



A limited company with an Executive Board and a Supervisory Board
with share capital of €42,172,390.50
Registered Office: 96, avenue d'Iéna – 75116 Paris
RCS Paris 383 699 048

ANNUAL REPORT 2008



This annual report has been filed with the French AMF (Autorité des Marchés Financiers) on 30 April 2009, in accordance with Article 212-13 of the General Rules of the AMF. This document may be used to support a financial operation only if it is supplemented with an operation note signed and approved by the French AMF.

In accordance with Article 28 of European Regulation Nr. 809/2004 of 29 April 2004, the reader is referred to previous annual reports regarding certain elements of information:

1. The Executive Board's management report, the consolidated financial statements, the consolidated Auditors' report regarding the financial year ended 31 December 2007 contained in the annual report filed with the AMF (the French market authority) on 30 March 2008 under Nr.D.08-0347.
2. The Executive Board's management report, the consolidated financial statements, the consolidated Auditors' report regarding the financial year ended 31 December 2006 contained in the annual report filed with the AMF (the French market authority) on 26 March 2007 under Nr.D.07-0389.
3. The Board of Directors' management report, the consolidated financial statements, the consolidated Auditors' report regarding the financial year ended 31 December 2005 contained in the annual report filed with the AMF (the French market authority) on 24 March 2006 under Nr.D.06-0157.

Copies of the annual report are available free of charge from Générale de Santé, 96 avenue d'Iéna, 75116 Paris, and on the websites of Générale de Santé (<http://www.generale-de-sante.fr>) and of the French AMF (<http://www.amf-france.org>).

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CHAPTER 1

PERSONS IN CHARGE OF THE ANNUAL REPORT

1.1 PERSON IN CHARGE OF THE INFORMATION CONTAINED IN THE DOCUMENT

Frédéric Rostand, Chairman of the Executive Board, Générale de Santé (the "Company").

1.2 STATEMENT BY THE PERSON IN CHARGE

I hereby certify, after taking all reasonable action for that purpose, that the information provided in this annual report is, as far as I know, accurate. There are no omissions that would significantly alter its scope.

I certify that, to the best of my knowledge, the accounts have been drawn up in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of all the companies included in the consolidation scope, and the annual report gives a true and fair view of the development of business, the profit or loss of the Company and of all the companies included in the consolidation scope, together with a description of the principal risks and uncertainties that they face.

I have secured from our legal auditors a completion letter stating that they have verified the information regarding the financial situation and the financial statements provided in the annual report, and that they have read the entire annual report.

Paris, 30 April 2009

Frédéric Rostand
Chairman of the Executive Board

CHAPTER 2

LEGAL AUDITORS

2.1 STATUTORY AUDITORS

Salustro Reydel, member of KPMG International

Represented by: François Caubrière

3, cours du Triangle – Immeuble Le Palatin – 92939 Paris La Défense Cedex

Member of the Compagnie régionale des commissaires aux comptes de Paris

Appointed by the ordinary general meeting of 30 November 1998, his mandate was renewed by the ordinary meeting of 22 June 2004. It will expire at the end of the ordinary general meeting ruling on the accounts for the year ending 31 December 2009.

Deloitte & Associés

Represented by: Christophe Perrau

185, avenue Charles de Gaulle - 92200 Neuilly sur Seine

Member of the Compagnie régionale des commissaires aux comptes de Versailles

Appointed by the ordinary general meeting of 1 June 2001, his mandate was renewed by the combined meeting of 27 June 2007 and will expire at the end of the ordinary general meeting ruling on the accounts for the period ending 31 December 2012.

2.2 SUBSTITUTE AUDITORS

Benoît Lebrun

155, rue de l'Université - 75007 Paris

Substitute for Salustro Reydel

Member of the Compagnie régionale des commissaires aux comptes de Paris

Appointed by the ordinary general meeting of 30 November 1998, his mandate was renewed by the ordinary meeting of 22 June 2004. It will expire at the end of the ordinary general meeting ruling on the accounts for the year ending 31 December 2009.

Beas

Represented by: Alain Pons

7-9, villa Houssay – 92200 Neuilly sur Seine

Substitute for Deloitte & Associés

Member of the Compagnie régionale des commissaires aux comptes de Versailles

Appointed by the ordinary general meeting of 1 June 2001, his mandate was renewed by the combined meeting of 27 June 2007 and will expire at the end of the ordinary general meeting ruling on the accounts for the period ending 31 December 2012.

CHAPTER 3

SELECTED FINANCIAL INFORMATION

3.1 COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

The tables below introduce extracts from the audited consolidated profit and loss statements, balance sheets and cash flow statements of the Company for the periods ended 31 December 2006, 2007 and 2008.

Summarised consolidated profit and loss statements of the Company

	2006	2007	2008
	(in million euros)		
TURNOVER	1,741.5	1,906.0	1,983.8
Personnel expenses and profit sharing	(787.4)	(844.0)	(894.1)
Purchased consumables	(337.5)	(372.8)	(396.6)
Other operating income and expenses	(224.4)	(234.3)	(238.6)
Taxes and duties	(95.2)	(104.0)	(107.6)
Rents	(79.6)	(111.7)	(117.3)
EBITDA	217.4	239.2	229.6
Depreciation allowance	(91.4)	(107.8)	(114.8)
Current operating profit	126.0	131.4	114.8
Other income and expenses	187.1	(24.6)	45.6
Operating profit	313.1	106.8	160.4
Net interest expenses	(31.4)	(30.0)	(72.5)
Other financial income and expenses	2.8	1.4	(2.9)
Share of net profit of associates	---	---	---
Corporate income tax	(55.6)	(29.7)	5.1
NET PROFIT FOR THE PERIOD	228.9	48.5	90.1
Minority interests	3.5	2.9	2.9
GROUP'S SHARE OF NET PROFIT	225.4	45.6	87.2
NET EARNINGS PER SHARE (in euros)	4.53	0.84	1.59
NET DILUTED EARNINGS PER SHARE (in euros)	4.47	0.82	1.59

Summarised consolidated balance sheets of the Company

Assets

	At 31 December		
	2006	2007	2008
	(in million euros)		
Goodwill	621.0	648.6	723.4
Other intangible fixed assets	7.6	7.3	15.9
Tangible fixed assets	865.6	960.7	962.5
Investments in associates	0.6	1.3	0.9
Other long-term investments	32.8	33.0	32.1
Deferred tax assets	38.2	34.8	54.6
NON CURRENT ASSETS	1,565.8	1,685.7	1,789.4
Inventories	32.0	35.0	38.4
Trade and other receivables	186.8	179.9	174.8
Other current assets	90.0	94.8	124.4
Current tax assets	10.2	11.6	2.8
Current financial assets	7.3	4.9	3.2
Cash and cash equivalents	---	---	---
Non current assets held for sale	20.0	84.8	3.1
SHORT-TERM ASSETS	346.3	411.0	346.7
TOTAL ASSETS	1,912.10	2,096.7	2,136.1

Liabilities

	At 31 December		
	2006	2007	2008
	(in million euros)		
Share Capital	40.2	41.1	42.2
Additional paid-in capital	446.8	50.8	61.5
Consolidated reserves	101.5	304.9	309.5
Group's share of net profit	225.4	45.6	87.2
Group's share of equity	813.9	442.4	500.4
Minority interests	8.6	9.6	10.0
TOTAL SHAREHOLDERS' EQUITY	822.5	452.0	510.4
Borrowings and other financial debts	284.2	871.4	847.1
Provisions for retirement and other employee benefits	17.4	29.5	29.6
Non-current provisions	43.4	26.0	39.5
Other long-term liabilities	16.9	16.3	36.3
Deferred tax liabilities	69.2	84.4	72.2
NON-CURRENT LIABILITIES	431.1	1,027.6	1,024.7
Current provisions	21.2	21.2	17.8
Accounts payable	167.6	166.6	196.4
Other current liabilities	269.9	270.2	305.4
Tax liabilities due	37.7	3.5	26.5
Short-term borrowings	80.5	47.8	45.0
Bank overdraft	61.6	35.5	6.8
Liabilities related to assets held for sale	20.0	72.3	3.1
CURRENT LIABILITIES	658.5	617.1	601.0
TOTAL LIABILITIES	1,912.10	2,096.7	2,136.1

Summarised audited cash flow statements of the Company

	2006	2007	2008
	(in million euros)		
EBITDA.....	217.4	239.2	229.6
Cash flow before net interest expenses & taxes.....	215.1	221.2	218.2
NET CASH FROM OPERATING ACTIVITIES	152.6	179.6	253.3
NET CASH USED FOR INVESTING ACTIVITIES	(342.5)	(261.2)	40.0
NET CASH USED FOR FINANCING ACTIVITIES.....	109.3	107.7	(264.6)
CHANGE IN NET CASH	(80.6)	26.1	28.7
Opening cash position	19.0	(61.6)	(35.5)
Closing cash position	(61.6)	(35.5)	(6.8)

CHAPTER 4

RISK FACTORS

4.1 RISKS RELATED TO THE GROUP'S ACTIVITIES

Investors are encouraged to review all of the information contained in this annual report, including the risks described below, before deciding to purchase or subscribe to shares in the Company. The risks described below are, on the date this annual report is published, those whose materialisation is likely to have a significant adverse effect on the Company, its business, its financial standing, or its earnings. However, the investors' attention is called to the fact that the list of risks described in this paragraph is not comprehensive and that other risks, either unknown or whose materialisation is not considered on the date this annual report is published, as likely to have a significant adverse effect on the Company, its business, its financial standing, or its earnings, may exist.

Risks arising from Générale de Santé's debt

At 31 December 2008, the Générale de Santé Group's net debt stands at €913m.

For a detailed description of the Group's borrowings, and more specifically of the credit agreement entered into by the Company as guarantor, Compagnie Générale de Santé as borrower, Mediobanca International (Luxembourg), Calyon SA and Crédit Agricole Luxembourg as initial lenders at 24 October 2007, entitled *2007 Term and Revolving Facilities Agreement*, please refer to Section 10 "Sources of Funding".

The 2007 Term and Revolving Facilities Agreement contains the ordinary clauses that restrict the Group's operating freedom, in particular, to grant sureties, proceed to acquisitions and certain investments (in particular, those designed to develop its business), take out or grant financial debt, dispose of assets, and limiting the entering into leasing agreements. The Company must also maintain certain financial ratios, described in Section 10 "Sources of Funding". The 2007 Term and Revolving Facilities Agreement also contains total or partial early refund clauses (particular in case of a change of control or disposal of assets), total or partial repayment clauses in case of certain events.

The 2007 Term and Revolving Facilities Agreement is therefore likely to have major consequences on the Group's activities, such as:

- limiting its ability to complete investments designed to develop its business;
- limiting its ability to dispose of property assets;
- limiting its ability to borrow additional amounts designed to meet its working capital, investment, debt repayment or other, requirements;
- limiting its ability to invest operating cash surpluses in its activities, given that the Group has an obligation, as of 31 December 2009, to allocate a substantial portion of the operating cash surpluses to the repayment of debt.

Should Générale de Santé be unable to repay its debt resulting from the 2007 Term and Revolving Facilities Agreement or to meet its obligations and not refinance the loan, the Group may end up in a tense cash situation. The Group would then have to sell some of its assets, postpone certain planned investments, increase its shareholders' equity, or restructure its debt. It is impossible to guarantee that such operations, should they prove to be necessary, could be completed under favourable conditions.

Liquidity risks

Under the 2007 Term and Revolving Facilities Agreement described in Section 10 "Sources of Funding", the Group is not immediately faced with its obligations to repay its bank debt. Indeed, the credits made available to the Group under the 2007 Term and Revolving Facilities Agreement are repayable in the end, except for tranche A2 which will be repayable in half-yearly instalments as of June 2011. Eventually, the Group may face a major liquidity risk if the credits are subject to insufficient depreciation and the Group is unable to refinance them.

The 2007 Term and Revolving Facilities Agreement contains early repayment clauses which, should they be implemented, would cause the Group to be faced with a liquidity risk.

Interest rate risks

The bank debt arising from the 2007 Term and Revolving Facilities Agreement is only on a variable rate basis.

The 2007 Term and Revolving Facilities Agreement contains a commitment to enter into interest rate risk hedging agreements for a minimum of 66.66% of the amounts made available (drawn down or not drawn down credit facility) for tranche A1, tranche A2 and the "Acquisition/Capex" tranche and for a minimum period of 4 years as of the date of the signing of the 2007 Term and Revolving Facilities Agreement.

The total amount of the interest rate risk hedging agreements on the date this document is published stands at €690m, bringing the portion of fixed-rate debt to 90%.

Risks related to obtaining finance

The Company has a financing reserve for acquisitions and growth and reorganisation expenses of €300m as part of its senior debt, which breaks down as follows:

1. one "Acquisition/Capex" tranche for acquisitions and capital expenditures, for a maximum amount of €200,000,000 on a variable rate basis. This tranche is likely to be drawn down up until 24 October 2010. This tranche was drawn down for up to €37.5m at 31 December 2008.
2. ability to request from the banks, without the banks having to meet that request, the granting of an Additional Acquisition / Capex Facility for a maximum of €100,000,000 for the purpose of (i) funding certain acquisitions made by the Générale de Santé Group, as well as related costs, (ii) funding the repayment of the debt of acquired companies and (iii) funding certain Growth and Reorganisation Capital Expenditures. This credit facility would expire 7 years after the signing of the Senior debt. Once made available, it enjoys the same guarantees and sureties as the other credit facilities provided for under the Senior debt.

To be set up, these financial reserves are subject to conditions set in the senior debt contract on 27 October 2007, that relate to compliance with the aggregate annual and multi-annual investment limits, as well as compliance with the financial ratios. Failure to meet these obligations could be a major obstacle to the achievement of these projects in case of a refusal on the part of the creditors.

Risks related to the impact of the sale of the walls of 32 operating sites to Gécimed and Icade

This disposal is accompanied by the signing of 32 commercial leases for periods ranging between 10 and 14 years, the potential renewal of which may lead to rises in rental prices.

As tenants, the lessees have an obligation to carry out all the building maintenance works for the landlord (art 606 borne by the lessee).

Risks related to the major clinic restructuring or construction programmes

The Group carries out more and more significant restructuring, combination, and construction programmes that use up a large portion of its financial and human resources. When conducting these programmes, the Group could be faced with difficulties that might lead it to make investments that exceed its expectations or cause the Group's local managers to devote a large portion of their time to the aforesaid projects. The Company is not in a position to guarantee that it will fully succeed in handling these potential difficulties, nor that the expenses incurred in the context of these programmes will be profitable. This might have a significant adverse impact on its turnover, financial situation, earnings, or prospects. These programmes could be funded by property investors with, as a negative effect, an increase in the share of rents paid by the Group.

Risks related to the pursuit and implementation of the external growth strategy

The Company's external growth strategy involves mainly specific acquisitions of well-established companies that have the potential to integrate into the Group and to round out its care offering, or acquisitions of varying sizes in Italy or other European countries. Générale de Santé cannot guarantee that such acquisition opportunities will present themselves, nor that the acquisitions it undertakes will turn out to be profitable or able to generate the anticipated synergies, nor that the Company will have the financial resources to carry them out, or be able to successfully integrate these new businesses into the Group or to do so at the anticipated cost. If the Company is unable to carry out its external growth strategy, its business, financial situation, operating results or forecasts might be negatively impacted.

Some of these acquisitions or investments might be payable in shares of the Company, which would dilute the position of the Company's shareholders. Moreover, the methods of financing such acquisitions or investments, whether in cash or shares, might have an unfavourable impact on the Company's stock exchange share price or on the Group's financial position, particularly in the event of recourse to borrowing.

Further, the entry of new players (including financial players) into the French market for private care businesses might cause the acquisition price of businesses that are attractive for the Group to rise, thereby compromising or slowing down the implementation of its external growth strategy.

Finally, apart from the risks listed above, the implementation by the Company of its external growth strategy in Europe might present additional risks, related to the fact that in order to achieve critical mass in the market, it might become interested in making acquisitions for which it will be competing with players with major financial resources, which in turn might push up the price of the acquisitions.

