinique d'Orgemont (Argenteuil 95):**
  - The Collaboration Unit receives patients in hospital on voluntary or compulsory basis within the framework of a close collaboration with the Centre Hospitalier d'Argenteuil, for which it operates 20 inter-departmental beds. This Public-Private partnership is exemplary and unique in France.

- **Clinique Villa des Pages (Le Vésinet 78):**
  - *The Young Adults Unit* receives patients aged between 16 and 25, mainly with behavioural disorders, which could go as far as self-injury. It is part of the behavioural disorders network for the Paris region. It also looks after patients with

eating disorders. This unit is recognised and part of the national network for eating disorders.

- **Clinique Villa Montsouris (Paris 75):**
    - *The Eating Disorders Unit* works in close collaboration with the specialist department at Hôpital Sainte Anne and is a member of the eating disorders network for the Paris region.

- **Clinique des Orchidées (Andilly 95):**
    - *The Bipolar Disorders Unit* is due to open in the near future and will be part of the bipolar network for the Paris region.

- **Clinique de l'Ermitage (Montmorency 95):**
    - *The Alcoholism Unit* provides specific care for alcohol dependence.

- **Clinique de la Lironde (Saint Clément de Rivière 34):**
    - *The Adolescents Unit* receives young patients mainly with behavioural disorders, which may go as far as self-injury. It is a member of the networks for the Languedoc Roussillon region.

- **Clinique La Métairie (Nyon – Switzerland)**

    The clinic, a private institution with a long track record in hospital treatment for psychological disorders, specialises in caring for eating disorders, addictions (alcohol and nicotine), post-traumatic stress and burnout.
    Five specialist units spread across an attractive, landscaped, seven-hectare site are able to receive anyone requiring medical supervision and agreeing to play an active role in their own care.

This expertise is renowned not only among the healthcare professionals of the region, on which the clinics depend, but also among the supervisory authorities, with which the Group has established or is to establish appropriate funding for its resources.

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), the 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 6th edition was published in January 2011 and will now be published by a professional publishing house – érès – attesting to the quality of the College's work and writing).
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

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

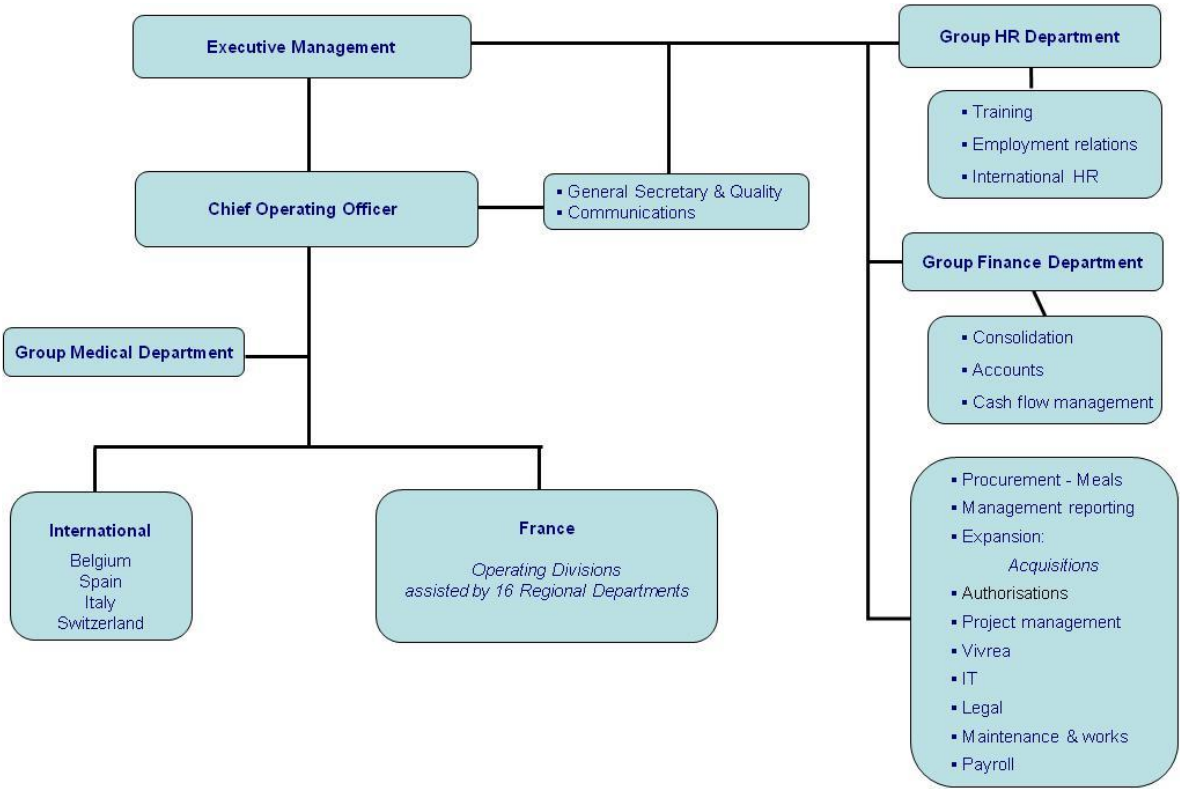
6.1 – AN ORGANISATIONAL STRUCTURE SUPPORTING THE QUALITY OF THE GROUP'S SERVICES

Thanks to a highly organised head office, facility directors are relieved of administrative duties and can therefore focus the majority of their efforts on helping residents and patients and in managing their teams.
This centralised system allows for the pooling of costs and optimisation of how facilities are run.

The head office also plays a supportive role, using the most up-to-date methods to devise and disseminate its various procedures and allowing directors and staff to focus their skills on residents and patients.

The Group's organisational structure is based on two main principles:

- centralisation of all general services at the head office (accounting, purchasing, payroll, legal, billing, etc.);
- an operating organisational structure suited to the responsiveness requirements of its business lines, as well as the Group's management reporting and quality monitoring demands.



The Orpea Group also develops IT applications in order to have management and operating tools that meet its actual needs. Within this framework, the Group has invested in research and development to adapt its "Hospital Manager" IT system, needed for the management of its clinics.
Hospital Manager is an integrated solution for looking after patients' administrative and medical information. Its various modules – including invoicing, PMSI, prescriptions, pharmacy and medical records – allow it to address the problems relating to dispensation of drugs and regulatory changes,

such as the 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, data extractions and medical and financial analyses.
Since the project was launched several years ago, the Orpea Group has made a significant contribution to ensuring that Hospital Manager meets users' demands and that it is intuitive to use, facilitating the roll-out among its 4,000 users.

6.2 – LEGAL ORGANISATIONAL STRUCTURE

In order to simplify its legal organisational structure and streamline its costs, mainly administrative and accounting costs, in 2011, the Group carried out complete transfers of the assets and liabilities of its wholly-owned subsidiaries, in the form of dissolution without liquidation.

Subsidiaries absorbed by SAS CLINEA:

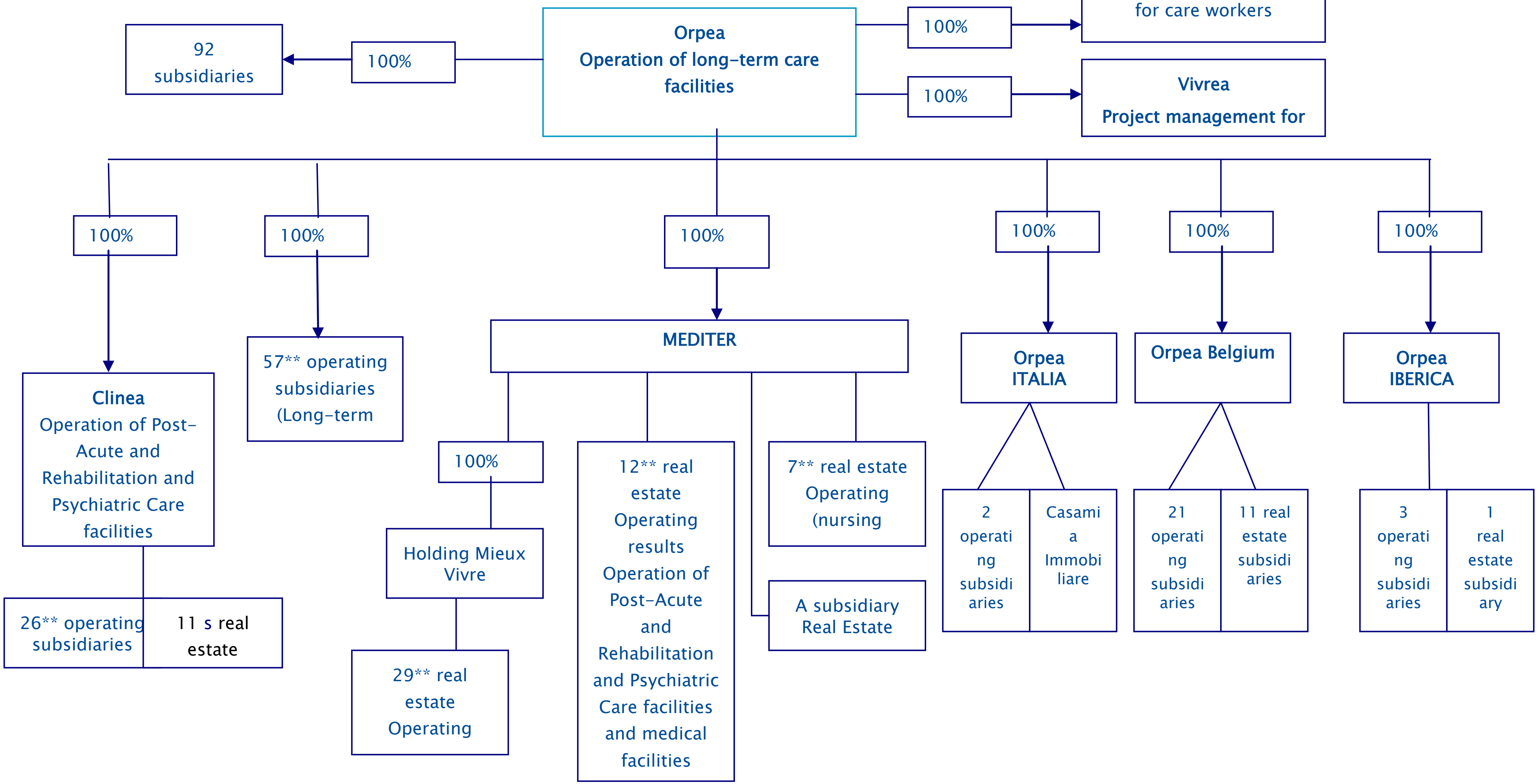
- SAS LE CLOS DU ROY

Subsidiaries absorbed by SA ORPEA:

- SAS CARDEM
- SAS AVI GESTION
- SAS SAINT HONORAT
- SAS CENTRE GERONTOLOGIQUE DE TREIGNY
- SA ABBAYE DES CORDELIERS
- SAS L'HORIZON
- SAS DOMAINE LES FROMENTAUX

SAS PLACENETTE was absorbed by SAS CLINIQUE DE L'ISLE-LE MOULIN

La SARL LA RESIDENCE LA CLAIRIERE was absorbed by SAS LA CLAIRIERE


Orpea
Operation of long-term care facilities
100%
92 subsidiaries
100%
Domea
Training institute for care workers
100%
Vivrea
Project management for
100%
Clinea
Operation of Post-Acute and Rehabilitation and Psychiatric Care facilities
26** operating subsidiaries
11 s real estate
100%
57** operating subsidiaries (Long-term
100%
MEDITER
100%
Holding Mieux Vivre
29** real estate Operating
12** real estate Operating results Operation of Post-Acute and Rehabilitation and Psychiatric Care facilities and medical facilities
7** real estate Operating (nursing
A subsidiary Real Estate
100%
Orpea ITALIA
2 operating subsidiaries
Casamia Immobiliare
100%
Orpea Belgium
21 operating subsidiaries
11 real estate subsidiaries
100%
Orpea IBERICA
3 operating subsidiaries
1 real estate subsidiary

7. ORPEA VALUES, QUALITY, CONTROLLED REAL ESTATE POLICY: THE THREE MAIN TENETS OF THE GROUP'S STRATEGY

7.1 – THE FUNDAMENTALS OF THE ORPEA GROUP OFFER:

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

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

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

These fundamentals define the Group's strategy:

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

7.1.1 – The Orpea Group's values

The term "value" relates to both a financial aspect and a moral aspect.

We believe that there cannot be value creation without founding values that guide our actions and which we work to support each day.

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

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

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

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

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

The core value that underlies all these values is clearly ethics, and it is this fundamental value that guides the Group, particularly in its quality and training policies.

7.1.2- Ethics: an everyday requirement

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

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

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

Based on a task that began nearly 15 years ago and was performed with two consultants, independent of the Group and specializing in care ethics, all the teams were invited to choose a number of values that they considered to be the most important (such as respect, listening skills, competence, cooperation, trust, professional conscience, etc.). Five to seven of these values were selected by staff as the most fundamental. Each member of staff is then invited to participate in groups in which guidelines are drawn up to explain each value, before choosing a picture or image to illustrate each of these values.
This way of establishing a set of ethics is offered to all members of staff, including cleaners, nurses, invoicing clerks, receptionists, care workers, waiting staff, doctors, chefs, directors and support staff. Overall, around 80% of members of staff attend on average 18 hours of ethical reviews, representing around three hours per key value.
Lastly, the results of this work are put together in the form of a charter, which is displayed throughout the facility and implemented by all staff.

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

Almost 200 charters - each of which is unique - have been drawn up so far at the Group's facilities.

To a certain extent, it can be said that ethics form the main foundation of staff at these facilities.

From the time a facility itself draws up, assimilates and makes these moral and fundamental values its own, the behaviour of its staff corresponds as far as possible to the principles set forth, particularly with in-house training modules on subjects such as "preventing maltreatment" and "conflict management" offered on a recurring basis.

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

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

7.2 – ACTIVITIES GOVERNED BY A RIGOROUS QUALITY POLICY:

The landscape of the dependency care sector has also undergone a cultural revolution, taking quality concerns into account in its day-to-day operation.
As a result of the implementation of tripartite agreements in 1999, long-term care facilities are committed to continuous quality improvement. By defining the terms of operation of the facility, particularly in view of the quality of care and care services provided, the tripartite agreement also sets out targets for the development and improvement of the facility, as well as how it is to be assessed.
By signing their tripartite agreement, the Group's long-term care facilities thereby agree to meet a number of quality targets in return for the funding of a portion of care expenses by the national health system and expenses relating to dependency care by the local *département*.
The quality of care targets defined within the specifications of the tripartite agreements are structured around four key themes that form the basis for negotiation with the supervisory authorities:
- residents' quality of life;
- quality of relations with residents' friends and families;
- quality of staff working at the facility;
- membership of a gerontological network offering coordinated care services;

For many years, this quality-led approach has been not a regulatory requirement but one of the Orpea Group's fundamental values.
As people are central to what the Group does and it believes that lasting growth cannot be achieved without quality, continuing quality improvement is one of the Orpea Group's main strategic aims.
The Orpea Group has therefore implemented a pro-active and rigorous Quality policy. The overall objective of all of the Quality procedures in place within the Group essentially means giving meaning to the work of each employee, allowing them to create the necessary link for providing quality care.

The Orpea Group's Quality policy is structured around:
- protocols and care procedures that are harmonised and subject to continuous improvement

- satisfaction surveys
- internal and external assessments
- competitions and other prizes
- staff training.

This quality approach is driven by a team of over 20 people led by the Quality Manager, in collaboration with the Medical Director.
For over 15 years, strict procedures – standardised across the network – have been implemented and are constantly evolving.

7.2.1- Satisfaction surveys of residents and patients

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

For the Group's clinics, questionnaires are systematically handed out to patients on admission and are analysed once a month in order to monitor the development of areas for improvement. The results are then displayed.

At long-term care facilities, the Quality department puts together a **"satisfaction barometer"** each year, which enables residents and their families to assess the services provided by the facility.
This yearly satisfaction barometer has been designed to listen to all parties concerned and thereby allow for any corrections that need to be made and for strengths to be consolidated. Each facility therefore gives out a satisfaction questionnaire to all residents and their families. On receiving the responses – which are anonymous – the Quality department sends them to an external company to analyse the results.

In 2011, nearly 11,900 satisfaction questionnaires were sent to all residents and families and 6,833 questionnaires were returned and analysed, representing a 57.5% response rate. 93.6% of residents and families said that they would recommend the Group's facilities.

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.

7.2.2- External assessments of the Group's facilities

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

In the clinics

In France, an external assessment procedure is mandatory for all healthcare institutions, whether public or private: certification is carried out by the *Haute Autorité de Santé* (HAS), an independent public authority. It concerns all a healthcare facility's operations and practices and aims to ensure that safety and quality of care requirements are actually taken into account by the facility.

Certification is based on all of the facility's professional staff taking part in the self-assessment process, carried out on the basis of the certification manual published by the HAS and a visit from HAS experts.

This procedure therefore allows for:
- assurance of the quality and safety of care services given to the patient;
- evaluation of the dynamic of assessment and improvement processes in place;
- involvement of professional staff;
- enhancing the value of assessment and improvement measures;
- fostering greater confidence among the public by reporting results;
- formulation of clear recommendations for facilities.

Certification therefore fits in with a dual international trend advocating:
- a professional approach to promoting continual quality improvement based on an industry reference framework and external assessment by peers;
- and assessment of the level of quality achieved against the backdrop of increased obligations to report to the public on the quality of services provided.

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

The Group's clinics which have already taken this certification have obtained satisfactory results:
- 58 institutions were certified
- and 18 facilities achieved certification with follow-up.

During these certification processes, experts from the Haute Autorité de Santé (HAS) highlighted points of note in the organisation of some of the Group's clinics, based on their innovative and/or durable character. These strengths are presented as "actions of note" in the certification reports.

In addition to obtaining certification and the Group's positive results, it is important to stress that the Group's quality improvement system is a continuing and permanent process of which certification is just one stage.
Furthermore, a multi-disciplinary steering committee at each of the Group's clinics – comprising primarily the management team and members of the medical, paramedical, administrative and logistics teams – is responsible for the permanent monitoring of this quality improvement system.

In long-term care facilities:

In 2009, the Orpea Group voluntarily decided to obtain external assessments of 19 of its facilities for the elderly, in the form of certification based on the "Qualicert" standards set by SGS (Société Générale de Surveillance).
This certification process therefore allows for an assessment of the facility's standards, comfort, quality of welcoming and integrating new residents, respect for "rights and freedoms", maintaining social ties, care given to residents and training of staff. Once facilities have been certified, monitoring is organised each year to check that the commitments made are observed, particularly as regards the quality and consistency of the services it offers.

The 19 facilities obtained Qualicert certification on the basis of 21 key characteristics[3], 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:

- 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.

In 2010, the Orpea Group decided to involve over 50 additional residences in this process. In March 2011, 72 of the Orpea Group's facilities for the elderly obtained Qualicert – Services Certification from SGS.

7.2.3 – The ORPEA – CLINEA Quality Awards

In order to enhance its policy of continuing improvement in quality of services provided and make quality a unifying managerial tool serving the well-being of its residents and patients, the Quality department has instituted the "Orpea-Clinea Quality Award".

This is an annual internal competition based on the assessment of external and internal regulatory criteria. The competition consists of three stages:

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

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

(iii) the final stage, with a new assessment grid and case studies, headed by the Quality department and the medical department, in addition to a member of the Executive Management team (the Chairman, the Chief Operating Officer or the Chief Financial Officer).

At the end of the competition, six prizes are awarded – three for nursing homes and three for clinics. In 2011, the prize winners were:

- 1st prize: the L'Oliveraie des Cayrons post-acute and rehabilitation care clinic in Vence (06) and Résidence La Jordanne in Aurillac (15)
- 2nd prize: the Orgemont psychiatric clinic in Argenteuil (95) and Résidence du Cliscouet in Vannes (56)
- 3rd prize: the Clinique de l'Abbaye in Viry Chatillon (91) and the Résidence du Val d'Oise in Hirson (02)

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. **During an evening awards ceremony held in their honour, teams are awarded a trophy and a gift, adding to the valuation and recognition of their daily work.**

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[3] List provided as an appendix

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

7.3 – A CONTROLLED REAL ESTATE POLICY

7.3.1 – Real estate: a strategic asset

Real estate represents a strategic asset for the Group in carrying out its business activities. The Group selects sites according to the intrinsic quality of the property, including in particular the quality of **the site and its location**. Most of its facilities are located either in city centres or in exceptional surroundings, with the constant aim of allowing for synergies with families and prescribing medical specialists.

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

The Group also pays particular attention to:

– the architectural quality of the building: the Group has built a large proportion of its properties, allowing it to design its facilities in accordance with its own quantitative standards
– the quality of its internal services;
– compliance with environmental standards and the search for energy savings.

7.3.2 – The Group's real estate portfolio

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

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

At 31 December 2011, the Group's real estate portfolio comprised 230 buildings, including:

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

This portfolio represents a constructed area of 756,000 m^2 over more than one million m^2 of land. The group also owns land and assets under construction.

The real estate assets (including assets under construction) thus accounted for a figure in the balance sheet of €2,184 million, after deducting assets held for sale on 31 December 2011, for an amount of €121 million.

The Group's real estate is financed by long-term loans or lease financing agreements.

The Group is a leaseholder under a number of lease financing agreements concerning 71 properties, most of which are located in major cities.
The lease financing method is favoured by the Group as, by paying a fee just above the ordinary rent, it has the option to become owner of the building after a period of 12 months by paying a low residual value. The Group therefore becomes owner of a number of properties financed in this way each year.

The lease financing method allows the Group to anticipate the application of the changes to IAS 17, under which all operating leases will have to be recognised under assets and liabilities on the balance sheet at the value representative of the right of use. Operating leases will therefore be recognised in a similar way to lease financing agreements, although only lease financing will allow the Group to become the final owner of the property at the end of the contract by exercising the option to buy the property under favourable terms.

Although the lease financing method results in the property being consolidated in the balance sheet under assets (the building) and liabilities (the debt), this ownership strategy is a source of value creation. This is why Orpea has continued to use it since it was founded.

7.3.3 – A flexible and controlled property policy

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

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

This real estate strategy was illustrated by the disposal in January 2012 to the insurer, Ethias, of three buildings in Brussels and by the signature of a partnership agreement signed with the Cofinimmo Group in November 2011. This partnership stipulates that the parties shall institute "joint ventures", the objective of which is to acquire, own and lease health property assets operated exclusively by Orpea; the agreement expects to reach turnover of €500 million within five years. A first acquisition involving a nursing home in Paris was thus made on 19 April 2012 by the first joint venture, COFINEA I SAS, a company under French law in which Cofinimmo holds a 51% stake and Amundi Immobilier Novation Santé OPCI (the Orpea Group's OPCI) the balance of 49%. COFINEA I SAS enjoys Société d'Investissements Immobiliers Cotée (SIIC) [Listed Real Estate Investment Company] status.

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

For leased buildings, the commercial leases generally state that the Group is responsible for works mentioned in article 606 of the French Civil Code, in order to manage these works and therefore the quality of its services.

7.3.4- Management of the real estate portfolio

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

The Orpea Group has a Project Management department in charge of new constructions, as well as a Works and Maintenance department, which is primarily in charge of the maintenance of 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 Manager, who is supported by business managers who are qualified engineers or architects, and a works accounting department.
With its expertise in the construction of both accommodation facilities for dependent elderly people and clinics, the Group has very quickly grasped the importance of sustainable development for its business. This is reflected increasingly by compliance with certain HQE environmental quality criteria.

The Project Management department applies these rules to new constructions, which need to be more energy efficient and blend in with their environment in terms of accessibility, landscape and urban integration. Construction sites are also closely examined in order to limit disruption. The consequences of rainwater are analysed before works begin. The architecture favours acoustic and visual comfort.
The organisation of the various steps - project management, selection of prime contractors, selection of assistants and companies, etc. - is adapted to these new requirements.
In addition to HQE rules, the Group is particularly vigilant and innovative in the design and use of living areas on the basis of a care plan, which prioritises the independence and well-being of residents, using materials, colours and lighting in particular.

The Works and Maintenance department

The role of the **Works and Maintenance** department 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 for everyday building maintenance:

- regular checks of all equipment, cleaning of ventilation and air conditioning systems, maintenance of green areas, high pressure cleaning of terraces and external areas, management of supplies and getting rid of waste, monitoring of Legionnaires' disease prevention protocols;

- everyday repairs (replacing light bulbs, leaks, redecorating of bedrooms, premises, offices, etc.).

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

At the end of each year and on the basis of the checks carried out and requests from directors, provisional works budgets are prepared and approved by Executive Management.
These works include all the needs for N + 1: bringing technical and safety equipment up to standard, replacing dilapidated equipment, major repairs to traffic areas and/or bedrooms, changes to the layout in order to improve services, and safety works in the area for Alzheimer's patients.
An invitation for tenders is launched for these works, which are negotiated by works assistants and validated by the Works department, thereby enabling the Group to preserve the quality of its real estate assets.

8. THE RESULTS OF AN EFFECTIVE STRATEGY: ORPEA, A KEY PLAYER IN ITS SECTOR

8.1 – ORPEA: A KEY PLAYER IN FRANCE

The private for-profit sector is made up of three types of operator:
- four major groups with national coverage (over 5,000 beds);
- 15 small to medium-sized groups (between 500 and 5,000 beds);
- around 800 independent operators (including 700 individual operations with capacity of 5-40 beds).

In 2011, the commercial sector accounted for 114,000 nursing homes beds and the top 15 groups accounted for 64% of this sector, but for only 13% of all beds in nursing homes (public, voluntary and private business). *(Source: Mensuel des Maisons de Retraite, January 2012)*

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

Group	France in 2011		Internationally in 2011
	Number of beds in operation	Number of facilities in operation	Number of beds
Orpea	**16,659**	**198**	8,124
DVD	14,387	185	0
Korian	11,099	127	7,625
Medica	10,838	136	2,105

Source: Mensuel des Maisons de retraite – January 2012

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

GROUP	Psychiatry	Post-acute and rehabilitation care
Orpea-Clinea	**30 facilities**	**45 operating facilities**
Korian	7 facilities	37 facilities
Générale de Santé	25 facilities	20 facilities
Medica	7 facilities	31 facilities
Capio	1 facility	4 facilities

Sources: For Générale de Santé, Korian and Médica: company websites

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

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

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

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

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

In general, the post-acute and rehabilitation care market has grown over the last few years. In 2008, over three million post-acute and rehabilitation stays (representing 30 million days) were recorded in France (an increase of 6.7% over the previous year, and 36.2% since 2002). Partial hospitalisation has driven this growth in activity, which saw an 8.7% increase in the number of admissions in 2008 and the number of authorised places increase by 7.4%. In 2009, post-acute and rehabilitation activity generated over 33 million days, an increase of 10% over the previous year.

These performances fall against the backdrop of increased capacity (growth of 2% in 2008), which is likely to be confirmed over the next few years, as suggested by the aims of France's Cancer Plan - which plans to provide 15,000 new post-acute and rehabilitation care beds through the conversion of existing beds or creating new beds - and the Alzheimer's Plan - which exposes the need to create specialist post-acute and rehabilitation care units for the care of confused patients. Private clinics have seen the strongest growth, with an 11.9% increase in supplementary post-acute care admissions in 2008 following growth of 4.1% in 2007 and 5.9% in 2006.

In General Psychiatry, the private for-profit sector makes up an even smaller part of the market, representing 21% of beds opened, with 23% of admissions in 2009. However, the weighting of the private sector has tended to increase over the last few years - with an increase of 0.8% in the number of admissions and an increase of 0.4% in the number of days - against the backdrop of a general reduction in capacity, with a 9% drop in the number of general psychiatry beds since 2009.

Overall, the private post-acute and rehabilitation care and psychiatric care sector is still highly fragmented. More than 75% of medium-stay clinics belong to independent operators, owned by staff or families, with just one facility.
This sector is nevertheless undergoing a process of restructuring that is not yet over. On one hand, smaller facilities need to cope with more stringent operating requirements for care units. On the other hand, the new generation *Schéma Régional d'Organisation Sanitaire* or SROS III (regional medical care plans system) has accentuated these restrictions, as the breakdown of activities at each clinic is based on demand from patients, the competitive climate and the decisions of the Regional Hospital Agency. This change requires restructuring of the supply of care services and therefore financial resources, which the majority of independent clinics do not have.
(Source: DREES Etudes & Résultats no. 716 - February 2010, "Healthcare facilities in 2008")

8.3 – THE VARIOUS PROVIDERS OF DEPENDENCY CARE FOR THE ELDERLY

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. In 2011, there are an estimated 540,000 places.

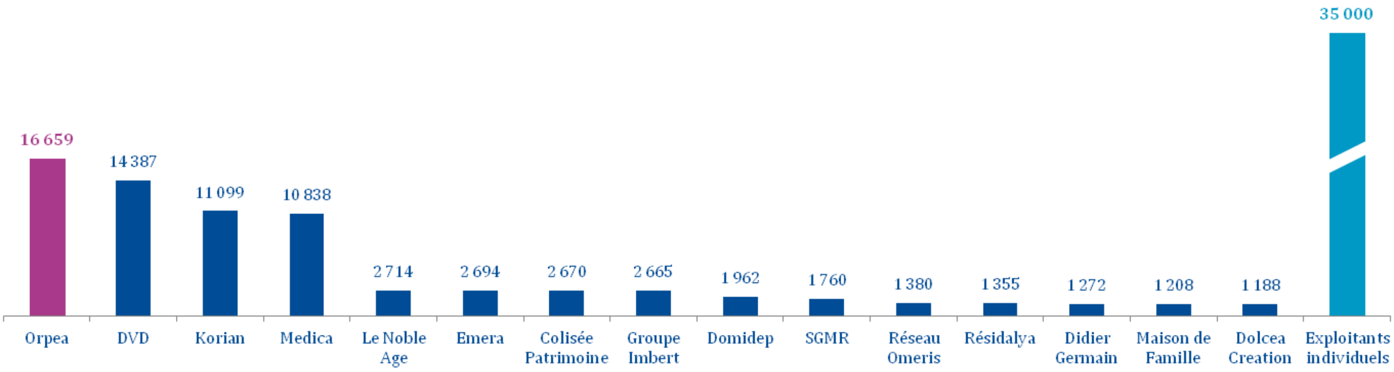
At the end of 2007, there were a total of 10,305 facilities for elderly people (dependent or non-dependent), offering 684,159 places.

Today, it is estimated that the private for-profit sector accounts for around 20% of the sector's total accommodation capacity, compared with 55% for the public sector and 25% for associations.
(Source: SYNERPA - press release of 23 February 2007)
In recent years, the private business sector has been particularly active in creating new facilities, but its weight on the whole sector remains weak.

Associations comprise religious organisations and not-for-profit associations, for example those backed by the Caisses d'Epargne.

The private for-profit sector is made up of national or regional groups, as well as a large number of independent facilities. The sector is therefore still highly fragmented.

<u>Rankings of private business groups</u> – (Source: Mensuel des Maisons de Retraite, January 2012)

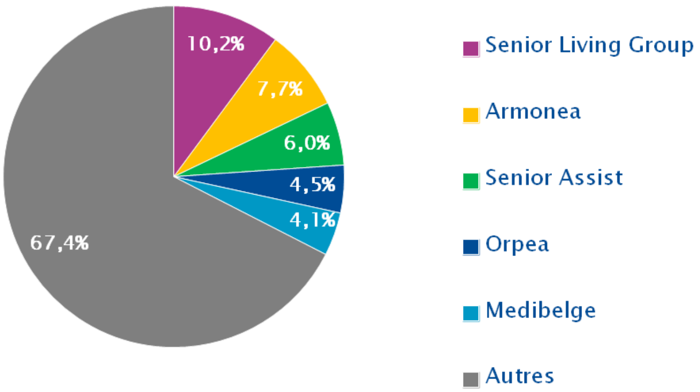


In Belgium

The Belgian sector for long-term care facilities consists of 132,646 authorised beds at 1,300 facilities. (*Source: INAMI, List of homes on 16/09/2011*)
Of these beds, 69% are managed by the public sector and associations and 31% by the private commercial sector.
From a geographic perspective, 12% of beds are located in Brussels, 36% in Wallonia and 52% in Flanders.
Belgium's Social Security department allocates 9% of its budget to the elderly.

The private commercial sector is growing and remains highly fragmented.

<u>Market share of private business segment</u> (Source: INAMI, List of nursing homes on 16/09/2011)



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 Italy

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 in long-term care facilities or RSAs, with an estimated need of 490,000 beds by 201.1 (S*ource: 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: ITSTAT study - "L'assistenza residenziale in Italia")*

In Spain

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

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

On 30 November 2006, Spain adopted a law providing the right to support for people who are not or no longer capable of looking after themselves because of their age or disability. Spain has a System for Independence and Care for Dependency (SAAD), managed by the government and autonomous regions. This service has operated since January 2007 and 61,000 persons were covered at the end of 2011.

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

CHAPTER IV: 2011 MANAGEMENT REPORT

This management report provides details of the operations of Orpea SA and the Orpea Group in 2011. The Chairman's report is attached to this report and provides additional information for all sections stated. The Board of Directors has put forward the reasons for the draft resolutions submitted to the shareholder vote at the general meeting in a separate report.

1– OVERVIEW OF 2011

2011 was marked by continued active development of the Group, both through significant growth in its financial flexibility and a diversification of its property financing. These developments have bolstered Group confidence in its growth prospects and in its future financial strength.

Orpea's shareholder structure has also been reinforced: after the arrival in late 2010 of NEO GEMA (a company held by Philippe Austruy), FFP, a family-run company noted for its selective investment policy, acquired a 6% equity holding in Orpea in July 2011. This acquisition is in line with a long-term partnership-based approach that enables the Group to actively pursue its European development policy.

1.1 – CONTINUED ACTIVE DEVELOPMENT

During 2011, Orpea prioritised strong organic growth through a dual creative strategy based on opening new facilities and on major restructuring measures. In terms of external growth, the Group completed the integration of the Mediter Group, acquired in 2010, and made a number of targeted acquisitions in keeping with its selective policy aimed at positioning the Group on a European scale.