Risks related to price system developments

Most of Générale de Santé's revenues come from Social Security payments for care provided by the Group based up rates set annually by the authorities. A general drop in these tariffs or of certain rates as decided by the authorities might limit the Group's ability to implement its strategy of attracting and retaining its qualified care staff, to carry out the intended investments and might have a significant negative impact on the Group's gross profit, turnover, financial situation and profitability. In 2006 rates for treatment as set by decree of the Minister of Health on 5 March 2006 (published in the Journal Officiel on 14 March 2006) dropped by 1%, and again by 2.6% from 1 October 2006 until the end of the year. This drop in rates was cancelled pursuant to a decision by the French Conseil d'Etat on 21 December 2007. Between March 2007 and March 2007, the price of GHS rose successively by 1.3% and 0.5% (see paragraph 6.1.4.3.).

Besides, the current reform of financing of care businesses that provides for a gradual move to an identical method of financing for both public and private businesses based upon an activity-based tariff system (cf. paragraph 6.4.3) should facilitate greater transparency between public and private facilities. However, any delay in the implementation of this reform and its application to public health businesses might have a negative impact on the Company's prospects.

Finally, the gradual move to financing public businesses from a general contribution that is independent of their volume of activity to an activity-based tariff system encourages these businesses to increase the volume of care they provide in order to increase their revenues, which is likely to cause an increase in competition for the Group's businesses and might reduce the volume of care they provide, thereby significantly affecting their business and the Group's turnover and profitability.

Risks related to recruitment and retaining staff and medical practitioners

Even though the shortage of qualified care providers is currently less acute than following the implementation of the regulations governing the reduction in working hours, the private hospital sector, like the public hospital sector, is still suffering from a shortage of care providers.

Thus the quality of care or the level of Générale de Santé's business activity might be impacted if it does not manage to recruit, integrate, retain and/or motivate its qualified care staff, and in particular its nursing staff. Générale de Santé generally offers its staff the level of remuneration for qualified employees in the private hospital sector, but has to meet strong pressure on salaries from the public hospital sector. There is therefore a risk that Générale de Santé may not be able to recruit and/or retain the qualified care staff required to achieve its growth and profitability targets. The steps Générale de Santé has taken to recruit qualified care staff, mainly through recruitment abroad, and by entering into partnership arrangements with private training institutes such as the Red Cross, might be insufficient to handle the shortage of qualified care staff or to reduce the pressure on salaries.

Similarly, Générale de Santé might have difficulties recruiting and/or retaining specialists in certain fields or in certain geographic areas, which would prevent it from having an overall offering that is adapted to the requirements of the regions in question, or slow down setting this up. Such a shortage of practitioners might have a negative impact on the Company's ability to implement its growth strategy and the reorganization of its care offering, or might involve an increase in staff costs that would be likely to impact significantly on its business activity, financial situation or growth prospects.

Risks related to applicable regulations

In carrying out its activities, the Company is required to comply with complex regulations that cover the setting up, extension and operation of care businesses and the acquisition of equipment, and set the applicable standards in hygiene and safety, hospital installations, staff, retention and communication of medical files, protection of the environment and waste disposal in care activities (see paragraphs 6.4.4 and 6.4.5). At the date of this document, the Company cannot guarantee compliance for all its businesses with these regulations and standards.

Developments in the nature, interpretation or application of the regulations could put into question some of Générale de Santé's practices, thereby requiring it to change its installations, equipment, staff management or services it offers, or to incur substantial costs and to modify its investment plans or its operating costs, which would limit its growth possibilities or outlook. Similarly, a tougher approach in the issue or renewal of business permits and for setting up, extending and changing businesses or medical equipment might have a negative impact on the Company's profitability, operating income or growth prospects.

The Company might also, on account of its activities, be subject to specific constraints in the event of major health crises in France such as a pandemic. If such a situation occurs, it might significantly interfere

with the activity of its businesses and might have a negative impact on the Company's turnover, financial situation or profitability.

Finally, on account of the complexity and newness of the regulations in respect of the activity-based tariff system at private care businesses (see paragraph 6.4.3), it cannot be excluded that the interpretation made by Group businesses for their implementation be contested by the authorities and the tariffs applied by the businesses be amended, which would have an impact on the Company's profits and financial situation.

Risks related to damage to the reputation of Générale de Santé in the event that a claim is made against one of the Group's facilities or practitioners

Freelance doctors, in particular surgeons and anaesthetists, who work in the Group's businesses, bear their own responsibility for any professional error they might make. Even if their responsibility is distinct from that of the place where they work, the reputation and thereby the business and profitability of a Group business might nonetheless be affected by one of its practitioners being held responsible for a professional error or being so questioned by a patient.

Similarly, the businesses are held responsible for professional errors they make, which is likely to reflect on the Group's reputation. In fact, as a result of the strategy of bolstering the Group's identity by involving its businesses in the "Générale de Santé" brand, the reputation of the Group as a whole might end up being impacted by claim against a practitioner or Group business, or by legal action, even if unfounded, taken against them by a patient, which might significantly impact on its activity, turnover or profitability.

Risks related to regulations for protection of the environment

The Company's business is subject to regulations in respect of the environment, particularly in respect of radiation protection and waste from care activities. If these laws and regulations become even stricter, the Company might be required to incur additional expenses. In addition, the Company's businesses might be exposed to safety-related risks, in particular related to asbestos and Legionnaires' disease, which by the nature are the responsibility of the Company, and which might have a negative impact on the entire Group's reputation, its financial situation or profitability.

Risks related to the adequacy, costs and availability of insurance cover

Générale de Santé has taken out an insurance programme for all the Group's businesses, covering in particular professional errors, excluding those by medical practitioners, who must have a personal insurance policy (see paragraph 4.2.2). It cannot be excluded that this insurance policy is insufficient to cover all possible actions brought against the Group, one of its employees or businesses, or that changes to the premium paid for the policy to preserve the adjusted level of cover be greatly increased.

In addition, bearing in mind the risk to be insured, the level of cover required the limited number of insurance companies able to provide adequate cover, the Company might be in a position of not being able to obtain insurance cover or not at acceptable costs, which would lead the Company to having to assume a higher level of risks and/or might significantly impact on its business, its profitability, its financial situation or its growth prospects.

Finally, in view of the limited number of insurance companies able to provide professional indemnity insurance for doctors, as well as the recent threat by certain insurance companies to no longer insure medical practitioners such as obstetricians, the Group's doctors might be in a position of not being able to obtain the required insurance cover to carry out their work in the Group, or not be able to obtain it at reasonable costs, which might significantly impact on the Group's business, its profitability or its growth prospects.

Exceptional events and disputes

The Group is involved or likely to become involved in a certain number of legal proceedings in the normal course of business. Damages are, or can be, demanded in certain cases.

A major dispute involves the construction of the Jean Mermoz Private Hospital in Lyon, originally expected for July 2003, but which had to be postponed with construction interrupted following the bankruptcy in 2002 of the building contractor and the identification of many building defects. In 2008, the reconstruction of the Jean Mermoz Private Hospital was at last completed and the facility welcomed its first patient on 18 July 2008.

At 31 December 2008, the amount recorded for that hospital stands at €97.7 million exclusive of tax. On the same date, the amount recognised for the structures demolished and the litigation stands at €59.6 million including VAT to be recovered.

Faced with that risk and expecting the additional adjustment regarding the determination of the financial losses, the impairments and the provisions designed to cover the adjustment and legal fees generated by the delay in that construction site, have been recorded and stand at €21.1 million at 31 June 2008.

Besides, the Group's holding, by way of Cofindex, of minority holdings in independent medical analysis laboratories has been the subject of several appeals under Article 12 of the Decree of 17 June 1992 that prohibits a health business from owning directly or indirectly, a medical-biological laboratory. It cannot be excluded that these appeals result in an injunction against Cofindex to dispose of these holdings. In such a situation, Cofindex might be obliged to make these disposals under unfavourable conditions, which might affect its profitability and financial situation.

A detailed list of current legal proceedings is shown in paragraph 20.3.

Risks related to suppliers of IT services

Allowing for the special nature of the Group's IT infrastructure that is suited to its business, its type of organization and required level of quality, the Company is dependant on a limited number of third party suppliers in the market. Therefore, if the Company's current supplier will no longer be able to ensure the provision of current services, the Company might not be able to get another IT infrastructure supplier that is required for carrying on its business, or only get one on worse terms, which might significantly impact on its business and profitability.

4.2 RISK MANAGEMENT

A "Quality and Risks" Committee, headed by the Chairman of the Executive Board, is in charge of steering, coordinating, and following up the Group's Quality and Risks policy.

That committee also defines the pattern and the organisation of the Générale de Santé Service Certification (LABEL).

In 2008, the Committee particularly focused its work on the monitoring and validation of version 2 of the Générale de Santé service certification benchmark.

4.2.1 Risk management policy

4.2.1.1 *Risk management process within the Group*

The organisation of risk management within the Group is based upon the department responsible for risk management and insurance, that works in cooperation with the quality department and relies, if necessary, on the medical relations department, the communication department, and the legal health department.

Thanks to actual 24-hour service every day of the year, the risk and insurance department has, in particular, the task of collecting all the alerts relative to serious undesirable events occurring at the facilities in the delivery and the organisation of care. The department processes these events, coordinates their management, and analyses them.

Training is provided to all facility managers, in order to raise their awareness regarding the risks related to their core business, as well as the legal and communication aspects of such risks.

Besides, at the level of the facilities in its network, Générale de Santé carefully checks that internal procedures are in place to ensure patients' safety. The data collection, analysis and coordinated processing of all the monitored (see paragraph 6.4.4) and non-monitored risks, the latter being more numerous, are handled at each Group facility by a Risk Watchdog Committee ("COVIR"), whose job is to gather, analyse and monitor the ongoing improvement plans from the data collected as part of a system of signalling undesirable events and management tables of potential risks.

Lastly, Générale de Santé is developing a training policy for risk management that will facilitate moving from reactive and individual management of risks to proactive prevention and collection of risks, that are incorporated within the daily activities of the Group's facilities. Training is offered to the businesses to have better control of the methodology and of the tools for identifying and analysing potential risks.

Besides, in order to address the main types of risk with which the Group might be faced, the Company has implement special procedures, in particular:

- For risks related to acquisitions: they are monitored by the Group's Business Development department, which reports to the Group Managing Director, and can, in relation to overall or individual thresholds, be subject to prior approval by the Supervisory Board, or to information and consulting with the Chairman. Depending upon the scale of the transaction, the Company also makes use of financial, legal and accounting consultants in order in particular to carry out the usual audits for this type of transaction, in which the Group's own departments are sometimes involved (property department, tax and accounts department) and help in the preparation of contracts and of applicable assets and liabilities guarantees. Lastly, for major acquisitions, once the transaction has been completed, a pluridisciplinary management team is set up to manage and monitor the integration of the new assets; or

- For risks related to investments in the businesses, the Group has implemented an investment procedure whose purpose is to select investment projects according to a number of criteria, including: the exact definition of the investment, the risk factors associated with both a positive and a negative decision, the components and parameters of the business plan submitted, and finally the positioning of the transaction in respect of the priorities presented by the business, in particular in terms of standards; or
- For risks related to the shortage of qualified care staff, the Group has instituted procedures to recruit the staff necessary for its facilities. These efforts include the recruitment of foreign nurses, mainly Spanish and Lebanese. Currently, some recruitment is conducted in Hungary, and the Group does not rule out other resources within the European Union, as well as the implementation of a partnership with the French Red Cross with an agreement covering about 1,500 trainees each year, 600 of whom are in their final year of training. This agreement includes real tutoring during the training and open days at the Group businesses, which seek to increase the conversion rate of trainees into actual recruits. Finally, recruitment efforts can also be undertaken locally at some businesses to meet specific situations (mainly sponsorships).

4.2.1.2 *Quality initiatives within the Group facilities*

(i) **The organisation of quality initiatives**

The continuous improvement of the quality of its services remains a strategic objective of the Group. To this end it continues to develop quality initiatives at the businesses and in the central departments. Moreover, several businesses have obtained ISO 9001:2000 certification for certain risky processes such as sterilisation. Similarly, the Pass subsidiary, which deals with optimisation of Group purchases, was certified in March 2007 to ISO 9001:2000 on the quality and productivity of services provided.

As part of the overall excellence policy, a quality management organization has been set up in the Acute Care subsidiaries and regions, alongside the quality department in charge of the deployment and assessment of initiatives undertaken by the Group. The implementation of this organization that made progress in 2007, has continued into 2008, especially in the Acute Care regions, with networks of specialists in place since 2005 particularly in the field of pain control for patients. These national and regional groups share best practices and offer directions for improvement.

(ii) **Training offered by the Group's facilities**

Générale de Santé is developing a training policy in all the Group subsidiaries, which is based upon humanist values of respecting patients and listening to their expectations, and on safety and quality requirements at the Group's facilities.

Training for reception of patients is offered to clerical and care staff, in order to provide a friendly and efficient welcome. Similarly, training about patient information and handling of pain is offered to the medical practitioners and paramedical staff in order to ensure security of comprehensible information of the Group's patients and also to help combat pain.

Training in quality audits and assessments of professional practice are offered to professionals at the Group's facilities. Several trained auditors carry out cross audits at the businesses, in preparation for HAS certification inspections and quality certification audits.

(iii) Certification of Group facilities

In accordance with the regulations dated 24 April 1996 (cf. paragraph 6.4.2), all public and private health businesses must now be subject to an external assessment procedure called certification, which provides an independent evaluation of the quality of the business by the Higher Health Authority (HAS). As of end 2006 all businesses had had their HAS certification inspection.

Alongside certification, the health authorities such as HAS set up research programmes into quality research in order to improve patients' safety in the businesses, such as the COMPAQH project (definition and monitoring of performance indicators) and the "detection and monitoring of sentinel events" project. Générale de Santé is directly involved in these projects, especially COMPAQH.

(iv) Quality certification programme for Group facilities

Générale de Santé is continuing its quality certification programme, whose underlying principle can be summarized as "service in health care". This initiative covers the following five commitments: "ensuring the safety of our patients' stay", "providing a friendly and efficient welcome", "providing useful and understandable information", "knowing patients' expectations in order to satisfy them better" and "working together against pain".

This initiative, assessed at Group businesses by auditors from AFAQ, The French Association for Quality Assurance, is based on a standard approved by an independent commission that brought together the Ministry of Health, the French Medical Association (Conseil National de l'Ordre), the HAS, representatives of consumer groups and representatives of healthcare professionals, and published in the Journal Officiel in March 2003.

All Group facilities must adopt this initiative, which facilitates assessment of organizations and behaviour in respect of the management of risk, reception, information and attentiveness. The Group's wish is to maintain this concept through follow-up audits and renewal audits.

At 1 January 2009, 78 Group businesses were certified. new businesses had systematically committed to the quality certification programme. Encouraging these businesses to commit to this initiative shows management's wish to promote the policy of safety and attentiveness for patients.

4.2.2 Main insurance contracts

4.2.2.1 *Liability insurance policies*

The Group since 1st January 2004 has held a third party insurance policy from AXA. In respect of medical third party responsibility this contract provides cover adapted to the Group's risks and to its obligations in law arising from the aforementioned law of 4 March 2002, which sets certain liability and indemnification principles in case of medical accidents. Beyond the legal base mentioned above, this policy also covers a possible claim on the Group's insured businesses for their professional third party cover resulting from non-medical activities and their third party operating cover.

The various covers deal with all the entities making up the Group, except in the case of some in which there are policies subscribed to prior to joining the Group or specific policies for specific facilities.

The overall ceiling for cover is €10 million per claim, with a maximum of €15 million per annum and per business, it being stipulated that specific ceilings and excesses for different types of damage are also applicable.

In respect of application of this cover in time, in accordance with the law, it is expected that there will be an assumption of responsibility for all new claims from date of contract, irrespective of the date of the event that caused the damage. However, as prescribed in law, the policy excludes cover for claims whose causal event was known at the time of subscription of the contract, and which come under previous policies.

(i) Cover for third party medical indemnity

The insured facilities are covered in accordance with the provisions of Articles L.1142-2 of the Public Health Code and L.251-1 of the Insurance Code against the financial consequences of third party claims that might be incurred through damages suffered by patients and their beneficiaries, resulting in harm to the person to whom it occurred during preventive, diagnostic or care activity.

There is also cover for the financial consequences of third party claims incurred by employees or agents of the insured businesses acting within the job description they had been given, even if they are independent in medical practice, through damages suffered by patients and their beneficiaries, resulting in harm to the person to whom it occurred during preventive, diagnostic or care activity.

(ii) Cover for third party operating liability

The insured facilities are covered against the financial consequences of third party claims that might arise from third parties (including patients, beneficiaries and visitors) from the exercise of the health establishments' activities and resulting from:

- Actions by any agent or employee of the insured facility;
- The buildings, facilities of any kind, equipment, products or merchandise that they own, use or keep for carrying out their work as a health business.

(iii) Cover for third party non-medical indemnity

The contract's cover is extended to the financial consequences of third party claims incurred by the insured businesses in respect of bodily, physical or intangible damage arising from a fault, omission, error in fact or in law, or an incorrect interpretation of the law or the regulations caused during provision of the services of audit, consulting, central purchasing of medical equipment and products, property management or lodgings.

4.2.2.2 *Cover for property risks*

Risks related to physical damage to contents and buildings, and the associated loss of profits, are also insured by AXA, excluding the 28 buildings that were sold to the Gecina Group in 2007 and the four buildings that were sold to the Icade Group in 2008, for which the new owners are insured. For these 32 sites, are only covered by the GDS Group programme the damages to furnished property and the related operating losses.

This cover is for sudden and accidental physical damage suffered by the insured assets, in particular following fires and related risks (explosions and lightning), bad weather, electrical accidents, water damage, theft, broken windows and broken machines. The insured's rental liability is also insured.

There is also cover for loss of profits following the aforementioned damages, suffered during a period of 18 months and resulting in a drop in turnover and an increase in operating expenses. In this context loss of medical practitioners' fees is also covered for a period of 12 months.

The cover has a contractual ceiling of about €130 million for physical damage, €50 million for loss of profits and €15 million for loss of medical practitioners' fees, it being stipulated that specific ceilings and excesses for different types of claim also apply.

CHAPTER 5

INFORMATION REGARDING THE ISSUER

5.1 COMPANY HISTORY AND DEVELOPMENT

5.1.1 Company name

The name of the Company is "Générale de Santé".

This name is also a trademark registered at the INPI (French National Institute for Intellectual Property) under National Nr. 01 3 096 135.

5.1.2 Commercial and corporate register (RCS)

The Company is registered at the Paris company register under number B 383 699 048. The Company's APE code is 6430Z. This is the code for a company whose business is investments in securities.

5.1.3 Date of inception and lifetime

The Company was formed on 29 November 1991 for a period of ninety-nine years from date of registration, unless wound up earlier or extended as provided in law or as decided upon by a Shareholders' General Meeting.

5.1.4 Head office, legal form, and applicable law

The Company's head office is located 96, avenue d'Iéna 75116 Paris. The head office's telephone number is + 33 (0)1 53 23 14 14.

Générale de Santé is a limited company governed by French law, with an Executive Board and a Supervisory Board.

5.1.5 Company history

The Company was set up by Générale des Eaux in 1987 to meet the identified requirement for complementary and additional healthcare to that of public hospitals in France.

Générale de Santé started out in the fields of medicine, surgery and obstetrics, and in 1988 extended to all health fields, in particular psychiatry and after-care and rehabilitation. At the same time it started its growth in the medical-social field and in services for the hospital sector, such as maintenance and catering.

At the same time the Company addressed the international market with the acquisition of the British company, BMI Healthcare, which became the General Healthcare Group (GHG), which became the second largest operator of private clinics in the UK. In 1991, Générale de Santé acquired its first clinic in Italy.

Générale de Santé has also made constant efforts towards organic growth, consistently following a policy of attracting well-known doctors. The Group has in this way rounded out its care offering, which is organized around centres of excellence in order to become a group truly structured on shared values.

Starting in 1994, focused on acquiring leading facilities in their fields or ones that complemented those of Générale de Santé in areas already covered, to make better use of the synergies between facilities and to increase locally the Group's network of care and services.

In 1997 Générale des Eaux refocused its business and sold Générale de Santé and GHG to Cinven, a European investment fund, which in turn in September 2000 sold the entire capital of GHG to the BC Partners investment fund.

The Company joined the Stock Exchange on 20 June 2001, with 51% of its capital offered to the public.

In June 2003 Santé Luxembourg (Cinven) sold its holding of 39.5% in the Company. Dr. Antonio Ligresti acquired 25% together with the Italian bank Efibanca, which purchased 8%. Various institutional investors took up the balance of 6.5%. Following the reorganization of its shareholders and with a view to greater transparency, Générale de Santé decided on 19 March 2004 to change its governance structure to a dual one, with a Supervisory Board and an Executive Board.

Following the disposal of its medical-social activities in August 2003, the Group completed its strategic refocusing on its core activities, hospital care and services, by the disposal to Elixir on 1st July 2004 of its holding in its services and health division.

During the 2003 and 2004 financial years, the Group gave priority to upgrading its operations, cutting costs and recreating its margins. In 2005, Générale de Santé relaunched its strategy of developing its network of facilities. The Company acquired, in the first half of 2005, the Chiche Group (4 Paris businesses) that specialized in surgery and medicine, and the FlemingLabs Group (in Brescia, Italy) a network of specialised, medical diagnosis and analysis centres with a unique industrial laboratory.

During 2006 the Company concluded three major transactions, one after the other:

- In January, acquisition of ten hospitals mainly in the Paris region ("Hexagone Group").
- In April, an increase in capital while retaining preferential subscription rights of almost three hundred million euros,
- In September 2006, disposal of 28 operating locations, in application of the sales agreement for part of its properties entered into in March 2006 with Gecina.

At the start of 2007 the Company increased the stock reserved for employees to almost € 26.21 million, bringing employees' holdings in Générale de Santé to 2.35%.

On 15 March 2007, Santé Développement Europe filed a simplified takeover bid (OPAS) with the French AMF and acquired all of the shares at a price of €32.50 per share, coupon detached.

This operation enabled it to acquire 20.68% of Générale de Santé's capital for €367.7 million (cost of acquiring the shares).

On the closing date of the last financial year, that is 31 December 2008, Générale de Santé SA is 82.80% controlled by Santé SA, that is, directly for up to 23.86% and indirectly via Santé Développement Europe SAS, a wholly-owned subsidiary of Santé SA, for 58.94%.

5.2. INVESTMENTS

5.2.1 Main investments completed over the past three financial years

5.2.1.1 Investments completed in 2006

Hexagone Group clinics

On 19 January 2006 Générale de Santé acquired, for a basic price of €432 million increased by the cash assets net of financial debt (see paragraph 20.1.2.1), ten facilities from the Hexagone Group. This acquisition represents the largest acquisition operation completed by the Group since its inception. It was mainly financed by the increase in capital of €294.8 million in May 2006.

The scope of this operation concerns the ten businesses presented below, representing a total capacity of about 1,950 beds and places and bringing together a medical community of about 800 independent healthcare professionals, associated with nearly 1,900 employees:

- Clinique Chantereine (77 – Brou-sur-Chantereine) and Clinique de Chelles (77 – Chelles): 193 beds in total; the beds in Chelles being transferred to Chantereine;
- Centre Médico-Chirurgical de Parly II (78 – Le Chesnay): 256 beds;
- Hôpital Privé de l'Ouest Parisien (78 – Trappes): 257 beds;
- Clinique Les Martinets (92 – Rueil Malmaison): 125 beds;
- Hôpital Privé de Seine-Saint-Denis (93 – Blanc Mesnil): 268 beds;
- Hôpital Privé du Vert Galant (93 – Tremblay en France): 217 beds;
- Clinique / Centre du Bois d'Amour (93 – Drancy): 104 beds; the centre is in the process of being converted into a after-care and rehabilitation centre; the other activities are being transferred to the Hôpital Privé de Seine-Saint- Denis;
- Hôpital Privé Paul d'Egine (94 – Champigny-sur-Marne): 228 beds;
- Polyclinique du Parc (08 – Charleville Mézières): 171 beds;
- Centre Médico-Chirurgical de Vinci (Paris – 11ème): 118 beds, this business has been sold since.

The turnover for these facilities for the year ended 31 December 2006 was €204 million.

Acquisition of the Clinique des Trois Cyprès

On 13 January 2006, Générale de Santé acquired the Clinique des Trois Cyprès in the Bouches-du-Rhône. This facility has 100 psychiatric beds, 18 of which are dedicated to the care of adolescents, and joins the other clinics in the Group's psychiatry branch. At 31 December 2008, this business generated turnover of €5.2 million.

Acquisition of Hôpital des Peupliers in Paris

On 1st September 2006, Générale de Santé acquired the Hôpital des Peupliers. Founded in 1907, the Hôpital des Peupliers has, over the decades, become one of the flagship businesses of the French Red Cross, due in particular to its centres of excellence (in surgery, gastroenterology, oncology, cardiology, after-care and re-education) which have established it as one of the capital's benchmark structures.

The integration of the Hôpital des Peupliers will enable the strengthening of the Group's position as a major player in healthcare in the Paris region, after the acquisition of the Chiche Group in 2005 and ten of the Hexagone Group's businesses in 2006.

With 218 beds, this business had a turnover of €28.7 million in 2008.

Acquisition of Clinique Lamartine

On 15 December 2006, Générale de Santé acquired the Clinique Lamartine with a view to combining it with the Clinique de Savoie. With 87 beds and places this establishment provides patients with high quality care in the majority of the surgical and medical disciplines, in particular in the centres of excellence, which are, amongst others, orthopaedic surgery with the "Centre Lémanique de la Main", ophthalmology and gastroenterology.

The Générale de Santé Group wishes, after the transfer of the current medical and surgical activity, to maintain care activity on the Clinique Lamartine site, first with the maintenance of the specialist consultation centre, and second with a follow-up care and physical rehabilitation facility with 90 beds and places.

5.2.1.2 Investments completed in 2007

In 2007, Générale de Santé invested €186.6 million (i.e. €163.3 million of impact on its cash for financial 2007, after refinancing through a lease agreement) for maintenance, renewal, and restructuring expenses. In addition, €31.0 million were devoted to industrial capacity expenditures.

With €125 million invested (debt included), the external growth operations mainly concerned the acquisition of the following facilities:

Acquisition of Polyclinique de la Louvière

On 12 January, the Générale de Santé Group acquired the Polyclinique de la Louvière. Set up in 1972, Polyclinique de la Louvière is the medical reference in the greater Lille area in terms of private hospitalisation. With a capacity of 320 beds, places and posts, and comprehensive technical facilities (scanner, MRI, nuclear medicine, dialysis, chemotherapy, radiotherapy), the polyclinic welcomes 25,000 patients each year. In 2008, the facility generated turnover of €45.6 million.

Acquisition of Clinique du Château de Montchenain (mental health)

On 27 February, the Générale de Santé Group acquired Clinique du Château de Montchenain, located in Evres sur Indre, in a 27-hectare park 15 kilometres south of Tours. The bed capacity is 51. In 2008, the facility generated turnover of €2.5 million.

Acquisition of SCI Lyon Mermoz

In June 2007, all of the shares of Société Civile Immobilière Lyon Mermoz (the company holding the property and the sale contract in the future state of completion) was acquired by Générale de Santé. The Group thus recovered its operational and legal margin for manoeuvre for the management of the current litigation. This acquisition cost €37.5 million (shares and debts), corresponding to the land, the first tranche of work.

Acquisition of the walls of Hôpital Privé des Peupliers

On 10 April 2007, the Générale de Santé Group acquired the walls of the Hôpital Privé des Peupliers.

5.2.1.3 Investments completed in 2008

In 2008, Générale de Santé pursued its initiative of ongoing modernisation of its facilities network, devoting €165.6 million to industrial capacity expenditures. These investments break down as follows:

- €56.1m for maintenance, the renewal of medical and technical equipment and regulatory retrofitting and safety capital expenditures;
- €45.5m for facility combination, creation, or conversion projects;

- €38.4m for capacity and innovation projects; and
- €25.6m for restructuring projects (of which €13m for information systems).

The Company intends to pursue its sustained investment effort throughout 2009.

Besides, the Group has completed the external growth operations described below.

Antony Private Hospital: shareholding recomposition of the property

On 7 April 2008, the Générale de Santé Group acquired its partners' shares in the 2 SCIs (owners of the walls of the Antony Private Hospital), i.e. 90% of HPA1 and 65% of HPA3 for a total net value (shares + debt) of €77.9 million. This acquisition is negotiated on the basis of entitlement starting with retroactive effect as of 1 January 2008.

Acquisition of the Francilienne and Orangerie clinics in the East of Paris in July 2008

On 4 July 2008, the Générale de Santé Group acquired 67% of the capital of the companies holding the La Francilienne clinic in Pontault-Combault and the l'Orangerie clinic in Perreux sur Marne. In December 2008, the Group strengthened its holding, which now stands at around 90%.

With a total capacity of 110 beds and places, offering a local pluridisciplinary service, Clinique la Francilienne stands out for its hand surgery department, which is the largest in all of the Paris area (Ile de France). Also a public service player, this establishment offers 24-hour healthcare services, with an emergency department that receives more than 20,000 patients each year and a versatile resuscitation department. With this acquisition, the Générale de Santé Group, already present at Brou with the Marne Chantereine private hospital, consolidates its position in the 77-1 healthcare territory, an area of more than 600,000 inhabitants.

Clinique de l'Orangerie, at Perreux sur Marne, has a capacity of 115 beds and places and is located in the 94-1 healthcare territory, where Générale de santé has already been present for years with the Armand Brillard private hospital at Nogent sur Marne and the Paul d'Egine private hospital at Champigny sur Marne. A local pluridisciplinary clinic, l'Orangerie, which also has an emergency department (more than 15,000 visits each year), thus strengthens the GDS Group's healthcare offer in the nearby Eastern Paris suburbs.

The turnover generated by the two facilities in 2008 stands at €27.5 million on an annual basis. These acquisitions were consolidated no later than 1st September 2008 in the Générale de Santé Group's accounts, representing €9.4 million turnover for four months.

Acquisition of the Centre Hospitalier Privé de la Loire in September 2008

On 4 September 2008, the Générale de Santé Group acquired 99% of the share capital of the holding company owning the Centre Hospitalier Privé de la Loire in Saint Etienne.

The Centre Hospitalier Privé de la Loire, which opened in January 2005, results from the combination of 3 St Etienne clinics. With a capacity of 292 beds and places, it has a 16-room operating theatre, a neonatology department and an emergency department that receives 12,000 patients each year. The healthcare territory of greater St Etienne represents a population of 650,000 inhabitants, including 180,000 for the city of St Etienne alone.

The turnover generated by the CHPL in 2008 stands at €34.4 million on an annual basis. This acquisition has been consolidated since 1st September 2008 in the Générale de Santé Group's accounts representing €11.7 turnover for four months.

5.2.2 Main investments completed in 2009

Acquisition of Clinique Saint-Victor (mental health)

At 27 March 2009, the Générale de Santé Group executed a memorandum of understanding for the acquisition of Clinique Saint-Victor in Saint-Etienne (42). The clinic has a capacity of 80 beds.

CHAPTER 6

ACTIVITY OVERVIEW

6.1 ACTIVITY GENERAL OVERVIEW

6.1.1 General overview

The company and all of its subsidiaries ("Générale de Santé" or the "Group") constitute the largest French network of private healthcare facilities. Boasting the first independent medical community, with 5,254 independent practitioners, the Group employs 21,420 individuals on a full-time equivalent basis, of which 6,995 nurses and 4,132 health aids. In total Générale de Santé has 237 facilities and centres, 180 of which are in France, representing, on 31 December, a capacity of 16,138 beds and places.

For Générale de Santé, a patient is a human being and not just a "medical case". Taking care of the patient involves placing him in a context of continuous care, attention, and consideration. In each of the Group's facilities, a patient is a respected person. A fundamental player in the medical process, he is involved in all the stages of his treatment. Générale de Santé's role is to help him take care of his health the best way possible throughout his life.

To carry out that task successfully, Générale de Santé develops a unique healthcare approach, where the patient is handled in a personalised manner before, during and after hospitalisation, taking all these dimensions into consideration. The entire healthcare chain is covered: diagnostic, acute care, oncology, after-care and functional rehabilitation, mental health, and home care.