1.1.1 – Strong internal growth based on opening new facilities and restructuring measures

Eight new facilities opened

During 2011, Orpea opened eight new facilities totalling 802 beds, comprising facilities created from scratch and major redevelopments.

In France, the Orpea Group opened six facilities during the year, three of which involve new operating licences, the remainder being redevelopments.

In Italy, the Orpea Group opened one new long-term care facility with 104 medicalised beds ("RSA" status) in Casier (a few kilometres north-east of Venice). This is a newly-built facility with high-quality residential services and mostly individual rooms.

In Belgium, Orpea Belgium opened its first Flemish facility in Destelbergen. Flanders is a region with high purchasing power and considerable demand.

Sustainable growth rate during the year, in particular as regards new licences

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

For example, Orpea obtained a licence to open a new long-term facility with 90 beds, on avenue Mozart in the 16th arrondissement of Paris, which is set to open in late 2013.

These new licences were obtained thanks to the Group's reputation for quality care provision and the experience and expertise of its teams in designing new facilities.

In Italy, new builds and redevelopments continued, including in particular the completion of work on the Trofarello psychiatric facility near Turin. The capacity of this clinic was raised from 64 to 80 beds and the entire building was upgraded. The new 80-bed facility is set to open in the first quarter of 2012.

In Belgium, the Orpea Group continued to restructure its facility network, rolling out its management model and quality approach. Following the growth of its network in recent years, the Belgian administrative head office was expanded. Over the year, redevelopment projects and new builds continued and 40% of the network is currently being developed.

The Group is also considering a number of renovation projects and the creation of protected units for patients with disorientation disorders on existing sites in order to increase daily rates.

In Switzerland, construction has started on the Bois Bougie care facility. This is a new 90-bed facility providing post-acute and rehabilitation care, located on the same campus as the psychiatric care facility currently in operation in Nyon, near Lake Geneva. The foundation stone was laid in May 2011. Construction is set to be completed in the summer of 2012 with the opening scheduled for the last quarter.

1.1.2 - Mediter Group successfully integrated and expected synergies rapidly realised

The acquisition of 3,810 beds in France from the Mediter Group was finalised on 31 December 2010, and the operational integration of facilities was completed before year-end 2011. The rapidity and efficiency of the successful integration of Mediter attest to the quality of our teams' organisation and expertise and of the Group's own procedures.

Orpea's Quality procedures were rolled out to all open facilities from the first quarter of 2011. Support functions were also pooled in parallel with this roll-out to create synergies.

New and future facility projects were taken over by Orpea's Project Management and Works departments. The teams in these departments have decades of experience in designing and building medical and long-term care facilities.

Finally, Orpea's Licensing & Rates and Works departments, in consultation with the supervisory authorities, have started amalgamating a number of facilities in order to create modern sites with a minimum 80-bed capacity.
These opportunities will create significant value and will provide powerful leverage in terms of profitability.

1.1.3 - New selective acquisitions in Europe

1.1.3.1 - Strategic acquisitions in Spain

On 25 January 2012, Orpea Iberica finalised the acquisition of the three Artevida Group companies previously owned by property group GEDECO AVANTIS. The acquisition related to six recent facilities totalling 1,162 beds, located in and around Madrid. This was a unique opportunity, in terms of both asset quality (with 80% individual rooms) and price, in a country with significant care needs and an as yet fragmented private sector.

Moreover, Orpea Iberica has reached critical mass with 2,938 beds, enabling management of the Spanish head office to be optimised.

1.1.3.2 - Summary of expansion in 2011

Orpea has pursued its policy of targeted acquisitions of facilities in operation:

In Italy, the Group acquired a 147-bed psychiatric care facility in Turin.

In Belgium, the Group not only continued its expansion in the Brussels area but also carried out its first operations in Flanders, for example with the integration of the Lucie Lambert facility, which has capacity of 147 beds.

In France, the Group was active through the acquisition of goodwill and of equity interests:

- Acquisition of goodwill:

- ALFORTVILLE (94): post-acute and rehabilitation care facility with 90 beds
- LIVRY GARGAN (93): post-acute and rehabilitation care facility with 48 beds and 12 neurological rehabilitation places

- Interests and controlling interests:

by Orpea S.A		
SNC DES PARRANS	100% of share capital	Nursing home in Contes (06)
SAS DOMAINE LES FROMENTAUX	100% of share capital	Nursing home in Moulin Neuf (24)
SAS HOLDING MANDRES	100% of share capital	Holding company
Via HOLDING MANDRES		
SARL NORMANDY COTTAGE	100% of share capital	Nursing home in Mandres les Roses (94)
SAS ABBAYE DES CORDELIERS	100% of share capital	Nursing home in Caromb (84)
SA LE CLOS SAINT GREGOIRE	100% of share capital	Nursing home in Biot (06)
SNC LES ACANTHES	100% of share capital	Nursing home in Cannes (06)
SA RIVE ARDENTE	100% of share capital	Nursing home in Saint Gautier (36)
SAS LE CLOS D'ALIENOR	100% of share capital	Nursing home in Le Bouscat (33)
SAS LES JARDINS D'ALIENOR	100% of share capital	Nursing home in Bruges (33)
SAS LES JARDINS DE LA CRAU	100% of share capital	Nursing home in Miramas (13)
SAS L'OCCITANIE	100% of share capital	Nursing home in Cabries (13)
SAS LES JACOURETS	100% of share capital	Nursing home in Peymeinade (06)
SAS LES JARDINS DU MAZET	100% of share capital	Nursing home in Fos sur Mer (13)

In late 2011, Orpea also finalised the acquisition of a 49% equity stake in SAS HOLDING MIEUX VIVRE, via its subsidiary MEDITER.

Via subsidiary MEDITER (wholly-owned by Orpea)		
SAS HOLDING MIEUX VIVRE	100% of share capital	holding wholly-owned since 29/12/2011 (previously 51%) owned)
Via HOLDING MIEUX VIVRE		Long-term care facilities
SAS LES PIVOINES	100% of share capital	Nursing home in Isle d'Espagnac (16)
SAS RESIDENCE DU PORT	100% of share capital	EHPAD under construction
SAS LE CLOS D'ARNOUVILLE (95)	100% of share capital	Nursing home in Arnouville (95)
SAS LE CLOS DE L'OSERAIE	100% of share capital	Nursing home in Osny (95)
SAS RESIDENCE NOTRE DAME	100% of share capital	Nursing home in Parignargues (30)
SAS LE CLOS D'HEIMSBRUNN (68)	100% of share capital	Nursing home in Heimsbrunn (68)
SAS LES LYS	100% of share capital	Nursing home Montigny en Gohelle (62)
SAS BELLEVUE (33)	100% of share capital	Nursing home in Cambes (33)
SARL BELLEVUE	100% of share capital	Nursing home in Villers Le Bel (95)
SAS CHATEAU DE CHAMPLATREUX	100% of share capital	Nursing home in Saintry sur Seine (91)
SAS RESIDENCE DE L'ISLE	100% of share capital	Nursing home in Troyes (10)
SAS SOLEIL D'AUTOMNE	100% of share capital	Nursing home in Tarbes (65)

SARL ARCHE	100% of share capital	Nursing home in Breuillet (17)
SARL LE CLOS SAINT JACQUES	100% of share capital	Nursing home in Gradignan (33)
SARL HOTEL DE RETRAITE PERIGORDIN	100% of share capital	Nursing home in Terrasson La Villedieu (24)
SAS LE CLOS D'ARVERT (17)	100% of share capital	Nursing home in Arvert (17)
SAS RESIDENCE DU CHATEAU DE MONS (17)	100% of share capital	Nursing home in Royan (17)
SAS LES JARDINS DE ROMILLY	100% of share capital	Nursing home in Romilly sur Seine (10)
SAS LES TILLEULS	100% of share capital	Nursing home in Chamblay Les Tours (37)
SAS LE CLOS D'ETRECHY (91)	100% of share capital	Nursing home in Etrechy (91)
SARL MELODIE	100% of share capital 100% of share capital	Nursing home in La Seyne sur Mer (83) and Toulon (83)
SARL LE CLOS DE BEAUVAISIE (60)	100% of share capital	Nursing home in Beauvais (60)
SARL MAISON SAINT MICHEL	100% of share capital	Nursing home in Saint Pair sur Mer (50)
SARL LE CLOS THIERRY	100% of share capital	Nursing home in Brasles (02)
EURL LE CLOS DES PEUPLIERS	100% of share capital	Nursing home in Bobigny (93)
EURL LE CLOS DE L'ILE DE MACE	100% of share capital	Nursing home in Reze (44)
EURL MAISON DE GERIATRIE ET DE RETRAITE BERNY	100% of share capital	Nursing home in Margency (95)
SAS LES GRANDS PINS	100% of share capital	Nursing home in Marignane (93)
Via SAS LES GRANDS PINS		
SARL RESIDENCE ROGNAC	100% of share capital	Nursing home in Rognac (13)

Via subsidiary CLINEA (wholly-owned by Orpea)		
SAS LE CHATEAU DE BREGY	100% of share capital	Post-acute and rehabilitation care facility in Bregy (60)
SA SANCELLEMOZ	81.42% of share capital	Post-acute and rehabilitation care facility in Passy (74)
SARL PCM SANTE	100% of share capital	Holding company

Via subsidiary Niort 94 (wholly-owned by Orpea)		
SCI BARBUSSE	100% of share capital	Owner of a property in Montigny en Gohelle (62)
SARL ANCIENNE ABBAYE	100% of share capital	Owner of a property in Caromb (84)
SCI DU BOIS GUILLAUME	100% of share capital	Owner of land for construction in Bois Guillaume (76)
SCI CASERNE DE DRAGUIGNAN	100% of share capital	Owner of a property in Draguignan (83)
SAS EMERAUDE PARTICIPATIONS	100% of share capital	Owner of a property in Marseille (13)
SCI REZE	100% of share capital	Owner of land for construction in Reze (44)

1.2 – ENHANCED FINANCIAL FLEXIBILITY

1.2.1 - Rights issue

On 15 November 2011, Orpea launched a €203 million rights issue.

An issue that meets a number of strategic objectives

This pro-active, dynamic issue had the following aims:
- to increase the Group's financial flexibility and, more particularly, to strengthen its equity;
- to enable the Group to avail of selective external growth opportunities in countries where Orpea is currently established (France, Belgium, Spain, Italy and Switzerland), by targeting independent facilities (goodwill or company shares) or groups with capacity under 1,500 beds.

Main features of the issue

The main terms of the issue are as follows:

Number of new shares issued*	10,599,558 shares
Subscription price for new shares	€19.15 per share
Gross proceeds of the issue	€202,981,535.70
Preferential subscription right	Holders of preferential subscription rights were able to subscribe: in proportion to the number of shares held: one new share for four shares held; holders of four preferential subscription rights were able to subscribe for one new share at €19.15 per share; and, on an over-subscription and scale-back basis, in addition to the number of new shares they were entitled to subscribe.
Listing of new shares	On Euronext Paris (compartment A), on 8 December 2011, on the same quotation line as existing Company shares (ISIN code FR0000184798).
Commitment of major shareholders	Subscriptions and over-subscriptions by Orpea's majority shareholders represented on the Board of Directors amounted to 35.97% of the transaction, of which 17.83% for Dr. Jean-Claude Marian, 8.21% for NEO-GEMA, 9.94% for FFP.
Lock-up arrangements	180 days for the Company, subject to certain exceptions.
Undertakings to retain shares	120 days for Jean-Claude Marian, subject to certain exceptions.

Transaction a resounding success

The capital increase launched by Orpea on 15 November 2011 was the largest carried out in France during the year.
It was a resounding success, demonstrating the market's confidence in Orpea's model.
Total demand for shares amounted to approximately €320 million, a subscription rate of 157.5%.

10,599,558 new shares were subscribed, broken down as follows:

- 10,313,254 new shares taken up by shareholders as of right, representing approximately 97% of the total number of new shares;
- 286,304 new shares subscribed on a scale-back basis, with total demand for new shares of 6,380,726.

After almost ten years of listing, this was the first rights issue for Orpea.

1.2.2 – Conventional sources of financing continued

Orpea also continued with conventional sources of financing in 2011, through:

- obtaining new property leases to finance its property activity;
- obtaining new loans repayable over the medium to long term to finance its expansion.

1.3 – DIVERSIFICATION OF PROPERTY FINANCING STRATEGY

In keeping with its strategy to retain ownership of approximately 50% of its real-estate portfolio, the Group continued to finance through property leases a number of buildings that it operates.

Apart from sales by lots to individual investors, Orpea diversified two new means of divesting its property assets:

- in November 2011, it set up a strategic partnership with Cofinimmo, a major player in the healthcare property sector in France and Belgium.

This partnership provides for the setting up of joint ventures by the parties over time, the purpose of which will be to acquire, hold and lease assets operated by Orpea (nursing homes, medium-stay and psychiatric care facilities).
The leasing of assets held by the joint venture will provide annually indexed rental income governed by a triple net commercial lease bail with a minimum initial term of 12 years. Acquisition prices and rents will be determined per asset and as the partnership is implemented. Cofinimmo will hold 51% of the share capital in each joint venture and the Orpea Group OPCI will hold the remainder, i.e. 49% of each joint venture.
Both partners aim to acquire an overall asset portfolio worth €500 million within five years. Investments will mainly involve future expansion by the Orpea Group;

- on 12 January 2012, Ethias, a Belgian life and non-life insurer, completed the acquisition of three rest and care homes belonging to the Orpea Group in Brussels for €55 million.

It became apparent that insurers, particularly life insurers, were showing a keen interest in Group assets. Indeed, these players are seeking investments offering both security and visibility over the long term and are faced with investment constraints on equity and government bond markets. The interest in property assets operated by Orpea is in line with this approach, all the more so as the conditions offered by these investors are extremely attractive.

2 – FINANCIAL REVIEW FOR THE YEAR ENDED 31/12/2011

2.1 – CONSOLIDATED RESULTS

in thousands of euros	31-Dec-11	31-Dec-10
REVENUE	1,234,130	964,234
Cost of materials consumed and other external charges	(333,891)	(251,996)
Staff costs	(625,010)	(490,316)
Taxes other than on profit	(58,439)	(45,525)
Depreciation, amortisation and provisions	(55,063)	(42,493)
Other recurring operating income	5,035	1,045
Other recurring operating expense	(3,588)	(5,192)
Recurring operating profit	163,173	129,756
Other non-recurring operating income	211,223	181,332
Other non-recurring operating expense	(184,430)	(160,009)
OPERATING PROFIT	189,966	151,080
Financial income	16,968	14,765
Financial expense	(81,952)	(67,512)
Net finance cost	(64,984)	(52,747)
PRE-TAX PROFIT	124,982	98,333
Income tax expense	(45,531)	(30,924)
Share in profit (loss) of associates and joint ventures	835	(1,062)
CONSOLIDATED NET PROFIT	80,286	66,347
Attributable to minority interests	(29)	
Attributable to owners of the Company	**80,316**	**66,347**
Number of shares	52,997,791	42,352,795
Basic earnings per share (in euros)	1.87	1.71
Diluted earnings per share (in euros)	1.82	1.70

The notes form an integral part of the financial statements

The Orpea Group's consolidated sales in 2011

In 2011, Orpea posted record consolidated sales of €1,234 million – passing the €1 billion threshold for the first time – and higher than the annual target of €1,230 million. After increasing its activity by 14.3% in 2010, Orpea stepped up the pace of growth in 2011, with revenue rising 28%. The Group remains the most dynamic player on the market and has consolidated its position as European leader in global dependency care.

This 2011 performance was due to the roll-out of Orpea's virtuous circle which combines:

- robust organic growth of 8.5% through the opening of new facilities and continuing high occupancy rates;
- the rapid and advantageous integration of the Mediter Group acquired at end 2010;
- a controlled, proactive development policy.

This solid, lasting growth, against the backdrop of the turbulent economic and financial environment in 2011, confirms that the Orpea Group's performance is not particularly affected by the economic climate, as dependency care meets a structural requirement that cannot be deferred.

In addition, analysis of its performance by country shows relative stability in the breakdown of sales between France (89%) and international activities (11%).

In €m *IFRS*	2011	2010	% change	2009
France	**1,094.5**	**846.6**	*+29.3%*	**739.2**
% of total sales	*89%*	*88%*		*88%*
International	**139.6**	**117.6**	*+18.7%*	**104,1**
% of total sales	*11%*	*12%*		*12%*
including:				
Belgium	67.5	55.8		47.8
Spain	30.5	29.9		28.7
Italy	26.8	17.1		17.9
Switzerland	14.8	14.8		9.7
Total sales	**1,234.1**	**964.2**	*+28.0%*	**843.3**
O/w organic growth			*+8.5%*	

In **France**, 2011 sales rose 29.3% to €1,094.5 million, illustrating the attractiveness of the Group's facilities and the successful integration of Mediter Group facilities.
Orpea maintained high occupancy rates at its mature facilities thanks to the quality of its up-to-date offering, which meets the changing needs of people requiring dependency care. Moreover, the operational integration of Mediter facilities took place more quickly than expected thanks to the experience and expertise of Orpea's teams in this field. Finally, the opening of six new facilities boosted growth thanks to the attractiveness of entirely new and modern structures.

In **Belgium**, business remained strong, with sales rising 21% to €67.5 million over the year. This performance does not take account of sales at Medibelge, in which Orpea holds a 49% stake accounted for using the equity method. This continued buoyant growth is due to:

- the integration of facilities acquired and the beneficial effects of the progressive implementation of Orpea procedures;
- the growing number of facilities opened in 2010 and 2011, in particular the opening of the Group's first facility in Flanders, where daily rates are higher than average;
- continuing high occupancy rates and optimisation of mechanisms relating to INAMI funding (Belgium's national health insurance).

In **Switzerland**, Clinique La Métairie posted stable sales of €14.8 million, with occupancy rates remaining high.

In **Italy** Orpea's revenue posted strong growth, up 56.7% to €26.8 million. This robust performance is due to the opening at the start of the year of a high-quality residence with 104 beds in Casier, close to Venice, and to the acquisition of a major 147-bed psychiatric care facility in Turin, realised in the first half of 2011.

Lastly, in **Spain**, sales rose 2% to €30.5 million on a like-for-like basis, illustrating the Group's ability to continually improve the performance of its facilities in the country. Although Spain is undergoing a major crisis, Orpea has been able to maintain high occupancy rates thanks to the quality of its services provision and its acknowledged expertise.

Solid profitability and growth in net profit

In €m (IFRS)	2011	*% of sales*	2010*	*% of sales*	% change
Sales	1,234.1	*100%*	964.2	*100%*	*+28.0%*
EBITDAR (EBITDA before rents)	311.4	*25.2%*	236.4	*24.5%*	*+31.7%*
EBITDA	218.2	*17.7%*	172.3	*17.9%*	*+26.6%*
Recurring operating profit	163.2	*13.2%*	129.8	*13.5%*	*+25.7%*
Operating profit	190.0	*15.4%*	151.1	*15.7%*	*+25.7%*
Net finance cost	(65.0)	*n/a*	(52.7)	*n/a*	*+23.3%*
Pre-tax profit on ordinary activities	125.0	10.1%	98.3	*10.2%*	*+27.2%*
Net profit	80.3	*6.5%*	66.3	*6.9%*	*+21.1%*

All operational performance indicators rose over 25% in 2011, thanks to the ramp-up of facilities opened in the last two years and solid performance by mature facilities, despite the first-year integration of Mediter facilities, many of which are in the opening or redevelopment phase.

EBITDAR (EBITDA before rents) rose 31.7% to €311.4 million, accounting for 25.2% of sales compared with 24.5% in 2010. This growth of 70 basis points in the EBITDAR margin is due to:

- controlled staff costs thanks to a dynamic human resources policy focused on internal promotion and training. Staff costs, which rose 27.5%, account for 50.7% of revenue, compared with 50.9% in 2010;
- rigorous centralised purchase management enabling economies of scale. The ratio of purchases to other external charges remains stable, accounting for 19.5% of revenue;
- the growing number of new or redeveloped facilities opened in the last two years that are reaching maturity.

Recurring EBITDA (recurring EBITDA before rents, i.e. recurring operating profit before depreciation, amortisation and provisions) is up 26.6% to €218.2 million. Operating lease payments amounted to €93.1 million, of which €19.7 million for Mediter facilities. Like for like, rises in rents were contained at 1.7%.

Recurring operating profit was €163.2 million, up 25.7%, despite the first-year integration of Mediter Group facilities, which weighed on overall profitability because of the large number of facilities being opened or under redevelopment.
Recurring operating margin remained robust at 13.2% of revenue.

Operating profit was up 25.7% at €190.0 million, against €151.1 million in 2010. This included non-recurring net income of €26.8 million (against €21.3 million in 2010), comprising mostly net gains on sales of property assets.

Net finance cost was €65.0 million, against €52.7 million in 2010, a rise of 23.3% at a time of particularly sustained development over the last two years. The average interest rate on the Group's borrowings was stable compared with 2010, at approximately 4.5%.

Profit on ordinary activities rose 27.2% to €125.0 million, against €98.3 million in 2010.

The income tax expense for the year was €45.5 million compared with €30.9 million in 2010.

Net profit attributable to owners of the Company in 2011 was up 21.1%, at €80.3 million compared with €66.3 million.

2.2 - FINANCIAL STRUCTURE, DEBT AND REAL-ESTATE PORTFOLIO

At 31 December 2011, goodwill on the balance sheet amounted to €323 million, compared with €431 million at 31 December 2010. Intangible assets (mainly comprising operating licences) totalled €1,129 million compared with €835 million at end-2010.

At 31 December 2010, provisional goodwill for Mediter totalled €216 million. At 31 December 2011, definitive allocation of goodwill was finalised at €191 million (€125 million net of deferred tax) to intangible assets representing operating licences for facilities in this group, bringing goodwill to €88 million.

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

The Orpea Group's operating properties are included in assets, representing a total development area of 756,000 sq.m. (out of land of over one million sq.m.), with 230 buildings, 141 of which are wholly owned and 89 partially owned. Partial ownership relates to jointly-owned properties where the Group owns some lots mainly used for the provision of common services such as restaurants, recreational premises, health centres, staff premises, etc.

The total value of the portfolio is €2,217 million[4], of which €470 million in land and properties under construction or redevelopment. Year-on-year, the total value of the portfolio grew 16%.

This real-estate portfolio, comprising new and recent buildings located in dynamic economic areas, represents a significant asset value for the Group and secures medium- and short-term profitability. It is also a particularly attractive portfolio for many individual and institutional investors (family offices, life insurers, etc.) seeking a secure, long-term investment.

In keeping with its arbitrage policy, Orpea sold €145 million worth of properties in 2011, compared with €126 million in 2010.

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

The financial structure was significantly reinforced over the year, notably with the rights issue carried out on 8 December 2011. Group equity rose 33.1% to €1,152 million.

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

At end-2011 the Group had net cash of €309 million compared with €277 million at end-2010, notably thanks to the proceeds of the capital increase.

Net debt amounted to €1,739 million at 31 December 2011, practically the same as at 31 December 2010 (€1,691 million).

Debt is still mainly property-related (80%), secured against high quality assets that are not very volatile and easy to sell. The majority of the Group's debts are depreciable, with no major repayments falling due.

The Group's two main debt ratios improved significantly and are at historically low levels. At 31 December 2011, these were as follows:

- restated financial leverage = 2.15 against 3.27 at 31 December 2010 (authorised level 5.5);

- restated debt-to-equity ratio = 1.17 against 1.50 at 31 December 2010 (authorised level 2);

Debt is 80% hedged against the risk of fluctuating interest rates over the next four years. Thanks to optimised hedging, net finance cost will automatically drop over the next few years, reaching 3.80% in 2015.

Thanks to various operations to diversify sources of financing carried out since 2009, Orpea has a solid, flexible financial structure.

2.3 – CASH FLOWS

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

In €m	2011	2010	Change (%)	2009
Recurring EBITDA	**+218**	+172	+27%	+151
Cash flow from operating activities	**+202**	+136	+49%	+127
Cash flow from investing activities	**(349)**	(297)	+18%	(258)
Cash flow from financing activities	**+180**	+302	N/A	+213
Change in cash and cash equivalents	**+33**	+141		+82

2.4. DIVIDEND PROPOSED AT THE ANNUAL GENERAL MEETING

The Board of Directors has decided to propose a dividend of €0.50 per share (up 117% on the previous year) to shareholders at the annual general meeting to approve the 2011 financial statements. Total distributions will amount to €26.5 million, up 173% on 2010 and representing a payout ratio of 33% of net profit for 2011. If approved, this dividend will be paid on 14 September 2012.

3 – REVIEW OF STATUTORY FINANCIALS FOR YEAR ENDED AT 31/12/2011

3.1 – STATUTORY INCOME STATEMENT

(in euros)	31-Dec-11	31-Dec-10
REVENUE	442,591,056	409,332,636
- Increase (decrease) in work in progress	(38,889,794)	(32,709,334)
- Other operating income	21,540,807	17,093,683
- Purchases and other external charges	142,484,304	131,691,699
- Taxes other than on profit	21,335,426	17,998,483
- Staff costs	205,644,563	192,907,121
- Depreciation, amortisation and provisions	17,943,085	10,735,272
- Other operating expense	332,800	3,432,674
OPERATING PROFIT	37,501,890	36,951,737
- Financial income	42,280,756	47,656,504
- Finance expense	65,214,685	71,529,402
NET FINANCE COST	(22,933,928)	(23,872,898)
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	14,567,962	13,078,838
- Exceptional items	(8,300,901)	(3,434,604)
- Employee profit-sharing		
- Income tax	3,734,267	3,610,154
NET PROFIT	2,532,794	6,034,080

Sales:

2011 sales came to €442.6 million, up 8.1% on 2010.

Orpea's core business line of operating long-term care facilities generated sales of €408.6 million, up 8.2% compared with €377.6 million in 2010. This growth reflects Orpea's expansion policy, as described above, which combines organic growth and acquisitions.

Revenues from the disposal of property assets came to €34.0 million compared with €31.8 million in 2010.

Operating profit:

Operating expenses remained under control in the light of sales growth.

"Purchases and other external charges" rose by 8.2% to €142.5 million.

Taxes other than on profit rose by 18.5% to €21.3 million as a result of the Company's expansion and the impact of changes to the "taxe professionnelle" business tax regime in France.

Staff costs remain under control, rising 6.6% to €205.6 million.

Operating profit was 1.5% higher than last year, at €37.5 million.

Net finance cost

The net finance cost was €23.0 million against €23.9 million in 2010, comprising mainly an expense net of interest relating to the Company's net debt.

Exceptional items

Net exceptional losses came to €8.3 million, affected by restructuring and expansion costs of €4.9 million and by provisions of €1.6 million.

Net profit

After a tax expense of €3.7 million, net profit came to €2.5 million compared with €6.0 million in 2010.

3.2 – STATUTORY BALANCE SHEET

ASSETS (in euros)	31-Dec-11			31-Dec-10
	Gross	depr., amort. and provisions	Net	Net
Non-current assets				
- Intangible assets	179,891,713	991,624	178,900,089	153,575,314
- Property, plant and equipment	204,044,754	77,667,939	126,376,814	117,417,716
- Financial assets	386,126,359	1,989,107	384,137,253	376,264,474
TOTAL NON-CURRENT ASSETS	770,062,829	80,648,669	689,414,160	647,257,502
Current assets				
- Inventories and work-in-progress	48,153,150	1,188,655	46,964,494	55,948,499
- Advances and downpayments made	1,877,102		1,877,102	1,474,515
- Trade receivables	13,760,684	4,180,466	9,580,217	13,003,438
- Other receivables	1,090,053,609	1,219,605	1,088,834,004	821,550,806
- Marketable securities	209,300,351		209,300,351	185,426,795
- Cash	13,365,109		13,365,109	37,203,372
- Prepaid expenses	4,505,876		4,505,876	3,984,589
TOTAL CURRENT ASSETS	1,381,015,881	6,588,725	1,374,427,155	1,118,592,014
- Deferred charges		-	-	-
TOTAL ASSETS	2,151,078,710	87,237,395	2,063,841,315	1,765,849,516

EQUITY AND LIABILITIES (in euros)	31-Dec-11	31-Dec-10
Equity		
- Share capital	66,247,365	52,940,994
- Share premiums and reserves	385,474,268	197,711,556
- Retained earnings	32,205,930	36,214,697
- Net profit for the year	2,532,794	6,034,080
- Special tax-allowable reserves	1,625,203	880,741
TOTAL EQUITY	488,085,560	293,782,068
Provisions for liabilities and charges	11,334,156	4,601,507
Liabilities		
- Borrowings and financial liabilities	1,217,866,387	1,178,585,305
- Advances and downpayments received	2,880,292	2,499,902
- Trade payables	37,268,221	33,236,967
- Tax and social security liabilities	56,597,816	55,064,478
- Other liabilities	229,054,211	176,734,267
- Prepaid income	20,524,293	21,345,023
TOTAL LIABILITIES	1,564,191,219	1,467,465,941
Translation gains	230,380	
TOTAL EQUITY AND LIABILITIES	2,063,841,315	1,765,849,516

Orpea S.A.'s **net non-current assets** totalled €689.4 million at 31 December 2011 compared with €647.3 million a year earlier, illustrating the Company's brisk rate of expansion.

Current assets totalled €1,374.4 million compared with €1,118.6 million at 31 December 2010, in particular due to the rise in other receivables (comprising mainly current accounts of subsidiaries for which Orpea S.A finances development operations), from €821.6 million in 2010 to €1,088.8 million in 2011.

Equity stood at €488.1 million at 31 December 2011 compared with €293.8 million in 2010, due to the capital increase on 8 December 2011.

Financing requirements increased slightly over the year, despite Orpea S.A.'s expansion policy. Thus, **borrowings and financial liabilities** - the Company's main debt item - rose just 3.3% to €1,217.9 million at 31 December 2011, against €1,178.6 million in 2010.

Total assets amounted to €2,063.8 million at 31 December 2011 compared with €1,765.8 million at 31 December 2010.

3.3 – INFORMATION ON SUPPLIER PAYMENT TERMS

In accordance with articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we inform you that at the end of the last two financial years, amounts owed to suppliers broke down as follows by due date (the payment times for trade payables at the end of the year were determined by comparing the date of each invoice with the effective date of payment):

		31/12/2011	31/12/2010
Trade payables		**23,087,988**	**28,559,843**
	Less than 30 days	464,841	2,493,225
	30-60 days	7,288,761	6,654,626
	60-90 days	13,561,430	10,602,737
	More than 90 days	1,772,955	8,809,256

3.4 – SUBSIDIARIES AND OTHER EQUITY INTERESTS

3.4.1 – Clinea: performance and results

Sales:

2011 sales came to €330.5 million, up 5.6% on 2010.

Sales for the operation of care facilities amounted to €321.1 million, up 3.0% compared with €311.7 million in 2010. This growth reflects the Group's expansion policy, as described above, combining organic growth and acquisitions.

Revenues from the sale of property assets came to €9.4 million compared with €1.2 million in 2010.

Operating profit:

Operating expenses remained under control in the light of sales growth.

"Purchases and other external charges" rose by 4.6% to €103.8 million.

Taxes other than on profit rose by 4.1% to €24.8 million as a result of the Company's expansion and the impact of changes to the "taxe professionnelle" business tax regime in France.

Staff costs remained under control, rising 2.4% to €167.8 million.

Operating profit amounted to €26.7 million.

Net finance cost

The net finance cost was €13.9 million, compared with €10.7 million in 2010, comprising mainly an expense net of interest relating to the Company's net debt.

Exceptional items

Net exceptional losses came to €8.8 million, affected by restructuring and expansion costs of €5.3 million.

Net profit

After a tax expense of €0.8 million, net profit came to €3.2 million compared with €6.4 million in 2010.

Balance sheet:

Net non-current assets for CLINEA SAS totalled €425.1 million at 31 December 2011 compared with €385.6 million a year earlier, illustrating the Company's brisk rate of expansion.

Net current assets totalled €147.3 million compared with €110.2 million at 31 December 2010, in particular due to the rise in other receivables (comprising mainly current accounts of subsidiaries for which CLINEA SAS finances development operations), from €36.7 million in 2010 to €72.3 million in 2011.

Equity stood at €69.5 million at 31 December 2011, against €66.1 in 2010.

Borrowings and financial liabilities rose 3.5% to €39.7 million at 31 December 2011, against €38.4 million in 2010.

Total assets amounted to €572.4 million at 31 December 2011 compared with €495.9 million at 31 December 2010.

3.4.2 - Performance and results of other main subsidiaries

NIORT 94, a property development subsidiary, generated sales of €18.2 million against €72.6 million in 2010. This derives from sales of property assets (€15.6 million), recognised on completion, and rental income received (€2.6 million). The subsidiary generated a net profit of €5 million.

Sales generated by **Belgian subsidiaries** came to €67.5 million, against €55.8 million in 2010, an increase of 21%. EBITDA came to €9.7 million, up 31% year-on-year (€7.4 million in 2010).

Subsidiaries in Spain generated sales of €30.5 million in 2011 against €29.9 million in 2010, with EBITDA of €1.8 million compared with €1.3 million in 2010.

Subsidiaries in Italy generated sales of €26.8 million in 2011, up 57% (€17.1 million), mostly due to the opening of a facility and the acquisition of the psychiatric care facility in Turin. EBITDA was €1.9 million compared with €1.1 million in 2010.

3.4.3 - Main equity interests

See note 1: main equity interests.

4 – EVENTS OCCURRING SINCE 1 JANUARY 2012 – OUTLOOK

4.1. – EVENTS OCCURRING SINCE 1 JANUARY 2012

As part of its property policy, the Orpea Group sold three rest homes in Brussels to the insurer Ethias for €55 million on 12 January 2012. Orpea remains a tenant of these properties and continues to manage the facilities. This transaction is part of the Group's strategy to diversify property financing and attests to the interest of investors for this type of asset.