For the year ending 31 December 2008, the Group's consolidated turnover was €1,983.8 million with an EBITDA of €229.6 million.

A unique medical and economic model, boasting 20 years experience:

Within a period of 20 years, Générale de Santé has managed to imagine and implement a unique medical and economic model, combining quality of the healthcare and support, efficient organisation and human quality. Improving its organisation is at the heart of our daily concerns. This model relies primarily on the desire to welcome at our facilities all patients, without exception, to address all illnesses, from the mildest to the most severe.

Its ambition is to offer extended, coordinated, quality healthcare, while controlling costs, focused on one same goal: patient satisfaction. The ongoing improvement of our care processes and of medicalised control relies on identifying the best solutions for organising and managing the care procedures.

In an industry where approximately 65% of the private healthcare facilities in France are held by independent professionals (source FHP), Générale de Santé has set up, over the years on the territory, a structured network of "private hospitals", that are pluridisciplinary and offer full local service, as well as specialised clinics that meet patient expectations: innovative technical equipment, diagnostic capacities, emergency medicine, post-surgical treatment, maternity wards, palliative care etc Our facilities cover voluntarily diversified geographic areas, some of which are densely populated. Also located in socially challenged areas (Trappes, Seine-Saint-Denis, Saint-Etienne), they supplement effectively the healthcare offered by public hospitals.

In that respect, but also through addressing public healthcare assignments such as emergency or the deployment of public health policies, Générale de Santé plays fully its role as a partner of the public authorities.

Générale de Santé is convinced that the independent exercise of medicine, the quality of patient care and taking into account public health challenges, combine perfectly with an efficient mode of organisation and management. Thus, the recent outsourcing of the management of its property portfolio is an active component of its desire to manage its assets dynamically.

On a daily basis, managing the facilities involves:

- defining realistic goals;
- sharing a result-based culture;
- steering the Group with strict control procedures;
- offering attractive remuneration to facility managers.

The Group's medical and economic model involves, in particular, full empowerment of the facility managers. In turn, the facility managers undertake to implement the unified and centralised monitoring and control procedures that make it possible to achieve scale economies, improved human resource management, and synergies between the facilities located in one same region. Besides, the Group encourages best practice exchanges in order to help its facilities reach the highest level possible.

Finally, the Group has adopted a modern governance approach: Chairmen of Medical Facility Conferences (CME) are tightly involved in the management organs of these facilities. The Chairman of the Medical Committee is a member of the Supervisory Board.

The entire healthcare chain:

All of the Group's activities are in the hospital care and services sector, in France, which may be divided as follows:

- healthcare services provided in clinics, which encompasses (i) acute care, including imaging (68 clinics and hospitals); (ii) psychiatry - mental health (23 centres); (iii) oncology – radiotherapy (10 centres); and (iv) after-care and rehabilitation (19 centres for physical medicine and rehabilitation); together these activities accounted for 90.5% of the consolidated turnover in 2008;
- Home medical services, recently developed by Générale de Santé with 35 sites and accounting for 2.3% of the consolidated turnover in 2008.

In France in 2008, Générale de Santé recorded 991,031 stays (of which 959,501 in acute care, 15,600 in after-care and rehabilitation and 15,930 in mental health), 132,700 day hospitalisation visits in after-care and rehabilitation and psychiatry, and conducted 109,282 chemotherapy sessions, 222,226 radiotherapy sessions, 275,716 dialysis sessions, and 32,909 births.

Given its size in the sector, Générale de Santé is a benchmark figure in the French private hospital sector, both for doctors and professional associations, and health authorities. Furthermore, in 2008 eleven of the Group's businesses were listed by "Le Point" as being amongst the 50 best private hospitals in France.

An alternative and a complement to the public hospital system:

The Group has been led to greater collaboration with the Public Hospital Sector (as defined in paragraph 6.1.4.2) and mutual insurance groups and non-profit entities in order to contribute to public health projects. Thus in certain regions of France Générale de Santé has been given tasks by the regional hospital agencies ("ARHs") (see paragraph 6.4.1) that are not covered by the public hospital system (such as training and emergency services) or has developed partnership with public hospitals in order to create shared skills centres whose activities are distributed, within the same building, between the hospital and the clinic.

6.1.2 Strategy

The French healthcare system, one of the best in the world, is like all others threatened by imbalances. It is Générale de Santé's duty to try to contribute to its sustainability. To achieve that, the Group boasts that it is recognised as a major healthcare operator in France by ensuring a socially useful role in the public health sector. This extended responsibility consisting in public health service tasks in France over the long term includes: diagnostic, prevention, treatment, follow-up, as well as research and training.

The Group's strategy is based on the following objectives:

(i) The structuring of a network of businesses

The Group owns a network of 180 facilities on national territory, of varying sizes, mostly concentrated in densely populated areas.

The point here is to encourage complementarity and synergy at local, regional and even national levels for certain areas of specialisation, with a view to providing the most complete range of care facilities possible.

(ii) Continuing to develop a "Générale de Santé" quality policy

Générale de Santé carries out its activities with a view to constantly improving the quality of its services. The Group has thus made, over the past few years, numerous investments in order to renew and modernize its network of establishments and has set quality-satisfaction surveys for patients.

(a) Continuing to base the brand on a quality guarantee "label" in order to ensure the Group's cohesion:

The development of the "Générale de Santé" brand is in particular based on a label award programme for the Group's facilities that was launched in 2000 and places the patient at the heart of the healthcare system. This label is awarded by AFAQ.

This strategy has three objectives: (i) to define a level of quality shared by approved facilities; (ii) to strengthen the Group's identity by emphasizing patient-oriented quality criteria; (iii) to strengthen cohesion within the Group through the adoption by the facilities of common values.

It is based on five commitments made by each facility to its patients:

- to ensure patients' safety through the use of surveillance systems for situations involving risk that operate on a 24-hour basis;
- to provide a personalized and efficient service;
- to give the necessary information to patients in a comprehensible manner;
- to know and understand patients' expectations; and
- to treat pain with personalised care and to have the necessary tools in place to be able to deal effectively with patients' requirements in this area.

As at 31 December 2008, 78 of the Group's businesses have the quality guarantee label.

In 2008, the Générale de Santé Group decided to upgrade the content of its label. This move is in line with the first benchmark, by capitalising the experience acquired by the facilities, while always seeking to better meet patients' expectations. This maintains a progress dynamic within the Group's facilities.

(b) Promoting and developing the loyalty of a medical community:

In order to maintain a high level of quality in the care provided by the Group, it is necessary to attract and develop the loyalty of the best doctors. To this end, Générale de Santé wishes to ensure the cohesion of its medical community, to establish a long-term relationship of trust and to encourage the sharing of values and knowledge within the community.

The Group endeavours to develop this strategy on a continuous basis with focus and work groups such as:

- the medical committee: created in 2000 in order to ensure links and exchanges within the Group's medical community. The committee is made up of 17 doctors elected from among the presidents of the medical commissions (one per region). The committee meets every two months with the objective of:
 - (i) associating medical expertise with the Group's management;
 - (ii) identifying and encouraging synergy;
 - (iii) developing partnerships between practitioners and the Group;
 - (iv) improving communication through the creation and operation of new tools (intranet, Internet site, practitioners' letter etc);; and
 - (v) promoting research.
- speciality clubs: set up by doctors in collaboration with the Group's department of medical relations, they enable practitioners in the Group to meet by speciality, in order to pool their knowledge, thoughts and experience. There are currently eight speciality clubs in fields such as anaesthesia, cardiology, gynaecology-obstetrics-paediatrics, nephrology, orthopaedics, perineology, pneumology, sports and health.
- Medical Forum: Générale de Santé organises an annual forum gathering more than 500 clerical and medical executives who want to be informed of the Group's situation and the main issues of the moment.

(iii) Enlarging the range of care

In response to the population's expectations, the Group invests regularly in new segments, such as home medical services, which together constitute a sector that is showing strong growth because it meets the requirements of both patients and the public authorities.

The Group is also continuing to develop private-public partnerships in order to, amongst other things, improve its range of care facilities in fields previously reserved for public establishments (emergency services, training, Health Cooperation Groups), and to eventually be able to contribute to major areas in public health such as training. This development in particular takes the form of the creation of common structures with the Public Hospital Sector (as defined in paragraph 6.1.4.2) that distribute activity between the hospital and the clinic in the same building, such as the Health Cooperation Groups.

(iv) Group's growth

Générale de Santé relaunched its growth strategy, in particular in dynamic, high population geographical areas. The medium term objective is to reach a 20% market share of the Private Hospital Sector in France.

(a) Increase in the activity of facilities

The Group continues its policy of increasing the range of services offered by its facilities, by increasing its activities or the addition of new services. This increase in activity correlates with the quality policy and investments made in facilities.

(b) Continuation of selective acquisitions in France

2007 was marked by the consolidation of its scope. The Group must now continue seizing new opportunities for external growth, on a smaller scale, based on the following criteria:

- completing the Group's network with a view to creating centres of excellence and strengthening synergies between businesses at a local level
- - acquiring reputable businesses located in cities and having the potential to become benchmark businesses

In that spirit, the Group acquired the La Francilienne and l'Orangerie clinics in the East of Paris in July 2008, as well as the Centre Hospitalier Privé de la Loire in September 2008.

(c) Combinations and creations

Lastly, the modernisation of Générale de Santé's installed base of facilities provides to date for 11 acute care facilities combination projects, 4 mental health projects, and the creation of 3 after-care and rehabilitation facilities.

In 2008, two major combination operations were completed: opening, in August, of the Jean Mermoz Private Hospital in Lyon, the result of the combination of three Lyon clinics and the transfer of the activities of Polyclinique des Pins to the premises of Clinique Kennedy in Montélimar.

Three projects are under construction in Arras, Le Havre and Gien. The Group is also contemplating the launch of four other projects.

6.1.3 Company's strengths and assets

The Group considers that its main competitive characteristics are the following:

(i) A leading position in a growth market that is undergoing change

Générale de Santé is the leading company in the Private Hospital Sector in France, with a turnover of €1,983.8 million in 2008 and approximately 17% market share. Générale de Santé is thus particularly well-placed to benefit from the very attractive characteristics of the French market:

- with turnover estimated at around €11 billion in 2007 (*source: FHP*), the French market for private hospitalisation is among the largest in Europe;
- health insurance covers nearly 92% of hospital charges and thus gives the entire French population access to the Private Hospital Sector, while at the same time ensuring the solvency of these businesses (*source: National health accounts for 2006 – Department of Research, Studies, Evaluation and Statistics (the "DREES");* and
- the growth of the Private Hospital Sector is sustained by the growth in the population's demand for healthcare .

(ii) A structuring operator in the Private Hospital Sector

The size of Générale de Santé and the extent of its network enable it to be represented in official professional bodies and to maintain an in-depth dialogue with the authorities.

Similarly, at a local level, Générale de Santé's regional directors have a unique, very solid relationship with the directors of the regional hospital agencies, which make the Group a benchmark partner for the restructuring of regional care facilities.

(iii) A strong competitive position

The Private Hospital Sector is highly regulated, in particular so as to control hospital capacity in France with the twin objective of controlling both costs and the quality of the range of care. This constitutes a substantial barrier to entry and gives a considerable competitive advantage to an established operator.

(iv) A benchmark partner for independent medicine

With 5,254 practitioners, Générale de Santé represents the largest independent medical community in France, which enables it to have a very medically oriented approach to healthcare occupations and their future.

(v) A comprehensive healthcare offering

Générale de Santé is present, at both a local and national level, for the entire range of hospital care and services, including after-care, rehabilitation, home care and mental health. This diversity enables the Group to offer its patients all the care facilities that they need and to meet national and regional care objectives in the best way possible.

(vi) Independent facilities in a framework of standardised procedures

Générale de Santé combines a high level of responsibility for directors of businesses with standardized and centralized monitoring and checking procedures enabling economies of scale (centralized purchasing), better management of human resources and synergies between establishments in the same region.

Furthermore, the Group carries out systematic comparisons of its businesses in order to bring them all to the same high standard.

(vii) Facilities located in densely populated regions

The Group's facilities in France are mainly located in large urban areas.

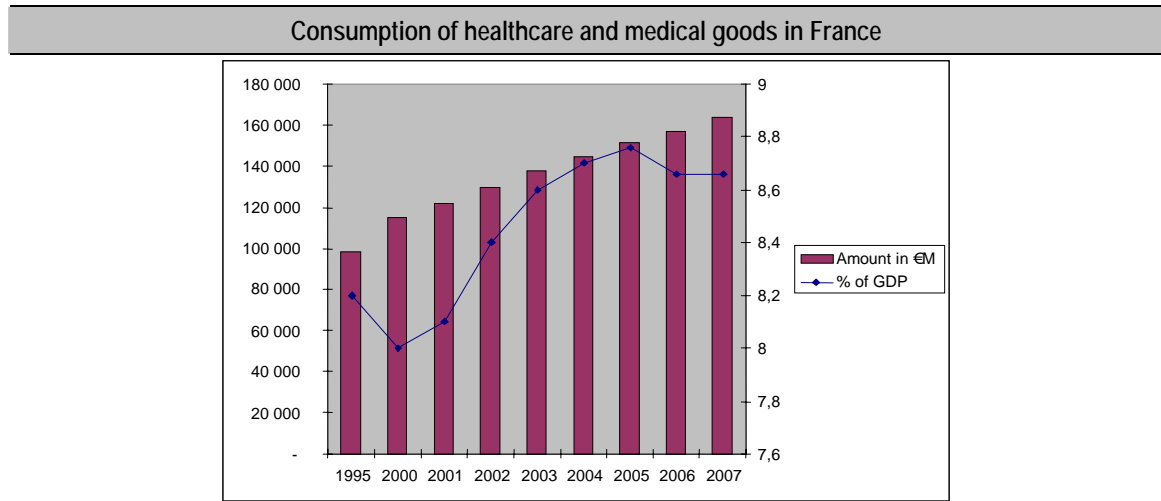
6.1.4. Description of the main contracts

6.1.4.1 *Overview of the French healthcare and medical and social system*

The French health system is a core element in the country's economy. In 2007, health expenditure in France represented, for recurrent items, 10.9% of the gross domestic product (GDP). In 2007, €206.5 billion were spent in Metropolitan France and the overseas territories. Of this expenditure, €163.8 billion were directly allocated to the provision of care and medical products (CSBM). CSBM, the provision of care and medical products does not include certain items included in health expenditure, such as collective prevention, medical and pharmaceutical research and training), corresponding to approximately 8.7% of the GDP and 12.1% of actual household consumption. In 2007, CSBM rose by 4.7% in value on 2006, representing €2,577 on average per inhabitant.

The total aggregate health expense used for international comparisons already represented 11% of GDP in 2006; this ratio ranked France number three among OECD countries, after the USA (15.3%) and Switzerland (11.3%), at a level close to that of Germany (10.6%). (source: *National Healthcare Accounts for 2007, DREES*).

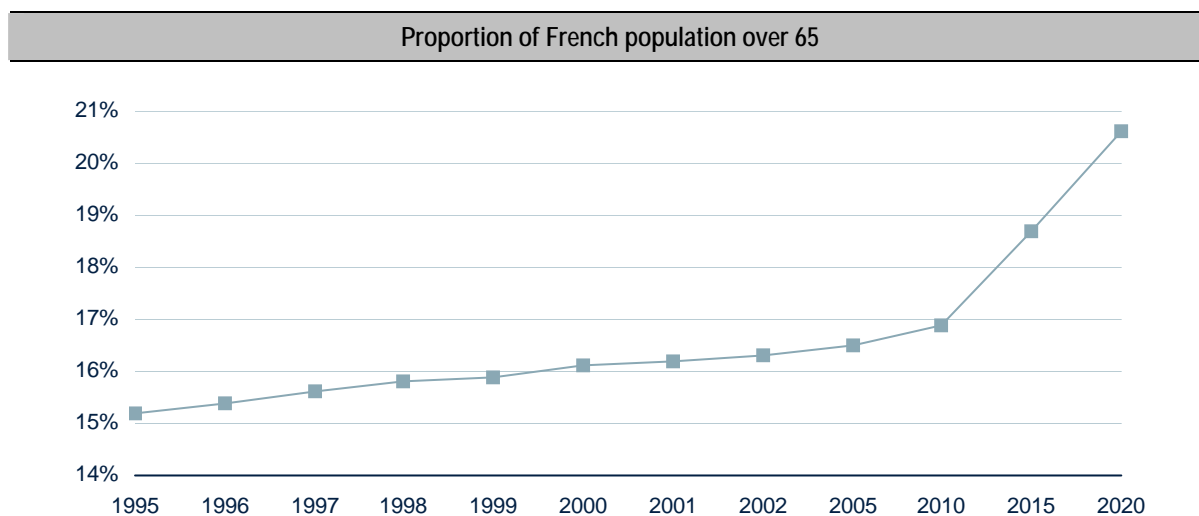
As illustrated in the diagram below, these expenses tend to grow.



source: National Healthcare Accounts for 2007, DREES

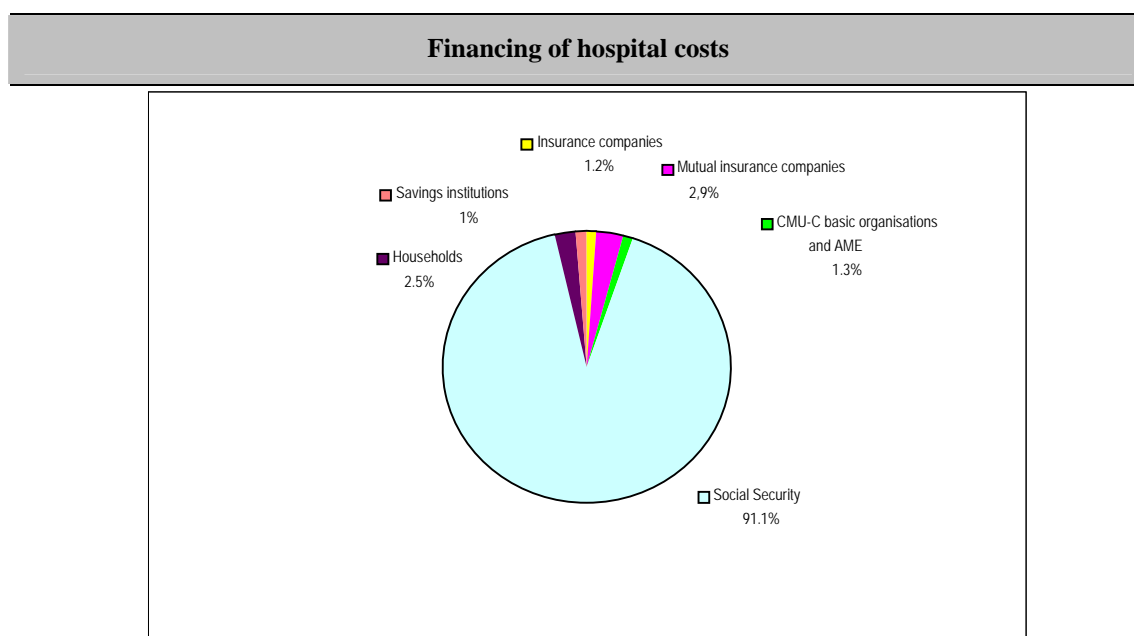
This growth is mainly due to a rise in volumes (+3.7% in 2007) that concerns all expenditure items (except for patient transportation). In particular, drugs are still progressing at a consistent pace (+7.1% in 2007 after 5.4%) (source: *National Healthcare Accounts for 2007, DREES*).

The ageing of the French population resulting from increased life expectancy combined with a fertility rate that does not ensure the renewal of successive generations, is becoming more marked. According to the OECD, the proportion of over sixty-five year olds should exceed 20% of the population by 2020, as indicated in the diagram below:



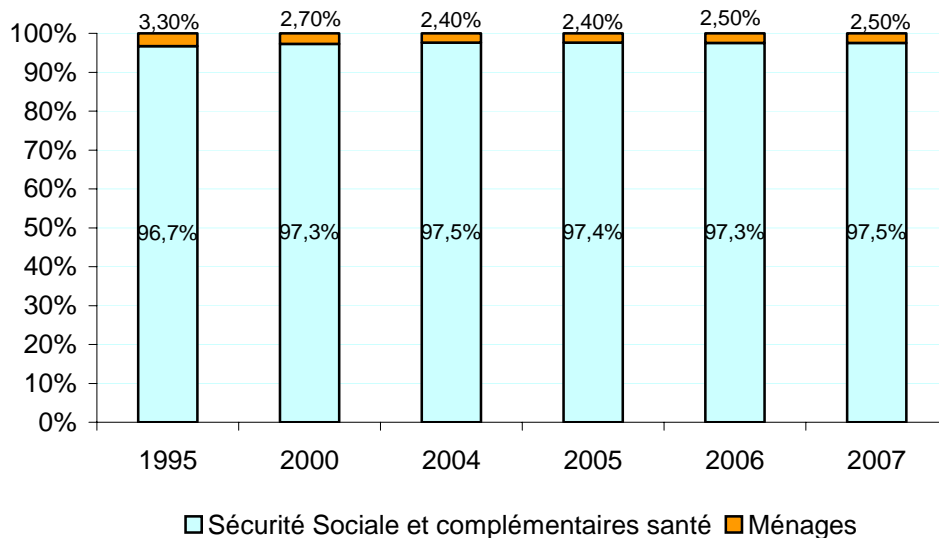
source: OECD

The solvency of this demand is, nevertheless, assured, due to the fact that, in approved clinics as in public hospitals, patients only pay the portion that is not reimbursed by the Social Security system. In the majority of cases, 100% of the costs are reimbursed either through the complementary health coverage, enjoyed by 80% of the insured, or through the complementary universal health coverage (CMU), which in 2005 concerned 1.7 million people.



source: National Healthcare Accounts for 2007, DREES

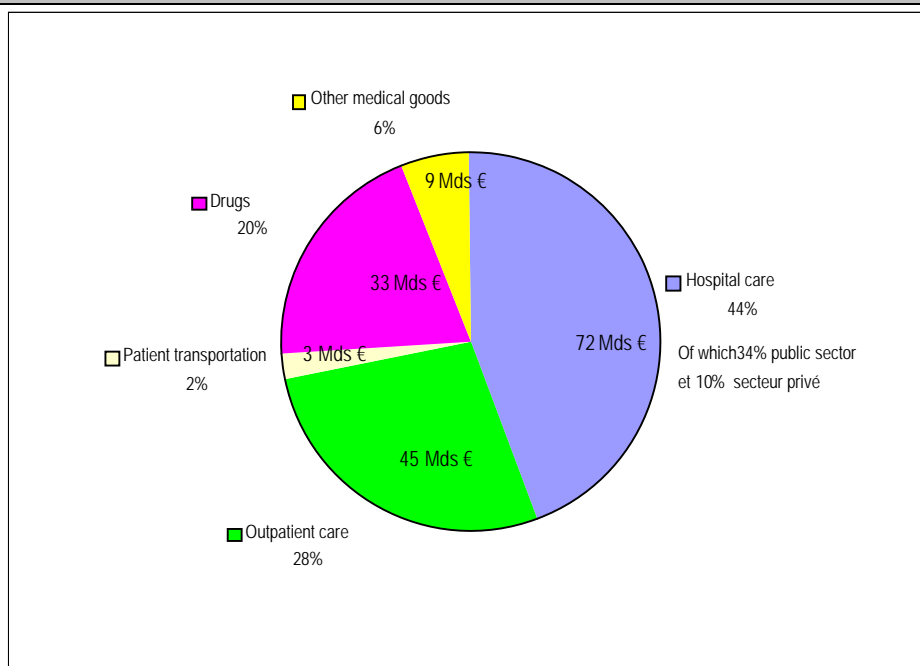
Distribution of the financing of hospital care



source: National Healthcare Accounts for 2007, DREES

Hospital care dominates healthcare costs, accounting for nearly half of all health expenditure, or about €72:

Healthcare costs and medical goods (2007)



source: National Healthcare Accounts for 2007, DREES

6.1.4.2 The role of private facilities in the French hospital sector

France has a dense and diversified hospital system consisting of slightly less than 3,000 facilities totalling approximately 444,000 beds and 51,000 places.

These facilities break down roughly as follows (in number of facilities):

- 34% facilities that are strictly public,
- 36.5% private commercial establishments that are linked to the state health scheme (establishments whose care facilities are reimbursed by the Social Security system and who have entered into a contract specifying their objectives and resources with the regional hospital agencies on which they depend – see paragraph 6.4.1),
- 20% private non-profit making establishments, referred to as “participants in the public hospital service (PSPH), and
- 9.5% private non-profit making establishments, that are not participants in the public hospital service (non-PSPH).

(source: *Clinics and private hospitals – March 2007 – xerfi 700*).

For the purpose of this document, the public hospital sector (the “**Public Hospital Sector**”) covers public facilities and the private PSPH establishments, as opposed to the private commercial establishments (the “**Private Hospital Sector**”) which corresponds to the Générale de Santé’s activities.

The French hospital system is characterised by the principle that patients are able to choose between the Public Hospital Sector and the Private Hospital Sector.

The evolution of the capacity of the French hospital sector is closely regulated by the state, which determines the population’s requirements and organizes the distribution of public and private medical installations (see paragraph 6.4.1).

Distribution of capacity and of the activity for all disciplines

As shown in the table below, the Public Hospital Sector has the greater proportion of hospital capacity in France with, on 31 December 2006, 79.1% of capacity in terms of beds and places for all disciplines combined and 73.2% in acute care, Générale de Santé’s core activity. The figures given below for the Public Hospital Sector and the Private Hospital Sector and in paragraphs 6.1.4.3 and 6.1.4.4 of this document are for 2006, insofar as the most recent statistics published in this field only cover this period.

Facilities category	Facilities or legal entities	Total beds and places	Full hospitalisation beds	Places excluding home hospitalisation (HAD)
Public				
Regional hospital centre (CHR/CHU)	29	84,771	77,947	6,824
Hospital centre (1)	498	167,451	155,434	12,017
Hospital centre specialising in psychiatry	86	40,903	27,080	13,823
Local hospital	340	21,360	21,294	66
Other facilities	19	2,066	1,893	173
Total public	972	316,551	283,648	32,903
Private				
Short facility healthcare facility (2)	751	90,866	79,778	11,088
Anti-cancer centre (CLCC)	20	3,453	2,833	620
Mental health centre	240	22,652	17,699	4,953
Medium and long stay facility	757	56,179	52,040	4,139
After-care and rehabilitation facility	662	50,404	46,290	4,114
Long-term healthcare facility	95	5,775	5,750	25
Other facilities	32	1,775	1,540	235
Total private	1,800	174,925	153,890	21,035
Total public and private	2,772	491,476	437,538	53,938

Source: *Drees, annual statistics of healthcare facilities*.

- In 2006, the Private Hospital Sector accounted for 20.9% of the total capacity of the hospital sector, handling 28.4% of the activity for all disciplines, and even approximately 38.4% of the acute care activity (source: *Full and partial hospitalisation activity in health establishments in 2006 – DREES*).

Capacity and activity breakdown by type of care

(i) Care activities provided in clinics

Acute care

The Private Hospital Sector plays an important role in this sector of activity insofar as, on 31 December 2006, it accounted for 26.8% of capacity in terms of beds and places and treated 38.4% of the entries in 2006 (source: *Full and partial hospitalisation activity in health establishments in 2006 – DREES*).

The weight of the Private Hospital Sector is particularly significant in the field of surgery, in which it treated 58% of entries in 2006. This proportion is even higher in outpatient surgery or visits of less than a day, for which the Private Hospital Sector treated 73% of entries (source: *Full and partial hospitalisation activity in health establishments in 2006 – DREES*).

In the fields of obstetrics and hospital medicine, Public Hospital Sector remains dominant, accounting, on 31 December 2006, for 73% of capacity in terms of beds and places in obstetrics and 89% of capacity in terms of beds and places in medicine and treating 72% of entries in obstetrics and 73% in medicine in 2006 (source: *Full and partial hospitalisation activity in health establishments in 2006 – DREES*).

Psychiatry

The Private Hospital Sector's share of activities in psychiatry is comparatively small. Facilities in the Private Hospital Sector account for 19% of capacity in terms of beds and places and treat 3.84% of entries, with 4 million days of hospitalisation (source: *IRDES*).

Activity in psychiatry in the Private Hospital Sector remained stable in 2006, while the number of entries handled by the Public Hospital Sector declined (source: *IRDES*).

The handling of mental disorders represents €14 billion (11% of health costs in France), of which just 5% for the private hospital sector.

After-care and rehabilitation

The after-care and re-education activity has been increasing for several years, regardless of the form of hospitalisation: 2.7 million stays were thus recorded in 2006. The number of places dedicated to that activity rose by 6.5% in 2006 and exceeded 6,000 for the first time. Activity is at its highest in private clinics (+5.9% for entries and +4.2% for days) (source: *Full and partial hospitalisation activity in health establishments in 2006 – DREES*).

(ii) Home medical services

This activity involves several types of service ranked below in decreasing care intensity:

- The care of a patient at home by an approved mobile care establishment (HAD for Hospitalisation A Domicile). This activity is targeted at patients who, if they were not handled under HAD, would be hospitalised. In France, it totals approximately 10,000 authorised places (source: *FNEHAD*) and will most certainly continue growing in the coming years, with a target of 15,000 places by 2010.
- home health services by Home Nursing Care Services, non-profit associations that coordinate health services of the same nature as those provided by independent nurses (100,000 places at end 2008; this figure should double in the coming ten years).

- medical-technical services (perfusions, nutrition, insulin therapy, oxygen therapy, ventilation, provision of home support equipment) that provide patients with the equipment and consumables necessary for them to receive their care at home. These services can be provided either directly to patients at home, or via HADs and SSIADs. This market of home care services and equipment reached, for the portion borne by the health insurance system, a total of €1,592 billion in 2000 (*source: CNAMTS 6/12/2007 survey*). The Group considers that market to be worth nearly €3 billion in 2008.

6.1.4.3 *Funding of the Private Hospital Sector*

Healthcare expenditure associated with private hospitalisation is mainly reimbursed by Social Security and complementary health insurance companies.

In order to regulate this expenditure in terms of prices and volume, Social Security's funding law sets a national target each year for health insurance (ONDAM) costs on the basis of which the State decides on a quantified national objective applicable to the activities of private establishments after negotiations with private sector representatives and their unions and on the basis of which is established revaluation of reimbursement rates.

The table below shows the national evolution in rates for services since 1996:

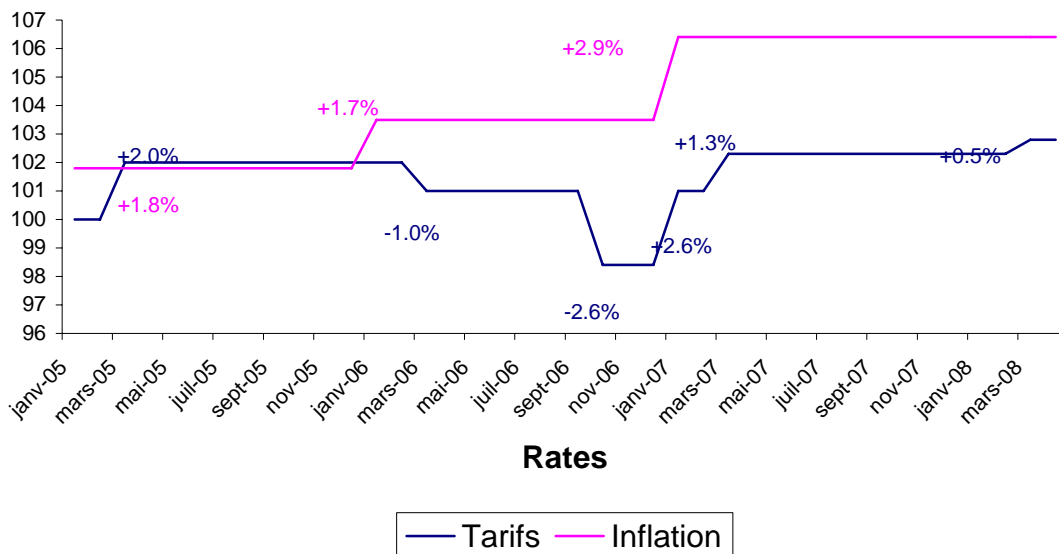
National evolution of service rates													
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Surgery	2.00%	1.00%	0.75%	(0.61%)	1.25%	2.96%	3.93%	3.06%	3.84%	1.56%	-1.11%	1.26%	0.80%
Medicine	2.00%	1.00%	0.75%	(0.61%)	1.25%	5.78%	3.93%	3.06%	5.56%	1.56%	-1.11%	1.26%	0.80%
Obstetrics	2.00%	1.00%	0.75%	(0.61%)	1.25%	8.08%	3.93%	3.06%	4.87%	1.56%	-1.11%	1.26%	0.80%
Psychiatry	2.00%	1.00%	0.75%	(0.61%)	1.25%	2.32%	3.93%	2.66%	3.56%	1.11%	2.46%	2.45%	1.71%
After-Care	2.00%	1.00%	0.75%	(0.61%)	1.25%	3.64%	3.93%	2.71%	4.72%	1.94%	2.22%	2.22%	1.00%
Rehabilitation	2.00%	1.00%	0.75%	(0.61%)	1.25%	3.05%	3.93%	2.71%	3.87%	1.47%	1.87%	1.89%	1.00%

Sources: Journal Officiel + FHP pricing documents

Since the transition to T2A on 1st March 2005, price changes in the MCO segment have been following 2 different patterns:

- a general, uniform evolution,
- the allocation of targeted budgets, broken down by region and facility. This financing generally concerns the Cancer Plan, perinatal services, and emergencies.