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

Under the partnership agreement with the Cofinimmo group, a long-term facility in Paris (19th arrondissement) was acquired on 19 April 2012 by the first joint venture, French company Cofinea I SAS. Cofinimmo holds a 51% stake in Cofinea I SAS while AMUNDI IMMOBILIER NOVATION SANTE OPCI (the Orpea Group OPCI) holds the remaining 49%.

4.2 – OUTLOOK

The Group's core strategy, which has driven its success since its inception 23 years ago, remains unchanged: offer the best possible care, service and infrastructure to residents and patients. The 2011 satisfaction survey confirmed the attractiveness of the Group facilities, with a recommendation rate of 93.6%.

After two years of intense expansion, the Group has reinforced its position as European leader in care provision.
Orpea will now reconcile a strategy that combines cash flow growth, driven by a large number of mature facilities, and controlled, highly selective expansion.
In 2012, Orpea expects to open over 2,000 beds, of which 1,400 in the first half. The Group aims to achieve €1,425 million in sales, up 15.5%, with solid organic growth. Thanks to the growing number of recently opened facilities and lower expansion levels, this rise in sales will come with increased profitability, substantial growth in cash flow and controlled debt.

With a pool of over 9,000 beds under construction or refurbishment, the Group offers unique visibility in terms of sales and profitability growth.

5 – RISK MANAGEMENT

RISKS RELATED TO THE GROUP'S BUSINESS SECTOR

5.1 – REGULATORY RISKS RELATED TO OPERATING LICENCES

For long-term care facilities

As stated in the previous section, long-term care facilities must have an operating licence, which is valid for 15 years, issued jointly by the local authority (Conseil Général) and the Regional Health Agencies (Agences Régionales de Santé or ARS), under a new procedure introduced by the law on Hospitals, Patients, Health and Territories (HPST) of 21 July 2009, for which the enforcement decree no. 2010-870, dated 26 July 2010, was published in the Official Journal on 27 July 2010.

The competitive bidding procedure, which came into effect on 1 August 2010, covers applications to create new long-term care facilities and applications for significant extensions (increasing the authorised capacity by more than 30% or 15 beds or places) or conversions (change in resident category).

The terms of application for this new regulation were set out in the circular of 28 December 2010 and the first bidding procedures were published in the second half of 2011. These involved either low-capacity projects (Meuse: 41 beds; Drôme: 60 beds), or were exclusively aimed at beneficiaries of social aid (facility fully authorised for social security support in Batignolles, in the 17th arrondissement of Paris). This scheme is set to be ramped up in the second half of 2012 with criteria that should enable Orpea to position itself on profitable projects.

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

As regards funding, the new competitive bidding procedure should enable funding for authorised facilities to be provided more quickly.

Given the strain on some local authority budgets, local authorities could be forced to restrict spending on the Personal Autonomy Allowance paid to elderly people living in long-term care facilities and to focus more on home care. This risk is nonetheless mitigated by the fact that home care is not suitable for highly dependent elderly people or those with degenerative conditions such as Alzheimer's, who can be cared for in the Orpea Group's facilities.

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

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

When a licence is renewed after the 15-year term, the facility also undergoes an internal and external assessment of its compliance with best practice procedures, references and recommendations. The results of the external assessment carried out by an independent organisation dictate the terms and conditions of licence renewal. The external assessment mainly covers operations and the quality of services provided.

The Group protects against the risk of non-renewal following such assessments through its quality procedures, which are applicable at all stages of resident care, and the care provision traceability implemented by the Medical Department, combined with audits performed by the Quality and Works Departments.

In addition, the Orpea Group has embarked on a voluntary external assessment process for its long-term care homes, based on SGS Qualicert standards. This process started in 2009 with 19 facilities and has expanded since then: in 2011, 72 of the Orpea Group's long-term care facilities were certified on the basis of 21 criteria, reflecting their compliance with a set of tangible commitments to quality of service and consistency of care provision.

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

For post-acute and psychiatric care facilities

The creation, extension and operation of short-term care facilities is also governed by complex regulations designed to regulate hospital capacity with the dual aim of cost control and quality of care provision.

Short-term care facilities also require an operating licence, obtained within application windows set by Regional Health Agency (ARS) Directors. These windows are opened for two months, twice yearly. Two weeks prior to the opening of these windows, an assessment of quantified on-site care targets is published to determine the admissibility of applications. These assessments are based on quantified on-site care targets as defined in regional health projects (PRS) and more specifically within regional medical care plans (SROS) which form part of the regional health project according to the needs of the local population.
** All multi-year objectives and resources contracts (CPOM) for facilities will be renewed within six months of the publication of the regional health project. Regional health projects will be published throughout 2012.*

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

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

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

A licence will lapse if:

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

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

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

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

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

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

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

There is a risk that the facility may no longer meet healthcare needs upon renewal of a licence or upon a sale and purchase, due to incompatibility with the guidelines set out in the SROS-PRS. In this respect, the head office Legal Department responsible for relations with health authorities, which comprises a team of lawyers, reviews the annexes to the SROS-PRS by "Health Territory" where the Group's facilities are located in order to identify any potential problems.

Failure to comply with the objectives set in the CPOM objectives and resources contract may also, after an *inter partes* procedure, lead to the amendment or withdrawal of a licence, or to disaffiliation from the state health insurance system.

The Orpea Group always endeavours not only to observe the objectives set in the CPOM contract but also to implement an effective continuous progress approach to quality through its Quality Department and, through its Works Department, to comply with all safety standards.

Lastly, renewal of a licence is subject to the results of an assessment report sent to the Agency 14 months before expiry. If the results are satisfactory, the licence will be renewed automatically without further formality. However, if the results are not satisfactory, the Regional Health Agency director 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 CSOS, and a decision by the Regional Health Agency director.

Implementation procedure and application of the decrees of April 2008

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

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

This led to the decrees of 17 April 2008, which brought in the diagnosis-related group payment system (T2A) and a breakdown of specialities. The circular of 3 October 2008 set out the rules for applying specifications relating to these specialities.

In short, the two decrees and the circular resulted in:

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

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

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

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

Facilities have two years from the new orders to bring their care facilities into line with the specifications resulting from the circular of 3 October 2008. If they have not done so within the two years, the Regional Health Authorities may initiate the licence suspension procedure for failure to comply with legislation and regulations.

5.2 – 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" (long-term care facility) and to continue accepting elderly people requiring long-term care.
These "tripartite agreements" set out how the care facility operates and the medium-term objectives in terms of improvements, particularly in the quality of care provided. They have enabled long-term care facilities to become more professional and provide an increasing level of medical care.

They are valid for five years and must be renewed by negotiation with the health authorities. The Orpea Group has already renewed a significant proportion of its first generation tripartite agreements. However, as part of the renewal process, additional quality, economic and/or financial requirements could be imposed on the Group, which could have an adverse impact on its results and financial position. 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 2012, prices cannot go up by more than 2.5% compared with the previous year for residents already *in situ* at 1 January.
The medical care and dependency allowances are closely related to the health authorities' pricing policy.
The dependency allowance is funded by the Personal Autonomy Allowance (APA) paid by the local authority, which covers a part of the cost depending on the level of dependency and the resident's resources.
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.

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) by 2013.
The current national experiment has been extended to 2012 and a report will be submitted to parliament in October 2012 with a view to possible extension (circular of 16 November 2011).

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 a timely fashion. It continuously upgrades its tools and systems to cope with the additional requirements caused by expansion and to improve the budget process to guarantee continued timely submission of all budgets.

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

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

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

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

A change in the regulations is expected with the aim of simplifying the budget procedure.

The forthcoming decree will introduce a new presentation in the form of an income and expense forecast. However, this simplification has been postponed for the moment because of the debate on dependency reform which has also been postponed.

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

For the Orpea Group's short-term care facilities, like other operators, rate changes are therefore partly contingent upon public policy. For 2011, the average national increase in rates for short-term care facilities was set at 0.5%. The 2012 increase is similar.

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

Furthermore, all short-term care facilities must enter into an objectives and resources contract (CPOM) for a period covering at least five years, setting out the facility's strategic guidelines, the indicative authorised volume of business and the related pricing.
When negotiating its contracts with the health authorities, new obligations could be imposed on an Orpea Group facility (in terms of staffing, equipment, fittings, etc.) with no additional funding (such as a revaluation of the *per diem* rate), which could then have an adverse impact on the facility's financial position and results.

Lastly, in the next few years, short-term care facilities will be subject to a new pricing system 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 or specialised post-acute and rehabilitation care provision for disorders of the musculoskeletal system, the nervous system, the cardiovascular system, the respiratory system, for addictions, for elderly people with multiple pathologies, dependent or at risk of dependency and for units specialising in caring for patients in a chronic vegetative state and for cognitive-behavioural units;
- general, geriatric or cardio-vascular medicine;
- general psychiatry for adults and for children and young people, obsessive compulsive disorders, eating disorders, etc.

5.3 – 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 key innovation of the law on "Hospitals, Patients, Health and Territories", which came into effect on 21 July 2009, was the creation of the Regional Health Agencies, a new body that combines the various organisations responsible for regional health policies and long-term care into a single entity (previously split between the government departments via the DRASS and DDASS, the national health system and the Regional Hospitalisation Agencies).

Each Regional Health Agency will be responsible for transposing the national policies on public health and long-term care into their own regional objectives, set out in the regional health projects).
For example, they will be required to implement prevention and therapeutic education programmes in line with national objectives, in particular by developing and specialising the activities carried out in post-acute and rehabilitation care facilities. This could provide opportunities for the Orpea Group to create or extend facilities in the future.

However, as the Agencies have only recently been created, it is not possible at this stage to determine the timetable for implementing these objectives.

In addition, in order to better ensure the health and safety of patients in acute care or in medical, surgical or obstetrics care, the national authorities appear to be defining minimum activity thresholds below which beds will be closed or converted into post-acute or long-term care beds. This redeployment of under-occupied short-stay beds could provide opportunities for the Orpea Group to create new facilities.
However, these objectives require a prior consultation process with the local political and administrative authorities, which may wish to focus on maintaining local public hospital facilities, whilst accepting the conversion of beds. This could therefore limit their propensity to outsource the management of these beds to private operators such as Orpea. On the other hand, the local authorities are keen to implement the planned conversions swiftly, which could benefit private groups that are not subject to public contracts – which are more difficult to implement – and that have solid financial capacity.

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

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

However, 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. Various measures have already been budgeted in the Social Security Financing bill.

► *Changes in the method of allocating social benefits in France*

The proposed reform of the state autonomy allowances announced by the President of the Republic, was due to be put to Parliament in summer 2011. This reform has been suspended.

However, several reports have put forward various reform possibilities, which could include:

- a change in the method of allocating the Personal Autonomy Allowance: ability to claim back the allowance paid from the beneficiary's estate in the case of high-income residents, no benefits paid to people in GIR group 4;
- a reform of accommodation support: combining the legal social aid and housing aid mechanisms;
- abolition of tax relief on accommodation expenses.

This could lead to an increase in the accommodation fees payable by residents and patients and therefore have an adverse impact on the Group's operations.

However, this risk is attenuated as the average income of the elderly has increased. People over the age of 85 will enjoy a 20% increase in their annual income from 2005 to 2015 and a 42% increase between 2005 and 2020.

Lastly, another possibility being considered is the introduction of an optional or mandatory "long-term care insurance" contribution from an as yet unspecified age (40 has been mentioned), to enable elderly people faced with loss of autonomy to finance their own accommodation costs.

In any event, it should be remembered that the private sector only accounts for about 20% of total beds for the elderly, hence posing less of a solvency problem in relation to the statistical distribution of wealth among the very elderly.

5.4 – 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. Partnerships formed with major schools and universities also ensure a pool of applications for intermediate management positions such as facility director, head chef, general supervisor/coordinating nurse, etc.

5.5 – 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, adapting diets, etc.) to be applied in all the Group's facilities and staff training has been organised to guarantee the continued care and well-being of residents.

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.

5.6 – Risk of pandemic

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

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 Group 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

5.7 – 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.

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

In addition, throughout the year, employees receive training on how to detect and prevent abuse. The training includes exchanging experiences, role playing and individual and collective action plans. Mini-refresher courses are also provided regularly in each facility.
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 with a customised version included in each facility's "Staff Commitments".

Lastly, the Group's operating structure allows for closer monitoring of the quality of care provided, as well as closer management of staff in relation to everyday problems, as facility directors are relieved of the majority of support functions.

► 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. Orpea's facilities were built or redeveloped recently and therefore form a consistent, homogeneous portfolio of assets that meet the most stringent regulatory standards and provide a level of comfort rivalled by few in the sector.

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

5.8 – 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 dependants during prevention, diagnosis or care services.

5.9 – 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, competition has risen in the past few years due to the wave of consolidation in the dependency care sector, particularly since 2009 with the merger of Domus Vi and Dolcéa-GDP Vendôme, resulting in the creation of the DVD group in late 2010. 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, DVD), the sector remains fragmented: with 73,851 beds at end-2011, 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 2011).
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.
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 four years, with an additional 16,976 authorised beds. More generally, the Orpea network has grown by an average of 3,175 beds a year since 2002, equal to 18% a year.
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.

This model, which has proven its worth across the Orpea network both in France and abroad, allows for a facility to be integrated into the Group in six to nine months. However, like all procedures, it has its limitations and cannot guarantee the systematic success of all integrations which the Group might make in the future. Orpea could encounter difficulties in integrating some facilities, whose long-term profitability may not be as good as expected.

► *Risk related to obtaining new financing:*

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

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

Orpea also significantly improved its financial flexibility in late 2011 with the €203 million rights issue, as described above.

5.10 – 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 the previous section, the Group builds a large number of its own facilities.

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

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

To limit these risks, the Group has an in-house Property Development Department, 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.

► *Risks related to property disposal*

The Group regularly sells operating properties in a block or by lots to third-party investors. Where these disposals are off-plan, the Group may face construction uncertainties which may significantly increase the cost of the building and result in losses.

To limit these risks, the Group has an in-house Property Development Department, which oversees all construction projects and a Financial Control Department in charge of monitoring construction budgets.

5.11 – 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 14 targets set in the HQE quality approach, defined a level to be met for each one and drilled them down into actions geared to the needs of each new project.
Consequently, the technical and design choices for new facilities are taken within a policy of sustainable construction.

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

- 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 criterion is crucial as the Group's facilities care for dependent people.

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

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

► *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 legionella contamination in water systems and the facilities are responsible for checking and guaranteeing the quality of their water.

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

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

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

In addition, a technical protocol of preventive measures against legionella risk has been put in place in all the Group's facilities by the Quality Department and the Works Department.
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 (pipe work layout, materials used in pipe work, list of usages), as well as temperature records, results of bacteriological tests and records of maintenance and cleaning operations.

5.12 – 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

5.13 – 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.

5.14 – CREDIT, LIQUIDITY AND TREASURY RISK

► *Liquidity risk associated with the Orpea the Group's debt*

Until 2008, the Orpea Group financed its expansion primarily through borrowings from banks or financial institutions.
Since 2009, Orpea has diversified its portfolio of borrowings by issuing bonds or carrying out capital increases (reserved or not);

The Orpea Group's gross debt stood at €2,048 million at 31 December 2011.

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 predominantly over a period of seven years;
- financing properties recently acquired or in the course of redevelopment or construction through bridging loans.
  Bridging loans comprise financing lines dedicated to a specific project and general bank credit lines. These properties are intended either to be sold to third parties or to be kept by the Group, in which case they are usually subsequently refinanced through finance leases.

Property debt accounts for 80% of the Group's total debt.

The Orpea Group only signs bilateral loan agreements with banks, i.e. without syndication, which ensures fluidity in repaying its borrowings by avoiding major repayments at the end date.
The nominal amount of loans taken out by the Group cannot be more than €50 million.

The repayment schedule is provided in Note 3.1.2 of the notes to the 2011 consolidated financial statements.

At 31 December 2011, the Group had net cash of €309 million, notably thanks to the proceeds of the capital increase carried out at end-2011.

The majority of depreciable loans taken out by the Group, other than property finance leases, are subject to commitments set out on the basis of banking covenants calculated twice a year, which the Group continued to observe and which were well below the contractual limit at 31 December 2011.

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

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

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

Interest rate derivatives portfolio:

At 31 December 2010, the notional amount of the derivatives portfolio was €1,040 million.
At 31 December 2011, the notional amount of the derivatives portfolio was €1,043 million. As at 31 December 2010, the portfolio comprised fixed for floating (mainly three-month Euribor) interest rate swaps and interest rate options. These derivative instruments either have a constant or a decreasing nominal profile.

Analysis of sensitivity to changes in interest rates:

The impact of a +/- 1% change in interest rates on the Group's earnings stems from:

- the change in interest payable on floating-rate net debt;
- changes in the fair value of hedging instruments.

The fair value of hedging instruments is sensitive to changes in interest rates and in volatility, which is assumed to be constant in this analysis.

At 31 December 2011, net debt amounted to €1,739 million, of which about 15% was originally contracted at fixed rates, and the remainder at floating rates.

Taking account of the hedges:

- the impact of a 1% rise in interest rates (100 basis points) would increase financial expense (before tax and capitalisation of borrowing costs) by €5.5 million;
- the impact of a 0.2% drop (20 basis points at current interest rate levels) would reduce financial expense by €1.1 million.

Details of the Group's hedging positions are provided in Note 3.13.1 of the notes to the 2011 consolidated financial statements.

► *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 Clinique La Métairie in Switzerland, near Geneva. However, with revenue of €14.8 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.

5.15 – 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.

5.16 – 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 20 years ago, to build up and retain high quality, experienced teams.

With this in mind, the continuous training policy, and in particular the Cadrélan programme established in 2008 in partnership with ESSEC and 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:

5.17 – 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.

The Orpea Group also has a directors' liability policy, covering any financial loss suffered by the Group arising from the failure of its *de facto* or *de jure* 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.

5.18 – 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 stages 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 allow employees to have 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.

6. EMPLOYEE INFORMATION

6.1 – INFORMATION ON EMPLOYEES: A HIGHLY ACTIVE RECRUITMENT POLICY DRIVEN BY THE GROUP'S DEVELOPMENT

The Group employs a total of 18,382 employees in its care facilities in France and abroad.

In France, there were 15,615 employees at 31 December 2011.

► **Main employee data in France**

Criteria	Total France
Number of employees at 31/12/2011 in France, all contract types combined	15,615
O/w fixed-term contracts at 31/12/2011	14%
O/w full-time employees at 31/12/2011	82%
O/w part-time employees at 31/12/2011	18%

[1]Average number of employees at 31/12/2011, all contract types combined

Criteria	Total France
% Male at 31/12/2011	19%
% Female at 31/12/2011	81%
% Managers at 31/12/2011	9%
% Non-managers at 31/12/2011	91%

Orpea is a company that creates jobs: in 2011, Orpea recruited a total of 3,922 permanent staff, 72% of whom were care staff and 9% of management grade.
The Orpea Group has experienced strong headcount growth over the last few years, in line with expansion of its facilities network.
This growth is not only due to acquisitions but also to job creation, thanks to the opening of new facilities: each year, the Group creates on average more than a thousand jobs, not including jobs created indirectly in the building industry relating to the construction and redevelopment of its 9,000 beds.

► **Working conditions: stable and durable employment**

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:

- 86% of employees in France have a permanent contract;
- 82% were employed full time in 2011.

These figures represent an improvement relative to the previous year.

In addition, this policy helps to avoid creating job insecurity 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.

6.2 – 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.

6.3 – AN AMBITIOUS TRAINING POLICY TO IMPROVE THE QUALITY OF CARE AND EMPLOYEE FULFILMENT

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. Employee feedback is a core part of training programmes so that everyone feels wholly involved.

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

- training as many people as possible, all grades combined (plans to train an average of 10,000 people a year, excluding fire drills);
- developing skills to provide employees with recognised expertise or professional qualifications to support their career development within the Group;
- monitoring the acquisition of skills over time to ensure that the training is applied in practice and becomes a real tool for employees in their daily duties;
- 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. These training programmes have refocused on preventing everyday problems among employees and patients & residents (2,500 people on in-house training in 2011);
- meeting regulatory and health requirements.

These values and objectives form the main thrust of our training plan. This plan is innovative and complies with the obligations incumbent on our sector of activity and gives everyone a voice: employees, patients & residents.

The key training projects in 2011 were:

- Further development of a training system in sensitive business lines using different tools such as creating specific training schemes: stepping up the implementation of cooking apprenticeships with an option in healthcare, achieving university recognition of the nursing qualification specialising in psychiatry, etc.;
- Continuation and ramp-up of the Cadrélan management programme with:
  - Further intakes on the masters programme in operations management (partnership with Paris V University),
  - Intakes on the specialised masters in Medical Management and Hospital Administration set up in partnership with ESCP EUROPE, in line with our policy to encourage employees to take on more multi-disciplinary roles,
  - Short training courses in management and communications for untrained employees with management and team leadership duties (269 people trained in 2011);
- The development of training programmes with the Group's care assistant training institute (DOMEA), in connection with the VAE work experience scheme with the creation of specific accompanying modules (VAE AS and AMP) to support our employees in their training and maximise the success rate;
- The roll-out of a training initiative using a participatory teaching method and focusing on accommodation and catering quality to ensure the provision of high-quality, welcoming care;
- The creation of a specific programme for the Group's facilities to provide a reference framework on therapeutic patient education in our facilities.

Lastly, apart from providing the skills and expertise needed by employees, **training is also an important means of improving our employees' 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.

6.4 – REGULAR AND CONSTRUCTIVE SOCIAL DIALOGUE TO PREPARE FOR THE FUTURE

The 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 2011.

- **Works Councils**: two Works Councils were set up in 2011, replacing the eight Regional Works Councils. 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 2011 concurrently with the Staff Delegate elections.
  Issues addressed involve economic, social and financial matters. The minutes of each meeting are posted on special notice boards in all facilities.

- **Regional Health and Safety Committees**: 12 Regional Health and Safety Committees meet at least once a quarter to address all issues relating to working conditions, health and safety in the Group's facilities.
  Minutes of each meeting are also posted on the special notice boards.
  Members of the Regional Health and Safety Committees are appointed for a term of two years.
  Further members were appointed in April 2011, reasserting the Group's desire to maintain the principle of fair and balanced representation at all levels of all Group employees, allowing for Regional Health and Safety Committee members to be as close as possible to the employees they represent at all levels.

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

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

Company agreements

- ***Incentive and profit-sharing agreements***

The Group's incentive and profit-sharing agreements have been in place for several years now.The entitlement is proportional to working hours (not based on salary received) to ensure a fairer split between employees.
The profit-sharing agreements were set up on 13 December 2000 and 20 November 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 an incentive bonus related directly to performance.

- ***Agreements on gender equality***

Ensuring gender equality is a major concern within the Company, in a sector where women represent the majority of the workforce.

The purpose of the agreements entered into by the Company in 2011 is to ensure that there is no gender disparity and/or to achieve equal treatment if disparities are noted, particularly in terms of employment access conditions, recruitment, training, etc.

- ***Agreements on difficult working conditions***

The prevention and reduction of difficult working conditions is a key component of the Orpea Group's employment policy, and is in line with its policy to prevent risks in the workplace and to protect employees' physical and mental health.

As part of its commitment to sustainably improve working conditions and extend employees' working lives, the Company entered into agreements in 2011 aimed at preventing difficult working conditions and reducing factors likely to cause them, including parallel schemes to bolster its action in the prevention of stress and psychosocial risks.

- ***Agreements on disability employment in the Group***

Disability employment is a key component of the Orpea Group's human resources policy.

Following the signature of company agreements on disability employment in 2008, a special unit within the Human Resources department was created to monitor achievement of the targets set.

At end 2010, the Company and trade unions agreed to continue with this pro-active, responsible disability policy by renewing the 2008 agreements.

Against this background and thanks to the involvement of everyone involved, the targets for recruiting disabled workers in 2011 were exceeded by Clinea and Orpea (the target was to achieve and maintain an overall employment rate of at least 6% of staff at each of its facilities).

The Group intends to continue with its commitment and to promote:

- the employment of disabled workers;
- the implementation of qualitative measures to facilitate the integration of disabled workers;
- access to all professional training solutions;
- priority monitoring of disabled employees to keep them in employment and adapt their working environment accordingly;
- development of relations with the "protected sector", which provides employment for disabled people.

- ***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.

At 31 October 2011, the majority of targets set – particularly in terms of keeping older workers in employment – had been beaten. Orpea intends to continue with this commitment at all newly acquired facilities concerned.

- *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.
Regional Health and Safety Committees, which are closely involved in the implementation of this agreement, have worked in particular on creating analysis grids to collect information from employees. Under the agreement, the resources made available to the Health and Safety Committee have been extended in order to favour discussions with Group employees.

7. ORGANISATION OF THE BOARD OF DIRECTORS

This is discussed in Section II of the registration document under 2.4 – 2011 Chairman's Report.

8. NOTES TO THE FINANCIAL STATEMENTS

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Note 1: main equity interests

Company	Capital	Reserves and Retained earnings 2011	Share of equity held	Share of equity held	Profit for the financial year ended	Equity 2011	Carrying amount of securities 2011	
							Gross	Net
SCI Route des Ecluses	303,374	1,220,725	300,340	99%	117,133	1,641,231	303,374	303,374
SCI Les Rives d'Or	1,524	1,180,000	1,509	99%	150,145	1,331,670	933,755	933,755
SCI du Château	1,524	1,402,693	1,509	99%	237,408	1,641,626	1,353,340	1,353,340
SCI Tour Pujols	1,524	808.961	1,509	99%	220.050	1,030,536	1,364,795	1,364,795
SCI La Cerisaie	1,524	1,570,503	1,509	99%	147,900	1,719,928	47,224	47,224
SCI Val de Seine	1,524	(102,560)	1,509	99%	(1,802,638)	(1,903,674)	711,307	711,307
SCI Cliscouet	1,524	387,542	1,509	99%	76,425	465,492	1,494	1,494
SCI Age d'Or	2,549,161	8,221,169	2,523,669	99%	864,784	11,635,114	6,234,540	6,234,540
SCI Gambetta	1,524	3,491,410	1,509	99%	385,123	3,878,058	1,509	1,509
SCI Croix Rousse	1,524	3,747,830	1,522	99%	471,497	4,220,852	1,509	1,509
SCI Les Dornets	1,524	265,696	1,522	99%	215,136	482,356	1,494	1,494
SCI Château d'Angleterre	1,646	765,665	1,631	99%	222,521	989,832	1,763,577	1,763,577
SCI Montchenot	1,524	9,679,021	1,509	99%	242,532	9,923,078	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	8,754,052	1,372	90%	849,701	9,605,278	1,372	1,372
SCI Abbaye	1,524	(1,565,919)	1,372	90%	(1,029,513)	(2,593,907)	344,410	344,410
SCI Les Tamaris	1,524	686,099	1,509	99%	123,475	811,098	1,357	1,357
SCI Passage Victor Marchand	1,524	2,471,641	1,509	99%	431,435	2,904,600	1,509	1,509
SCI Fauriel	1,524	(4,307,551)	1,509	99%	(106,946)	(4,412,973)	1,618,841	1,618,841
SCI Port Thureau	1,524	600,297	1,509	99%	133,895	735,716	63,708	63,708
SCI de l'Abbaye	1,524	(496,105)	1,509	99%	254,956	(239,624)	1,509	1,509
SCI Les Maraichers	1,524	91,567	1.509	99%	135,419	228,510	99,595	99,595
SCI Bosguerard	1,524	516,430	1,509	99%	89,010	606.965	1,274,306	1,274,306
SCI Le Vallon	1,524	3,729,965	1,372	90%	373,975	4,105,464	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	(8,435,102)	717	47%	(3,107,418)	(11,540,995)	717	717
SCI Bel Air	1,524	751,325	1,509	99%	(117,388)	635,462	335,837	335,837
SAS CLINEA	6,511,863	59,704,935	6,511,863	100%	2,032,228	68,249,026	16,358,818	16,358,818
SARL Les Matines	7,622	(1,026,350)	7,622	100%	(1,984,611)	(3,003,338)	7,622	7,622
SARL Bel Air	1,265,327	1,497,428	1,265,327	100%	245,274	3,008,028	840,604	840.604
SARL Amarmau	7,622	(738,645)	7,622	100%	(90,935)	(821,957)	7,622	7,622
SARL 94 Niort	7,700	8,220,053	7,700	100%	4,966,820	13,194,573	7,700	7,700
SARL 95	7,700	(318,525)	7,700	100%	(86,121)	(396,945)	7,700	7,700
SCI Sainte Brigitte	1,525	(533,187)	1,524	100%	(25,996)	(557,658)	1,524	1,524
SARL VIVREA	150,000	(708,365)	150,000	100%	(309,303)	(867,668)	150,000	150,000
SA LES CHARMILLES	76,225	2,727,954	74,701	98%	370,313	3,174,492	3,092,517	3,092,517
SCI KOD'S	22,650	283,482	22,650	100%	49,747	355,879	68,067	68,067
SARL LA BRETAGNE	277,457	(1,207,639)	277,457	100%	(113,261)	(1,043,443)	11,300	11,300
SARL RESIDENCE LA VENITIE	13,300	(32,990)	13,300	100%	(11,862)	(31,552)	782,892	782,892
SARL L'ATRIUM	7,622	(864,540)	7,622	100%	(32,401)	(889,319)	985,140	985,140
SARL GESTIHOME SENIOR	400	(4,424)	400	100%	(10,338)	(14,362)	410,849	410,849
SARL MAISON DE CHARLOTTE	7,500	(1,449,577)	7,500	100%	69.817	(1,372,260)	2,703,650	2,703,650
SA BRIGE	1,200,000	(3,705,325)	1,200,000	100%	34,124	(2,471,201)	670,000	670,000
SRLORPEA ITALIA	3,350,000	462,454	161,470	5%	(1,955,566)	1,856,888	682,862	682,862
SCI LES TREILLES	15,245	1,962,174	15,243	99.99%	59,619	2,037,037	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	(1,171,565)	1,510	99%	(616,575)	(1,786,615)	1,510	1,510
SCI Courbevoie de l'Arche	1,525	(1,358,843)	1,509	99%	(346,562)	(1,703,880)	1,509	1,509
SCI le Barbaras	182,939	1,258,521	182,939	100%	278,113	1,719,573	821	821

SARL DOMEA	100,000	(98,337)	100,000	100%	8,538	10,201	100,000	100,000
SARL 96	7,700	2,356,445	7,700	100%	707,929	3,072,074	6,930	6,930
SCI BEAULIEU	3,049	(11,106)	3,049	100%	(12,002)	(20,059)	30,490	30,490
SAS LA SAHARIENNE	1,365,263	(800,398)	1,365,263	100%	(322,953)	241,912	5,712,440	5,712,440
SARL ORPEA DEV	100,000	777,812	100,000	100%	(11,759)	866,053	100,000	100,000
SAS ORGANIS	37,000	(866,681)	37,000	100%	(479,930)	(1,309,611)	9,825,946	7,875,946
GRUPO CARE	63,921	6,916	63,921	100%	(1,140,286)	(1,069,449)	17,878,321	17,878,321
DINMORPEA	5,000	(346,466)	5,000	100%	6,311	(335,155)	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	(7,319,352)	20,000,000	100%	114,251	12,794,899	17,646,819	17,646,819
SA ORPEA BELGIUM	31,500,000	13,821,778	500,000	2%	926,953	46,248,731	15,479,233	15,479,233
SA DOMAINE DE CHURCHILL	65,000	11,229,817	65,000	100%	4,695	11,299,512	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,000	12,124,766	6,500	10%	(514,040)	11,675,726	1,414,449	1,414,449
SA LONGCHAMPS LIBERTAS	90,000	21,188	90,000	100%	1,078,402	1,189,590	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,000	30,722	265,000	100%	29,196	324,918	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	3,009	(9,002)	3,009	100%	0	(5,993)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	(3,249,048)	37,200	100%	(300,132)	(3,511,980)	2,644,007	2,644,007
SARL L'Ermitage (Contes)	7,622	(238,830)	7,622	100%	(13,846)	(245,054)	625,858	625,858
SARL Benian	1,000	(2,513)	200	20%	(18,570)	(20,083)	300,200	300,200
SCI JEM II	152	228,707	137	90%	47,814	276,673	883,500	883,500
SARL Reine Bellevue	6,000	798,135	6,000	100%	369,678	1,173,813	3,370,835	3,370,835
SARL La Doyenne de Santé	8,000	(42,197)	4,000	50%	(17,839)	(52,036)	1,267,425	1,267,425
SASU Le Vige	37,126	(688,509)	37,126	100%	(189,445)	(840,828)	1,350,000	1,350,000
SA Gerone	500,000	9,880	500,000	100%	413,335	923,215	2,982,451	2,982,451
SCI Douarnenez	1,500	(2,039,167)	1,500	100%	(123,506)	(2,161,174)	1,485	1,485
SCI Barbacane	1,524	835,603	15	1%	22,290	859,417	15	15
SCI Selika	10,671	5,712,073	15	0.14%	(250,277)	5,472,467	15	15
SCI SLIM	762	485,136	762	100%	78,410	564,308	1,830	1,830
SCI SAINTES BA	1,524	1,946,020	15	1%	704,586	2,652,131	15	15
SCI Les Anes	1,000	(36,301)	1	0.10%	(1,285,407)	(1,320,708)	1	1
SARL L'Ombrière	8,000	(632,814)	8,000	100%	(22,151)	(646,966)	822,027	822,027
SAS MDR La Cheneraie	254,220	(608,821)	3,991	2%	(260,962)	(615,563)	146,044	146,044
SARL IDF resid Ret.Le Sophora	7,622	(320,777)	762	10%	(239,977)	(553,132)	80,000	80,000
SA Paul Cezanne	60,980	(56,585)	60,980	100%	(1,063,145)	(1,058,750)	9,846,755	9,846,755
SARL Le Sequoia	7,622	(722,652)	7,622	100%	221,034	(493,995)	2,439,120	2,439,120
SNC les Jardins d'Escudie	100,000	(2,468,361)	100,000	100%	(455,600)	(2,823,961)	824,310	824,310
SA Résidence du Moulin	38,112	(827,179)	38,112	100%	(528,013)	(1,317,079)	2,100,466	2,100,466
SC Les Praticiens	87,600	(3,026)	876	1%	(11,327)	73,247	67,009	67,009
SAS Résidence La Cheneraie	2,537,040	788,993	2,537,040	100%	771,813	4,097,845	7,324,746	7,324,746
SA EMCEJIDEY	293,400	320,018	293,400	100%	86,330	699,748	4,419,887	4,419,887
SARL Résidence du Parc	18,560	(18,150)	18,560	100%	21,336	21,746	5,810	5,810
SCI du Fauvet	1,524	(339,534)	152	10%	289,025	(48,985)	68,306	68,306
OPCI	400,000	0	80,000	20%	0	400,000	479,732	479,732
SAS Résidence Klarene	21,600	361,985	21,600	100%	245,946	629,531	3,032,766	3,032,766
SAS Résidence Ondine	11,420	195,584	11,420	100%	90,567	297,571	3,079,479	3,079,479
SAS SFI France	4,000,000	(5,397,400)	4,000,000	100%	87,845	(1,309,554)	23,305,520	23,305,520
SCI Ansi	22,867	253,442	2,287	0.1%	(11,551)	264,758	40,399	40,399
SARL St Sulpice	1,000	924	1,000	100%	(11,971)	(10,048)	1,000	1,000
SARL Viteal les Cedres	50,000	(391,423)	50,000	100%	(617,354)	(958,777)	85,039	85,039
SA Le Vieux Château	50,000	(780,926)	50,000	100%	(56,461)	(787,387)	629,728	629,728
SAS Home La Tour	40,600	(225,753)	40,600	100%	(296,617)	(481,769)	2,869,328	2,869,328