Rises in rates and inflation



source: Journal Officiel, INSEE

The years 2006 and 2007 were marked by a slow-down in the rise, and even by a decline, in the price of services. Such an evolution, if it were to continue in the long term, would not only jeopardise the majority of private clinics, which have become a major public health tool for the State but also, eventually, the public hospital system due to its gradual transition to T2A (see paragraph 6.4.3).

6.1.4.4 *Générale de Santé's competitive positioning*

The Private Hospital Sector is very fragmented: more than 65% of the sector consists of independent businesses with personal or family capital, with just one facility.

On the basis of criteria such as shareholders, number of facilities controlled and geographical distribution, five main types of operation may be distinguished (*source: Clinics and private hospitals – February 2005 – xerfi 700*)

national operations: this sector covers operations which differ widely in size and in the nature of their shareholders. Générale de Santé is the largest network of private clinics in France with 206 establishments offering 16,138 beds and places and accounting for 17% of activity in the sector. A new group of significant operators has recently emerged in the acute care segment, with Vitalia, Médi-Partenaires, Capio and Vedici. Three other players have acquired a critical size (more than 35 facilities) in the after-care and rehabilitation, and psychiatry, activities: these are Korian, Orpea-Clinea and Medica France, all three national operators in terms of elderly people care.

- regional chains of clinics: these are often characterised by complementarity of the activities of the various facilities in the chain. In general, their weight is reinforced by the Regional Hospitalisation Agency, of which they depend. They generate average turnover of €60 million. Their shareholders are usually independent.
- groups of independent clinics, on a local or regional scale: they group activities of clinics held by separate legal structures on the same site or within a common structure, for purposes of cooperation and resource pooling? In general, they have a turnover of around €100 million.
- mutual insurance company centres: they acquire or participate in certain establishments with a view to offering care and services to their members. This sector accounts for less than one percent of the market; and
- isolated independent facilities that are usually controlled by a team of practitioners or one doctor. This sector accounts for approximately 65% of the market.

Competition between operators is thus concentrated in areas inhabited by populations that are geographically close and have similar behaviour in terms of use of care structures.

Générale de Santé considers itself to be in a favourable competitive position in the main densely populated areas in which it is present, insofar as, on account of its size and reputation, it constitutes a benchmark partner in discussions with local authorities such as the regional hospital agencies, and a major player for any external growth operations.

The Private Hospital Sector has nevertheless been subject to a restructuring process over the past ten years: the total number of private hospital establishments decreasing from 1,426 to 1,151 in ten years (source *Private Hospital Federation – 2007*)

6.1.5 Description of activities

6.1.5.1 *General*

The tables below show the distribution of the Company's consolidated turnover for the year ended 31 December 2008 by activity sub-segment:

Turnover at 31/12/2008 by activity sub-segment		
Activity	Consolidated historic turnover (€m)	% of the total
Activity in France		
Healthcare provided in clinics	1,794.5	90.5%
of which acute care	1,508.4	76.0%
of which radiotherapy	25.5	1.3%
of which psychiatry	109.3	5.5%
of which after-care and rehabilitation	151.3	7.6%
Other activities	189.3	9.5%
TOTAL ACTIVITES	1,983.8	100.0%

source: DAF Générale de Santé March 2009

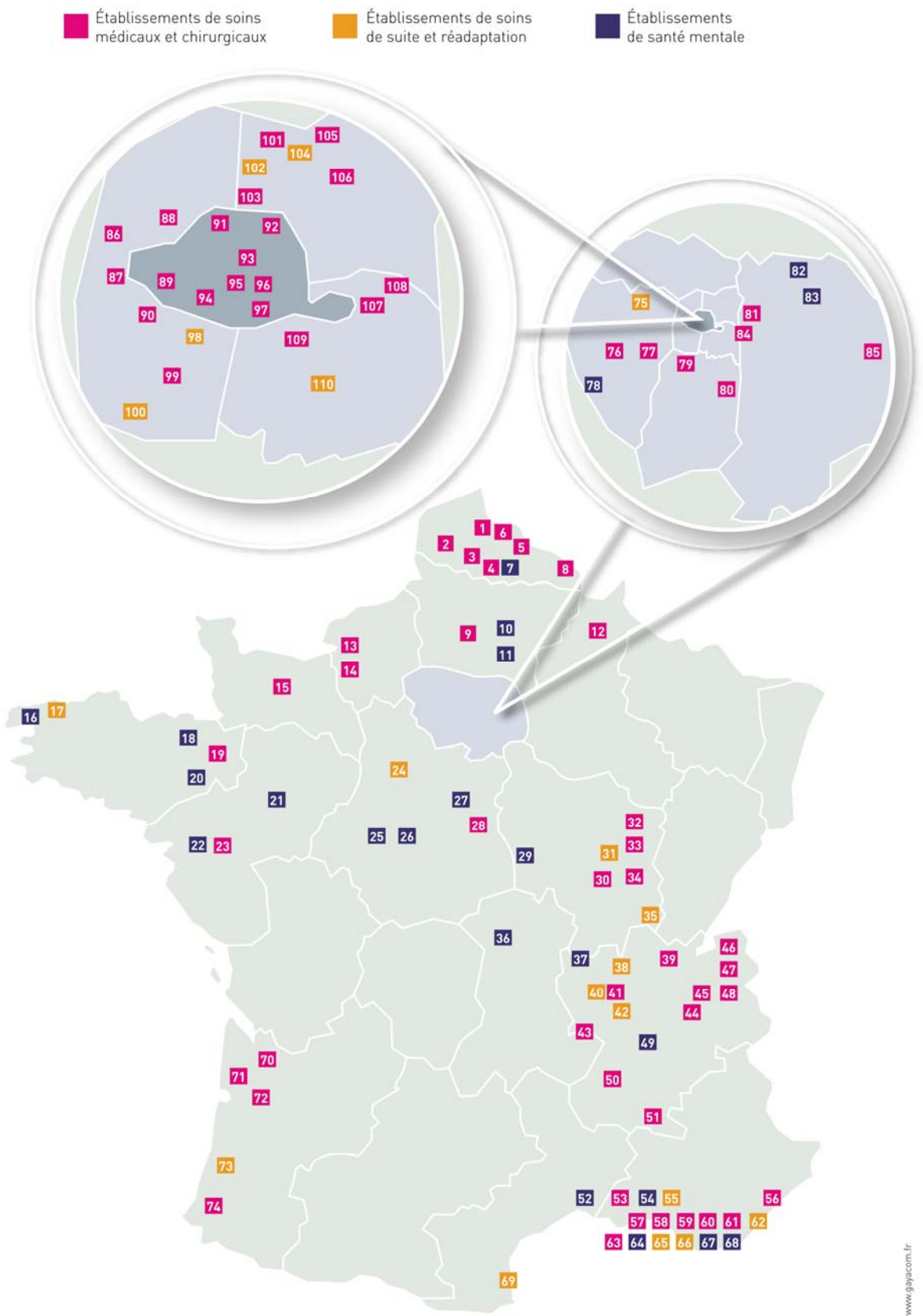
These activities are carried out in the Group's 237 hospital facilities, with a total combined capacity of 16,138 beds and places as shown in the table below:

Capacity breakdown by activity		
Activity	Number of facilities	beds & places
<u>Healthcare provided in clinics</u>		
Acute care (including medical imaging)	68	12,119
Mental health	23	2,053
Acute care and rehabilitation	19	1,866
Oncology - radiotherapy	10	N/A
Total healthcare provided in clinics	120	16,038
<u>Home medical services activity</u>		
Home medical services	35	N/A
Total home medical services	35	N/A
<u>Diagnostic activity</u>		
Biology/laboratories	25	N/A
Total diagnostic activity	25	N/A
<u>Activity in Italy</u>		
Biology/laboratories	54	N/A
Medical and surgical care	2	100
Total activity in Italy	56	100
<u>Activity in Switzerland</u>		
Oncology - radiotherapy	1	N/A
TOTAL	237	16,138

source: Générale de Santé


Générale de Santé's facilities in France are spread over much of the country with a marked concentration in nine regions: Aquitaine, Basse Normandie, Bourgogne, Bretagne, Haute Normandie, Ile-de-France, Nord-Pas-de-Calais, Provence-Alpes-Côte d'Azur and Rhône-Alpes. Its establishments are thus mainly located in densely populated regions and with demographic growth above the national average as shown by the map below:

Map of acute care, mental health, after-care and rehabilitation facilities:



Établissements et centres

Générale de Santé

 Établissements de soins médicaux et chirurgicaux

 Établissements de soins de suite et réadaptation

 Établissements de santé mentale

- 1 Polyclinique de la Louvière, Lille
- 2 Polyclinique Bois-Bernard, Rouvroy
- 3 Clinique Sainte-Catherine, Arras
- 4 Clinique Bon-Secours, Arras
- 5 Clinique du Parc, Croix
- 6 Maternité de Villeneuve d'Ascq
- 7 Clinique de l'Escrebieux, Esquerchin
- 8 Clinique Saint-Amé, Lambres-lez-Douai
- 9 Clinique du Parc Saint-Lazare, Beauvais
- 10 Clinique Eugénie, Pierrefonds
- 11 Clinique de la Roseraie, Soissons
- 12 Polyclinique du Parc, Charleville-Mézières
- 13 Clinique Le Petit Colmoulins, Harfleur
- 14 Clinique François 1^{er}, Le Havre
- 15 CHP Saint-Martin, Caen
- 16 Clinique Pen An Dalar, Brest
- 17 CMPR Kerlena, Roscoff
- 18 Clinique de l'Espérance, Rennes
- 19 Polyclinique Sévigné, Cesson-Sévigné
- 20 Clinique du Moulin, Rennes
- 21 Clinique Notre-Dame-de-Pritz, Laval
- 22 Clinique du Parc, Nantes
- 23 Clinique Sourdille, Nantes
- 24 CSS Les Sorbiers, Châteaudun
- 25 Clinique de Freschines, Blois
- 26 Clinique de Montchenain, Evsres-sur-Indre
- 27 Clinique Belle Allée, Orléans
- 28 Polyclinique Jeanne d'Arc, Gien
- 29 Clinique du Château du Tremblay, Nevers
- 30 Clinique Saint-Marie, Chalons-sur-Saône
- 31 CMPR Les Rosiers, Dijon
- 32 Clinique Sainte-Marthe, Dijon
- 33 Clinique médico-chirurgicale de Chenôve, Chenôve
- 34 Clinique de Fontaine, Fontaine-lès-Dijon
- 35 CSS Val de Seille, Louhans
- 36 Clinique de l'Auzon, Clermont-Ferrand
- 37 Clinique des Monts du Forez, Roanne
- 38 CMPR IRIS, Marcy-l'Étoile
- 39 Clinique Convert, Bourg-en-Bresse
- 40 CMPR IRIS, Lyon
- 41 Hôpital Privé Jean Mermoz, Lyon
- 42 CMPR Iris Saint Priest
- 43 CHPL, Saint Etienne
- 44 Clinique Générale de Savoie, Chambéry
- 45 Clinique d'Argonay, Pringy
- 46 Clinique Lamartine, Thonon-les-Bains
- 47 Polyclinique de Savoie, Annemasse
- 48 Clinique Herbert, Aix-les-Bains
- 49 Clinique Mon Repos, Lyon
- 50 Hôpital Privé Drôme Ardèche, Guilhaud Granges
- 51 Clinique Kennedy, Montélimar
- 52 Clinique Rech, Montpellier
- 53 Clinique Vignoli, Salon-de-Provence
- 54 Clinique Saint-Michel, Aubagne
- 55 CMPR de Provence, Aubagne
- 56 Clinique chirurgicale du Golfe de Saint-Tropez, Gassin
- 57 Hôpital privé d'Istres, Istres
- 58 Clinique Monticelli, Marseille
- 59 CHP Clairval, Marseille
- 60 CHP Beauregard, Marseille

- 61 Résidence du Parc, Marseille
- 62 CERS Saint-Raphaël, Saint-Raphaël
- 63 Centre de dialyse Séréna, Draguignan
- 64 Clinique des 3 Cyprès, La Penne-sur-Huyeaune
- 65 CMS Saint-Barnabé, Marseille
- 66 Centre de rééducation et de réadaptation fonctionnelle Rosemond, Marseille
- 67 Clinique les Quatres Saisons, Marseille
- 68 Clinique Saint-Martin, Toulon
- 69 CMPR Le Floride, Le Barcarès
- 70 Clinique Tourny, Bordeaux
- 71 CTMR Saint-Augustin, Bordeaux
- 72 Clinique Saint-Martin, Pessac
- 73 CERS Capbreton (+ hôtel), Capbreton
- 74 Polyclinique d'Aguiléra, Biarritz

ILE-DE-FRANCE

- 75 CMPR de Bazincourt, Chapet
- 76 Centre médico-chirurgical de Parly II, Le Chesnay
- 77 Hôpital privé de l'Ouest parisien, Trappes
- 78 Clinique d'Yveline, Rambouillet
- 79 Institut hospitalier Jacques Cartier, Massy
- 80 CHP Claude Galien, Quincy-sous-Sénart
- 81 Hôpital privé de Marne, Chantereine
- 82 Clinique de l'Ange Gardien, La Ferté-sous-Jouarre
- 83 Clinique du Château de Perreuse, La Ferté-sous-Jouarre
- 84 Clinique de l'Orangerie, Le Perreux sur Marne
- 85 Clinique la Francilienne, Pontault Combault

PARIS, PETITE & GRANDE COURONNES

- 86 Clinique de la Défense, Nanterre
- 87 Clinique Les Martinets, Rueil-Malmaison
- 88 Clinique Hartmann, Neuilly-sur-Seine
- 89 Clinique Jouvenet, 16^e
- 90 Clinique chirurgicale Marcel Sembat, Boulogne-Billancourt
- 91 Clinique Dautancourt, 17^e
- 92 Clinique Maussins-Nollet, 19^e
- 93 Clinique Bachaumont, 2^e
- 94 Clinique Blomet, 15^e
- 95 Clinique Geoffroy Saint-Hilaire, 5^e
- 96 CMC Paris V, 5^e
- 97 Hôpital privé des Peupliers, 13^e
- 98 CSSR CV de Châtillon, Châtillon
- 99 Hôpital privé d'Antony, Antony
- 100 CSS L'Amandier, Châtenay-Malabry
- 101 Hôpital privé de la Seine-Saint-Denis, Le Blanc-Mesnil
- 102 Centre du Bois d'Amour, Drancy
- 103 Clinique du Landy, Saint-Ouen
- 104 CSSR Le Bourget, Le Bourget
- 105 Clinique du Vert Galant, Tremblay-en-France
- 106 Hôpital privé de l'Est parisien, Aulnay-sous-bois
- 107 Hôpital privé Armand Brillard, Nogent-sur-Marne
- 108 Hôpital privé Paul d'Égine, Champigny-sur-Marne
- 109 Clinique Pasteur, Vitry-sur-Seine
- 110 CSS de Choisy, Choisy-le-Roi

Furthermore, Générale de Santé's facilities are mainly located in large urban areas.