SARL Les Oliviers Saint Laurent	3,000	(3,882)	3,000	90%	(13,808)	(14,690)	2,179,500	2,179,500
SAS Centre Gerontologique	15,700	15,848	15,700	100%	98.713	130,261	2,694,000	2,694,000
SCI Portes D'Auxerre WB	30,000	(42,176)	3,000	1%	(35,749)	(47,925)	15,694	15,694
SAS MEDITER	3,500,000	(2,128,525)	3,500,000	100%	(2,994,397)	(1,622,923)	102,575,126	102,575,126
SA MEDIBELGE	10,000,000	1,000,000	490,000	49%	3,888,778	14,888,778	24,166,181	24,166,181
SNC des Parrans	7,622	26,406	7,622	100%	777	34,805	1,412,144	1,412,144
SAS Actiretraite	8,000	22,104	8,000	100%	123,446	153,549	3,358,855	3,358,855
SNC Les Acanthes	7,622	117,413	7,622	100%	(28,378)	96,656	1,468,434	1,468,434
SA Le Clos St Grégoire	38,173	1,051,535	38,173	100%	175,501	1,265,209	4,692,302	4,692,302
SA Rive Ardente	135,000	(14,684)	135,000	100%	(79,664)	40,652	5,062,487	5,062,487
SAS le Clos d'Aliènor	40,000	(6,645)	40,000	100%	(84,459)	(51,104)	2,834,020	2,834,020
SAS les Jardins d'Aliènor	10,000	321,577	10,000	100%	(123,611)	207,966	4,102,931	4,102,931
SAS les Jardins de la Crau	7,692	750	7,692	100%	(10,996)	(2,554)	4,437,187	4,437,187
SAS les Jardins du Mazet	38,000	32,030	38,000	100%	86,841	156,871	4,561,227	4,561,227
SARL L'Occitanie	38,000	(3,258,659)	38,000	100%	2,000,546	(1,220,113)	1	1
SARL les Jacourets	7,622	78,669	7,622	100%	(68,170)	18,123	565,142	565,142
						0		
Other securities						0	19,568	19,568
Other securities (access)						0	261,286	261,286
Total							**376,177,459**	**374,227,459**

Note 2: operating statement for the last five years

	31/12/2011	31/12/2010	31/12/2009	31/12/2008	31/12/2007
Capital at year-end					
Share capital	66,247,365	52,940,994	48,558,965	46,128,465	46,029,669
Number of existing ordinary shares	52,997,892	42,352,795	38,847,172	36,902,772	36,823,735
Maximum number of additional shares to be issued					
By converting bonds	4,069,534	4,069,635	0	0	674,602
By exercising subscription rights	1,217,949	1,263,387	1,355,268	188,881	267,918
Transactions and net profit for the year					
Sales	442,591,056	409,332,636	380,391,749	337,521,389	311,886,054
Operating profit	37,501,890	36,951,737	34,851,930	29,409,966	21,394,195
Net finance cost	(22,933,928)	(23,872,898)	(5,006,221)	(13,114,436)	(16,446,498)
Pre-tax profit on ordinary activities	14,567,962	13,078,838	29,845,709	16,295,530	4,947,697
Exceptional items	(8,300,900)	(3,434,604)	(23,842,641)	(6,892,254)	(2,337,339)
Profit before tax, amortisation and provisions	24,936,512	20,379,506	15,231,842	18,432,309	10,949,011
Income tax	3,734,267	3,610,154	(931,447)	4,290,469	492,695
Net profit	2,532,794	6,034,080	6,934,515	5,112,807	2,117,663
Distributed profit	26,498,946	9,741,143	5,827,076	3,690,278	0
Earnings per share					
Earnings per share	0.05	0.14	0.18	0.14	0.06
Maximum diluted earnings per share	0.04	0.13	0.17	0.14	0.06
Dividend paid per share	0.50	0.23	0.15	0.10	0.00
Staff					
Average workforce	5,624	5,463	5,113	4,800	4,602
Total payroll	150,403,838	141,820,058	125,171,761	110,943,052	96,808,073
Total employee benefits	55,240,725	51,087,063	47,814,950	37,159,645	33,076,427

(1) Since 2002, incentives are recognised as an operating expense.

CHAPTER V: CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2011

1. CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011

Income statement

In thousands of euros	*Note*	31-Dec-11	31-Dec-10
		1,234,130	**964,234**
Cost of materials consumed and other external charges		(333,891)	(251,996)
Staff costs		(625,010)	(490,316)
Taxes other than on profit		(58,439)	(45,525)
Depreciation, amortisation and provisions		(55,063)	(42,493)
Other recurring operating income		5,035	1,045
Other recurring operating expense		(3,588)	(5,192)
Recurring operating profit		**163,173**	**129,756**
Other non-recurring operating income	*3.19*	211,223	181,332
Other non-recurring operating expense	*3.19*	(184,430)	(160,009)
OPERATING PROFIT		**189,966**	**151,080**
Financial income		16,968	14,765
Financial expense		(81,952)	(67,512)
Net finance cost	*3.20*	**(64,984)**	**(52,747)**
PRE-TAX PROFIT		**124,982**	**98,333**
Income tax expense	*3.21*	(45,531)	(30,924)
Share in profit (loss) of associates and joint ventures	*3.5*	835	(1,062)
NET PROFIT		**80,286**	**66,347**
Attributable to minority interests		(29)	
Attributable to owners of the Company		**80,316**	**66,347**
Number of shares		52,997,892	42,352,795
Basic earnings per share (in euros)		1.87	1.71
Diluted earnings per share (in euros)		1.82	1.70

Comprehensive income statement

In thousands of euros	31-Dec-11	31-Dec-10
Net profit for the year	**80,316**	**66,347**
Fair value of cash flow hedges	(35,858)	2,830
Actuarial gains/(losses) on employee benefits	694	(1,946)
Tax effect on other income and expense recognised directly in equity	12,114	(305)
Comprehensive income before revaluation of property assets	**57,267**	**66,927**
Revaluation of property assets	57,888	58,070
Tax effect on other income and expense recognised directly in equity	(19,931)	(19,994)
Comprehensive income after revaluation of property assets	**95,224**	**105,003**

Consolidated balance sheet

In thousands of euros	*Note*	**31-Dec-11**	**31-Dec-10**
Assets			
Goodwill	*3.1*	323,005	431,252
Net intangible assets	*3.2*	1,128,915	835,096
Net property, plant & equipment	*3.4*	1,746,391	1,425,290
Properties under construction	*3.4*	470,738	485,227
Investments in associates and joint ventures	*3.5*	49,530	28,648
Non-current financial assets	*3.6*	18,998	15,176
Deferred tax assets	*3.21*	19,210	12,820
Non-current assets		**3,756,787**	**3,233,510**
Inventories		4,233	3,377
Trade receivables	*3.7*	93,536	86,980
Other assets, accruals and prepayments	*3.8*	196,758	159,730
Cash and cash equivalents	*3.12*	309,457	276,524
Current assets		**603,984**	**526,611**
Assets held for sale		**121,012**	**119,929**
TOTAL ASSETS		**4,481,784**	**3,880,050**

Liabilities			
Share capital		66,247	52,941
Consolidated reserves		693,426	448,848
Revaluation reserve		311,662	297,217
Net profit for the period		80,316	66,347
Equity attributable to owners of the Company	*3.10*	**1,151,650**	**865,353**
Non-controlling interests		2,897	29,250
Total equity		**1,154,547**	**894,603**
Non-current financial liabilities	*3.12*	1,461,868	1,458,658
Provisions	*3.11*	17,335	17,090
Post-employment and other employee benefits obligation	*3.11*	24,419	18,433
Deferred tax liabilities	*3.21*	639,032	504,473
Non-current liabilities		**2,142,654**	**1,998,654**
Current financial liabilities	*3.12*	465,505	389,286
Provisions	*3.11*	10,072	6,775
Trade payables	*3.14*	171,703	144,030
Tax and payroll liabilities	*3.15*	177,966	174,624
Current income tax liability			531
Other liabilities, accruals and prepayments	*3.16*	238,325	151,619
Current liabilities		**1,063,570**	**866,864**
Liabilities associated with assets held for sale		**121,012**	**119,929**
TOTAL LIABILITIES		**4,481,784**	**3,880,050**

Consolidated statement of cash flows

In thousands of euros	*Note*	31-Dec-11	31-Dec-10
Cash flow from operating activities			
● Consolidated net income		80,316	66,347
● Elimination of non-cash items related to operating activities (*)		59,891	38,073
Cost of debt	*3.20*	64,984	52,747
● Gains on disposals not related to operating activities, net of tax		(20,964)	(20,001)
Cash generated by consolidated companies		**184,227**	**137,166**
● Change in operating working capital requirement			
- Inventories		(648)	175
- Trade receivables	*3.7*	(11,318)	(871)
- Other receivables	*3.8*	2,972	20,463
- Tax and social security liabilities		(3,655)	16,135
- Trade payables	*3.14*	20,765	(10,631)
- Other liabilities	*3.16*	9,907	(26,826)
Cash flow from operating activities		**202,250**	**135,611**
Cash flow from investing and development activities			
● Net cash for the acquisition of subsidiaries		(71,280)	(64,557)
● Acquisition of intangible assets	*3.2*	(10,914)	(10,306)
● Acquisition of property, plant & equipment and PPE in progress	*3.4*	(344,012)	(317,884)
● Disposal of property assets and other non-current assets	*3.4*	124,426	142,479
● Change in other non-current assets and other movements		(47,716)	(46,448)
Cash flow from investing activities		**(349,496)**	**(296,716)**
Cash flow from financing activities			
● Capital increases	*3.10*	200,767	
● Dividends paid to the owners of the parent	*3.10*	(9,741)	(5,827)
● Additions to (repayments of) bridging loans and bank overdrafts	*3.12*	3,038	120,044
● Additions to finance leases	*3.12*	93,355	139,774
● Additions to other debt	*3.12*	121,226	45,741
● Proceeds from OCEANE bond issue			176,272
● Proceeds from OBSAAR bond issue			
● Repayments of other debt	*3.12*	(118,339)	(85,945)
● Repayments of finance leases	*3.12*	(45,146)	(35,073)
● Cost of debt and other movements	*3.20*	(64,981)	(52,723)
Cash flow from financing activities		**180,179**	**302,263**
Change in cash and cash equivalents		**32,933**	**141,158**
Opening cash and cash equivalents		276,524	135,366
Closing cash and cash equivalents		**309,457**	**276,524**
Breakdown of closing cash and cash equivalents		**309,457**	**276,524**
● Money market funds	*3.12*	251,330	202,625
● Cash and cash equivalents	*3.12*	58,127	73,899
● Bank overdrafts			

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(*) Mainly including depreciation, amortisation, provisions, deferred taxes, share in profit (loss) of associates excess of acquisition cost over fair value of assets and liabilities acquired, restructuring costs and non-recurring costs incurred on acquisition of facilities.

Information on consolidated equity

Statement of changes in consolidated equity

In thousands of euros except for number of shares	Number of shares	Share capital	Share premiums	Revaluation reserve	Other reserves	Net profit	Total Attributable to owners of the Company	Non-controlling interests	Total
31-Dec-09	**38,847,172**	**48,559**	**82,187**	**257,285**	**189,245**	**61,138**	**641,628**	**257**	**641,885**
Appropriation of net profit					55,311	(61,138)	(5,827)		(5,827)
Change in fair value of properties				38,077			38,077		38,077
Post employment benefit obligation					(1,276)		(1,276)		(1,276)
Financial instruments				1,856			1,856		1,856
Other							0		0
Fair value changes recognised directly in equity		**0**	**0**	**39,932**	**54,035**	**(61,138)**	**32,829**	**0**	**32,829**
2010 net profit						66,347	66,347		66,347
Exercise of stock options	4,700	6	22				28		28
2010 OCEANE bond issue					3,018		3,018		3,018
Contribution from Mediter's capital increase	3500923	4,376	109,303		7,492		121,172	29,250	150,421
Other					333		333	(257)	76
31-Dec-10	**42,352,795**	**52,941**	**191,512**	**297,217**	**251,105**	**66,347**	**865,353**	**29,250**	**894,603**
Appropriation of earnings					56,606	(66,347)	(9,741)		(9,741)
Change in fair value of properties				37,957			37,957		37,957
Post employment benefit obligation					462		462		462
Financial instruments				(23,512)			(23,512)		(23,512)
Other							0		0
Fair value changes recognised directly in equity		**0**	**0**	**14,445**	**57,068**	**(66,347)**	**5,166**	**0**	**5,166**
2011 net profit						80,316	80,316	(29)	80,287
Exercise of stock options	18,360	23	85				108		108
Exercise of BSAAR	27,078	34	992				1,026		1,026
Exercise of OCEANE	101	0					0		0
Capital increase	10,599,558	13,249	186,383				199,633		199,633
Contribution from Mediter's capital increase					46		46	(29,250)	(29,204)
Other							0	2,926	2,926
31-Dec-11	**52,997,892**	**66,247**	**378,973**	**311,662**	**308,219**	**80,316**	**1151650**	**2,897**	**1154547**

LIFE GOES ON WITH US

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2011

Notes to the consolidated financial statements

Amounts are expressed in thousands of euros unless otherwise stated

The 2011 consolidated financial statements for the ORPEA Group were approved by the Board of Directors on 3 May 2012.

1. SIGNIFICANT ACCOUNTING POLICIES

ORPEA S.A. is a French company with its registered office at 115 rue de la Santé, Paris. It is the parent company of a Group that operates long-term care homes for the elderly and short-term post-acute and psychiatric care facilities.

1.1 – ACCOUNTING STANDARDS

As required by European regulation 1606/2002 dated 19 July 2002, the ORPEA Group has prepared its 2011 annual consolidated financial statements in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union and made obligatory as of the balance sheet date of these financial statements.
This standard is available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm) and include the international accounting standards (IAS and IFRS) as well as the IFRIC interpretations (International Financial Reporting Interpretations Committee).
The accounting methods set out below have been permanently applied to all financial years presented in the consolidated financial statements, except for the new standards and interpretations set out below.

The consolidated financial statement and its notes are presented in euros.

<u>Adoption of new IFRSs applicable to the Group:</u>

No new standards and interpretations that are mandatory for periods beginning on or after 1 January 2011 have a significant impact on the ORPEA Group's financial statements.

These standards are:

- Amendment to IFRS 1 "First-time Adoption of IFRS" – exemptions relative to disclosures under IFRS 7 applicable to entities adopting IFRS standards for the first time: mandatory for periods beginning on or after 1 July 2010;

- Revised IAS 24 "Information on Related Parties": mandatory for periods beginning on or after 1 January 2011;

- Amendment to IAS 27 "Consolidated and Separate Financial Statements": mandatory for periods beginning on or after 1 July 2010;

- Amendment to IAS 32 "Financial instruments: presentation" – classification of rights issues: mandatory for periods beginning on or after 1 February 2010;

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments": mandatory for periods beginning on or after 1 July 2010;

- IFRIC 14 "Prepayments of a Minimum Funding Requirement": mandatory for periods beginning on or after 1 January 2011;

- Improvements to 2010 IFRS:
  - Amendment to IAS 1 "Presentation of Financial Statements": mandatory for periods beginning on or after 1 January 2011,
  - Amendment to IAS 34 "Interim Financial Reporting": mandatory for periods beginning on or after 1 January 2011,
  - Amendment to IFRS 7 "Financial Instruments: Disclosures": mandatory for periods beginning on or after 1 January 2011,
  - IFRIC 13 "Customer Loyalty Programmes": mandatory for periods beginning on or after 1 January 2011,
  - Amendment to IFRS 3 "Business Combinations": mandatory for periods beginning on or after 1 July 2010.

<u>Standards and interpretations applicable as of 1 January 2012:</u>

- Amendment to IFRS 1 "First-time Adoption of IFRS" – Severe hyperinflation and removal of fixed dates for first-time adopters (applicable to annual periods beginning on or after 1 July 2011);

- Amendment to IFRS 7 "Financial Instruments: Disclosures": Transfers of financial assets (applicable to annual periods beginning on or after 1 July 2011);

- IFRS 9 "Financial Instruments – Classification and Measurement" (applicable to annual periods beginning on or after 1 January 2015);

- IFRS 10 "Consolidated Financial Statements" (applicable to annual periods beginning on or after 1 January 2013);

- IFRS 11 "Joint Arrangements" (applicable to annual periods beginning on or after 1 January 2013);

- IFRS 12 "Disclosure of Interests in Other Entities" (applicable to annual periods beginning on or after 1 January 2013);

- Revised IAS 27 "Consolidated and Individual Financial Statements" (applicable to annual periods beginning on or after 1 January 2013);

- Revised IAS 28 "Investments in Associates and Joint Ventures" (applicable to annual periods beginning on or after 1 January 2013);

- IFRS 13 "Fair Value Measurement" (applicable to annual periods beginning on or after 1 January 2013);

- Amendment to IAS 1 "Presentation of Financial Statements" - Presentation of other income and expense recognised directly in equity (applicable to annual periods beginning on or after 1 July 2012);

- Amendment to IAS 12 "Deferred Tax" – Recovery of underlying assets (applicable to annual periods beginning on or after 1 January 2012);

- Amendment to IAS 19 "Employee Benefits" – Elimination of the "corridor" approach, defined benefit plans, classification and improved disclosures (applicable to annual periods beginning on or after 1 January 2013);

- IFRC 20 "Stripping Costs in the Production Phase of a Surface Mine" (applicable to annual periods beginning on or after 1 January 2013).

The ORPEA Group does not apply any of these new standards and interpretations in advance and is currently assessing the impact of their initial application.

Transition to IFRSs and adoption of IAS 16 for measuring property assets

The ORPEA Group adopted IFRSs for the first time on 1 January 2005. The 2004 financial statements and the opening balance sheet at 1 January 2004 were adjusted in accordance with IFRS 1 – *First-time Adoption of International Financial Reporting Standards* to reflect the impact of the associated changes of accounting methods.

The main elections made upon first-time adoption of IFRSs were:

- recognition and measurement of operating licences as identifiable intangible assets and recognition and measurement of properties in accordance with IFRS 3 – Business Combinations as of the date of acquisition;
- treatment of properties in accordance with IAS 17 – Leases.

As permitted by IFRS 1 – First-time Adoption of IFRS, the ORPEA Group elected for retrospective application of IFRS 3 – Business Combinations as of the date on which the current shareholders acquired control and for all subsequent acquisitions.

All properties financed under lease agreements are treated as finance leases.

As of the 2007 financial statements, the Group elected to measure its fully or jointly-owned operating properties comprising land and buildings using the revaluation method set out in IAS 16, which it believes gives a more accurate view of the value of its property portfolio.
Details are provided in note 1.8.

1.2 Basis of accounting

The financial statements are prepared 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.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised at cost including any goodwill on the date of acquisition.
Their carrying value includes the Group's share of their net results after acquisition. If the Group's share of their losses exceeds its interest in the entity, the Group discontinues recognising its share of any further losses unless it has an obligation to recapitalise the entity or make payments on its behalf.

Investments in associates and joint ventures classified as held for sale are accounted for in accordance with IFRS 5 (see note 1.11).

Acquisitions and disposals made during the year are included in the consolidated financial statements from the date on which control or significant influence is acquired to the date on which it ceases.

The consolidated financial statements have been drawn up on the basis of the financial statements of all consolidated entities as at 31 December.

1.5 BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 – *Business Combinations*, published in January 2008 by the International Accounting Standards Board (IASB) and adopted early by the Group as of 1 January 2009.

Acquisitions of business operations are always conditional upon the Group obtaining a licence as the new operator from the supervisory bodies. Other conditions precedent may be added on a case-by-case basis.
In such cases, the acquisition and its consolidation are accounted for when the conditions precedent have been met.

A business combination is accounted for only as of the date on which control is acquired.

If an equity interest in the entity was held prior to acquiring control, it is remeasured at fair value and any difference is recognised in non-recurring operating income or expense.

Transaction costs, such as intermediaries' fees, advisory, legal, accounting, appraisal and other fees, and associated taxes and duties, are now recognised in profit or loss as non-recurring operating expenses.

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".

Since the adoption of IFRS 3 Revised, non-controlling interests in consolidated subsidiaries may be measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets.
This option is available on a transaction-by-transaction basis. For controlling interests acquired since 1 January 2009, the Group has elected each time to account for the non-controlling interests at their fair value.

Goodwill arising on entities accounted for by the equity method is included in "Investments in associates and joint ventures".

Upon disposal of a subsidiary, jointly-controlled entity or facility, the corresponding goodwill is included when determining the gain or loss on disposal.

1.6 TRANSLATION OF THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The consolidated financial statements are prepared in euros.

Financial statements of subsidiaries with a different functional currency are translated into euros as follows:

- at the official rate on the balance sheet date for assets and liabilities;
- at the average rate for the period for income statement and cash flow statement items.

Any 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, 80% for Belgium and between 80% and 125% for Italy.

These licences are not amortised but tested for impairment on each balance sheet date or whenever there is objective evidence that they might be impaired. If their recoverable amount is lower than their carrying amount, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

The amortisation period for other intangible assets ranges from one to five years.

1.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly comprises land, buildings, fixtures and fittings and equipment.

The Group's operating properties are either acquired or built or redeveloped by the Group.

To ensure that its quality requirements are met, the Group manages all its own construction or redevelopment projects. These projects are recognised on the balance sheet under "Property in the course of construction".

As part of its asset management policy, the Group regularly sells operating properties it owns. These sales are carried out as a block or by lots and are then leased back from the new owner.

Disposals may include properties owned and operated by the Group for several years and also properties that have been recently acquired, redeveloped or built.

Properties kept by the Group are usually financed 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, mainly through finance leases, comprising land and buildings operated by the Group are measured at fair value in accordance with paragraph 31 of IAS 16 – Property, Plant and Equipment.

The fair value of each property is reviewed at each year end by external professionally qualified valuers. Fair value is calculated based on location, type of operation and operating conditions.

The restated value of each property is determined by capitalising an estimated market rent for each facility. The capitalisation rates used are based on location, type of operation, operating conditions and ownership method (fully or jointly-owned).

The difference between cost and fair value is recognised in equity under "Revaluation reserve" net of taxes.
If the fair value of a property falls below cost, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

Fair value adjustments to buildings are depreciated over the residual life of each facility.

Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment on a straight-line basis. They are depreciated 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. Any impairment losses are recognised in profit or loss.

Proprietary property development projects

Under its expansion policy and in order to meet its quality standards, the Group manages its own operating property development or redevelopment projects.

These properties are either kept by the Group or sold to investors.

The cost of new or redeveloped properties includes the cost of purchasing the land, any buildings to be redeveloped and all development and redevelopment costs. 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*.

Properties sold off-plan to investors have always been accounted for using the percentage of completion method and therefore comply with IFRIC 15.

The degree of completion is determined based on accrued costs after the validation by the project manager, and corresponds to the technical advancement in terms of the overall costs of the project.

Marketing expenses directly attributable to properties sold off-plan are recognised in proportion to the percentage of completion. The balance is recognised in the balance sheet as prepaid expenses.

Progress payments received on off-plan sales are deducted from the value of the project.

Gains or losses on sales of properties are recorded under "Other non-recurring operating income and expense" to distinguish them from operating revenue.

Finance leases

In accordance with IAS 17 – Leases, lease contracts are classified as finance leases when substantially all of the risks and rewards incidental to ownership of the asset are transferred to the lessee.

All other lease contracts are classified as operating leases.
Operating lease payments (other than service costs such as insurance and maintenance) are recognised as an expense on a straight-line basis over the term of the contract.

Only leasebacks followed by the end of an operating lease give rise to gains or losses on disposals that are accounted for under "Other non-recurring operating income and expense".

1.9 IMPAIRMENT OF NON-CURRENT ASSETS

In accordance with IAS 36 – *Impairment of Assets*, the Group assesses the recoverability of its non-current assets as follows:

- property, plant & equipment and intangible assets with a finite useful life are tested for impairment whenever there is objective evidence that they might be impaired;
- intangible assets with an indefinite useful life and goodwill are tested for impairment whenever there is objective evidence that they might be impaired and at least once a year on the balance sheet date.

Impairment testing consists in comparing the carrying amount with the higher of fair value less costs to sell and value in use. Value in use is determined by discounting the future cash flows expected to be generated from continued use of the assets over their estimated useful lives and their residual sale value at the end of that period. The discount rate used is equal to the Group's weighted average cost of capital, which is representative of the sector rate (see note 3.3).

Any impairment of a cash generating unit (CGU), or group of CGUs in the case of foreign operations, is deducted first from the corresponding goodwill, if any, and then from the remainder of the CGU's assets in proportion to their carrying amount.

Each long-term or short-term care facility is a CGU. A CGU's main assets are goodwill when allocated to the CGU, intangible assets (operating licence) and the operating property measured at fair value if the Group is the owner (see note 1.8).

1.10 NON-CURRENT FINANCIAL ASSETS

Investments that are not consolidated because they do not meet materiality conditions are measured at cost.

Investments that are not consolidated because of the Group's percentage holding are recognised as available-for-sale assets. They are measured at cost on initial recognition and subsequently at fair value if it can be determined reliably.
Otherwise they are measured at cost less any accumulated impairment. In this case, their recoverable amount is determined on the basis of the Group's share in the entity's net assets, its expected future profitability and growth outlook.
Changes in fair value are recognised as a separate component of equity until the investment is sold. When the impairment is material or prolonged, it is recognised in net finance costs.

An impairment loss is taken against loans measured at amortised cost when there is objective evidence that they might be impaired due to the credit risk.

1.11 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5, assets or groups of assets (disposal groups) – particularly properties or facilities which the Group intends to sell within a period of 12 months – are classified as *non-current assets held for sale and discontinued operations.* This excludes finance leased buildings.

This classification applies if the sale is highly probable and the non-current asset or disposal group held for sale meets the criteria for such classification and are in particular immediately available-for-sale.
These assets are measured at the lower of their carrying amount and fair value less costs to sell.

The carrying amount for operating properties is the latest fair value determined in accordance with paragraph 31 of IAS 16 (see note 1.8).

1.12 TRADE AND OTHER OPERATING RECEIVABLES

Trade receivables are initially valued at the nominal value. This method is considered to be the best estimate of their initial fair value. A provision for impairment is recognised when there is objective evidence that the Group may be unable to recover the full amount on the original terms and conditions of the transaction. The age of a receivable and a debtor's habitual arrears are evidence of impairment. The amount of the impairment provision is equal to the net present value of the cash flows which are considered to be unrecoverable. Based on past experience, impairment rates are typically as follows:

- Social security obligations: Receivables more than 27 months past due:	100%
Receivables between 24 and 27 months past due:	75%
Receivables between 18 and 24 months past due:	50%
Receivables between 12 and 18 months past due:	25%
- 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 six months past due:	100%
- Residents: Receivables between six and 12 months past due:	50%
Receivables more than one year past due:	100%
- Residents receiving social security support:	
Receivables more than two years past due:	50%
Receivables more than three years past due:	100%

Receivables with a maturity of more than one year are discounted if the impact is material.

1.13 DEFERRED TAXES

Deferred taxes arising on temporary differences between the tax base and accounting base of consolidated assets and liabilities are recognised using the liability method at the rates enacted or substantially enacted at the balance sheet date.

Most deferred taxes arise from the revaluation of operating licences and fully or jointly-owned operating properties.

Deferred tax assets arising on tax loss carryforwards are recognised if there is a reasonable probability that they will be used in the foreseeable future.

Deferred taxes are not discounted.

A provision is made for taxes that may be due by the Group on dividend payments made by subsidiaries if the dividend payment has been formally agreed on the balance sheet date.

Deferred tax assets and liabilities are netted by tax entity when they are expected to reverse in the same period.
Current and/or deferred taxes are recognised in profit or loss for the period except when arising on a transaction or event recognised directly in equity.

1.14 *CONTRIBUTION ECONOMIQUE TERRITORIALE*

The French 2010 Finance Act published on 30 December 2009 abolished the *Taxe Professionnelle* (business tax) and replaced it with a new levy called the *Contribution Economique Territoriale* (Local Economic Contribution, CET), which is broken down into two components of different types:

- the *Cotisation Foncière des Entreprises* (CFE) is based on the rental values of assets liable to property tax. This component is very similar to the existing *Taxe Professionnelle* and is accordingly recognised as an operating expense;
- the *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE) is based on the added value generated by French companies. This component is analysed as a tax due on taxable profits and is accordingly recognised as an income tax in accordance with IAS 12 as of 2010.

Consequently, a deferred tax expense was recognised in profit or loss at 31 December 2009 in accordance with IAS12. The basis for calculating the tax liability mainly comprises the carrying amounts of property, plant & equipment and intangible assets with a finite useful life.
Goodwill, operating licences with an indefinite useful life and land are not included in the basis for calculation in light of the provisions of SIC 21.

1.15 CASH AND CASH EQUIVALENTS

"Cash and cash equivalents" consist of cash in hand and at bank and short-term investments that are highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash and short-term investments comprise balances on bank accounts, cash in-hand, term deposits of less than three months and debt securities traded on official markets that are subject to an insignificant risk of a fall in value, which are measured at fair value and for which changes are recognised in profit or loss.

1.16 TREASURY SHARES

ORPEA SA shares held by the parent company are recognised at cost as treasury shares and deducted from equity until such time as they are sold.

Gains or losses on the sale of treasury shares are added to or deducted from consolidated reserves net of tax.

1.17 STOCK OPTION AND STOCK AWARD PLANS

Stock options are granted to certain 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.

1.18 POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATION

In France, the Group is governed by the single 'FHP' collective bargaining agreement for the private healthcare sector dated 18 April 2002, which provides for payment of a lump-sum benefit upon retirement based on the employee's length of service, grade and salary on the retirement date.
No other post-employment or long-term benefits are granted to employees in service.

Outside France, the Group applies the relevant local provisions in each country.

Switzerland is the only country where it has defined benefit pension plans. The Group's post-employment benefit obligation is calculated on the basis of actuarial estimates using the projected unit credit method. Actuarial assumptions include staff turnover, salary increases, inflation and life expectancy 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.

1.19 PROVISIONS

The Group recognises a provision when it has a legal or constructive obligation to a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
If is not probable but possible that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is recognised off-balance sheet as a contingent liability.

Provisions related to the operating cycle are classified as short-term regardless of their probable reversal date. They mainly concern employee-related risks and are measured by the social affairs department according to the risk incurred by the Group and the stage of progress in any proceedings pending.

Provisions that are not directly related to the operating cycle and which have a probable reversal date beyond one year are classified as long-term. They mainly comprise provisions for litigation, taxes and similar, and restructurings.

1.20 FINANCIAL LIABILITIES

Financial liabilities are recognised at their face value net of any associated transactions costs which are deferred over the life of the liability in net finance costs using the effective interest method.
If the future interest expense is hedged, the financial liability is still measured at amortised cost and the change in fair value of the effective portion of the hedging instrument is recognised in equity.
Changes in fair value of derivative instruments not held for hedging and the ineffective portion of hedging instruments are recognised in net finance costs.

Net debt comprises short and long-term financial liabilities less the value of cash and cash equivalents held.

It includes property bridging loans which are bank loans allocated specifically to financing operating properties recently acquired or in the course of construction.

Convertible and mandatory convertible bonds have a debt and an equity component.
The bonds convertible into new or existing shares (OCEANE) issued in December 2010 have been accounted for in accordance with IAS 32 and IAS 39 – Financial Instruments.
The debt component is deemed to be the fair value of a liability with identical characteristics but no conversion option. It is measured using the amortised cost method.
The equity component is not revalued during the life of the bond issue.

1.21 FINANCIAL INSTRUMENTS AND DERIVATIVES

The Group uses various financial instruments to hedge its exposure to interest rate risk. They are over-the-counter instruments contracted with first-class counterparties. All derivative financial instruments are recognised in the balance sheet under "Other current assets and liabilities" and measured at fair value on the transaction date (see note 3.13.1 – Interest rate risk management strategy).

1.22 REVENUE

Revenue mainly comprises payment for accommodation and care services provided to residents and patients. 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 per diem rate is set according to the level of care required and forecast expenses).

For short-term care facilities, the day rate is payable as follows:

- the "private room" component is paid by the patient or the patient's top-up private health insurance;
- the "medical care" component is paid by the regional health insurance fund.

The only seasonal effect is the number of days in operation, which is higher in the second half of the calendar year than the first.

1.23 OTHER INCOME STATEMENT AGGREGATES

The Group's main business consists of operating long-term and short-term care facilities.
Recurring operating profit is derived from these operations.

Other non-recurring operating income and expense comprises:

- gains or losses on property transactions: sales of properties, development costs and any impairments;
- the group's development expenses and restructuring costs for recently acquired facilities;
- income and expenses related to business combinations: transaction costs, goodwill;
- impairment of intangible assets and goodwill.

1.24 EARNINGS PER SHARE

Basic earnings per share is calculated on the basis of the weighted average number of shares in issue during the year less any treasury shares held and deducted from equity.

Diluted earnings per share 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 proceeds from the exercise of rights are intended to be used first and foremost to buyback shares at the market price. This "share buyback" method is used to calculate the amount of shares that are "not bought back" which are added to the number of ordinary shares outstanding to determine the dilutive impact.

1.25 CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows is prepared using the indirect method, in other words it presents a reconciliation of EBIT with cash generated from operating activities.
Opening and closing cash and cash equivalents include cash and other short-term investments less any overdraft facilities that are not considered as bridge financing for operating properties recently acquired or in the course of construction or redevelopment.

1.26 SEGMENT INFORMATION

Segment information is disclosed on the basis of two operating segments, being the two segments used by the Group to analyse its activity and monitor its development: these segments are France and International (see note 3.1.8).

1.27 ORGANIC GROWTH

The Group regularly discloses its organic revenue growth.

Organic or internally-generated growth is derived from new developments, extensions and redevelopment of existing facilities, trends in occupancy rates and changes in rates charged.

Organic growth is analysed on an individual facility basis.

It includes the improvement in revenue relative to the equivalent year-earlier period at recently acquired facilities.

1.28 EXTERNAL GROWTH

External growth is derived from acquisitions of facilities in operation or under development (directly or indirectly through companies).

2. SCOPE OF CONSOLIDATION

2.1 CHANGES IN SCOPE OF CONSOLIDATION DURING THE FINANCIAL YEAR

2011 revenue rose by 28% or €270 million compared with 2010.

The Group has expanded through both organic growth and acquisitions.

Organic revenue growth was 8.5% compared with 8.7% the previous year.

The company opened eight new facilities during 2011 totalling about 802 beds following the completion of developments started in previous years, compared with eight facilities totalling 789 beds in 2010.

ORPEA also continued with its external growth policy in 2011, with the acquisition of facilities in operation or planned:

- In France:
    - 14 long-term care facilities in Contes, Moulin Neuf, Mandres les Roses, Caromb, Biot, Cannes, St Gaultier-Chasseneuil, Le Bouscat, Bruges, Miramas, Fos sur Mer, Cabries, Peymeinade and St Denis de l'Hôtel,
    - five short-term care facilities in Plateau d'Assy, Alfortville, Livry Gargan, Bregy and Passy;

- Abroad: in Belgium a retirement home in Flanders and in Italy a psychiatric care facility.

ORPEA also acquired a 45% non-controlling interest through SARL PCM SANTE in a group of six care facilities during the first half of 2011.

The Group also carried out ad hoc acquisitions - either directly or via companies - of standalone assets necessary for its expansion, comprising intangible property rights and operating properties.

2.2 PRESENTATION OF CHANGES IN THE SCOPE OF CONSOLIDATION IN 2011

Recap of the acquisition of Mediter and Medibelge

On 31 December 2010, ORPEA acquired:

- 100% of the share capital of Mediter SAS, which holds majority stakes in companies operating clinics and long-term care facilities in France, and more specifically 50% plus one share of Holding Mieux Vivre;
- 49% of the share capital of Medibelge SA, which holds stakes in companies operating nursing homes in Belgium.

Mediter owns five retirement homes and ten clinics in France, representing total capacity of 1,572 beds.

Sub-group Mieux Vivre owns 26 retirement homes in France, representing total capacity of 2,238 beds.

As this acquisition was carried out on 31 December, the 2011 accounts include the operation of Mediter and the sub-group Mieux Vivre, which is hereinafter jointly referred to as "Mediter".

The impact of this transaction of recurring operating profit breaks down as follows:

in millions of euros	31 December 2011			31 December 2010
	ORPEA Group	of which Mediter	excluding Mediter	ORPEA Group
Revenue	1,234.1	153.2	1,080.9	964.2
Pre-tax profit on ordinary activities before amortisation and provisions	218.2	10.7	207.5	172.2
Depreciation, amortisation and provisions	(55.1)	(3.7)	(51.3)	(42.5)
Recurring operating profit	163.2	7.0	156.2	129.8

Acquisition of Mediter and Medibelge

In the second half of 2011, ORPEA:

- acquired the remaining 50% share capital in Holding Mieux through its subsidiary SAS Mediter;

- lowered the acquisition price of Mediter and Medibelge by €2.0 million, in line with agreements with the vendors based on trends in debt at 31 December 2010 and operating performance.

Determination of final goodwill

Given the date of the acquisition of Mediter (31 December 2010) and its size, the assets and liabilities acquired were not measured at fair value on the reporting date.

Mediter's final goodwill was fixed as follows at 31 December 2011:

(in millions of euros)		Total
Fair value of Mediter shares (*)		140
Operating licences	191	
Deferred tax on licences	(66)	
Other acquired assets and liabilities	(73)	
Fair value of acquired assets and liabilities		52
Final goodwill		88

(*) Including the non-controlling interest in Mieux Vivre at fair value

Other acquisitions in 2011

During 2011, other investments in external growth amounted to €89 million and the amount of debt taken on by the Group to about €36 million.

Based on a provisional estimate of the fair value of assets acquired, the total investment on the acquisition date can be summarised as follows:

	Number of facilities	Number of beds	Intangible operating assets (in millions of euros)	Goodwill and intangibles not yet assigned (in millions of euros)	Properties (in millions of euros)
France	19	1,258	68	20	84
International	2	296	16	0	0
Italy	*1*	*147*	*12*		
Switzerland					
Belgium	*1*	*149*	*5*		*0*
Spain					
Total	21	1,554	84	20	84

Deferred tax liabilities recognised in respect of these acquisitions amounted to about €35 million.

In 2010, total investments on the date of consolidation were:

	Number of facilities	Number of beds	Intangible operating assets (in millions of euros)	Goodwill and intangibles not yet assigned (in millions of euros)	Properties (in millions of euros)
France	14	975	56	11	45
International	1	82	3	1	8
Italy					
Switzerland					
Belgium	*1*	*82*	*3*	*1*	*8*
Spain					
Total	15	1,057	59	11	53

3. NOTES TO THE FINANCIAL STATEMENTS

3.1 GOODWILL

The main movements during the year were as follows:

	France	International	Total
Opening net goodwill	362,753	68,499	431,252
Business combinations	20,452	12	20,464
Allocated to Mediter	(128,711)		(128,711)
Closing net goodwill	**254,494**	**68,511**	**323,005**

At 31 December 2010, Mediter assets and liabilities acquired at this date had not been recognised at fair value and the accounts at 30 June 2011 included a provisional allocation of goodwill.

At 31 December 2010, Mediter provisional goodwill stood at €216 million.

At 31 December 2011, final goodwill of €191 million was allocated to intangible assets (including €125 million of deferred tax) which represent operating licences for Mediter facilities, taking goodwill to €88 million.

3.2 INTANGIBLE ASSETS

The following table shows the main intangible assets and accumulated amortisation:

	31/12/2011			31/12/2010		
	Gross	Depr., amort. prov.	Net	Gross	Depr., amort. prov.	Net
Operating licences	1,111,999	6,812	1,105,188	824,009	9,991	814,017
Advances and downpayments	8,314		8,314	5,299		5,299
Other intangible assets	23,072	7,659	15,413	21,311	5,532	15,779
Total	1,143,385	14,471	**1,128,915**	850,619	15,523	**835,096**

At 31 December 2011, "Operating licences" comprised the licences to operate facilities in France, Belgium and Italy considered to have an indefinite useful life.

Amortisation of other intangible assets is recognised in profit or loss under "Depreciation, amortisation and provisions".

A €3.2 million write-back of provision was recognised on the impairment of €7.2 million that had been booked to cover the risk related to two operating licences, after one of these licences was obtained.

Impairment losses are recognised in "Other non-recurring operating expense".

The following table shows the movement in intangible assets by type (net):

	Operating licences	Advances and downpaymen ts	Other	Total
31 December 2009	**753,187**	**8,373**	**13,791**	**775,351**
Increase	5,177	1,772	3,357	10,306
Decrease	(481)	(29)	(120)	(630)
Depreciation, amortisation and provisions	(3,084)		(736)	(3,820)
Reclassifications and other	664	(4,816)	(707)	(4,859)
Changes in scope	58,554		194	58,748
31 December 2010	**814,017**	**5,299**	**15,779**	**835,096**
Increase	3,064	4,794	3,056	10,914
Decrease	(2,552)	(540)	(1,181)	(4,273)
Depreciation, amortisation and provisions	3,180		(1,940)	1,240
Reclassifications and other	203,416	(1,238)	(360)	201,818
Changes in scope	84,063		59	84,122
31 December 2011	**1105188**	**8,314**	**15,413**	**1,128,915**

The reclassifications of "Operating licences" include €195 million of Mediter's operating licences following the allocation of final goodwill.

Advances and downpayments recognised as intangible assets mainly comprise prepayments made under contractually agreed acquisitions of operating licences.

3.3 PERIODIC IMPAIRMENT TESTING

In accordance with IAS 36, 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 2011 were:

- perpetual growth rate: 2.5%;
- discount rate: 8.0 %;
- capex required to maintain the asset: 2.5% of revenue.

Some cash generating units may be sensitive to a hypothetical increase in the discount rate or growth rate.

A hypothetical change of 100 basis points in either rate would not lead to the recognition of an impairment loss.

Applying the discounted cash flow method leads to an excess carrying amount for the CGUs in operation of €1.7 billion based on a discount rate of 8.0% compared to €1.2 billion at a discount rate of 9.0%.

3.4 PROPERTY, PLANT AND EQUIPMENT

3.4.1 Changes in property, plant & equipment including those under construction

The following table shows the main items of property, plant and equipment, including those under construction, and accumulated depreciation:

	31/12/2011			31/12/2010		
	Gross	Depr., amort. prov.	Net	Gross	Depr., amort. prov.	Net
Land	709,862	172	709,690	569,378	141	569,237
Buildings	1,281,211	251,744	1029467	1065985	198,769	867,216
Technical installations	173,424	78,407	95,018	136,786	58,698	78,088
Properties under construction	470,801	62	470,738	485,290	62	485,227
Other intangible assets Corporelles	75,508	42,281	33,228	65,200	34,523	30,677
Properties held for sale	(121,012)		(121,012)	(119,929)		(119,929)
Total	2,589,794	372,665	**2,217,129**	2202709	292,193	**1,910,516**

Depreciation is recognised in profit or loss under "Depreciation, amortisation and provisions".

Impairment losses are recognised in "Other non-recurring operating expense".

The following table shows movements in the net carrying amount of property, plant and equipment:

	Land	Buildings	Technical installations	Properties under construction	Other	Properties held for sale	Total
31 December 2009	**423,896**	**719,375**	**78,584**	**494,135**	**28,395**	**(82,208)**	**1,662,177**
Acquisitions	4,921	65,937	16,449	223,019	7,558		317,884
Change in fair value	58,070						58,070
Disposals and terminations (*)	(127)	(6,208)	(889)	(114,935)	(1,434)		(123,593)
Depreciation	(31)	(25,914)	(13,388)		(3,119)		(42,452)
Reclassifications and other	58,547	70,307	(3,493)	(127,231)	(2,131)	(37,721)	(41,722)
Changes in scope	23,961	43,719	825	10,239	1,408		80,152
31 December 2010	**569,237**	**867,216**	**78,088**	**485,227**	**30,677**	**(119,929)**	**1,910,517**
Acquisitions	17,899	78,723	15,210	226,345	5,835		344,012
Change in fair value	57,888						57,888
Disposals and terminations (*)	(1,174)	(12,295)	(2,083)	(103,473)	(1,128)		(120,153)
Depreciation	(30)	(33,429)	(15,224)		(3,951)		(52,634)
Reclassifications and other	31,933	94,438	17,987	(150,942)	682	(1,083)	(6,985)
Changes in scope	33,937	34,814	1,040	13,581	1,113		84,485
31 December 2011	**709,690**	**1,029,467**	**95,018**	**470,738**	**33,228**	**(121,012)**	**2,217,129**

(*) Amounts are net of the corresponding depreciation.

The main movements in 2011 were due to capital expenditure required for the ongoing operation of facilities, investments in new facilities or extensions, acquisitions of properties through business combinations and acquisitions of properties under 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-11	**31-Dec-10**	**Change**
Gross revaluation reserve	412,691	354,803	57,888
Depreciation	(9,942)	(8,426)	(1,516)
Net revaluation reserve	**402,749**	**346,377**	**56,372**

The revaluation reserve of property assets amounted to €412.7 million at end-2011 compared with €354.8 million at end-2010, a rise of €58 million in gross value. The impact on equity for the year was €38 million after deducting €20 million in deferred taxes.

The corresponding tax, calculated at standard rates, amounted to €142.1 million.

The amount of additional depreciation arising as a result of the revaluation of buildings in 2011 was €1.5 million.

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

Price per sq.m GLA (in €)	31-Dec-11	31-Dec-10
Paris	5,565	5,542
Inner Paris suburbs	3,923	3,762
Outer Paris suburbs and other major cities	2,699	2,608
Other	1,872	1,766

3.4.3 Finance leases

Property, plant and equipment financed by finance leases include the following assets at their gross value:

	31-Dec-11	31-Dec-10
Land	182,442	155,921
Buildings	500,489	472,719
Finance leased property	**682,931**	**628,640**

All finance leases are property leases.

Future minimum payments under finance leases are disclosed in note 3.22.

3.4.4 Operating leases

Operating lease payments are as follows:

	31-Dec-11	31-Dec-10
Lease payments	93,114	64,113
Total	**93,114**	**64,113**

Operating leases are almost exclusively comprised of renewable leases with fixed rents revisable mainly at fixed rates or in accordance with the INSEE construction cost index or the rate of revaluation of old age pensions.

Minimum future lease payments under operating leases are presented in note 3.22.

3.5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At 31 December 2011, investments in associates and joint ventures break down as follows:

Associated enterprises	Percentage ownership at 31 December 2011	Carrying amounts of investments (in thousands of euros)
Medibelge Group (long-term care facilities)	49%	25,101
TCP DEV (*) (long-term care facilities)	70%	490
Group of six care facilities owned by PCM	45%	20,604
Other	49%	3,562
Total		49,757
Equity accounted profit/(loss) for previous financial years		(1,062)
Equity accounted net profit for the current financial year		835
Investments in associates and joint ventures		49,530

(*) Pursuant to a shareholders' agreement, ORPEA does not have control

At 31 December 2011, the main aggregates include:

(in thousands of euros)	
Non-current assets (*)	91,675
Current assets (*)	20,887
Equity (*)	43,036
Non-current liabilities (*)	29,692
Current liabilities (*)	39,833
Revenue	110,995
Net profit	2,708
Equity accounted net profit	835

(*) excluding MEDIBELGE Group

3.6 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets break down as follows:

	31-Dec-11 Net	31-Dec-10 Net
Non-consolidated investments	4,996	877
Loans	9,962	9,979
Security deposits	4,040	4,319
Total	**18,998**	**15,176**

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-11	31-Dec-10
Trade receivables	93,536	86,980
Total	**93,536**	**86,980**

The rise in trade receivables was due to the Group's strong growth.
Due to the nature of its activity, all trade receivables in France are due within one month.

3.8 OTHER ASSETS, ACCRUALS AND PREPAYMENTS

	31-Dec-11	31-Dec-10
Development-related expenses	39,632	23,547
Receivables related to property disposals	35,743	45,966
Prepaid expenses on property developments	14,844	8,287
VAT receivables	61,812	33,260
Advances and prepayments made	8,033	1,516
Other receivables	20,913	28,760
Receivables from suppliers	8,002	9,493
Prepaid operating expenses	7,780	8,901
Total	**196,758**	**159,730**

Development-related assets mainly comprise amounts paid in connection with acquisitions of companies, operating licences for short-term or long-term care facilities, or the construction of new properties.

3.9 ASSETS HELD FOR SALE

Assets held for sale are operating properties.

3.10 EQUITY

3.10.1 Share capital

	31-Dec-11	31-Dec-10
Total number of shares	52,997,892	42,352,795
Number of shares issued	52,997,892	42,352,795
Par value per share (€)	1.25	1.25
Share capital (€)	66,247,365	52,940,994
Treasury shares	25,483	27,321

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.

On 31 December 2010, after acquiring a stake in Mediter and Medibelge, ORPEA made a €4,376,000 capital increase by issuing 3,500,923 new shares.

Following the exercise of share warrants during September 2011, ORPEA made a €34,000 capital increase by issuing 27,078 new shares.

On 6 October 2011, ORPEA authorised the release of the 2003 share ownership plan, enabling a €23,000 capital increase by issuing18,360 new shares.

On 8 December 2011, ORPEA made a €13,249,000 capital increase by issuing 10,599,558 new shares. This transaction generated an issue premium, net of transaction costs, of €186,383,000.

Since 31 December 2009, capital increases and the exercise of stock options have had the following impact on share capital and share premiums:

(in thousands of euros)	Number of shares	Share capital	Share premiums
Share capital at 31/12/2009	**38,847,172**	**48,559**	**82187**
Exercise of options	4,700	6	22
Capital increase	3,500,923	4,376	109,303
Share capital at 31/12/2010	**42,352,795**	**52,941**	**191,512**
Exercise of options	18,360	23	85
Exercise of share warrants	27,078	34	992
Exercise of OCEANE	101	0	
Capital increase	10,599,558	13,249	186,383
Share capital at 31/12/2011	**52,997,892**	**66,247**	**378,973**

3.10.2 Earnings per share

Average weighted number of shares in issue:

	31-Dec-11		31-Dec-10	
	Basic	Diluted	Basic	Diluted
Ordinary shares *	43,062,149	43,062,149	38,861,464	38,861,464
Stock options				65,398
Treasury shares	(26,402)	(26,402)	(27,257)	(27,257)
Exercise of share warrants				0
Exercise of OCEANE		4,069,635		178,395
Weighted average number of shares	**43,035,747**	**47,105,382**	**38,834,207**	**39,078,000**

* Net of treasury shares in 2010.

Earnings per share:

(in euros)	31-Dec-11		31-Dec-10	
	Basic	Diluted	Basic	Diluted
Net profit (Group share)	**1.87**	**1.82**	**1.71**	**1.70**

3.10.3 Dividends

At the annual general meeting of 30 June 2011, the shareholders approved a 2010 dividend of €0.23 per share making a total payout of €9,741,000, paid in September 2011.

3.10.4 Stock option plans

Under the third plan, 18,360 options were exercised during the year leaving no options outstanding at 31 December 2011.

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 1.17, only the stock option plan granted in June 2003 has been subject to a valuation.

3.10.5 Share warrants

On 17 August 2009, ORPEA made an issue of bonds with redeemable share warrants (OBSAAR). This transaction led to the creation of 1,190,787 share warrants. These share warrants are exercisable from 14 August 2011 to 14 August 2015 inclusive and entitle holders to subscribe 1,062 ORPEA shares at a price of €37.90 per share. The maximum dilutive effect is 2.33% of the share capital.

3.10.6 Treasury shares

At the annual general meeting of 30 June 2010, the shareholders authorised a share buyback programme.

This programme enables the company to ensure liquidity and make a market in the shares, optimise its capital management and grant shares to employees particularly through stock award plans.

On 29 December 2009, 68,420 shares were awarded to 1,975 Group employees.

At 31 December 2011, the Group held 25,483 treasury shares which were deducted from consolidated reserves in a total amount of €1.2 million.

3.11 Provisions

Provisions break down as follows:

(in thousands of euros)	1-Jan-11	Actuarial gains or losses	Reclassification	Charge for the year	Reversal in the year (used)	Reversal in the year (not used)	Changes in scope and other	31-Dec-11
Liabilities and charges	17,980		(2,649)	10,365	(3,313)	(2,236)	435	20,582
Restructuring	5,883			1,000	(3,380)		3,319	6,822
Total	23,863		(2,649)	11,365	(6,693)	(2,236)	3,754	27,404
Post-employment ben. ob.	18,433	(675)	1.423	2,369	(1,420)		4,290	24,419

Provisions for liabilities and charges include €3.4 million for employee-related disputes
At year-end 2011, short-term provisions totalled €10,072,000, including €6,640,000 in provisions for employment disputes and €3,432,000 in restructuring provisions.

The provision for post-employment benefits breaks down as follows:

(in thousands of euros)	**31-Dec-11**	**31-Dec-10**
France	21,375	16,805
International	3,044	1,628
Total	**24,419**	**18,433**

Movements in the French post-employment benefit obligation break down as follows:

	31-Dec-11				**31-Dec-10**			
(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	**16,805**	**(16,805)**			**13,806**	**(13,806)**		
Current service cost	1,360	(1,360)	(1,360)		929	(929)	(929)	
Interest cost	858	(858)	(858)		905	(905)	(905)	
Expected return on assets								
Employer's contributions								
Actuarial gains or losses	(1,127)	1,127		1,127	1,574	(1,574)		(1,574)
Benefits paid	(990)	990			(818)	818		
Changes in scope	4,468	(4,468)			409	(409)		
Closing	**21,375**	**(21,375)**	**(2,219)**	**1,127**	**16,805**	**(16,805)**	**(1,834)**	**(1,574)**

Movements in the International post-employment benefit obligation break down as follows:

(in thousands of euros)	31-Dec-11 Present value of obligation (*)	31-Dec-11 Provisions on balance sheet	31-Dec-11 Profit or loss	31-Dec-11 Equity	31-Dec-10 Present value of obligation (*)	31-Dec-10 Provisions on balance sheet	31-Dec-10 Profit or loss	31-Dec-10 Equity
Opening	**1,628**	**(1,628)**			**1,181**	**(1,181)**		
Current service cost	148	(148)	(148)		373	(373)	(373)	
Interest cost	239	(239)	(239)		179	(179)	(179)	
Expected return on assets	(237)	237	237		(170)	170	170	
Employer's contributions	(430)	430	430		(307)	307	307	
Actuarial gains or losses	452	(452)		(452)	372	(372)		(372)
Benefits paid								
Changes in scope	1,245	(1,245)						
Closing	**3,044**	**3,044**	**281**	**(452)**	**1,628**	**(1,628)**	**(75)**	**(372)**

(*) Net of plan assets.

The main actuarial assumptions at 31 December 2011 were:

	31-Dec-11 France	31-Dec-11 International	31-Dec-10 France	31-Dec-10 International
Discount rate	4.50%	2.75%	4.09%	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 years	65 years	65 years	65 years
Social security contribution rate	Average actual rate		Average actual rate	

The actuarial gains or losses recognised in equity arise from experience adjustments, particularly as regards assumptions on staff turnover, changes in financial assumptions (discount rate) and economic assumptions (annual salary increases).

At 31 December 2011, the sensitivity of the French post-employment benefit obligation to a 0.5% increase in the discount rate was €1,117,000.

3.12 FINANCIAL LIABILITIES AND CASH AND CASH EQUIVALENTS

Net debt breaks down as follows:

(in thousands of euros)	Net 31 December 2011		Net 31 December 2010	
Property		**1,643,434**		**1,576,574**
Long-term bank borrowings	295,181		287,997	
Finance lease obligations	487,372		430,733	
Bonds	382,374		382,374	
Bridging loans	478,507		475,470	
Non property		**404,951**		**391,299**
Miscellaneous financial liabilities and debt	371,878		363,795	
Finance lease obligations	33,073		27,504	
Total gross debt (*)	**2,048,385**		**1,967,873**	
Cash	(58,127)		(73,899)	
Cash equivalents	(251,330)		(202,625)	
Total net debt (*)	**1,738,928**		**1,691,349**	

The following table shows movements in financial liabilities in 2011:

(in thousands of euros)	31-Dec-10	Increase	Decrease	Changes in scope	31-Dec-11
Bond issues	382,374				**382,374**
Long-term property loans	287,997	16,771	(12,749)	3,162	**295,181**
Property finance leases	430,733	77,312	(34,673)	14,000	**487,372**
Property bridging loans	475,470	102,518	(99,480)		**478,507**
Non-property finance leases	27,504	16,042	(10,473)		**33,073**
Miscellaneous financial liabilities and debt	363,795	94,714	(105,590)	18,959	**371,878**
Total gross debt (*)	1,967,873	307,357	(262,965)	36,121	**2,048,385**
Cash and cash equivalents	(276,524)	(32,933)			**(309,457)**
Total net debt (*)	1,691,349	274,424	(262,965)	36,121	**1,738,928**

(*) Including liabilities associated with assets held for sale.

The following table shows a breakdown of net debt by maturity:

	31-Dec-11	Under one year (*)	One to five years	Over five years
Bond issues	382,374	41,824	340,550	0
Long-term property loans	295,181	96,855	143,734	54,592
Property finance leases	487,372	38,201	202,352	246,819
Property bridging loans	478,507	212,614	243,794	22,099
Non-property finance leases	33,073	11,695	21,379	(1)
Miscellaneous financial liabilities and debt	371,878	185,329	152,016	34,533
Total gross debt	**2,048,385**	586,517	1,103,825	358,041
Cash and cash equivalents	(309,457)	(309,457)		
Total net debt	**1,738,928**	277,060	1,103,825	358,041

(*) Including liabilities associated with assets held for sale.

Debts maturing in more than one year and less than five years break down as follows:

	One to five years	2013	2014	2015	2016
Bond issues	340,550	41,824	62,736	62,736	173,254
Long-term property loans	143,734	41,965	41,532	34,572	25,665
Property finance leases	202,352	42,195	60,471	42,690	56,996
Property bridging loans	243,794	162,890	41,959	37,911	1,034
Non-property finance leases	21,379	10,122	6,004	3,596	1,657
Miscellaneous financial liabilities and debt	152,016	63,450	38,096	26,923	23,547
Total gross debt per year	**1,103,825**	362,446	250,798	208,428	282,153

Financing policy

The Group's financing can be broken down into three categories:

- financing operating properties through finance leases or bank loans repayable over a typical period of 12 years;

- financing the acquisition of facilities, operating licences, etc., mainly through bank loans repayable over a period of seven years;

- financing properties recently acquired or in the course of redevelopment or construction through bridging loans.
  Bridging loans comprise financing lines dedicated to a specific project and general bank credit lines. These properties are intended either to be sold to third parties or to be kept by the Group, in which case they are usually subsequently refinanced through finance leases.

The Group's expansion policy requires it to regularly obtain new bank credit facilities or sell properties to investors.

Banking covenants

Certain loans taken out by the Group, other than property finance leases, have been subject to the following contractually defined covenants since 31 December 2006:

$$R1 = \frac{\text{consolidated net debt (excluding property debt)}}{\text{consolidated EBITDA} - 6\% \text{ of property debt}}$$

and

$$R2 = \frac{\text{consolidated net debt}}{\text{equity + quasi equity (i.e. deferred tax liabilities arising on the revaluation of intangible assets in the consolidated financial statements)}}$$

At 31 December 2011, these ratios stood at 2.15 and 1.17 respectively, within the required limits of 5.5 for R1 and 2.0 for R2 at 31 December 2011.

Bonds

OBSAAR bond issue: In the second half of 2009, ORPEA made an issue of bonds with redeemable warrants to subscribe for new or purchase existing shares (OBSAAR) in an amount of approximately €217 million or an IFRS net amount of €209 million. The share warrants attached to the bonds were measured at fair value and recognised in equity in the amount of €3 million.

The bonds are redeemable on the basis of 20% of the par volume per year in 2012 and 2013 and 30% per year in 2014 and 2015. The coupon payable on the bonds is three-month Euribor +137 basis points excluding fees.

OCEANE bond issue: In the second half of 2010, ORPEA issued 4,069,635 bonds convertible into new or existing shares (OCEANE) at a unit price of €44.23, representing a total of €180 million.

These bonds will be redeemed on 1 January 2016. The coupon payable on the bonds is 3.875% per year. The bonds may be converted into shares (1.071 shares for one bond) between 15 December 2010 and the seventh working day inclusive preceding the normal redemption date at a price of €44.23 per share.

Cash and cash equivalents

At end 2011, cash and cash equivalents comprised €251,330 thousand in short-term investments such as money-market mutual funds with first class financial institutions and €58,127 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 consists of hedging three quarters of its current net debt against the risk of changes in interest rates. To do this, it uses fixed-rate loans or financial instruments to hedge its floating-rate debt. These financial instruments take the form of interest rate swaps under which it receives mainly three-month Euribor and pays a fixed rate specific to each contract, and interest rate options (caps, collars etc.). These financial instruments are qualified as cash flow hedges in accordance with IAS 39. Unrealised gains and losses arising from the remeasurement of these derivatives at fair value are recognised in equity at the year end.

Interest rate derivatives portfolio:

At 31 December 2011, the derivatives portfolio included fixed for floating (mainly three-month Euribor) interest rate swaps and interest rate options. These derivative instruments either have a constant or a decreasing nominal profile.

At the end of 2010, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2011	2012	2013	2014	2015
Average notional (€m)	1,043	1,158	1,005	738	364
Effective rate	3.3%	3.1%	2.9%	2.6%	2.5%

At the end of 2011, the maturity of the interest rate derivatives was as follows:

	Maturity (€m)				
	2012	2013	2014	2015	2016
Average notional (€m)	1,256	1,410	1,298	847	228
Effective rate	3.1%	2.9%	2.7%	2.6%	2.6%

At 31 December 2010, fair value changes on these cash flow hedges accumulated in equity amounted to –€37.0 million.

At 31 December 2011, fair value changes on these cash flow hedges accumulated in equity amounted to –€72.8 million.

Analysis of sensitivity to changes in interest rates:

The impact of a +/- 1% change in interest rates on the Group's earnings stems from:

- the change in interest payable on floating-rate net debt;
- changes in the fair value of hedging instruments.

The fair value of hedging instruments is sensitive to changes in interest rates and in volatility, which is assumed to be constant in this analysis.

At 31 December 2011, net debt amounted to €1,739 million, of which about 15% 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 €5.5 million;
- the impact of a 0.2% (20 basis points given current interest rate levels) decrease would reduce financial expense by €1.1 million.

Movement in cash flow hedging reserve:

(in thousands of euros)	31-Dec-11	31-Dec-10
Opening hedging reserve	(36,985)	(39,815)
Change in equity fair value during the period	(55,543)	(23,098)
of which recognised in profit and loss	19,685	25,928
Effect on overall profit and loss for the period	(35,858)	2,830
Closing hedging reserve	**(72,843)**	**(36,985)**

3.13.2 Value of financial assets excluding derivatives

(in thousands of euros)	31-Dec-11	31-Dec-10
Equity investments	4,996	877
Other non-current financial assets	14,002	14,299
Short-term investments	251,330	202,625
Financial assets excluding derivatives	**270,328**	**217,801**

3.14 TRADE PAYABLES

	31-Dec-11 Net	31-Dec-10 Net
Trade and related payables	171,703	144,030
Total	**171,703**	144,030

3.15 TAX AND SOCIAL SECURITY 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-11 Net	31-Dec-10 Net
Development-related liabilities	74,699	40,142
Security deposits	27,469	24,929
Commitments to work on buildings sold	5,032	8,079
Client accounts in credit	1,052	4,294
Other prepaid income	7,155	5,361
Derivative financial instruments	72,247	34,876
Advances and downpayments received	10,176	8,044
Other	40,495	25,894
Total	**238,325**	**151,620**

Development-related liabilities mainly comprise the balance of the acquisition price of equity investments of €53 million, including €31 million for the acquisition of non-controlling interests in Mieux Vivre paid in January 2012.

They also include €6 million in respect of the put option on the non-controlling interests granted to the vendors on 25 November 2010 and exercisable before 31 August 2013.

Security deposits mainly comprise the deposits paid by residents at the beginning of their stay.

Other liabilities include €29 million to finance off-plan property work.

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-11	31-Dec-10
Revenue			
France		1,094,497	846,601
Rest of Europe		139,633	117,633
	Total	**1,234,130**	**964,234**
Recurring operating profit before depreciation, amortisation and provisions			
France		200,481	160,162
Rest of Europe		17,756	12,087
	Total	**218,236**	**172,249**
Assets			
France		4,103,964	3,545,914
Rest of Europe		377,819	334,136
	Total	**4,481,784**	**3,880,050**
Liabilities excluding equity			
France		3,057,281	2,728,202
Rest of Europe		269,956	257,246
	Total	**3,327,237**	**2,985,447**

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-11	31-Dec-10
Proceeds from property sales	176,781	156,039
Cost of properties sold	(144,809)	(126,810)
Provision reversal	6,978	11,636
Provision charge	(8,766)	(7,962)
Other income	27,465	13,657
Other expenses	(30,855)	(25,237)
Other non-recurring operating income and expense	**26,793**	21,323

Other non-recurring operating income and expense mainly comprises net gains on sales of property assets for €32.0 million, income and expense from acquisitions through business combinations for €16.7 million and expenses associated with the redevelopment of recently-acquired facilities and other development costs for €18.9 million.

Profit on property development recognised using the percentage of completion method include:

(in thousands of euros)	31-Dec-11	31-Dec-10
Disposal price	100,005	71,347
Cost of sales	(67,632)	(50,441)
Profit recognised on disposals of off-plan properties	32,373	20,906

3.20 NET FINANCE COST

(in thousands of euros)	31-Dec-11	31-Dec-10
Interest on bank debt and other financial liabilities	(48,337)	(32,425)
Interest on finance leases	(13,680)	(9,159)
Net expense on interest rate derivatives	(19,935)	(25,928)
Financial expense	**(81,952)**	**(67,512)**
Capitalised borrowing costs (*)	16,410	13,910
Interest income	558	855
Net income on interest rate derivatives		
Financial income	**16,968**	**14,765**
Net finance cost	**(64,984)**	**(52,747)**

(*) Based on an average rate of 4.5% in 2011, as in 2010, on facilities in the course of construction or redevelopment (see note 1.8).

3.21 INCOME TAX EXPENSE

ORPEA SA has elected for group tax relief with all subsidiaries that are more than 95%-owned. All subsidiaries that meet this condition are included in the tax consolidation group except for those acquired during 2011.