6.1.5.2 *Care provided in clinics*

Care provided in clinics covers the following four sub-segments of activity:

- acute care (including medical imaging, oncology and radiotherapy);
- psychiatry;
- after-care and rehabilitation.

Acute care

Acute care activities are carried out via the intermediary of the operational subsidiaries of Compagnie Générale de Santé, Générale de Santé Cliniques and Alphamed (of which 100%, 99.94% and 99.64%, respectively, are held by the Company), which bring together **68 hospitals and clinics**..

Acute care (excluding medical imaging)

The activities of acute care facilities, outside of imaging, oncology and radiotherapy, encompass:

- surgery, in particular orthopaedics-rheumatology, ophthalmology, digestive surgery, stomatology and gynaecology;
- medicine, in particular digestive medicine, cardiology, stomatology and urology;
- obstetrics; and
- outpatient activities, including outpatient surgery.

Acute care activities are partly carried out within the framework of collaboration with the Public Hospital Sector under various forms described in paragraph 6.1.7.1 of this document.

On 31 December 2008, the total capacity of the Group's 68 acute care facilities was 12,119 beds and places, corresponding to an average capacity per facility of 178 beds and places.

The Company's acute care facilities, outside of medical imaging, may be divided into three broad categories:

- benchmark private hospitals, along the model of the Antony Private Hospital (nearly 444 beds and places), with a full range of care and diagnostic services offered, with poles of excellence and handling missions of general interest (emergencies, intensive care etc);
- smaller, specialized facilities, located in large cities;
- local facilities operating in cooperation with public hospitals, demonstrating the Group's willingness to develop public-private partnership experiences.

Medical imaging

In the context of its acute care activities, Générale de Santé has the best medical imaging facilities in the private sector in France, consisting in particular of magnetic resonance imaging equipment (MRI), computed tomography scanners (including PET scans), and gamma cameras.

Générale de Santé's medical imaging activity is carried out within its acute care facilities:

- by radiology companies outside Générale de Santé. In this case, medical imaging activity is paid through royalties or rents;
- or directly by the facilities, the turnover generated then being directly integrated into the facility's turnover;
- or by a company owned by the Group that is completely dedicated to the operation or management of the equipment. In this case turnover from medical imaging is recorded in the accounts of this operating company.

The table below shows the numbers of heavy pieces of equipment installed in Générale de Santé's establishments on 31 December 2008 and the number of related authorisations held by the Group, either directly or via a company:

Type of machine	Number of machines	Authorisations
MRI	27	19
Scanners	44	28
Scintigraphic cameras	20	15
Hyperbaric chamber	1	1
Tep	1	1
TOTAL	93	64

Source: Générale de Santé / Legal Health Department

The Group's imaging equipment is distributed throughout the territory covered by its facilities.

Générale de Santé is continuing to improve its medical imaging facilities by endeavouring, amongst other things, to obtain new authorisations to complete its range in the medical field (part of the medical activity is subject to the obtaining of an authorization for heavy equipment: see paragraph 6.4.1).

The Générale de Santé Cancer Plan

320,000 new cases each year, an active queue estimated at 900,000 patients, 4 cancers – breast, prostate, colon, lung - that account for over 50% of cancers: this is one of the major public health challenges in France!

In line with the national "Cancer Plan" initiated in 2003, Générale de Santé developed "its own" Cancer Plan no later than 2006, by strengthening its positioning and defining new strategic orientations for all its facilities.

Générale de Santé's private hospitals have structures adapted to the struggle against cancer:

For many years, Générale de Santé has been taking care of cancer patients throughout its facilities. The "private hospital" model developed by Générale de Santé is organised to meet the requirements of effective struggle against the disease and the main challenges of the times.

These facilities, whose medical project is mainly focused on handling cancer, are characterised by their size, which varies between 250 and 440 beds and places, their effective and innovative technical means, and the care they offer throughout the various disciplines involved in oncology. The quality of the teams and the organisation of the care turn them into centres of excellence: regional benchmarks, they position themselves as a key element of the care offered and accomplish a mission of general interest. The facilities having developed actual excellence in oncology are identified as "Générale de Santé cancer centres". In 2008, the Group totalled 17 cancer centres spread throughout national territory, all of them involved in the territorial oncology networks and the oncology coordination centres, or 3Cs (centres de coordination en cancérologie).

An all-encompassing care offer, targeted at the patients, their families, and specialists

Générale de Santé offers multiple solutions for cancer patients and their families, in particular: pluridisciplinary approach, equal access to care, information, total coordinated care, personalised care path, conditions for announcing the disease, accompaniment and follow-up, access to support care, access to innovation, are all features of GDS' cancer centres. The contribution of patient associations is encouraged.

Future outlook...

GDS confirms its intention to be a key player of the struggle against cancer, attractive both for patients and health professionals, and to continue to implement its project:

- by making things even more visible and legible, both in-house and outside;
 - by certifying 17 GDS cancer centres through a genuine assessment policy;
 - by further strengthening patient and family information by setting user houses and cancer information centres;
 - by taking part in national screening campaigns (for breast and colon cancer, in particular), and by encouraging screening;
- by pursuing the public/private partnership policy, similar to the experiences carried out to date; partnership between GDS and the Institut National du Cancer, shared operation of a PET Scan between Institut Paoli-Calmettes and the Clairval Private Hospital in Marseille; installation of a radiotherapy centre within the CHU Avicenne (APHP) of Bobigny and the Dunkerque hospital...
- by encouraging the development of clinical research (including patients in therapeutic tests, in particular) and access to innovation.

Psychiatry

Psychiatry is practised by the mental health facilities grouped within Médipsy, 99.94% of which is owned by the Company, which brings together 23 psychiatric care facilities dispensing specialised care.

The Group's facilities in this domain treat patients suffering from acute temporary mental illnesses (depression, obsessive disorders, multiple neuroses, etc) and long term illnesses (schizophrenia, psychoses, manic depression, etc). Their role is not to treat patients suffering from severe conditions or who have been obliged to be hospitalised by the public authorities, or to participate in treatment and rehabilitation programmes for people who have been convicted of criminal offences.

The Group operates on a complementary basis with the Public Hospital Sector and the treatment of mental illness in the context of regional hospital organisation schemes. The Group's market share is about 17.5% in 2008.

On 31 December 2008, the total capacity of the Group's 23 psychiatric care facilities was 2,053 beds and places, corresponding to an average capacity per establishment of 89 beds and places.

Générale de Santé wishes to increase its capacity in this sector through targeted external growth operations and to continue to work in collaboration with the Public Hospital Sector.

After-care and rehabilitation

After-care and rehabilitation activities are carried out by Dynamis, 99.94% of which is owned by the Company, and which consists of 19 facilities..

The role of the Group's facilities in this domain is to treat post-operative trauma, to reduce patients' physical deficiencies and incapacities and to help them rejoin their social and work environments. In order to accomplish this establishments set up multidisciplinary teams, trained in the latest methods and suited to the different types of rehabilitation: orthopaedic, trauma, neurological and cardiac.

In parallel, Générale de Santé has diversified its range in other areas such as nutrition and alcoholology: one of the Group's facilities is thus able to treat people suffering from excess weight, eating disorders and associated metabolic or cardiovascular diseases (obesity, diabetes, etc) while another is completely dedicated to people suffering from dependence on alcohol. The Group is studying the possibility of opening new centres specialising in these areas, on a case by case basis, depending on requirements at a local level.

On 31 December 2008, the total capacity of the Group's 19 after-care and rehabilitation facilities was 1,866 beds and places, corresponding to an average capacity per facility of 98 beds and places. The Group's market share represents approximately 6.3% of the beds, 19% of the places, and 5.9% of the admissions in the private after-care and rehabilitation sector in 2008.

This market is undergoing strong growth due to the decrease in lengths of stays in acute care structures, the ageing population and the growing prevalence of dependence related disorders. There is a shortage of beds in France in this sector. In this context, Générale de Santé plans to take advantage of opportunities that may arise due to the conversion of acute care clinics into after-care and rehabilitation facilities.

6.1.5.3 *Other activities*

Activities in Italy

The Générale de Santé Group completed in October 2008 the process of selling its 6 Italian facilities, as announced in January 2008.

Générale de Santé indeed sold Rugani Clinic (Sienna), Santa Rita Clinic (Montecatini Terme), the Maria Teresa and Pergolino Clinics (Florence), Poggio Del Sole clinic (Arezzo) and Centro Cardinal Ferrari (Parma).

In 2007, these facilities had generated turnover of €36m, that is, less than 2% of the GDS Group's turnover over the same period.

Such disposals are in line with Générale de Santé's objective to refocus its strategic development in France, where the Group is a structuring operator throughout the healthcare chain: acute care, oncology, after-care and rehabilitation, mental health, and home care.

However, in Italy Générale de Santé remains present in Italy, being the owner of a network of analysis laboratories and diagnostic centres (Centro Analisi Fleming in Brescia and Centro Diagnostico San Nicolò in Côme). The diagnostic activity in Europe amounted in 2008 to €98.3 million, that is 4.96% of the Group's consolidated turnover.

The Group also keeps the delegate management of the Omegna Private Hospital (Piemont), an innovative contractual management model for public hospitals, which epitomises the success of public-private partnerships in that field.

Home medical services

In that respect, the Group conducts two activities, HAD (home care) and medical-technical care.

HAD uses four authorisations borne by the Havre, Antony, Istres and Chalon clinics; the turnover concerned (approximately €1.5m) is recorded within these facilities.

The medical-technical care is handled by some thirty branches held by various legal entities that operate under the brands Générimed (perfusion, nutrition, insulinotherapy), Eolien (oxygen therapy, ventilation) and Matmed (home support equipment). The head legal entities are 100% controlled by Générale de Santé Domicile.

The turnover generated by medical-technical care stood at €45.8 million in 2008, that is 2.3% of the Group's consolidated turnover.

This activity consists of making available an appropriate environment in terms of equipment and assistance at the patient's home. It may involve perfusions for chemotherapy or antibiotic therapy, administration of nutrients, breathing assistance with or without oxygen, sleep apnoea treatments or setting of equipment for assistance in everyday life, such as a medical bed, wheelchair, or hoist. Nursing care is not currently included in the range of services.

In 2008, this activity suffered from the reform of the financing of accommodation centres for elderly people (EHPAD); up until 1st August 2008, these centres were considered the domicile of the persons accommodated and, as such, the residents were reimbursed by the healthcare insurance for the services rendered by medical technical personnel under the same conditions as for home care patients. Since the reform, the budgets concerned are paid directly to the EHPADs, but the budget concerned is far more limited than the one resulting from previous reimbursement schedules. This has led the Group to decide to give up the segment of EHPAD residents and to restructure that activity.

The Group would like to extend these two activities, on account of the development of the coordination of patients' return to home with their leaving care establishments, especially those of the Group, in order on the one hand to shorten the length of stay and on the other to improve the overall service received by patients admitted to Générale de Santé's clinics.

The development of this activity fits in perfectly with the Group's strategy which aims not only to strengthen its network of establishments through complementary acquisitions but also to develop its activities upstream and downstream from hospitalisation. Home medical services should constitute, in the medium term, a stepping stone for future growth of Générale de Santé.

6.1.6 Relationship with practitioners

On 1 January 2008 Générale de Santé was working with some 5,254 medical doctors practising independently in partnership with Générale de Santé. In some fields, such as psychiatry or after-care and rehabilitation, doctors may have employee status.

The following table gives the distribution of doctors devoting most of their time to practising in the main fields present within the Group, as at 1st January 2009⁽¹⁾:

Speciality	Number of practitioners
Anatomy and cytopathology	38
Andrology	0
Anaesthesiology – intensive care	502
Clinical biology	84
Oncology	4
Dental surgery	12
Endocrinian surgery	2
General surgery	42
Paediatric surgery	12
Maxillofacial surgery	26
Orthopaedic surgery and traumatology	373
Plastic surgery	149
Thoracic and cardiovascular surgery	38
Urological surgery	135
Vascular surgery	79
Visceral and digestive surgery	134
Dermatology and venerology	53
Endocrinology and metabolisms	31
Gastroenterology and hepatology	360
Geriatrics	19
Gynaecology - Obstetrics	281
Haematology	1
General medicine	105
Internal medicine	24
Nuclear medicine	32
Physical and rehabilitation medicine	77
Reproduction medicine and medical gynaecology	1
Vascular medicine	106
Nephrology	65
Neurosurgery	22
Neurology	52
Nutrition	1
Medical oncology	41
Radiotherapeutic oncology	85
Ophthalmology	454
Otorhinolaryngology	302
Cardiovascular pathology	489
Infectious and tropical, clinical and biological pathology	1
Paediatrics	89
Pneumology	110
Psychiatry	119
Radiodiagnostic and medical imaging	406
Medical resuscitation	9
Rhumatology	34
Acute care and rehabilitation	7
Stomatology	116
Emergencies	132
Total	5,254

(1) The data in this table are subject to regular fluctuations and are purely indicative.

Doctors who practise on an independent basis in the Group's hospital facilities are linked to each facility by a practice agreement governed by article 83 of the Code of Medical Ethics, articles L. 4113-9 to L. 4113-11 of the French Public Health Code and the provisions of the French Civil Code. In this framework, doctors are remunerated by procedure by the Social Security system and the complementary insurance companies which pay all or part of the fees due from patients.

Practice agreement

In compliance with article 83 of the Code of Medical Ethics and in application of articles L. 4113-9 to L. 4113-11 of the French Public Health Code, habitual practice of medicine in one of the Group's facilities must be subject to a written contract. This contract defines the parties' respective obligations and in particular specifies the resources (premises, medical materials and equipment, staff) made available to doctors by the facility in order to enable them to practise their art, in the strictest respect of their independence and the provisions of the Code of Ethics. Doctors are not in any sense subordinate to the facility. The Group encourages the facilities in its network to draw up practice agreements on the basis of a common model that it has prepared.

The facilities and their partner doctors have signed practice agreements for an unspecified period which generally end when the doctor reaches the age of 65, unless it is extended on an annual basis by agreement between the parties.

These agreements must be sent to the Conseil de l'Ordre des Médecins, which is responsible for checking their compatibility with the contractual provisions of the code of medical ethics.

Main mutual obligations between the facilities and the doctors

The services supplied by the Group's facilities consist of providing doctors with facilities (beds, operating tables), premises, equipment and the necessary staff for them to practise their profession.

For their part, doctors undertake to practise their profession, at the facility concerned, in an independent manner, under their name and under their sole professional responsibility which must be covered by an insurance policy to which they must take out. Furthermore, the majority of practice agreements place on doctors an obligation of non-competition, limited in time and space in case termination is on their initiative.

Remuneration of doctors

Doctors receive their fees from their patients or from the health insurance organizations. These fees are fixed in compliance with principles set out in the Doctors' Agreement.

The practice agreement between the doctor and the facility is not a direct source of profit for Générale de Santé. However, establishments receive a percentage of the doctors' fees in the form of a charge to cover costs incurred by the structure on behalf of the doctor, such as the management of their fees, staff and the supplying of premises.

6.1.7. Cooperation with the public hospital sector

6.1.7.1 *Cooperation with the public hospital sector in France*

Partnership agreement and Health Cooperation Groups

An active participation in the structuring of the French hospital system is based on continuous collaboration of all those involved in healthcare and a contribution to the major public health tasks such as emergency services and training.

Générale de Santé's policy is to participate, in accordance with territorial opportunities and necessities, in measures involving cooperation that enable an optimisation of the range of care offered to users. On this basis, numerous agreements have been signed by the Group's establishments with public hospitals, establishments participating with the Public Hospital Service, and even independent doctors, enabling, in particular, the sharing of heavy equipment or the treatment of specific diseases.