(in thousands of euros)	31-Dec-11	31-Dec-10
Current taxes	22,057	20,585
Deferred taxes	23,474	10,339
Total	**45,531**	**30,924**

The income tax charge for 2011 includes the *Contribution sur la Valeur Ajoutée des Entreprises* (CVAE) of €11,983 thousand versus €6,860 thousand in 2010.

Deferred taxes assets/(liabilities) break down as follows by type of temporary difference:

(in thousands of euros)	31-Dec-11	31-Dec-10
Fair value of intangible assets	(325,482)	(238,722)
Fair value of PPE (*)	(294,177)	(255,140)
Capitalisation of finance leases	(34,828)	(26,023)
Timing differences	(6,510)	(5,712)
Tax loss carryforwards	19,210	12,820
Deferral of capital gains	1,471	1,620
Employee benefits	6,617	5,908
CVAE deferred tax (**)	(7,494)	(7,694)
Financial instruments and other	21,371	21,290
Total	**(619,822)**	(491,653)

(*) including €142.1 million related to the revaluation of properties (see note 1.8).
(**) Deferred taxes recognised in accordance with IAS 12 on depreciable property, plant & equipment and amortisable intangible assets of French companies subject to CVAE as of 1 January 2010.

The deferred tax liability recognised in the balance sheet breaks down as follows:

(in thousands of euros)	31-Dec-11	31-Dec-10
Assets	19,210	12,820
Liabilities	(639,032)	(504,473)
Net	**(619,822)**	(491,653)

The difference between the theoretical tax rate, i.e. 34.43% in 2011, and the effective tax rate appearing in the income statement, breaks down as follows:

(in thousands of euros)	31-Dec-11	31-Dec-10
Effective rate:	**36.19%**	**31.79%**
- Permanent differences:	-0.21%	2.90%
- Impact of business combinations	5.24%	3.56%
- Impact of reduced tax rates:	-0.01%	-0.02%
- Impact of companies accounted for at equity	0.23%	-0.18%
- Other	-0.73%	0.81%
- *Cotisation sur la valeur ajoutée des entreprises* (CVAE)	-6.28%	-4.43%
Theoretical rate	**34.43%**	**34.43%**

Deferred taxes calculated on the fair value of intangible assets amounted to €325,482 thousand at 31 December 2011. These intangible assets are not held for sale.

3.22 COMMITMENTS AND CONTINGENT LIABILITIES

3.22.1 Off-balance sheet commitments

Debt-related commitments

Contractual commitments (in thousands of €)	31-Dec-11	31-Dec-10
Counter-indemnities on contracts	0	0
Receivables sold not yet matured	0	0
Collateral	1,347,865	1,011,320
Financing property assets	*455,541*	*285,228*
Non-property borrowing and financial liabilities	*371,878*	*276,147*
Finance leases	*520,446*	*449,945*
Guarantees	5,088	5,088
related to property assets	*4,158*	*4,158*
related to non-property borrowings and financial liabilities	*930*	*930*
related to finance leases		
Other commitments	0	0
convertible bond subscription		
Total	**1,352,953**	**1,016,408**

Commitments relating to the Group's operations

Lease commitments

Minimum future lease payments on finance leases break down as follows at 31 December 2011:

	Minimum future payments
Under one year	57,024
One to five years	228,094
Over five years	316,454
Total lease commitments	**601,572**

Operating lease commitments break down as follows at 31 December 2011:

	Minimum future payments
Under one year	93,114
One to five years	372,456
Over five years	651,798
Total lease commitments	**1,117,368**

The Group mainly enters into leases with a non-cancellable period of 12 years.

Commitments related to individual training rights (DIF)

The law of 4 May 2004 on professional training introduced a system whereby employees can build up training rights to be used at their discretion with their employer's agreement. The minimum annual amount is 20 hours capped at a cumulative total of 120 hours.

At 31 December 2011, 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 relating to property construction projects

Property construction projects financed under finance leases on which lease payments had not begun at 31 December 2011 amounted to about €25 million.

Commitments relating to the scope of consolidation

At end 2011, conditional commitments to acquire facilities, operating licences and land amounted to €47 million.

The Group also has a call option on:
- 51% of Medibelge as of 2013;
- 30% of TCP DEV as of September 2013;
- 51% of two other companies as of 2014.

In terms of the 45% stake held via PCM Sante, the following conditional commitments were exchanged for a possible acquisition of a 100% controlling interest:
- promise of purchase approved by ORPEA until 2021;
- promise of sale approved by the current majority shareholders from 2021.

Commitments received

The Group has been given a pledge over land in Spain as collateral for a €2.2 million loan granted by ORPEA SA.

Furthermore, under a heads of agreement entered into on 20 December 2010, ELC has undertaken to sell its residual 45.57% interest in Holding Mieux Vivre to ORPEA SA subject to certain conditions granted in favour of ORPEA.

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.

Analysis of financial assets and liabilities in accordance with IFRS 7

Financial assets and liabilities in accordance with IFRS 7 break down as follows:

			Carrying amount		Fair value	
In thousands of euros	Classification in balance sheet	Level (*)	**31-Dec-11**	**31-Dec-10**	**31-Dec-11**	**31-Dec-10**
HELD-TO-MATURITY FINANCIAL ASSETS			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
LOANS AND RECEIVABLES			**161,254**	**147,245**	**161,254**	**147,245**
Short-term loans	Short-term loans					
Long-term loans	Non-current financial assets	2	9,962	9,979	9,962	9,979
Receivables on asset disposals	Short-term receivables on asset disposals		53,716	45,966	53,716	45,966
Security deposits	Non-current financial assets	2	4,040	4,319	4,040	4,319
Trade receivables	Trade receivables	2	93,536	86,980	93,536	86,980
AVAILABLE-FOR-SALE FINANCIAL ASSETS			**0**	**0**	**0**	**0**
Equity investments	Non-current financial assets					
Other						
FINANCIAL ASSETS AT FAIR VALUE			**309,457**	**276,524**	**309,457**	**276,524**
Interest rate derivatives						
Currency derivatives						
Mutual funds	Cash and cash equivalents	1	251,330	202,625	251,330	202,625
CASH	Cash and cash equivalents	1	58,127	73,899	58,127	73,899
FINANCIAL ASSETS			**470,711**	**423,769**	**470,711**	**423,769**

(*) Level 1: financial assets and liabilities listed on an active market, where fair value is the listed price.
(*) Level 2: financial assets and liabilities not listed on an active market, where fair value is measured using valuation techniques for which all significant inputs are based on observable market data.
(*) Level 3: financial assets and liabilities listed on an active market, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

In thousands of euros	Classification in balance sheet	Level (*)	Carrying amount 31-Dec-11	Carrying amount 31-Dec-10	Fair value 31-Dec-11	Fair value 31-Dec-10
FINANCIAL LIABILITIES AT FAIR VALUE			**72,247**	**34,876**	**72,247**	**34,876**
Currency derivatives	Other liabilities					
Interest rate derivatives	Other liabilities	2	72,247	34,876	72,247	34,876
Other liabilities	Other liabilities					
FINANCIAL LIABILITIES AT AMORTISED COST			**2,452,123**	**2,489,958**	**2,456,811**	**2,497,619**
Bonds convertible, exchangeable or redeemable for shares	Current + non-current financial liabilities		382,374	382,374	387,062	390,035
Bank borrowings	Current + non-current financial liabilities	2	1,145,566	1,133,850	1,145,566	1,133,850
Finance lease obligations	Current + non-current financial liabilities	2	520,445	458,237	520,445	458,237
Other liabilities	Recurring liabilities	2	238,325	375,786	238,325	375,786
Trade payables	Trade payables	2	165,413	139,711	165,413	139,711
FINANCIAL LIABILITIES			**2,524,370**	**2,524,834**	**2,529,058**	**2,532,495**

(*) Level 1: financial assets and liabilities listed on an active market, where fair value is the listed price.
(*) Level 2: financial assets and liabilities not listed on an active market, where fair value is measured using valuation techniques for which all significant inputs are based on observable market data.
(*) Level 3: financial assets and liabilities not listed on an active market, where fair value is measured using valuation techniques for which some significant inputs are not based on observable market data.

3.23 RELATED PARTY TRANSACTIONS

Associates and joint ventures

Advances granted to associates and joint ventures by the ORPEA Group amounted to €18 million for TCP DEV and €1 million for Medibelge at 31 December 2011.

Benefits granted to directors and executive officers

Gross compensation, fees inclusive of tax and benefits paid in 2011 to the executive officers of SA ORPEA totalled €1.67 million compared with €1.51 million in 2010. Directors' fees paid to members of the Board of Directors amounted to €106 thousand in 2009.

There are no entitlements to termination benefits.

3.24 EMPLOYEES

Movements in the average number of employees were as follows:

	31-Dec-11	31-Dec-10
Managers	1,954	1,715
Non-managers	22,973	19,794
Total	**24,927**	21,509

3.25 STATUTORY AUDITORS' FEES

Expenses recognised in respect of fees paid to the Statutory Auditors for their services to the Group amounted to €1,637 thousand in 2011.

3.26 SUBSEQUENT EVENTS

The Group continued its expansion with the acquisition of a long-term care facilities group in Spain with 1,162 beds and a care facility in France with 149 beds.

The table below shows investments made in 2012 by country and by type for a total of €78 million:

	Number of facilities	Number of beds	Number of sites	Number of buildings
France	1	149	1	1
International	6	1,162	0	0
Italy				
Switzerland				
Belgium				
Spain	*6*	*1,162*		
Total	7	1,311	1	1

In addition, ORPEA may, under certain conditions, acquire or have a subsidiary acquire the properties that are owned by Immobilière de Santé (a subsidiary of ELC) and operated by the sub-group Mieux Vivre, i.e. 11 wholly-owned buildings including one under a finance lease, and operating lots in seven jointly-owned buildings.

3.27 SCOPE OF CONSOLIDATION AT 31 DECEMBER 2011

Consolidated companies Name	% control Group	% interest Group	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

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 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
SA GERONE CORP	100.00%	100.00%	FC
SL DINMORPEA	100.00%	100.00%	FC
SA CLINIQUE LA LIRONDE	100.00%	100.00%	FC
SAS CLINIQUE CHAMPVERT	100.00%	100.00%	FC
SAS CCR DU LAVARIN	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

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
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
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
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
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 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
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
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
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 VERGERS D'ANNA	100.00%	100.00%	FC
SARL DFS IMMOBILIER	100.00%	100.00%	FC
SARL SOGIP	100.00%	100.00%	FC
SARL GUEROULT	100.00%	100.00%	FC
SARL RESIDENCE LES CEDRES	100.00%	100.00%	FC
SA LE VIEUX CHÂTEAU	100.00%	100.00%	FC
SAS CLINIQUE DE L'ISLE – LE MOULIN	100.00%	100.00%	FC
SCI LES CHESNAIES	100.00%	100.00%	FC
SPRL CHANTS D'OISEAUX	100.00%	100.00%	FC
SPRL ARIANE	100.00%	100.00%	FC
SAS HOME LA TOUR	100.00%	100.00%	FC
SARL LES OLIVIERS DE ST LAURENT	90.00%	90.00%	FC
SAS CENTRE GERONTOLOGIQUE	100.00%	100.00%	FC
EURL CRF CLINEA LIVRY	100.00%	100.00%	FC
SAS CLINIQUE SAINT JOSEPH	50.00%	50.00%	FC
SARL ADC 09	100.00%	100.00%	FC

SAS CLINIQUE MARIGNY	50.00%	50.00%	FC
SAS SUD OUEST SANTE	50.00%	50.00%	FC
SCI LES OLIVIERS	100.00%	100.00%	FC
SCI PORTES D'AUXERRE WB	100.00%	100.00%	FC
SAS MAISON DE SANTE DE MARIGNY	50.00%	50.00%	FC
SA VERAN	100.00%	100.00%	FC
SA LFB	100.00%	100.00%	FC
SAS MASSILIA GESTION SANTE	100.00%	100.00%	FC
SAS CLINIQUE PARASSY	100.00%	100.00%	FC
SARL PARASSY	100.00%	100.00%	FC
SNC DES PARRANS	100.00%	100.00%	FC
SAS HOLDING MANDRES	100.00%	100.00%	FC
SARL NORMANDY COTTAGE	100.00%	100.00%	FC
SCI NORMANDY COTTAGE	100.00%	100.00%	FC
SCI BARBUSSE	100.00%	100.00%	FC
SARL ANCIENNE ABBAYE	100.00%	100.00%	FC
SARL PCM SANTE	100.00%	100.00%	FC
VILLE TURINE AIMONE SPA	100.00%	100.00%	FC
CECOLO ASBL PANHUIS PARK	100.00%	100.00%	FC
LUCIE LAMBERT ROOS DER KONI	100.00%	100.00%	FC
SNC LES ACANTHES	100.00%	100.00%	FC
SA LE CLOS ST GREGOIRE	100.00%	100.00%	FC
SAS EMERAUDE PARTICIPATION	100.00%	100.00%	FC
SAS LE CHÂTEAU DE BREGY	100.00%	100.00%	FC
SA SANCELLEMOZ	81.42%	81.42%	FC
SAS STE NOUVELLE SANCELLEMOZ	100.00%	100.00%	FC
SA RIVE ARDENTE	100.00%	100.00%	FC
SAS LE CLOS D'ALIENOR	100.00%	100.00%	FC
SAS LES JARDINS D'ALIENOR	100.00%	100.00%	FC
SAS LES JARDINS DE LA CRAU	100.00%	100.00%	FC
SAS LES JARDINS DU MAZET	100.00%	100.00%	FC
SAS L'OCCITANIE	100.00%	100.00%	FC
SAS LES JACOURETS	100.00%	100.00%	FC
SCI CASERNE DE DRAGUIGNAN	100.00%	100.00%	FC
SCI REZE	100.00%	100.00%	FC
SCI DU BOIS GUILLAUME	100.00%	100.00%	FC
SAS MEDITER	100.00%	100.00%	FC
SARL CLINIQUE DE SOINS DE SUITE LA SALETTE	100.00%	100.00%	FC
SAS LE CLOS ST SEBASTIEN	100.00%	100.00%	FC
SARL CUXAC	100.00%	100.00%	FC
SAS CLINIQUE DE LA RAVINE	100.00%	100.00%	FC
SAS MAISON DE RETRAITE LA JONCHERE	100.00%	100.00%	FC
SAS CLINIQUE LES BRUYERE BROSVILLE	100.00%	100.00%	FC
SAS SESMAS	100.00%	100.00%	FC
SAS CLINIQUE PSYCHIATRIQUE DE SEINE ST DENIS	100.00%	100.00%	FC
SAS CLINIQUE DU HAUT CLUZEAU	100.00%	100.00%	FC
SA IHMCA	100.00%	100.00%	FC
SAS CLINIQUE DU PARC DE BELLEVILLE	100.00%	100.00%	FC
SAS CLINIQUE DE SOINS DE SUITE DU BOIS GUILLAUME	100.00%	100.00%	FC
SAS CLINIQUE DE SOINS DE SUITE DE BELLOY EN FRANCE	100.00%	100.00%	FC

SA LA PINEDE	100.00%	100.00%	FC
SARL TREVISE	100.00%	100.00%	FC
SCI MEDITER FONCIER	100.00%	100.00%	FC
SAS MEDIPART	100.00%	100.00%	FC
SARL LA PASTORALE	100.00%	100.00%	FC
SAS CA SANTE	100.00%	100.00%	FC
SAS LAS PEYRERES	100.00%	100.00%	FC
SA HOLDING MIEUX VIVRE	100.00%	100.00%	FC
SAS LES PIVOINES	100.00%	100.00%	FC
SAS LE CLOS D'ARNOUVILLE	100.00%	100.00%	FC
SARL LE CLOS ST JACQUES	100.00%	100.00%	FC
SAS LE CLOS DE L'OSERAIE	100.00%	100.00%	FC
SAS RESIDENCE NOTRE DAME	100.00%	100.00%	FC
SA HOTEL DE RETRAITE PERIGORDIN	100.00%	100.00%	FC
SAS LE CLOS D'HEIMSBRUNN	100.00%	100.00%	FC
SAS LES GRANDS PINS	100.00%	100.00%	FC
SAS LES LYS	100.00%	100.00%	FC
SAS LE CLOS D'ARVERT	100.00%	100.00%	FC
SAS BELLEVUE 33	100.00%	100.00%	FC
SAS MELODIE	100.00%	100.00%	FC
SARL ROGNAC RESIDENCE	100.00%	100.00%	FC
SARL LE CLOS DE BEAUVAISIS	100.00%	100.00%	FC
SAS BELLEVUE 95	100.00%	100.00%	FC
SAS CHÂTEAU DE MONS	100.00%	100.00%	FC
SAS LES JARDINS DE ROMILLY	100.00%	100.00%	FC
SARL MAISON ST MICHEL	100.00%	100.00%	FC
SAS CHÂTEAU DE CHAMPLATREUX	100.00%	100.00%	FC
SAS LES TILLEULS	100.00%	100.00%	FC
SARL LE CLOS THIERRY	100.00%	100.00%	FC
SARL LE CLOS PEUPLIERS	100.00%	100.00%	FC
SARL LE CLOS DE L'ILE DE MACE	100.00%	100.00%	FC
SAS LE CLOS D'ETRECHY	100.00%	100.00%	FC
SAS RESIDENCE DE L'ISLE	100.00%	100.00%	FC
SAS SOLEIL D'AUTOMNE	100.00%	100.00%	FC
SARL ARCHE	100.00%	100.00%	FC
SAS MONT GRIFFARD	100.00%	100.00%	FC

2. 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 and construed in accordance with French law and professional auditing standards applicable in France.

Burband Klinger & Associés 140 rue du Faubourg Saint-Honoré 75008 Paris	Deloitte & Associés 185 avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex

ORPEA

Société anonyme

115 rue de la Santé
75013 Paris

Statutory Auditors' report
on the consolidated financial statements

Year ended 31 December 2011

Dear Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended 31 December 2011 on:

- the audit of the accompanying consolidated financial statements of ORPEA;
- the justification of our assessments;
- the specific verification required by law.

These 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 2011 in accordance with international financial reporting standards (IFRSs) as endorsed by the European Union.

II. Basis for our assessments

As required by the provisions of article L. 823-9 of the French Commercial Code on the basis for our assessments, we draw your attention to the following matters:

- operating licences recognised as intangible assets with an indefinite useful life and goodwill are tested for impairment using the method described in note 1.9 of the chapter entitled "Significant accounting policies" in the notes to the consolidated financial statements. We assessed the appropriateness of the method used which is based on estimates and reviewed the 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 either directly or via finance leases and operated by the Group are measured at their fair value on the balance sheet date by professionally qualified valuers as described in note 1.8 to the chapter entitled "Significant accounting policies" of the notes to the consolidated financial statements. As part of our overall assessment of the accounting policies used by the company, we assessed the appropriateness of the accounting methods described above and the disclosures provided in the notes to the statutory financial statements.

Our assessments of these matters formed an integral part of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

III. Specific investigations and disclosures

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group management report.

We have no matters to report as to its fairness or its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 15 May 2012

The Statutory Auditors

Burband Klinger & Associés	Deloitte & Associés
Frédéric Burband	Joël ASSAYAH

1. FINANCIAL STATEMENTS OF ORPEA S.A. FOR THE YEAR ENDED 31 DECEMBER 2011

SA ORPEA INCOME STATEMENT

(in euros)	31-Dec-11	31-Dec-10
- SALES	**442,591,056**	**409,332,636**
- Increase (decrease) in work in progress	(38,889,794)	(32,709,334)
- Other operating income	21,540,807	17,093,683
- Purchases and other external charges	142,484,304	131,691,699
- Taxes other than on profit	21,335,426	17,998,483
- Staff costs	205,644,563	192,907,121
- Depreciation, amortisation and provisions	17,943,085	10,735,272
- Other operating expense	332,800	3,432,674
OPERATING PROFIT	**37,501,890**	**36,951,737**
- Financial income	42,280,756	47,656,504
- Finance expense	65,214,685	71,529,402
NET FINANCE COST	**(22,933,928)**	**(23,872,898)**
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**14,567,962**	**13,078,838**
- Exceptional items	(8,300,901)	(3,434,604)
- Employee profit-sharing		
- Income tax	3,734,267	3,610,154
NET PROFIT	**2,532,794**	**6,034,080**

SA ORPEA BALANCE SHEET

ASSETS (in euros)	31-Dec-11			31-Dec-10
	Gross	Depreciation and provisions	Net	Net
Non-current assets				
- Intangible assets	179,891,713	991,624	178,900,089	153,575,314
- Property, plant and equipment	204,044,754	77,667,939	126,376,814	117,417,716
- Financial assets	386,126,359	1,989,107	384,137,253	376,264,474
TOTAL NON-CURRENT ASSETS	**770,062,829**	**80,648,669**	**689,414,160**	**647,257,502**
Current assets				
- Inventories and work-in-progress	48,153,150	1,188,655	46,964,494	55,948,499
- Advances and downpayments made	1,877,102		1,877,102	1,474,515
- Trade receivables	13,760,684	4,180,466	9,580,217	13,003,438
- Other receivables	1,090,053,609	1,219,605	1,088,834,004	821,550,806
- Marketable securities	209,300,351		209,300,351	185,426,795
- Cash	13,365,109		13,365,109	37,203,372
- Prepaid expenses	4,505,876		4,505,876	3,984,589
TOTAL CURRENT ASSETS	**1,381,015,881**	**6,588,725**	**1,374,427,155**	**1,118,592,014**
- Deferred charges		-	-	-
TOTAL ASSETS	**2,151,078,710**	**87,237,395**	**2,063,841,315**	**1,765,849,516**

EQUITY AND LIABILITIES (in euros)	31-Dec-11	31-Dec-10
Equity		
- Share capital	66,247,365	52,940,994
- Share premiums and reserves	385,474,268	197,711,556
- Retained earnings	32,205,930	36,214,697
- Net profit for the year	2,532,794	6,034,080
- Special tax-allowable reserves	1,625,203	880,741
TOTAL EQUITY	**488,085,560**	**293,782,068**
Provisions for liabilities and charges	11,334,156	4,601,507
Liabilities		
- Borrowings and financial liabilities	1,217,866,387	1,178,585,305
- Advances and downpayments received	2,880,292	2,499,902
- Trade payables	37,268,221	33,236,967
- Tax and social security liabilities	56,597,816	55,064,478
- Other liabilities	229,054,211	176,734,267
- Prepaid income	20,524,293	21,345,023
TOTAL LIABILITIES	**1,564,191,219**	**1,467,465,941**
Unrealised currency gains	230,380	
TOTAL LIABILITIES	**2,063,841,315**	**1,765,849,516**

Notes to the financial statements

I – ACCOUNTING PRINCIPLES, SIGNIFICANT EVENTS OF THE YEAR AND EVENTS AFTER THE BALANCE SHEET DATE

I.1 Accounting principles

The statutory financial statements have been prepared in accordance with the provisions of CRC regulation 99-03 since 1999, CRC regulation 00-06 since 1 January 2002 and CRC regulations 2002-10 and 2004-06 since 1 January 2005.

The following fundamental accounting concepts have been applied:

- Going concern;
- Consistency of accounting methods;
- Accruals basis;

and in accordance with the general rules for preparing and presenting financial statements.

The basic method used to value items posted in the accounts is the historical cost method. However, it should be remembered that the operating licences and equity securities held prior to that date were reassessed in the context of mergers recorded in 1998.

I.2 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used are as follows:

I.2.1 – Intangible assets

Intangible assets mainly comprise licences to operate long-term care facilities.
They are tested annually for impairment, which consists in comparing their book value with the higher of the following two values:

1) Value in use, which is determined by discounting the future cash flows expected to be generated from continued use of the assets.

The discount rate used is equal to the Orpea Group's weighted average cost of capital and the residual value is determined using a perpetual growth rate based on the growth outlook for the company in light of potential trends in its business sector;

2) Fair value less costs to sell.

If the carrying amount is higher than value in use or fair value less costs to sell, as applicable, an impairment loss is recognised for the difference.

Technical losses incurred on merging subsidiaries into the Company are recognised in intangible assets.
They are equal to unrealised gains on assets recognised or not in the subsidiary's financial statements less any liabilities not recognised in the subsidiary's financial statement in application of accounting principles, up to a maximum of the difference between the carrying amount of the interest previously held and the merged subsidiary's net assets.
They are allocated on a non-accounting basis to the assets transferred according to their actual estimated value.

Other intangible assets are amortised on a straight-line basis over a period of one to five years.

I.2.2 - Property, plant and equipment

Property, plant and equipment, comprising land, buildings, fixtures and fittings, equipment and furnishings, are measured at acquisition cost (purchase price plus transaction costs), production cost or transfer value.

The depreciation method chosen by the company is the straight line method. Depreciation is calculated on the expected useful life of each asset or each of the components having different useful lives using the following criteria:

- Buildings, fixtures and fittings: 12 to 60 years
- Plant and equipment: 3 to 10 years
- Other: 3 to 10 years

I.2.3 - Investments in subsidiaries, other long-term equity interests and related receivables

This item comprises equity interests in subsidiaries and other companies.

In accordance with decree no. 2005-1702 of 28 December 2005, the company has elected to capitalise all transfer taxes, professional fees or commissions and other contract expenses related to the acquisition of equity interests in subsidiaries and other companies as part of the cost of the acquisition.

Expenses related to equity interests in subsidiaries are amortised on an accelerated basis for tax purposes over a period of five years.
Equity interests are measured at cost or transfer value.
An impairment loss is recognised if the value in use falls below the carrying amount.
Value in use is determined according to the investee company's net assets or an enterprise value calculated on the basis of:

- first, future cash flows expected to be generated by its continued operation
- and second, the disposal value net of selling costs.

Impairment losses are also recognised in respect of related receivables where necessary.

I.2.4 - Inventories and work-in-progress

This item includes various supplies, materials, small equipment and work in progress on property projects, which are measured at cost.

Property work in progress comprises land and construction in progress to support the Company's expansion and that of its subsidiaries.

Cost is equal to the purchase and/or production cost incurred in bringing the asset to its present condition and location. Production cost includes direct production costs and borrowing costs directly attributable to the production of the property asset.

Property development programmes are sold:
- either transferred to third parties en bloc or in batches,
- or to leasing organisations.

Revenue, construction costs and the corresponding margins are recognised in the income statement on the date of completion of the works.
Marketing costs directly attributable to the assets sold are accounted for as prepaid expenses during the construction period and expensed on the date of completion of the property.

Changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

An impairment loss is recognised when the value in use is lower than the book value.

I.2.5 - Trade and other receivables

Receivables and liabilities are measured at their face value. Receivables are written down if their estimated fair value falls below their face value.

A provision for impairment is recognised when there is objective evidence that the company may be unable to recover the full amount on the original terms and conditions of the transaction. The age of a receivable and a debtor's habitual arrears are evidence of impairment.

Based on past experience, impairment rates are typically as follows:

- Receivables more than six months past due: 50% or less depending on the resident's financial position (guarantee, own assets, etc.);
- Receivables more than one year past due: 100% or less depending on the resident's financial position (guarantee, own assets, etc.).

However, impairment rates applied to receivables due from residents on social support are as follows:

- Receivables more than two years past due: 50%
- Receivables more than three years past due: 100%

I.2.6 – Cash

Cash and cash equivalents consist of cash in hand and at bank and risk-free, short-term investments in mutual funds.

I.2.7 – Stock options, share warrants and bonus share awards

Orpea has set up three stock option plans for some of its managers, only one of which was still in existence at 31 December 2011.

Pursuant to an authorisation granted by the annual general meeting of 29 June 2006, the Board of Directors granted 68,430 free shares to 1,975 employees of the Group.

On 17 August 2009, the Company made an issue of bonds in the form of an OBSAAR (bonds with redeemable share warrants). This operation led to the creation of 1,190,787 warrants. These warrants will be exercisable from 14 August 2011 to 14 August 2015 inclusive and will subscribe to 1.062 Orpea shares for an exercise price of €37.90. The maximum dilutive effect is 2.33 % of the share capital.

I.2.8 – Provisions

The Company recognises a provision when it has an obligation to a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and its amount can be estimated reliably.
If it is not probable but only possible that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably, it is recognised off-balance sheet as a contingent liability.

Provisions for employee-related disputes are estimated by the social affairs department depending on the risk incurred by the company and the stage of progress in any proceedings pending.

Provisions for tax disputes are estimated by the finance department after a full review of any tax audits in progress.

Where applicable, provisions may be recognised against various equity interests depending on the investee company's net assets and commitments to the Orpea at the year-end.

Regulated provisions relate to accelerated depreciation for the costs of equity tied up.

I.2.9 – Borrowing

Financial liabilities are posted at their face value net of any associated transaction costs, which are recognised in the net finance cost.
If the future interest expense is hedged, the hedged liability is still measured at amortised cost.

Liabilities include short and long term loans, and property bridging loans which are bank loans allocated specifically to financing operating properties recently acquired or in the course of construction.

Borrowing costs are recognised as an expense in the period in which they are incurred, except for those directly attributable to the purchase, construction or production of an asset. In this case, they are included in the cost of the asset.

I.2.10 – Financial instruments and derivatives

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

Under its risk management policy, the company uses derivative instruments such as swaps and interest rate options under which it receives Euribor and pays a fixed rate specific to each contract depending on the Euribor rate.

The purpose of these transactions is to convert floating rate debt into fixed debt in order to optimise the risk profile according to expected trends in interest rates.

During 2011, the company continued its interest rate risk management policy, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

I.2.11 – Revenue

Revenue mainly comprises:

1) Payment for accommodation and care services provided to residents. This is posted when the service is provided.

The per diem rate is payable as follows:

- the "accommodation" component is paid by the resident;
- the "long-term care allowance" component is paid by the resident and the local authority (the daily rate is set by the local authority depending on the level of care required and forecast expenses);
- the "medical care" component is paid by the regional health insurance fund (the per diem rate is set according to the level of care required and forecast expenses).

2) Proceeds from the disposal of properties built or developed by the company to third parties. Corresponding changes in work in progress are recognised through profit or loss under "increase or decrease in work in progress".

I.2.12 - Taxes

Orpea is the head of the tax consolidation group formed with subsidiaries that are at least 95%-owned.

Orpea, like each of the subsidiaries in the tax group, pays income tax calculated on its own earnings.

I.3 – SIGNIFICANT EVENTS OVER THE YEAR

During the year 2011, the Company and its subsidiaries continued to grow.

Since 1 January 2012, the Company continued its development by opening two representative facilities with approximately 185 beds after the completion of construction initiated in prior years compared with five facilities in 2010, representing 494 beds.

Orpea also continued with its external growth policy in 2011, with the acquisition of facilities in operation or planned:

- during the first half of four institutions in France: at Contes, at Moulin Neuf, at Mandres les Roses and at Caromb,
- during the second half, nine institutions in France: at Biot, Cannes, St Gaultier-Chasseneuil, Le Bouscat, Bruges, Miramas, Fos sur Mer, Cabries and at Peymeinade.

The Group also made ad hoc acquisitions – either directly or via companies – of standalone assets necessary for its expansion, comprising intangible property and operating rights.

Moreover, during the second half, through its subsidiary SAS MEDITER, Orpea acquired the remaining 50% of shares in HOLDING MIEUX VIVRE.

In December 2011, Orpea made a capital increase with a nominal amount of €13.2 million which released a premium net of expenses amounting to €186.4 million.

I.4 – EVENTS AFTER THE BALANCE SHEET DATE

Since 1 January 2012, the company had continued to expand in France, with the opening of a secondary type nursing home located in Sainte Maxime.

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II – NOTES TO THE FINANCIAL STATEMENTS

N.B.: *Amounts are expressed in euros unless expressly stated otherwise.*

II.1 Balance sheet

II.1.1 – Fixed assets

Intangible assets:

Movements in gross intangible assets:

Gross value	Start of year	Increase	Decrease	Reclassification	Merger	End of year
Concessions, patents	1,343,321	374,924	574,757		14,150	1,157,638
Goodwill	145,846,155	1,604,036		7,664,076	16,297,213	171,411,481
Other intangible assets	3,068,370	494,792	1,307,002			2,256,160
Downpayments on intangible assets	4,108,775	1,008,666	51,003			5,066,438
Total	154,366,621	3,482,418	1,932,762	7,664,076	16,311,364	179,891,713

Movements in amortisation of gross intangible assets:

Depreciation/amortisation	Start of year	Increase	Decrease	Merger	End of year
Concessions, patents	381,228	150,871	25,731	13,187	519,556
Goodwill	0				0
Other intangible assets	410,077	88,203	26,214		472,066
Downpayments on intangible assets	0				0
Total	791,307	239,074	51,944	13,187	991,624

Property, plant and equipment:

Movements in gross property, plant & equipment:

Gross value	Start of year	Increase	Decrease	Reclassification	Merger	End of year
Land	2,632,849		0	1,097,923	594,442	4,325,214
Buildings	105,844,608	9,831,867	402,204	10,730,241	1,458,864	127,463,376
Technical and General Facilities	29,539,690	4,003,997	2,464,823	100,740	1,346,379	32,525,982
Transport equipment	288,175	8,946	26,403		31,422	302,140
Property, plant and equipment in progress	21,702,965	18,533,959	11,167,442	(17,321,908)	196,228	11,943,802
Other tangible assets	24,612,205	3,464,446	1,409,241		816,844	27,484,254
Total	184,620,479	35,843,214	15,470,113	(5,393,004)	4,444,178	204,044,754

Movements in depreciation of gross property, plant & equipment:

Depreciation/amortisation	Start of year	Increase	Decrease	Merger	End of year
Land	113,981	24,413			138,394
Buildings	33,972,578	5,991,407	112,015	288,503	40,140,473
Technical and General Facilities	19,000,532	2,977,684	944,920	778,114	21,811,410
Transport equipment	221,508	27,370	25,031	31,423	255,270
Other tangible assets	13,894,163	1,421,056	463,125	470,295	15,322,389
Total	67,202,763	10,441,931	1,545,091	1,568,335	77,667,939

Financial assets:

Movements in gross financial assets:

Gross value	Start of year	Increase	Decrease	Reclassification	Merger	End of year
Equity interests	369,308,491	40,209,292	6,425,350	(6,111,550)	(20,803,425)	376,177,459
Loans	6,022,839	649,138	33,381		58,555	6,697,152
Other non-trading assets	2,909,251	15,280,551	15,096,893		158,841	3,251,749
Total	378,240,581	56,138,981	21,555,624	(6,111,550)	(20,586,029)	386,126,359

Loans and other financial assets break down as follows:

	31/12/2011	up to 1 year	over 1 year
Loans	6,697,152	36,585	6,660,567
Deposits and guarantees	2,713,921		2,713,921
Treasury shares	537,828	537,828	
Total	9,948,901	574,413	9,374,488

The General Meeting of 29 June 2006 authorised a share repurchase programme. This programme has several purposes: it is intended to allow the company to provide liquidity and stimulate the market, to optimise its capital management. 21,907 treasury shares were held under the programme on 31 December 2011.

Movements in provisions against financial assets:

Provisions	Start of year	Increase	Decrease	Merger	End of year
Equity securities	1,950,000				1,950,000
Loans	26,107			13,000	39,107
Total	1,976,107	0	0	13,000	1,989,107

II.1.2 – List of subsidiaries and shareholdings

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Company	Capital	Reserves and retained earnings in 2011	Share of capital held	Share of capital held	Profit for the year	Equity in 2011	Book value of shares 2011	
							Gross	Net
SCI Route des Ecluses	303,374	1,220,725	300,340	99%	117,133	1,641,231	303,374	303,374
SCI Les Rives d'Or	1,524	1,180,000	1,509	99%	150,145	1,331,670	933,755	933,755
SCI du Château	1,524	1,402,693	1,509	99%	237,408	1,641,626	1,353,340	1,353,340
SCI Tour Pujols	1,524	808,961	1,509	99%	220,050	1,030,536	1,364,795	1,364,795
SCI La Cerisaie	1,524	1,570,503	1,509	99%	147,900	1,719,928	47,224	47,224
SCI Val de Seine	1,524	(102,560)	1,509	99%	(1,802,638)	(1,903,674)	711,307	711,307
SCI Cliscouet	1,524	387,542	1,509	99%	76,425	465,492	1,494	1,494
SCI Age d'Or	2,549,161	8,221,169	2,523,669	99%	864,784	11,635,114	6,234,540	6,234,540
SCI Gambetta	1,524	3,491,410	1,509	99%	385,123	3,878,058	1,509	1,509
SCI Croix Rousse	1,524	3,747,830	1,522	99%	471,497	4,220,852	1,509	1,509
SCI Les Dornets	1,524	265,696	1,522	99%	215,136	482,356	1,494	1,494
SCI Château d'Angleterre	1,646	765,665	1,631	99%	222,521	989,832	1,763,577	1,763,577
SCI Montchenot	1,524	9,679,021	1,509	99%	242,532	9,923,078	1,286,933	1,286,933
SCI 115 rue de la Santé	1,524	8,754,052	1,372	90%	849,701	9,605,278	1,372	1,372
SCI Abbaye	1,524	(1,565,919)	1,372	90%	(1,029,513)	(2,593,907)	344,410	344,410
SCI Les Tamaris	1,524	686,099	1,509	99%	123,475	811,098	1,357	1,357
SCI Passage Victor Marchand	1,524	2,471,641	1,509	99%	431,435	2,904,600	1,509	1,509
SCI Fauriel	1,524	(4,307,551)	1,509	99%	(106,946)	(4,412,973)	1,618,841	1,618,841
SCI Port Thureau	1,524	600,297	1,509	99%	133,895	735,716	63,708	63,708
SCI de l'Abbaye	1,524	(496,105)	1,509	99%	254,956	(239,624)	1,509	1,509
SCI Les Maraichers	1,524	91,567	1,509	99%	135,419	228,510	99,595	99,595
SCI Bosguerard	1,524	516,430	1,509	99%	89,010	606,965	1,274,306	1,274,306
SCI Le Vallon	1,524	3,729,965	1,372	90%	373,975	4,105,464	2,033,228	2,033,228
SCI Brest Le Lys Blanc	1,524	(8,435,102)	717	47%	(3,107,418)	(11,540,995)	717	717
SCI Bel Air	1,524	751,325	1,509	99%	(117,388)	635,462	335,837	335,837
SAS CLINEA	6,511,863	59,704,935	6,511,863	100%	2,032,228	68,249,026	16,358,818	16,358,818
SARL Les Matines	7,622	(1,026,350)	7,622	100%	(1,984,611)	(3,003,338)	7,622	7,622
SARL Bel Air	1,265,327	1,497,428	1,265,327	100%	245,274	3,008,028	840,604	840,604
SARL Amarmau	7,622	(738,645)	7,622	100%	(90,935)	(821,957)	7,622	7,622
SARL 94 Niort	7,700	8,220,053	7,700	100%	4,966,820	13,194,573	7,700	7,700
SARL 95	7,700	(318,525)	7,700	100%	(86,121)	(396,945)	7,700	7,700
SCI Sainte Brigitte	1,525	(533,187)	1,524	100%	(25,996)	(557,658)	1,524	1,524
SARL VIVREA	150,000	(708,365)	150,000	100%	(309,303)	(867,668)	150,000	150,000
SA LES CHARMILLES	76,225	2,727,954	74,701	98%	370,313	3,174,492	3,092,517	3,092,517
SCI KOD'S	22,650	283,482	22,650	100%	49,747	355,879	68,067	68,067
SARL LA BRETAGNE	277,457	(1,207,639)	277,457	100%	(113,261)	(1,043,443)	11,300	11,300
SARL RESIDENCE LA VENITIE	13,300	(32,990)	13,300	100%	(11,862)	(31,552)	782,892	782,892
SARL L'ATRIUM	7,622	(864,540)	7,622	100%	(32,401)	(889,319)	985,140	985,140
SARL GESTIHOME SENIOR	400	(4,424)	400	100%	(10,338)	(14,362)	410,849	410,849
SARL MAISON DE CHARLOTTE	7,500	(1,449,577)	7,500	100%	69,817	(1,372,260)	2,703,650	2,703,650
SA BRIGE	1,200,000	(3,705,325)	1,200,000	100%	34,124	(2,471,201)	670,000	670,000
SRLORPEA ITALIA	3,350,000	462,454	161,470	5%	(1,955,566)	1,856,888	682,862	682,862
SCI LES TREILLES	15,245	1,962,174	15,243	99.99%	59,619	2,037,037	2,363,698	2,363,698
SCI LES MAGNOLIAS	1,525	(1,171,565)	1,510	99%	(616,575)	(1,786,615)	1,510	1,510
SCI Courbevoie de l'Arche	1,525	(1,358,843)	1,509	99%	(346,562)	(1,703,880)	1,509	1,509
SCI le Barbaras	182,939	1,258,521	182,939	100%	278,113	1,719,573	821	821
SARL DOMEA	100,000	(98,337)	100,000	100%	8,538	10,201	100,000	100,000
SARL 96	7,700	2,356,445	7,700	100%	707,929	3,072,074	6,930	6,930
SCI BEAULIEU	3,049	(11,106)	3,049	100%	(12,002)	(20,059)	30,490	30,490
SAS LA SAHARIENNE	1,365,263	(800,398)	1,365,263	100%	(322,953)	241,912	5,712,440	5,712,440
SARL ORPEA DEV	100,000	777,812	100,000	100%	(11,759)	866,053	100,000	100,000
SAS ORGANIS	37,000	(866,681)	37,000	100%	(479,930)	(1,309,611)	9,825,946	7,875,946

GRUPO CARE	63,921	6,916	63,921	100%	(1,140,286)	(1,069,449)	17,878,321	17,878,321
DINMORPEA	5,000	(346,466)	5,000	100%	6,311	(335,155)	5,000	5,000
SRL CASA MIA IMMOBILIARE	20,000,000	(7,319,352)	20,000,000	100%	114,251	12,794,899	17,646,819	17,646,819
SA ORPEA BELGIUM	31,500,000	13,821,778	500,000	2%	926,953	46,248,731	15,479,233	15,479,233
SA DOMAINE DE CHURCHILL	65,000	11,229,817	65,000	100%	4,695	11,299,512	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	65,000	12,124,766	6,500	10%	(514,040)	11,675,726	1,414,449	1,414,449
SA LONGCHAMPS LIBERTAS	90,000	21,188	90,000	100%	1,078,402	1,189,590	554,719	554,719
SA RS DOMAINE DE CHURCHILL	265,000	30,722	265,000	100%	29,196	324,918	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	3,009	(9,002)	3,009	100%	0	(5,993)	1,823,231	1,823,231
SAS Résidence St Luc	37,200	(3,249,048)	37,200	100%	(300,132)	(3,511,980)	2,644,007	2,644,007
SARL L'Ermitage (Contes)	7,622	(238,830)	7,622	100%	(13,846)	(245,054)	625,858	625,858
SARL Benian	1,000	(2,513)	200	20%	(18,570)	(20,083)	300,200	300,200
SCI JEM II	152	228,707	137	90%	47,814	276,673	883,500	883,500
SARL Reine Bellevue	6,000	798,135	6,000	100%	369,678	1,173,813	3,370,835	3,370,835
SARL La Doyenne de Santé	8,000	(42,197)	4,000	50%	(17,839)	(52,036)	1,267,425	1,267,425
SASU Le Vige	37,126	(688,509)	37,126	100%	(189,445)	(840,828)	1,350,000	1,350,000
SA Gerone	500,000	9,880	500,000	100%	413,335	923,215	2,982,451	2,982,451
SCI Douarnenez	1,500	(2,039,167)	1,500	100%	(123,506)	(2,161,174)	1,485	1,485
SCI Barbacane	1,524	835,603	15	1%	22,290	859,417	15	15
SCI Selika	10,671	5,712,073	15	0.14%	(250,277)	5,472,467	15	15
SCI SLIM	762	485,136	762	100%	78,410	564,308	1,830	1,830
SCI SAINTES BA	1,524	1,946,020	15	1%	704,586	2,652,131	15	15
SCI Les Anes	1,000	(36,301)	1	0.10%	(1,285,407)	(1,320,708)	1	1
SARL L'Ombrière	8,000	(632,814)	8,000	100%	(22,151)	(646,966)	822,027	822,027
SAS MDR La Cheneraie	254,220	(608,821)	3,991	2%	(260,962)	(615,563)	146,044	146,044
SARL IDF resid Ret.Le Sophora	7,622	(320,777)	762	10%	(239,977)	(553,132)	80,000	80,000
SA Paul Cezanne	60,980	(56,585)	60,980	100%	(1,063,145)	(1,058,750)	9,846,755	9,846,755
SARL Le Sequoia	7,622	(722,652)	7,622	100%	221,034	(493,995)	2,439,120	2,439,120
SNC les Jardins d'Escudie	100,000	(2,468,361)	100,000	100%	(455,600)	(2,823,961)	824,310	824,310
SA Résidence du Moulin	38,112	(827,179)	38,112	100%	(528,013)	(1,317,079)	2,100,466	2,100,466
SC Les Praticiens	87,600	(3,026)	876	1%	(11,327)	73,247	67,009	67,009
SAS Résidence La Cheneraie	2,537,040	788,993	2,537,040	100%	771,813	4,097,845	7,324,746	7,324,746
SA EMCEJIDEY	293,400	320,018	293,400	100%	86,330	699,748	4,419,887	4,419,887
SARL Résidence du Parc	18,560	(18,150)	18,560	100%	21,336	21,746	5,810	5,810
SCI du Fauvet	1,524	(339,534	152	10%	289,025	(48,985)	68,306	68,306
OPCI	400,000	0	80,000	20%	0	400,000	479,732	479,732
SAS Résidence Klarene	21,600	361,985	21,600	100%	245,946	629,531	3,032,766	3,032,766
SAS Résidence Ondine	11,420	195,584	11,420	100%	90,567	297,571	3,079,479	3,079,479
SAS SFI France	4,000,000	(5,397,400)	4,000,000	100%	87,845	(1,309,554)	23,305,520	23,305,520
SCI Ansi	22,867	253,442	2,287	0.1%	(11,551)	264,758	40,399	40,399
SARL St Sulpice	1,000	924	1,000	100%	(11,971)	(10,048)	1,000	1,000
SARL Viteal les Cedres	50,000	(391,423)	50,000	100%	(617,354)	(958,777)	85,039	85,039
SA Le Vieux Château	50,000	(780,926)	50,000	100%	(56,461)	(787,387)	629,728	629,728
SAS Home La Tour	40,600	(225,753)	40,600	100%	(296,617)	(481,769)	2,869,328	2,869,328
SARL Les Oliviers Saint Laurent	3,000	(3,882)	3,000	90%	(13,808)	(14,690)	2,179,500	2,179,500
SAS Centre Gerontologique	15,700	15,848	15,700	100%	98,713	130,261	2,694,000	2,694,000
SCI Portes D'Auxerre WB	30,000	(42,176)	3,000	1%	(35,749)	(47,925)	15,694	15,694
SAS Mediter	3,500,000	(2,128,525)	3,500,000	100%	(2,994,397)	(1,622,923)	102,575,126	102,575,126
SA MEDIBELGE	10,000,000	1,000,000	490,000	49%	3,888,778	14,888,778	24,166,181	24,166,181
SNC des Parrans	7,622	26,406	7,622	100%	777	34,805	1,412,144	1,412,144

SAS Actiretraite	8,000	22,104	8,000	100%	123,446	153,549	3,358,855	3,358,855
SNC Les Acanthes	7,622	117,413	7,622	100%	(28,378)	96,656	1,468,434	1,468,434
SA Le Clos St Grégoire	38,173	1,051,535	38,173	100%	175,501	1,265,209	4,692,302	4,692,302
SA Rive Ardente	135,000	(14,684)	135,000	100%	(79,664)	40,652	5,062,487	5,062,487
SAS le Clos d'Aliènor	40,000	(6,645)	40,000	100%	(84,459)	(51,104)	2,834,020	2,834,020
SAS les Jardins d'Aliènor	10,000	321,577	10,000	100%	(123,611)	207,966	4,102,931	4,102,931
SAS les Jardins de la Crau	7,692	750	7,692	100%	(10,996)	(2,554)	4,437,187	4,437,187
SAS les Jardins du Mazet	38,000	32,030	38,000	100%	86,841	156,871	4,561,227	4,561,227
SARL L'Occitanie	38,000	(3,258,659)	38,000	100%	2,000,546	(1,220,113)	1	1
SARL les Jacourets	7,622	78,669	7,622	100%	(68,170)	18,123	565,142	565,142
Other securities						0	19,568	19,568
Other securities (access)						0	261,286	261,286
Total							376,177,459	374,227,459

II.1.3 – Inventories and work in progress

	Gross 31/12/11	Provisions 31/12/11	Net 31/12/11	Net 31/12/10
Minor equipment and supplies	1,092,737		1,092,737	1,070,920
Current real estate	47,060,413	1,188,655	45,871,758	54,877,579
Total	48,153,150	1,188,655	46,964,494	55,948,499

Real estate work-in-progress net €45,871,758 incorporates finance costs incurred during the construction period which were on closure €5,862,701 compared with €5,984,674 at the end of 2010. These financial costs have been capitalized at an average rate of 4.50%, compared with 4.53% in 2010.

Real estate projects	31/12/11 in €k net
Fere en Tardenois	443
Viry	3,644
Toulouse	371
Joinville	4,056
Villers Allerand	8,902
Ste Maxime	10,726
Montmorency	145
Amiens	780
Carcassonne	6,120
Biganos	1,137
Nice villa foch	666
Montpellier	3,345
Paris Mozart	642
Paris rue de Varize	446
Paris les Musiciens	1,757
Merignac	907
Cannes Montfleury	209
St Raphael	588
Garches	140
Neuilly	150
Various residences	697
Total	45,872

II.1. 4 – Receivables

	Gross 31/12/2011	Provisions 31/12/2011	Net 31/12/2011	Net 31/12/2010
Trade receivables	13,760,684	4,180,466	9,580,217	13,003,438
Tax and social security receivables	27,125,699		27,125,699	16,228,369
Group and associates	1,029,113,142		1,029,113,142	765,053,830
Sundry debtors	33,814,769	1,219,605	32,595,163	40,268,606
Total	1,103,814,293	5,400,071	1,098,414,221	834,554,244

All receivables are due in less than one year.
Movements in provisions for impairment of financial assets:

	Start of year	Provision for the year	Transfer from year (used provisions)	Transfer from year (unused provisions)	Mergers	End of year
Trade receivables	3,434,708	1,496,790	106,762	749,953	105,681	4,180,466
Other sundry debtors	1,241,542	510,694	485,000	54,453	6,821	1,219,605
Total	4,676,250	2,007,485	591,762	804,406	112,502	5,400,071

II.1.5 – Inventories of securities

Net Book Value	31/12/2010	Acquisitions	Disposals	Provisions	Merger	31/12/2011
SICAV and FCP (1)	185,307,055	339,550,422	315,776,865		100,000	209,180,611
Shares reserved for employees	119,740					119,740
(numbers)	(3,586)					(3,576)

(1) No impairment losses were recognised against marketable securities as their fair value was higher than their carrying amount

II.1.6 – Composition of share capital

(in thousands of euros)	Number of shares issued	Capital	- Share premiums and reserves	**Retained earnings**	Net profit for the year	Regulated provisions	Dividends	Total shareholders' equity
As at 31/12/2009	*38,847,172*	**48,558,965**	**88,039,591**	**35,453,983**	**6,934,516**	**221,867**	**0**	**179,208,922**
Appropriation of net profit/(loss)			346,726	760,714	(6,934,516)		5,827,076	0
Stock option plan	*4,700*	5,875	21,832					27,707
Capital increase 31/12/10	*3,500,923*	4,376,154	109,303,407					113,679,561
Dividends							(5,827,076)	(5,827,076)
Regulated provisions						658,873		658,873
Result on 31 December 2010					6,034,080			6,034,080
As at 31/12/10	*42,352,795*	**52,940,994**	**197,711,556**	**36,214,697**	**6,034,080**	**880,741**	**0**	**293,782,068**
Appropriation of net profit/(loss)			301,704	(4,008,767)	(6,034,080)		9,741,143	0
Stock option plan	*18,360*	22,950	85,282					108,232
Capital increase 08/12/11	*10,599,558*	13,249,448	186,383,317					199,632,764
Exercise warrants	*27,078*	33,848	992,409					1,026,256
Exercise OCEANE	*101*	126						126
Dividends							(9,741,143)	(9,741,143)
Regulated provisions						744,462		744,462
Result on 31 December 2011					2,532,794			2,532,794
As at 31/12/2011	*52,997,892*	**66,247,365**	**385,474,268**	**32,205,930**	**2,532,794**	**1,625,203**	**0**	**488,085,560**

The share capital at the year-end was €66,247,365 divided into 52,997,892 shares each with a par value of €1.25.

On 17 August 2009, Orpea had issued a bond as an OBSAAR. This operation led to the creation of 1,190,787 warrants. These warrants will be exercisable from 14 August 2011 to 14 August 2015 inclusive and will subscribe to 1.062 Orpea shares for an exercise price of €37.90. The maximum dilutive effect is 3.23% of the share capital.

On 31 December 2010, Orpea issued 3,500,923 new shares resulting in a capital increase of €4,376 thousand, as payment for contributions of €113 million to the total consideration for its acquisition of an interest in the Mediter and Medibelge groups.

Following the exercising of warrants in September 2011, Orpea made a capital increase for a nominal amount of €34 thousand, thus creating 27,078 new shares.

On 6 October 2011, the company unblocked the 2003 action plan, allowing a capital increase with a face value of €23 thousand, thus creating 18,360 new shares.

On 8 December 2011, Orpea made a €13,249 thousand capital increase by issuing 10,599,558 new shares.
This transaction generated a premium of €186,383 thousand net of expenses, after deduction of associated fees for net tax of €3,349 thousand.

The company has set up the following stock option plans:

Stock options		Plan 2000	Plan 2001	Plan 2003
Number of shares originally		897,648	320,000	27,200
Exercising of options				
	during FY 2005	586,330		
	during FY 2006	100,844		
	during FY 2007	50,876	220,001	4,140
	during FY 2008	57,678	21,359	
	during FY 2009	0	24,400	
	during FY 2010			4,700
	during FY 2011			18,360
Total options exercised		795,728	265,760	27,200
Options outstanding		101,920	54,240	0

Lastly, at the annual general meeting of 30 June 2011, the shareholders approved payment of a dividend of €0.23 per share for FY 2010, i.e. a total payout of €9,741 thousand, paid in September 2011.

II.1.7 – Provisions

	Start of year	Provision for the year	Transfer from year (used provisions)	Transfer from year (unused provisions)	Merger	End of year
Equity securities	880,741	889,553	145,090			1,625,203
Regulated provisions	**880,741**	**889,553**	**145,090**	**0**	**0**	**1,625,203**
Labour disputes	2,216,551	577,286	245,735	430,115	90,643	2,208,629
Other	2,384,955	6,755,570		15,000		9,125,526
Provisions for liabilities and charges	**4,601,506**	**7,332,856**	**245,735**	**445,115**	**90,643**	**11,334,156**
Total	**5,482,248**	**8,222,409**	**390,826**	**445,115**	**90,643**	**12,959,359**

II.1.8 – Liabilities

	31/12/2011	31/12/2011	31/12/2010	31/12/2010
Borrowings and financial liabilities	1,217,866,387		1,178,585,305	
Debts maturing in one year or less		*471,108,110*		*373,619,805*
Liabilities payable after more than one year and less than 5 years		*714,349,273*		*604,386,419*
Liabilities maturing in over 5 years		*32,409,004*		*200,579,084*
Trade payables	37,268,221		33,236,967	
Debts maturing in one year or less		*37,268,221*		*33,236,967*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Tax and payroll liabilities	56,597,816		55,064,478	
Debts maturing in one year or less		*56,597,816*		*55,064,478*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Group and associates	193,787,721		146,490,575	
Debts maturing in one year or less		*193,787,721*		*146,490,575*
Liabilities payable after more than one year and less than 5 years				
Liabilities maturing in over 5 years				
Sundry liabilities	55,790,782		51,588,715	
Debts maturing in one year or less		*36,554,368*		*34,091,693*
Liabilities payable after more than one year and less than 5 years		*19,236,414*		*17,497,022*
Liabilities maturing in over 5 years				
Total	1,561,310,927	1,561,310,927	1,464,966,041	1,464,966,041

Loans contracted during the year amounted to €201,436 thousand and loans repaid to €171,899 thousand.

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.

Bonds

OBSAAR bond issue: During the second half of 2009, Orpea issued bonds with redeemable warrants to subscribe for new or purchase existing shares (OBSAAR) for a total par value of €217 million.
This loan is repayable in 2012 and 2013 at 20% of the principal each year and in 2014 and 2015 at 30% of the principal each year. The interest rate for the issue is three-month EURIBOR + 137 base points before fees.

OCEANE bond issue: In the second half of 2010, Orpea issued 4,069,635 bonds convertible into new or existing shares (OCEANE) at a unit price of €44.23, representing a total of €180 million.

These bonds will be redeemed on 1 January 2016. The coupon payable on the bonds is 3.875% per year. The bonds may be converted into shares (1.071 shares for one bond) between 15 December 2010 and up to the seventh working day inclusive preceding the normal redemption date at a price of €44.23 per share.

Banking covenants

Various loans taken out by the company are conditional on compliance with financial ratios that are assessed under the group's non-trading liabilities.

The agreed ratios are as follows:

$$R1 = \frac{\text{consolidated net debt (excluding property debt)}}{\text{consolidated EBITDA} - 6\% \text{ of property debt}}$$

And:

$$R2 = \frac{\text{consolidated net debt}}{\text{equity + quasi equity}}$$

On 31 December 2011, these ratios were 2.15 and 1.17 respectively, within the required limits of 5.5 for R1 and 2.0 for R2.

II.1.9 – Financial instruments

On 31 December 2011, the notional amount of the derivatives portfolio was €1,051 million compared with €1,040 million on 31 December 2010, comprising fixed for floating (mainly three-month Euribor) interest rate swaps and interest rate options. These derivative instruments have either a constant or decreasing nominal profile. All these derivatives are used for hedging transactions in accordance with article 372-2 of the PCG.

At the end of 2011, the maturity of the interest rate derivatives was as follows:

	Schedule (M€)				
	2012	2013	2014	2015	2016
Notional average	1,244	1,403	1,298	847	228
Effective rate	3.1%	2.8%	2.7%	2.6%	2.6%

At the end of 2010, the maturity of the interest rate derivatives was as follows:

	Schedule (M€)				
	2011	2012	2013	2014	2015
Notional average	1,033	1,148	1,004	738	364
Effective rate	3.3%	3.1%	2.9%	2.6%	2.5%

The fair value of hedging instruments at 31 December 2011, i.e. –€71.8 million, is not posted on the balance sheet date but recorded symmetrically with the hedged items on maturity of each contract.
At 31 December 2010, the fair value amounted to – €37 million.

II.1.10 – Miscellaneous

Accrued expenses

	31/12/2011	31/12/2010
Borrowings and financial liabilities	10,583,477	3,162,474
Trade payables	14,180,234	12,806,332
Tax, social and sundry liabilities	22,980,425	21,021,180
Total	**47,744,136**	**36,989,988**

Accrued income

	31/12/2011	31/12/2010
Financial receivables	2,904	0
Trade receivables	799,511	4,021,284
Other receivables	11,474,510	7,623,273
Total	**12,276,925**	**11,644,557**

Prepaid expenses

	31/12/2011	31/12/2010
Operation	2,934,146	2,859,499
Financial	1,571,730	1,125,090
Extraordinary		0
Total	**4,505,876**	**3,984,589**

This item includes €2,247 thousand in marketing fees for the Sainte Maxime off-plan property development programme.

Prepaid income

	31/12/2011	31/12/2010
Operation	20,524,293	21,345,023
Total	**20,524,293**	**21,345,023**

This item comprises prepaid income in respect of property work in an amount of €17,763 thousand and also the portion of care allowances received and yet to be allocated to future expenses, amounting to €2,761 thousand.

Unrealised currency gains

	31/12/2011	31/12/2010
Swiss subsidiary	230,380	
Total	**230,380**	**0**

II.1 .11 – Information on related parties

ENTITIES	Other receivables	Other liabilities	Other financial income	Financial expenses	Dividends
Subsidiaries 100% owned by the group	1,029,113,142	193,787,721	38,784,533	8,486,535	
Other subsidiaries	0	2,449,236		(21,578)	

II.2 – INCOME STATEMENT

II.2.1 – Sales

	31/12/2011	31/12/2010
Operation of nursing homes	408,625,875	377,573,378
Disposal of real estate	33,965,181	31,759,258
Total	442,591,056	409,332,636

II.2.2 – Operating income

	31/12/2011	31/12/2010
Operation of nursing homes	408,625,875	377,573,378
Operating revenues	**408,625,875**	**377,573,378**
Disposal of real estate	33,965,181	31,759,258
Inventory change	(38,889,794)	(32,709,334)
Income from real estate activity	**(4,924,613)**	**(950,077)**
Capitalised production	6,538,820	4,716,831
Operating subsidies	225,520	293,628
Provisions and charge transfer	11,732,835	12,023,467
Other income	3,043,631	59,757
Other operating income	**21,540,807**	**17,093,683**
Total operating income	**425,242,068**	**393,716,985**

II.2.3 – Financial income

	31/12/2011	31/12/2010
Interest on bank borrowings and other financial charges	(36,034,379)	(22,794,984)
Convertible bond issue costs		
OCEANE issue expenses		(3,283,863)
Net charge on write-offs		(1,206,000)
Net losses on financial instruments	(17,205,688)	(23,248,215)
Other charges	(2,185,154)	(194,053)
Income from investments	28	28
Net gains on inter-company current account	30,297,998	22,509,342
Capitalised financial expenses	1,053,677	2,446,879
Net income from sale of marketable securities	497,064	106,313
Foreign exchange gains	588,970	
Other income	53,556	1,791,656
Net finance cost	**(22,933,928)**	**(23,872,898)**

II.2.4 – Extraordinary income

		31/12/2011		31/12/2010
Extraordinary Income		14,961,708		14,178,676
On management transactions	*2,125,829*		*487,018*	
On investment transactions	*12,122,846*		*9,423,593*	
Impairment and provision reversals and expense transfers	*713,033*		*4,268,064*	
Extraordinary charges		23,262,609		17,613,279
On management transactions	*5,838,634*		*5,711,176*	
On investment transactions	*14,465,499*		*9,656,068*	
Extraordinary depreciation/amortisation, impairments and provisions	*2,958,476*		*2,246,035*	
Exceptional income or expense		**(8,300,901)**		**(3,434,603)**

	31/12/2011	**31/12/2010**
Capital gains and losses on asset disposals	(997,224)	(256,195)
Restructuring and development costs	(4,886,541)	(4,977,091)
Provisions for sundry debtors	(1,529,408)	2,680,158
Special depreciation/amortisation	(744,463)	(658,874)
Sundry expenses	(143,265)	(222,602)
Exceptional income or expense	**(8,300,901)**	**(3,434,604)**

II.2.5 – Taxes

As head of the Orpea tax consolidation group, Orpea calculates the tax payable on the group's taxable income.
The tax group has no further tax loss carryforwards, although a few subsidiaries have tax losses that can be set against their own taxable profits.

On 31 December 2011, the Orpea tax group's aggregate net profit was €5,625,219, including Orpea SA's tax benefit of €12,858,995 in its capacity as "member company".

As provided for under the group tax relief agreement, each subsidiary is responsible for paying its own income tax and contributions on taxable profits and capital gains, offset where applicable against any tax credits on tax loss carryforwards.

The tax charge posted in Orpea SA's financial statements amounts to €3,734,267, broken down as follows:

	Before tax	Corporation tax	After tax
Operating profit:	37,501,890	14,428,704	23,073,186
Net finance cost	(22,933,928)	(7,925,417)	(15,008,511)
Exceptional income or expense	(8,300,901)	(2,769,020)	(5,531,881)
Accounting result	6,267,061	3,734,267	2,532,794

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: €246 thousand
  - CET reliefs: €1,908 thousand

- Deductions to be made in future years:
  - Organic social security organisation: €716 thousand
  - Unrealised gain on mutual funds: €11 thousand
  - Provisions for loss-making contracts: €96 thousand

II.2.6 – Expenses transfer

	31/12/2011	31/12/2010
Restructuring costs	3,370,770	3,252,642
Capitalised expenses	1,728,381	3,683,942
Insurance payouts	539,984	271,074
Provident fund payouts	1,644,825	1,412,976
Training refunds	2,268,621	1,534,301
Sickness payouts	183,552	162,858
Finance charges on real estate projects	1,053,677	2,446,879
Sundry expenses	477,625	
Total	**11,267,436**	**12,764,672**

III – FINANCIAL COMMITMENTS AND OTHER INFORMATION

III.1 – OFF-BALANCE SHEET COMMITMENTS

Debt-related commitments

Financial commitments

Contractual obligations (in k€)	31/12/2011	31/12/2010
Counter-guarantee sureties on markets		
Assigned claims not yet due (Daily slips ...)		
Pledges, mortgages and other securities	511,557	354,394
Total	511,557	354,394

Contractual obligations (in k€)	31/12/2011	Payments due by period		
		less than one year	from 1 to 5 years	over 5 years
Long-term borrowings	1,217,866	471,108	714,349	32,409
Finance lease obligations	50,791	13,428	30,497	6,866
Operating leases				
Irrevocable purchase obligations				
Other long-term obligations				
Total	1,268,657	484,536	744,846	39,275

Lease commitments

	Lease commitments real estate	Lease commitments furniture
Original date	44,763,093	56,637,819
Royalties for the year	3,150,953	9,983,071
Cumulative charges from previous years	14,388,888	25,126,128
Theoretical provision for the year	838,092	4,978,063
Cumulative amortisation for prior years	4,845,385	11,369,216
Royalties outstanding - one year	3,150,953	10,276,838
Royalties outstanding - over one year and up to five years	12,603,814	17,892,993
Royalties outstanding - over five years	6,866,229	0
Surrender value	16,381,142	0

Commitments to employees

The amount of employee retirement benefit obligations, determined using a projected unit credit method, amounted in 2011 to €5,595 thousand, compared with €5,154 thousand in 2010.

The main actuarial assumptions at 31 December 2011 were:

- rate of salary increase: 3.50% taking account of inflation;
- discount rate: 4.50%;
- retirement age: 65;
- social security contribution rate: same as 2011.

The amount paid by the company in retirement benefits amounted to €139,828 in 2011.

There were no material commitments in respect of long-service awards.

Commitments related to individual training rights (DIF)

The law of 4 May 2004 on professional training introduced a system whereby employees can build up training rights to be used at their discretion with their employer's agreement. The minimum annual amount is 20 hours capped at a cumulative total of 120 hours.

On 31 December 2011, these training rights did not generate any additional costs as they are financed by refunds obtained under professional training contracts. The expense is posted as and when the hours are used.

Other commitments

In 2002, Orpea granted its subsidiary, SA Clinique du Docteur Courjon, a debt write-off of €1,915,487 with a claw-back condition, since taken over by CLINEA SAS.

III.2 – INTERNAL RESTRUCTURINGS

In order to simplify its legal structure, the Company performed at the year-end various internal restructurings by merging all the assets and liabilities of seven of its subsidiaries: SAS Cardem, SAS Avigestion, SAS Saint Honorat, SAS Centre de Gérontologique de Treigny, SASU Abbaye des Cordeliers, SAS l'Horizon, and SAS Domaine les Fromentaux.

The various assets and liabilities of the subsidiaries were taken over and posted into Orpea's financial statements on 31 December 2011.

This transaction gave rise to a merger loss of €14,453,745 allocated to intangible assets.

III.3 – EMPLOYEES

At 31 December 2011, full-time equivalents employed by Orpea SA were as follows:

	31/12/2011	31/12/2010
Managers	461	450
Employees/Workers	5,163	5,013
Total	5,624	5,463

III.4 – STATUTORY AUDITORS' FEES

Fees for the statutory auditors in respect of their audit of the accounts in 2011 were €1,270 thousand.

III.5 – BENEFITS GRANTED TO DIRECTORS AND EXECUTIVE OFFICERS

Gross compensation, fees net of tax and benefits paid in 2011 to Orpea SA's corporate officers were €983 thousand, compared with €765 thousand in 2010, including €106 thousand in directors' fees.

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-competition benefits.

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

2. STATUTORY AUDITORS' REPORT ON THE 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.

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75008 Paris

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Orpea
Société anonyme
115 rue de la Santé
75013 Paris

Statutory Auditors' report
on the statutory financial statements

Financial year ended 31 December 2011

To the Shareholders,

In accordance with the instructions given to us by the General Meeting, we present our report for the financial year ending 31 December 2011, on:

- our audit of Orpea's accompanying statutory financial statements, as appended hereto;
- the justification for our assessments;
- the specific reviews and information 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, based on sample checks or other methods of selection, consists in verifying the items substantiating the amounts and information contained in the annual accounts. 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 2011 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.

These appraisals formed part of our audit of the annual accounts as a whole, and therefore contributed to our opinion expressed in the first part of this report.

III. Specific procedures and disclosures

In accordance with the professional standards applicable in France, we also carried out the specific checks required by law.

We have no matters to report regarding the fairness and consistency with the financial statements of the information given in the management report, and 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 executive officers, we have verified that this information is consistent with the financial statements or the data used to prepare the financial statements, and, where applicable, the information obtained by your company from companies controlling it or controlled by it. Based on our work, we believe the information provided is true and fair.

As required by law, we also verified that the requisite disclosures concerning interests and controlling interests and the identity of holders of share capital and voting rights were made in the management report.

Paris and Neuilly-sur-Seine, 15 May 2012

The Statutory Auditors

Burband Klinger & Associés	Deloitte & Associés
Frédéric Burband	Joël Assayah

3. Statutory auditors' special report on regulated related-party agreements and commitments

This is a free translation into English of the statutory auditors' special report on regulated related-party agreements and commitments 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 reports.
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.

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Orpea

Société anonyme

115 rue de la Santé
75013 Paris

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

Annual general meeting held to approve the financial statements

for the year ended 31 December 2011

To the Shareholders,

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

Our role is not to identify any undisclosed agreements and commitments but to report to you, based on the information provided to us, on the key terms and conditions of the agreements and commitments that have been notified to us without commenting on their relevance or substance. Under the provisions of article R. 225-31 of the French Commercial Code, it is your responsibility to determine whether the agreements and commitments are appropriate and should be approved.

We are also required to report to you, where applicable, the information referred to in article R. 225-31 of the French Commercial Code on the implementation during the year of agreements and commitments that have already been approved by you.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. Those procedures consisted of verifying the consistency of the information provided to us with the source documents.

Agreements and commitments subject to shareholder approval

Agreements and commitments authorised during the financial year

We inform you that we are not responsible for giving an opinion on any agreement authorised during the past financial year subject to the approval of the General Meeting in pursuance of the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by the shareholders

Agreements and commitments authorised in prior years that remained valid in 2010

In accordance with the provisions of article L. 225-30 of the French Commercial Code, we have been advised of the following agreements approved in prior years that remained valid in 2011.

a. **Unemployment insurance**
(Authorised on 29 June 2006)

Director concerned:

Yves Le Masne.

Nature and purpose:

Unemployment insurance policy taken out on behalf of Yves Le Masne, the premiums for which are paid by the company.

Terms and conditions:

The amount of premiums paid by Orpea SA for 2011 were €1,727.

b. **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 €100,800 excluding tax.

Paris and Neuilly-sur-Seine, 15 May 2012

The Statutory Auditors

Burband Klinger & Associés	Deloitte & Associés
Frédéric Burband	Joël Assayah

CHAPTER VII: DOCUMENTS FOR THE ANNUAL GENERAL MEETING ON 29 JUNE 2012

1. REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS

Please find below a brief explanation of the reasons for each of the proposed resolutions. The full text of these resolutions is attached to this report.

I- APPROVAL OF THE STATUTORY AND CONSOLIDATED FINANCIAL STATEMENTS - APPROPRIATION OF NET EARNINGS - RATIFICATION OF DIRECTORS' ACTS (1ST, 2ND, 3RD AND 4TH RESOLUTIONS)

The first two resolutions deal with the approval of Orpea's statutory (1st resolution) and consolidated (2nd resolution) financial statements.

The statutory and consolidated financial statements for the year ended 31 December 2011 are analysed in the management report included in the 2011 registration document filed with the Autorité des Marchés Financiers (AMF) and made available to you in accordance with the provisions of the laws and regulations, in particular on Orpea's website (www.orpea.com). These accounts have also been discussed in the auditors' reports.

The Orpea 2011 financial statements show a profit of €2,532,794, while the consolidated accounts for financial year 2011 show a net positive group result of €80,286,533.

In light of the reports by the Board of Directors and the Statutory Auditors, we recommend that you approve these accounts.

In the third resolution, the Board of Directors proposes that you allocate the net profit of €2,532,794 as follows:

- to the statutory reserve	€126,790
the remainder, i.e.	€2,406,004
plus retained earnings, i.e.:	€32,205,930
Total available for distribution:	€34,611,934,

- payment of a dividend of €0.50 for each of the 52,997,892 shares comprising the share capital as at 1 January 2011, i.e. €26,498,946:

the remainder,

- to the retained earnings account, i.e. €8,112,988.

Private shareholders are entitled to claim 40% tax relief on their dividends in accordance with article 243 *bis* of the French General Tax Code.

If the resolution is passed, the dividend will be paid on 14 September 2012.

You will be asked to authorise your Board of Directors, with the ability to sub-delegate, to determine the total amount of the dividend payout and the resulting balance to be transferred to retained earnings, particularly in light of the number of shares held by the Company on the dividend payment date, and to deduct from retained earnings the sums required to pay the dividend in respect of any shares issued upon the exercise of share subscription warrants between 1 January 2012 and the dividend payment date.

In the fourth resolution, we are seeking ratification of the directors' acts during the year ended 31 December 2011.

II .- APPROVAL OF RELATED-PARTY AGREEMENTS (5TH RESOLUTION)

The fifth resolution deals with related-party agreements governed by article L. 225-38 of the French Commercial Code.

These agreements are subject to a special report by the statutory auditors, which also summarises any agreements approved in prior years and still valid during 2011.

This special report is included in the 2011 Registration Document filed with the AMF and made available to you in accordance with the provisions of the laws and regulations, and in particular on Orpea's website (www.orpea-corp.com).

III-RATIFICATION OF APPOINTMENT BY CO-OPTING FFP INVEST (6TH RESOLUTION)

The Ordinary General Meeting of 17 October 2011 appointed Foncière, Financière et de Participations (FFP) as a director for a term of four years.

On 15 February 2012, FFP resigned as a director following the contribution of its entire shareholding in Orpea to FFP Invest. This was purely an internal restructuring transaction, after which FFP would resign from its position as a director of Orpea. FFP Invest was co-opted for FFP's remaining term of office.

The permanent representative of FFP Invest is Thierry Mabille de Poncheville.

You are requested to kindly approve the ratification of the appointment of FFP Invest made at the Board meeting of 15 February 2012.

IV-DIRECTORS' FEES (7TH RESOLUTION)

We propose that you set the overall budget for directors' fees at an amount of €225,000 for each financial year starting from 1 January 2012, until it is decided otherwise.

This sum would be allocated by the Board to its members for their attendance at meetings of the Board and at those of the Study Committees that were set up in late 2011 (the Audit Committee and Appointments and Remuneration Committees).

The Rules of Procedure specify the following terms of distribution by the Board of attendance fees among the Directors:

- an equal share allocated to each of them, including a fixed part and a variable part based on their attendance at meetings, the variable amount being the scheduled amount which is reduced by 20% per absence after a first absence.

- an additional share for members of the Study Committees, this amount being doubled for their Chairman.

This new budget will replace that decided by the Ordinary General Meeting of 17 October 2011.

IV- AUTHORITY FOR THE COMPANY TO TRADE IN ITS OWN SHARES AND TO CANCEL TREASURY SHARES (8TH AND 9TH RESOLUTIONS – ORDINARY AND EXTRAORDINARY BUSINESS)

The **8th resolution** is seeking renewal of the Board's annual authorisation to purchase Orpea shares. The Company needs to be able to trade in its own shares at all times.

We are therefore asking you to renew our authorisation to purchase shares of the Company within the limits set by you and in accordance with the provisions of the law.

1) Purpose of programme

The purpose of the share buyback programme is:

a) to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the Autorité des Marchés Financiers;

b) to allot all or some of the shares purchased to employees and/or officers of the Company and/or the Group under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, share award plans or employee share ownership plans;

c) 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;

d) to cancel the shares under the terms and conditions set out in the French Commercial Code, subject to the extraordinary resolution seeking authority to cancel the shares being passed at the annual general meeting;

e) to keep all or some of the shares purchased to tender as payment for future acquisitions or any other transaction that may be authorised by the regulations in force;

f) to implement any market practices that may be authorised by law or by the Autorité des Marchés Financiers.

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

2) Maximum percentage of share capital, maximum number and type of securities, maximum purchase price

- Maximum percentage of share capital that may be held: 10% of the Company's share capital held on the date of the transaction (i.e. 5,299,789 shares on 31 December 2011) to take account of any capital increases or reductions made during the life of the programme. The number of shares used to calculate the percentage held is the number of shares purchased less any shares sold during the life of the programme for liquidity purposes.

- Maximum purchase price: €50
- Maximum amount of the programme: €264,989,450

- 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.

The Company may use this authorisation and continue its buyback programme in the event of a public offer for the shares of the Company in compliance with article 232-15 of the AMF's General Regulation: even during a public offer, it is important that the Company can continue to meet its commitments, particularly with regard to purposes b) and c) above.

3) Life of programme

This programme will be valid for a period of 18 months from the annual general meeting of 29 June 2012. The new authorisation will cancel and supersede the unused portion of any previous authority given for the same purpose.

Under the **9th resolution**, we are seeking an 18-month renewal of the authorisation granted at the annual general meeting of 29 June 2011 to cancel shares in the Company purchased under the share buyback programme, up to a maximum of 10% of the share capital in any 24-month period.

Cancellation of shares will entail a reduction of the share capital and consequently an amendment to the articles of association (which is subject to the quorum and majority requirements for extraordinary business).

We would point out that to date no shares have been cancelled. This authorisation will cancel and supersede any previous authorisation given for the same purpose.

V-AMENDMENTS TO THE ARTICLES OF ASSOCIATION (10TH AND 11TH RESOLUTIONS)

A proposal is tabled before the General Meeting to amend articles 14 and 19 of the Articles of Association, which stipulate the majority conditions for determining the method of exercising general management and the age limit for the Chairman of the Board respectively.

1) Proposed amendment to article 14 of the Articles of Association (10th resolution)

The Board considered it appropriate to provide more flexibility to the majority conditions concerning the choice of management method.

It therefore appeared appropriate to the Board to change the majority conditions for choosing the management method, by adopting a majority of two thirds of the members present, instead of the condition of unanimity stipulated by article 14. This would be an improved majority, whilst avoiding a requirement for unanimity, which is sometimes a source of inflexibility.

Consequently, the second paragraph of article 14, currently worded as follows:

"The Board of Directors chooses between two forms of general management, under the following conditions:

- the choice is made by the Board of Directors, with all its members voting unanimously;"

would be replaced by the following:

"The Board of Directors chooses between two forms of general management, under the following conditions:

- the choice is made by the Board of Directors, with a two-thirds majority of the members present;"

The rest of the article remains unchanged.

2) Proposed amendment to article 19 of the Articles of Association (11th resolution)

The Board proposes changing the age limit for performance of his duties by the Chairman of the Board, increasing it from 75 years to 80 years.

The third paragraph of article 19, currently worded as follows:

> *"The Chairman of the Board cannot be older than 75. When the Chairman reaches the age limit, he is deemed to have resigned."*

would be replaced by the following:

> *"The Chairman of the Board cannot be older than 80. When the Chairman reaches the age limit, he is deemed to have resigned."*

The rest of the article remains unchanged.

Under this last resolution, you are asked to grant the powers required to fulfil any legal formalities required pursuant to the resolutions passed at this annual general meeting.

2. PROPOSED RESOLUTIONS PRESENTED BY THE BOARD OF DIRECTORS

2.1– ORDINARY RESOLUTIONS

FIRST RESOLUTION (Approval of the 2011 statutory financial statements).

Having considered the Board of Directors' management report and the notes thereto, the Chairman's report required under article L. 225-37 of the French Commercial Code and the Statutory Auditors' reports, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the statutory financial statements for the year ended 31 December 2011 as presented, showing a net profit of €2,532,794.

SECOND RESOLUTION (Approval of the 2011 consolidated financial statements).

Having considered the Group's management report and the Statutory Auditors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the consolidated financial statements for the year ended 31 December 2011 as presented, showing a net profit of €80,286,533.

THIRD RESOLUTION (Appropriation of net profit)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders resolve to appropriate the net profit for the year as follows:

- net profit, amounting to €2,532,794

transfer to the statutory reserve	€126,790
- Balance:	€2,406,004
plus retained earnings, i.e.:	€32,205,930
Total available for distribution:	€34,611,934,

- payment of a dividend of €0.50 for each of the 52,997,892 shares comprising the share capital as at 1 January 2012, i.e. €26,498,946,

- the balance to "Retained earnings", i.e. €8,112,988

The dividend will be paid on 14 September 2012.

The shareholders give the Board of Directors full powers, with the ability to sub-delegate in accordance with the provisions of the law, to determine the total amount of the dividend payout and the resulting balance to be transferred to retained earnings, particularly in light of the number of shares held by the Company on the dividend payment date and the number of shares, if any, cancelled before that date.

The shareholders also authorise the Board of Directors, with the ability to sub-delegate in accordance with the provisions of the law, to deduct from retained earnings the sums required to pay the dividend in respect of shares issued upon the exercise of stock options between 1 January 2012 and the dividend payment date.

Private shareholders are entitled to claim 40% tax relief on their dividends in accordance with article 243*bis* of the French General Tax Code.

The shareholders duly note the dividends paid in the three previous financial years, as summarised in the table below:

Financial year	Number of shares	Net dividend per share*
2008	36,902,772	€0.10
2009	38,847,172	€0.15
2010	42,352,795	€0.23

* The annual dividend was eligible for the tax relief available to private shareholders resident in France for tax purposes, in accordance with the provisions of article 158.3, paragraph 2 of the French General Tax Code.

FOURTH RESOLUTION (Ratification of Directors' acts)

Voting under the quorum and majority conditions required for ordinary business, the shareholders ratify all of the Directors' acts of during the year ended 31 December 2011.

FIFTH RESOLUTION (Agreements governed by article L. 225-38 of the French Commercial Code)

Having considered the Statutory Auditors' special report on agreements governed by article L. 225-38 *et seq.* of the French Commercial Code, and voting under the quorum and majority conditions required for ordinary business, the shareholders approve the agreements described in that rapport.

SIXTH RESOLUTION *(Ratification of the appointment of FFP Invest as a new Board Member)*

Voting under the quorum and majority conditions required for ordinary business, the shareholders, upon proposal of the Board and in accordance with article 15 of the Articles of Association, ratify the appointment (co-option) of FFP Invest as a director, provisionally made by the Board of Directors, in replacement of FFP (resigned) for the remainder of its term of its office, i.e. until the meeting called in 2015 to approve the financial statements for the year ended 31 December 2014. FFP Invest's permanent representative on the Board of Directors is Thierry Mabille de Poncheville.

SEVENTH RESOLUTION (Directors' fees)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary business, the shareholders set the total amount of directors' fees to be allocated to the Board of Directors at €225,000 for each financial year starting as of 1 January 2012 until such time as a new resolution is passed.

EIGHTH RESOLUTION (Authority given to the Board of Directors to trade in the Company's shares).

Having heard the Board of Directors' report and considered the description of the share buyback programme drawn up in accordance with the provisions of articles 241-1 *et seq.* of the General Regulation of the Autorité des Marchés Financiers, the shareholders authorise the Board of Directors, under the conditions provided for in article L. 225-209 *et seq.* of the French Commercial Code, to purchase, on one or more occasions and by any means, a number of shares of the Company representing up to 10% of the number of shares comprising the share capital at any time.

The purpose of this authority is to enable the Company to trade in its own shares as provided for by the law, and in particular:

a) to make a market or promote liquidity in the shares through an independent investment services provider acting under a liquidity contract that complies with a code of conduct approved by the Autorité des Marchés Financiers;

b) to allot all or some of the shares purchased to employees and/or officers of the Company and/or the Group under the terms and conditions set out by law, and particularly under employee profit-sharing plans, stock option plans, share award plans or employee share ownership plans;

c) to allot shares upon the exercise of securities carrying rights to shares of the Company by way of conversion, exercise, redemption, exchange or otherwise, in accordance with stock market regulations;

d) to cancel the shares under the terms and conditions set out in the French Commercial Code, subject to the thirteenth resolution being passed;

e) to keep all or some of the shares purchased to tender as payment for future acquisitions or any other transaction that may be authorised by the regulations in force; or

f) to implement any market practices that may be authorised by law or by the Autorité des Marchés Financiers.

The Company may use this resolution and continue its share buyback programme in the event of a public offer for the Company's shares, in accordance with the provisions of article 232-15 of the Autorité des Marchés Financiers' General Regulation (or any other legal, regulatory or other applicable provision or which might replace it).

The shares may be purchased, sold, transferred or exchanged and paid for by any method, in particular under a liquidity contract entered into by the Company with an investment services provider that complies with the applicable regulations, either on or off the market including block trades, the use of derivative financial instruments and option strategies (purchase and sale of call and put options and any combination thereof in accordance with the applicable regulations), and at the times the Board of Directors deems appropriate. There is no limit on the proportion of the share buyback programme that may be carried out through block trades.

The shareholders set the following limits on the Board of Directors' use of this authority:

- the maximum purchase price, excluding transaction costs, may not exceed €50 per share;

- the maximum number of shares that may be purchased may not exceed 10% of the total number of shares issued (i.e. for indicative purposes 5,299,789 shares at present), to the extent that such limit shall take account of any capital increases or reductions made during the life of the programme.

The number of shares used to calculate the percentage held is the number of shares purchased less any shares sold during the life of the programme;

- the maximum amount of the programme is therefore €264,989,450.

These limits are subject to any adjustments for capital transactions made by the Company in accordance with the provisions of the laws and regulations.

This authorisation is given for a period of 18 months from the date of this meeting.

The shareholders give the Board of Directors full powers, with the ability to sub-delegate in accordance with the laws and regulations, to place any stock market orders, enter into any purchase, exchange or transfer contracts, enter into any agreements, make any filings and carry out any other formalities, make all the adjustments referred to above and, more generally, do everything necessary to implement this authorisation.

This resolution cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

2.2 - Extraordinary resolutions

NINTH RESOLUTION (Authority to the Board of Directors to reduce the share capital by cancelling treasury shares held by the Company).

Having considered the Board of Directors' report and the Statutory Auditors' special report, and voting under the quorum and majority conditions required for extraordinary business, the shareholders hereby:

1. Authorise the Board of Directors, with the ability to sub-delegate in accordance with the laws and regulations, in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code, and subject to the twelfth resolution being passed, to reduce the share capital on one or more

occasions in the proportions and at the times it deems appropriate by cancelling all or some of the treasury shares held by the Company, within the limits authorised by law, i.e. at present up to 10% of the share capital in any 24-month period, such limit to be adjusted to take account of any capital transactions made after the date of this meeting. The difference between the carrying amount and par value of the shares cancelled shall be transferred to the statutory reserve in an amount equal to 10% of the share capital cancelled and the balance to share premiums and reserves available for distribution.

2. Give this authorisation for a period of 18 months from the date of this meeting.

3. Give the Board of Directors full powers, with the ability to sub-delegate in accordance with the laws and regulations, to:

- cancel the shares and reduce the share capital accordingly;

- determine the final amount and set the terms and conditions of the capital reductions and place them on record;

- transfer the difference between the carrying amount and par value of the shares cancelled from any reserve or share premium accounts; and

- amend the articles of association accordingly and, more generally, do everything necessary in accordance with the law in force at the time of using this authorisation.

4. Duly note that this authorisation cancels and supersedes the authorisation given under the tenth resolution passed at the annual general meeting of 25 June 2010.

TENTH RESOLUTION (Changing the majority conditions for choosing the method of general management and consequential amendment to section 14 of the Articles of Association)

Having considered the Board of Directors' report and voting under the quorum and majority conditions required for extraordinary business, the shareholders resolve to amend the majority conditions for choosing the method of general management.

The second paragraph of article 14 of the Articles of Association which reads as follows:

> *"The Board of Directors chooses between the two forms of general management under the following conditions:*
>
> *- the choice is made by the Board voting unanimously."*

shall be amended as follows:

> *"The Board of Directors chooses between the two forms of general management under the following conditions:*
>
> *- the choice is made by the Board of Directors, with a two-thirds majority of the members present;"*

The rest of the article remains unchanged.

ELEVENTH RESOLUTION (Changing the age limit for the Chairman of the Board)

The General Meeting, ruling under the quorum and majority requirements for extraordinary general meetings, having considered the report of the Board, decides to raise from 75 to 80 the age limit for the Chairman of the Board of Directors.

The third paragraph of article 19 of the Articles of Association is accordingly amended as follows:

"The Chairman of the Board cannot be older than 80. When the Chairman reaches the age limit, he is deemed to have resigned."

The rest of the article remains unchanged.

TWELFTH RESOLUTION (Powers)

The shareholders, voting under the quorum and majority conditions required for ordinary business, give full powers to a bearer of a copy or excerpt of the minutes of these resolutions for the purpose of any registration, filing or other formalities.

3. Statutory auditors' report on financial authorisations and delegated authorities

Burband Klinger & Associés
140 rue du Faubourg Saint-Honoré
75008 Paris

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

Orpea
Société anonyme
115 rue de la Santé
75013 Paris

Statutory Auditors' report
on the capital transactions proposed in the ninth resolution
submitted to the annual general meeting of shareholders on 29 June 2012

Dear Shareholders,

In our capacity as statutory auditors of your Company and in accordance with article L. 225-209 of the French Commercial Code concerning reductions in share capital through the cancellation of shares, we have prepared this report to inform you of our assessment of the causes and conditions of the proposed reduction in share capital.

Your Board of Directors is asking you to delegate to it for a period of 18 months, as from the date of this meeting, all powers, with a sub-delegation option under the statutory and regulatory conditions in force, to cancel treasury shares purchased under the share buyback programme, up to a maximum limit of 10% of its share capital per 24-month period, pursuant to the provisions of the above-mentioned article.

We performed the procedures we deemed necessary in accordance with the professional auditing standards applicable in France for this type of engagement. These procedures include assessing whether the reasons for and terms and conditions of the proposed capital reduction, which will not affect equality between shareholders, are due and proper.

We have no matters to report as to the reasons for or terms and conditions of the proposed capital reduction.

Paris and Neuilly-sur-Seine, 23 May 2012

The Statutory Auditors

Burband Klinger & Associés

Frédéric Burband

Deloitte & Associés

Joël Assayah

CHAPTER VIII: PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

1. PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Dr. Jean-Claude Marian, Chairman of the Board of Directors
Yves Le Masne, Chief Executive Officer

2. STATEMENT BY THE PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Having taken all reasonable care to ensure that such is the case, to the best of our knowledge, all of the information contained in the registration document is in accordance with the facts and contains no omissions likely to affect its import.

To the best of our knowledge, we certify that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and profit or loss of the Company and all consolidated companies, and that the management report provided on pages 105 to 155 presents a true and fair view of the business trends, results and financial position of the Company and all consolidated companies, as well as a description of the main risks and uncertainties to which they are exposed.

I have received an audit completion letter (*lettre de fin de travaux*) from the Statutory Auditors, in which they state that they have verified the information relating to the Group's financial position and financial statements contained in this registration document and that they have read through the document in its entirety.

Puteaux, 23 May 2012.

3. INVESTOR CONTACTS

Orpea
Yves Le Masne, Chief Operating Officer - Tel.: +33 (0)1 47 75 78 07
Steve Grobet - Investor Relations Officer - Tel. + 33 (0)1 47 75 74 66 - s.grobet@orpea.net

CHAPTER IX: STATUTORY AUDITORS

1. PRINCIPAL STATUTORY AUDITORS

- **Burband Klinger & Associés**
  Represented by Frédéric Burband
  140 rue du Faubourg Saint-Honoré, 75008 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 Joël Assayah
  185 avenue Charles-de-Gaulle, 92200 Neuilly-Sur-Seine

Deloitte & Associés was first appointed at the annual general meeting of 29 June 2006 to replace Vademecum, which stood down for personal reasons. Its term of office ran from 1 January 2006 until the end of its predecessor's term, that is until the conclusion of the annual general meeting held to approve the 2009 financial statements.

Deloitte & Associés was re-appointed at the annual general meeting of 25 June 2010 for a term of six years ending at the conclusion of the annual general meeting held to approve the 2015 financial statements.

2. ALTERNATE STATUTORY AUDITORS

- **Marc Tenaillon**
  Alternate to 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. Statutory Auditors' fees

(in thousands of euros)	Deloitte & Associés				Burband Klinger & Associés			
	2011		2010		2011		2010	
	€	%	€	%		%	€	%
1. Audit								
1.1 Statutory and contractual audit services								
- Issuer	638,460	47%	740,190	73%	646,940	83%	663,000	89%
- Fully-consolidated subsidiaries	414,081	30%	274,260	27%	77,317	10%	84,914	11%
1.2 Other audit-related services								
- Issuer	169,417	12%			53,500	7%		
- Fully-consolidated subsidiaries	153,500	11%						
Sub-total	1,375,458	100%	1,014 ,450	100%	777,757	100%	747,914	100%
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	1,375,458	100%	1,014,450	100%	777,757	100%	747,914	100%

CHAPTER X: DOCUMENTS ON DISPLAY

This list comprises the annual information document published on 18 May 2012 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
20/12/2011	Notification of interests
16/12/2011	Company director's statement
16/12/2011	Company director's statement
16/12/2011	Company director's statement
16/12/2011	Company director's statement
16/12/2011	Company director's statement
16/12/2011	Company director's statement
15/12/2011	Company director's statement
15/12/2011	Notification of interests
13/12/2011	Company director's statement
12/12/2011	Notification of interests
06/12/2011	Statement of net short positions
06/12/2011	Company director's statement
05/12/2011	Company director's statement
05/12/2011	Company director's statement
02/12/2011	Statement of net short positions
01/12/2011	Statement of net short positions
01/12/2011	Statement of net short positions
22/11/2011	Statement of net short positions
14/11/2011	Offering circular approval no. 11-0524
14/11/2011	Update of registration document D.11-0549-A01
14/11/2011	Statement of net short positions
29/07/2011	Notification of interests
29/07/2011	Company director's statement
28/07/2011	Notification of interests
08/06/2011	2010 Registration Document D.11-0549
31/05/2011	Notification of interests

2. PUBLICATIONS IN THE BALO

Published on the Journal Officiel website (www.journal-officiel.gouv.fr)

Publication date	Type of document
16/11/2011	Notice to holders of warrants (BSAAR) and convertible bonds (OCEANE)
28/09/2011	Notice to attend ordinary general meeting
12/09/2011	Notice of ordinary general meeting
22/07/2011	Final 2010 financial statements
15/06/2011	Notice to attend ordinary and extraordinary general meeting
25/05/2011	Notice of ordinary and extraordinary general meeting

3. PUBLICATIONS ON THE COMPANY'S WEBSITE

Published on the Orpea website (www.orpea-corp.com)

Publication date	Heading	Type of document
04/05/2012	Documentation / Other regulated info	Number of shares and voting rights at 30/04/2012
03/05/2012	Press releases	Strong sales growth in Q1 2012 of 14.9%
24/04/2012	Press releases	Acquisition of a nursing home in partnership with Cofinimmo
10/04/2012	Press releases	Orpea awarded two trophies at the *Nuit du Grand Age*
06/04/2012	Documentation / Other regulated info	Number of shares and voting rights at 30/03/12
28/03/2012	Press releases	Strong earnings growth in 2011
28/03/2012	Documentation / Presentation	Presentation of 2011 annual results
06/03/2012	Documentation / Other regulated info	Number of shares and voting rights at 29/02/2012
16/02/2012	Press releases	Orpea Iberica completes acquisition of six residences in Spain
08/02/2012	Documentation / Other regulated info	Number of shares and voting rights at 31/01/2012
08/02/2012	Press releases	Record sales in 2011 of €1,234.1 million
16/01/2012	Press releases	Signature of a lease-purchase agreement with Ethias
06/01/2012	Documentation / Other regulated info	Number of shares and voting rights at 31/12/2011
03/01/2012	Documentation / Other regulated info	Annual report on the liquidity contract
09/12/2011	Documentation / Other regulated info	Adjustment of the exercise parity of the BSAAR and the exchange ratio of the Oceane shares
09/12/2011	Documentation / Other regulated info	Number of shares and voting rights at 08/12/2011, following the capital increase
06/12/2011	Press releases	Great success of the capital increase of €203 million

06/12/2011	Documentation / Other regulated info	Number of shares and voting rights at 30/11/2011
16/11/2011	Documentation / Other regulated info	Suspension of the right to exercise 2009 BSAAR
15/11/2011	Documentation / Other regulated info	Offering circular on the capital increase with preferential subscription rights
15/11/2011	Press releases	Launch of a capital increase with preferential subscription rights
15/11/2011	Press releases	Sustained momentum of development: +3,014 beds since March 2011
14/11/2011	Documentation / Reference documents	2010 registration document update
09/11/2011	Press releases	Strong sales growth in Q3 2011: up 27.5% to €312 million
04/11/2011	Documentation / Other regulated info	Number of shares and voting rights at 31/10/2011
21/10/2011	Shareholders / General Meeting	Result of voting at the annual general meeting of 17/10/2011
11/10/2011	Documentation / Other regulated info	Number of shares and voting rights at 30/09/2011
06/10/2011	Documentation / Financial Reports	2011 Interim Financial Report
28/09/2011	Shareholders / General Meeting	Notice to attend ordinary general meeting
28/09/2011	Documentation / Other regulated info	Adjustment of the exchange ratio of Oceane shares
26/09/2011	Press releases	Provision of preparatory documentation for the AGM of 17 October
26/09/2011	Shareholders / General Meeting	Number of shares and voting rights at 23/09/2011
14/09/2011	Press releases	Strong growth in 2011 first half results
14/09/2011	Documentation / Presentations	Presentation of 2011 Interim results
12/09/2011	Shareholders / General Meeting	Notice of ordinary general meeting
06/09/2011	Documentation / Other regulated info	Number of shares and voting rights at 31/08/2011
03/08/2011	Documentation / Other regulated info	Changes to the liquidity contract
01/08/2011	Documentation / Other regulated info	Number of shares and voting rights at 29/07/2011
26/07/2011	Press releases	FFP takes 6% stake in Orpea for €88 million
19/07/2011	Press releases	Very strong growth of sales in H1 2011: up 26.6% to €594.2 million
12/07/2011	Documentation / Other regulated info	Interim report on the liquidity contract
12/07/2011	Documentation / Other regulated info	Number of shares and voting rights at 30/06/2011
06/07/2011	Shareholders / General Meeting	Result of voting at the AGM of 30/06/2011

23/06/2011	Press releases	Arrangements for provision of preparatory documents for the AGM
15/06/2011	Shareholders / General Meeting	Notice to attend ordinary and extraordinary general meeting
09/06/2011	Press releases	Provision of the Registration Document
09/06/2011	Documentation / Reference Materials	2010 registration document
25/05/2011	Shareholders / General Meeting	Notice of ordinary and extraordinary general meeting

4. PUBLICATIONS ON AN AMF-APPROVED NEWSWIRE

Published on the newswire (www.businesswire.com)

Publication date	Type of document
04/05/2012	Number of shares and voting rights at 30/04/2012
03/05/2012	Strong sales growth in Q1 2012
24/04/2012	Acquisition of a nursing home in partnership with Cofinimmo
06/04/2012	Number of shares and voting rights at 30/03/2012
28/03/2012	Strong earnings growth in 2011
06/03/2012	Number of shares and voting rights at 29/02/2012
16/02/2012	Orpea Iberica completes acquisition of six residences in Spain
08/02/2012	Number of shares and voting rights at 31/01/2012
08/02/2012	Record sales in 2011 of €1,234.1 million
16/01/2012	Signature of a lease-purchase agreement with Ethias
03/01/2012	Annual report on the liquidity contract
09/12/2011	Adjustment of the exercise parity of the BSAAR and the exchange ratio of the Oceane shares
09/12/2011	Number of shares and voting rights at 08/12/2011, following the capital increase
06/12/2011	Great success of the capital increase of €203 million
06/12/2011	Number of shares and voting rights at 30/11/2011
16/11/2011	Suspension of the right to exercise 2009 BSAAR
15/11/2011	Launch of a capital increase with preferential subscription rights
15/11/2011	Sustained momentum of development: +3,014 beds since March 2011
09/11/2011	Strong sales growth in Q3 2011: up 27.5% to €312 million
04/11/2011	Number of shares and voting rights at 31/10/2011
11/10/2011	Number of shares and voting rights at 30/09/2011
06/10/2011	2011 Interim Financial Report
06/10/2011	Press release announcing availability of the 2011 interim financial statements
28/09/2011	Adjustment of the exchange ratio of Oceane shares
26/09/2011	Provision of preparatory documentation for the AGM of 17 October
14/09/2011	Strong growth in 2011 first half results

06/09/2011	Number of shares and voting rights at 31/08/2011
03/08/2011	Changes to the liquidity contract
01/08/2011	Number of shares and voting rights at 29/07/2011
26/07/2011	FFP takes 6% stake in Orpea for €88 million
19/07/2011	Very strong growth of sales in H1 2011: up 26.6% to €594.2 million
12/07/2011	Interim report on the liquidity contract
12/07/2011	Number of shares and voting rights at 30/06/2011
23/06/2011	Arrangements for provision of preparatory documents for the AGM
09/06/2011	Provision of the Registration Document

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