In the framework of public-private partnerships, common structures bringing together hospitals and clinics have been created in the form of Health Cooperation Groups (Groupements de Coopération Sanitaire or GCS). These groups, regulated by the French Public Health Code, enable, amongst other things, the development of a medical service common to a public and a private hospital on the basis of shared use and shared costs, thereby rationalising the range of care in a region.

The various tasks and projects currently in progress within the Group are as follows:

Bobigny: setting up of an institute of high energy radiotherapy at the Hôpital Avicenne

According to the terms of a partnership between the Health and Social Security services and the hospitals of Paris in the name of the Hôpital Avicenne and Généridis, the Institut de Radiothérapie de Haute Energie was inaugurated in 2004 on the hospital site with the objective of creating a reference centre for oncology.

Lens: sharing of cardiac surgery between the Public Hospital Sector and the Private Hospital Sector

The Polyclinique du Bois Bernard created, in partnership with the Centre Hospitalier de Lens, within the framework of a GCS, a cardiac surgery unit including two items of heavy equipment (cardiopulmonary bypass machine). All cardiac surgery, spread equally between the two establishments and carried out by a single medical team on the same site, the Centre Hospitalier de Lens, enables operational activities and costs to be shared.

Marseille: Shared use of a positron emission tomograph ("PET")

Within the framework of a GCS, the Institut Paoli-Calmettes and the Centre Hospitalier Privé Clairval have been sharing a PET since 1 January 2005, located in the institute, the cost of which was shared between the two structures. This partnership provides the population of the Bouches-du-Rhône with a PET that is completely dedicated to oncology.

Saint-Tropez: health centre shared between the Public Hospital Sector and the Private Hospital Sector

According to the terms of a partnership, the Clinique de l'Oasis and the Centre Hospitalier de Saint-Tropez, with the support of the regional hospital agency, have created a health centre in the Gulf of Saint-Tropez which brings the two establishments together and is based in a new construction on land acquired by the Centre Hospitalier near Gassin.

Haute Savoie:

- *sharing of interventional cardiology site between two clinics and the Regional Hospital Centre (CHR)*

This partnership, which groups the Polyclinique de Savoie, the Clinique du Lac et Argonay and the CHR d'Annecy in the same GCS, has provided the population of the Haute Savoie with a state of the art interventional cardiology site since 1st February 2005, the costs of which were shared.

- *partnership between the Clinique d'Argonay and the Centre Hospitalier de la Région d'Annecy (CHRA)*

Cooperation agreement aiming on the one hand to guarantee treatment and continuity of patient care in the CHRA intensive care unit, and, on the other, to maintain the continuous surveillance unit in the Clinique d'Argonay.

Gien: general sharing of activity between the Public Hospital Sector and the Private Hospital Sector on a restructured public site

The Centre Hospitalier and the Polyclinique de Gien are in the process of combining, which will enable all the healthcare facilities for the urban area to be based on one site.

Polyclinique d'Aguiléra: organisation of the handling of interventional cardiology with the Centre Hospitalier de la Côte Basque, amongst other things

Institution of a GCS formed in 2006 with the objective of providing permanent care in the Bayonne health area and eventually (in 2009 to 2010) creating a cardiology centre of excellence on the hospital site.

CHP Claude Galien:

- *relay contract with the Centre Hospitalier Intercommunal de Villeneuve-St-Georges*

Since 1999, in order to satisfy regulatory requirements relating to the reception and treatment of emergencies, the Centre Hospitalier Privé Claude Galien having authorisation to provide emergency services formalized a "relay" contract with the CHI of Villeneuve-St-Georges, which had the "reference" services, medical skills and the human and technical resources necessary for the emergency treatment of patients.

- *partnership agreement with the Groupe Hospitalier Pitié-Salpêtrière*

In 2002 the two facilities set up cooperative and collaborative measures aimed at developing kidney transplant activity.

Clinique Cesson-Sévigné:

- *partnership with the CHU de Pontchaillou*

A collaborative partnership has been set up between these two facilities concerning specific activities: cardiology, ophthalmology, urology, and intensive care

- *relay contract with the Centre Hospitalier de Rennes*

Clinique du Parc-Croix:

- *complementarity agreement with the Centre Hospitalier de Roubaix*

This partnership organises the transfer of hospitalised patients at the Clinique du Parc-Croix to the CH de Roubaix, which has a medical and surgical intensive care facility.

- *shared operation and management of a PET with the Centre Hospitalier Régional Universitaire de Lille amongst others*

A partnership was formalised in the form of a Health Cooperation Group set up in 2002 with the CHRU de Lille and three other private healthcare establishments

- *participation in a "mother-child" health network formed with the CHRU de Lille and the Centre Hospitalier de Roubaix amongst others*

This structure was formed in 2001 to improve and organize the treatment of mothers and children.

Clinique du Parc - Saint-Lazare: complementarity agreement with the Centre Hospitalier de Beauvais

The objective of this partnership is to organise and determine the transfer conditions for patients from the Clinique du Parc St Lazare to the CH de Beauvais, which has the necessary skills and resources in urology.

Public service concession

For the carrying out of public hospital services, some of Générale de Santé's establishments have entered into public service concession contracts with the regional hospital agencies, in particular for surgery and emergency surgery (Clinique Jeanne d'Arc in Gien, Clinique de l'Oasis in Gassin).

6.1.7.2 *Public/private partnership in Italy*

The management of the Omegna Public Hospital was entrusted to the Group in 2002. In consultation with those responsible for local health policy, Générale de Santé decided to requalify the establishment's activity by specializing it in orthopaedics and related disciplines (physical rehabilitation, neurosurgery, plastic surgery) while at the same time maintaining outpatient surgery activity and medicine internally so as to meet local requirements in terms of the range of healthcare.

The centre is thus managed by a mixed public/private company "Coq S.p.A", 51% of which is owned by the public Italian structure Asl Vco 14 and 49% of which is owned by the Group, which is responsible for the organization of care, administration and ordinary and extraordinary maintenance of the entire structure.

6.1.8 Environment and sustainable development

Operating costs linked to the environment were about €30.6 million for the year ended 31 December 2008, against €28.1 million for the year ended 31 December 2007. They include the management of water, energy and waste.

The table below presents some figures giving an indication of the Group's impact on the environment for the year ended 31 December 2008:

	Thermal Power		Electrical Power	Water	Waste
	Amount in thousands of cubic meters	GWH	GWH	Amount in thousands of cubic meters	Amount in thousands of tonnes
TOTAL 2006	3,277.5	106.2	121.9	2,031.5	8.0
TOTAL 2007	3,499.9	122.1	143.7	1,967.4	8.3
TOTAL 2008	4,374.9	148.9	158.2	2,024.3	9.8

6.2 EXTRAORDINARY EVENTS

None

6.3 DEPENDENCY FACTORS

See paragraph 4.1 and the description of risks related to the appropriateness, the costs and the availability of insurance coverage and those related to the data systems providers.

6.4 LEGAL AND REGULATORY FRAMEWORK

Générale de Santé conducts its business in a highly regulated environment which aims at streamlining the healthcare offer on French territory, ensuring its quality, and controlling the evolution of healthcare expenses.

Further, in order to maintain the highest possible standards of hygiene, safety and environmental stewardship, private for-profit healthcare centres are subject to a wide range of technical standards relating to, among other things, waste management.

General characteristics of the French healthcare system	Health insurance system: <ul style="list-style-type: none"> - private practice of medicine; - fee-for-service system; - freedom for patients to choose their physician.
Healthcare expenditure as a proportion of GDP	Healthcare spending = 11.13% of GDP ^(*)
Total number of specialized private practitioners in France in 2004	203,487 ^(*)
Status	Private practitioners
Remuneration	Fee-for-service system
Number of public and private sector hospital beds in 2004	
Breakdown of beds	49,475 79.35% public hospital sector 20.65% private hospital sector
Reimbursement of care	Subject to accreditation by Regional Hospital Agencies
Regulation—Resource allocation	Administrative authorizations to be obtained (healthcare provision—sophisticated medical equipment) Budget control program is based on global annual allocations (OQN)
Public Hospital Sector beneficiaries	Open to all No payment by patient, except for ancillary medical services
Fee schedule	Standard national fee per medical act

(*) source: DREES

6.4.1 Health Planning—Authorization Regime

To ensure optimal delivery of healthcare throughout the French territory, law no. 70-1318 of 31st December 1970 implemented a health planning system based on a national healthcare map, which divides France into regions and provides for an inventory of medical equipment in each region. The health planning system was subsequently decentralized to RHAs by the provisions of government order no. 96-346 of April 24, 1996. RHAs are staffed by local public representatives and health insurance agencies. The RHA oversees health planning, controls the delivery of healthcare at the regional level and coordinates the activity of public and private hospitals.

Law no. 91-748 of July 31, 1991 added to the quantitative approach retained in 1970 by introducing a new planning tool, the Regional Health Care Plan ("RHCP"), which was intended to add a qualitative component to the healthcare map. Government order no. 2003-850 of 4 September 2003 subsequently abolished the healthcare map and established the RHCP as the unique tool for health planning. However, it was decided that the provisions of the healthcare map in force prior to the publication of the government order would remain applicable to healthcare institutions, medical care and sophisticated medical equipment pending publication of the new RHCP governing these activities and resources during a transitional period ending 31 March 2006 at the latest.

The RHCP is established by the director of the RHA and is reviewed by a regional healthcare organization committee comprised of representatives of regional administrative authorities, healthcare and non-healthcare professionals and representatives of private healthcare centres. The RHCP evaluates the healthcare requirements of the population over a five-year planning cycle by assessing the capacity of existing healthcare provision to meet future requirements in each region. The RHCP can be revised, in part or full, at any point during the planning cycle. It sets quantitative targets for healthcare provisions in each region in terms of medical services and sophisticated medical equipment, decides on the opening or closure of medical services and/or sophisticated medical equipment, and determines the changes, horizontal collaborations and linkages to be implemented to achieve planned objectives.

Implementation of the RHCP requirements (together with the requirements of the healthcare map prior to its abolition) and the regulation of healthcare provisions in relation to the RHCP requirements is ensured through a mandatory pre-authorization procedure which is supervised by the RHAs and applies to all medical activities. Authorisations are not only required for the operation and location of public or private healthcare facilities, but also necessary to perform upgrades, such as the extension, renovation or grouping of healthcare facilities or the installation of specific types of sophisticated medical equipment.

The government ruling of 4 September 2003 greatly simplified the authorization regime. The existing authorization system, which was based upon bed capacity or admission capacity for each medical activity over timelines of five to 10 years, has been replaced with specific authorizations for each type of medical activity. The conditions and objectives attached to authorizations have been simplified and are defined for a period of five years at the time the authorization is granted. Authorizations are automatically renewed at the end of each five-year period. As a transitional measure, the government order of 4 September 2003 allows healthcare institutions to continue operating under existing authorizations until expiration. By treating medical activities and admission capacity separately, the new authorization regime has provided greater flexibility for healthcare institutions and allows them to cope more effectively with seasonal variations in activity.

Authorisations to operate are granted and renewed subject to the following conditions:

- Projects must: (i) satisfy public health needs identified in the RHCP; (ii) be compatible with the RHCP objectives; and (iii) satisfy criteria relating to the location of facilities and technical criteria in regards to the operation of medical facilities;
- Authorisations are also conditional upon (i) compliance with undertakings relating to health insurance expenditure and/or volume of medical activity; and (ii) the successful completion of assessments designed to evaluate whether the results of medical activities or the utilization of sophisticated medical equipment complies with RHCP objectives; and
- Lastly, authorisations may be subordinated to (i) special public health considerations; (ii) undertakings to implement collaboration measures designed to pool resources or ensure continuity of healthcare; or (iii) the undertaking to conclude a concession agreement for the provision of public hospital services.

In addition to authorisation requirements, healthcare institutions must also commit to contractually agreed objectives and resource allocations. These are established by the RHA and include quantitative targets for medical activities and/or medical equipment subject to authorization, as well as quality assurance targets and safety goals. Where objectives are not agreed within three months of issuance of an authorization, the RHA unilaterally sets quantitative targets.

6.4.2 Quality Assurance—Accreditation Regime

In addition to the creation of RHAs, the other key innovation of the healthcare reforms put in place as a result of the governmental ruling of 24 April 1996 was the introduction of assessment and accreditation procedures for healthcare institutions.

6.4.2.1 *Assessment of Healthcare Institutions*

Healthcare institutions are required to evaluate their professional standards of practice and the effectiveness of their healthcare organization. The aim for assessment is to ensure the safety of healthcare institutions, the quality of patient care and the effective regulation of healthcare provision.

To analyse their activity accurately, healthcare institutions are required to implement a medical information system for the purposes of statistical reporting, and to allow the construction of a database of information on patients' pathologies and modes of reimbursement, which is compliant with medical privilege and patient confidentiality.

For this purpose, the PMSI was made obligatory and rolled out to all healthcare institutions in France. Institutions are required to classify and provide information from patient medical records and store this data in a database. Similarly, when referring patients for hospitalisation, general practitioners must transmit medical data required for the monitoring and analysis of medical activity to the doctor in charge of medical information systems for the healthcare institution. Anonymous data on medical activities performed in healthcare institutions and on operational resources is transmitted by the directors of healthcare institutions to the health and social security authorities at the national or regional level and to health insurance authorities and RHAs.

Information from the PMSI database is used to formulate and amend the RHCP, to evaluate the quality of healthcare services and measure the activities performed by each institution for the purpose of resource allocation. Lastly, the PMSI database is also used to perform cost comparisons between healthcare institutions and to streamline the provision of healthcare.

Besides, the rollout of the PMSI program to healthcare institutions helped to pave the way for the deployment of T2A (see paragraph 6.4.3).

6.4.2.2 *Accreditation of Healthcare Institutions*

Public and private healthcare facilities are subject to regular inspection by external accreditation bodies. Certification. Accreditation procedures are supervised by the Haute Autorité de Santé ("HAS"), and provide an independent assessment of the quality of patient care based upon performance indicators, assessment criteria for procedures, professional practice frameworks, good clinical practices and the results of each department and activity area of the healthcare facility. These assessments also take into account measures taken by healthcare facilities to uphold patients' rights along with feedback from patient satisfaction surveys.

The accreditation procedure must be finalized by all public and private healthcare institutions by the end of 2006.

At 1st January 2009, 58 facilities had been certified by HAS on version V2007 and 10 facilities had their visit in the second half of 2008 and are awaiting their results. Générale de Santé does not expect to face any major difficulties to obtain certification for all its facilities.

6.4.3 Regulation of Health Insurance Expenditure and Hospital Fees

In order to regulate health spending, a national health spending objective ("ONDAM" in the French abbreviation) is set each year by the Social Security Act. The ONDAM is designed to finance national health spending covered by health insurance and is used by the authorities to define the following objectives for healthcare facilities:

- Common annual targets for health insurance expenditure for medical, surgical, obstetric and oncology wards and a financing allocation for public service roles and contracting promotion schemes ("MIGAC"). For acute care wards, the Minister of Health and Social Welfare defines a national schedule of fees which is used to calculate the share of costs not covered by social health insurance, as well as the annual budget allocations for activities such as emergency care, dialysis etc.;
- The Quantified National Objective ("QNO") for the activities of psychiatry, long-term care and rehabilitative care wards, corresponds to the annual budget allocation for the Private Hospital Sector care reimbursed by social security (excluding private practitioners' fees, which are governed by a separate budget allocation). The conditions for setting prices for that segment are set each year by the State. They determine the average evolution of prices for these services at the nationwide scale and in each region. Based on this national budget, an allocation is distributed at the regional level by the RHAs, who set the annual revisions for the healthcare tariffs of each hospital operating under the QON regime.

Law no. 2003-1199 of 18 December 2003 on social security funding for 2004 set a timetable for the progressive adoption of a common funding system for public and private hospitals based upon the procedure- and activity-based fee model ("T2A »). This reform sets out to facilitate the comparison of public service-related costs for medical activities performed by public and private sector operators in the competitive market, and also to foster the gradual convergence of tariffs between public and private operators.

T2A aims to establish a direct link between the nature of the hospital's activity and the revenue generated. Notwithstanding this, budget-based allocations have been retained for the funding of public service activities.

T2A distinguishes between three categories of medical activity or procedure:

- Certain activities have been classified as a consistent group of patients that served as basis for classifying cases handled in consistent stay groups. A standard fee is applied to each DRG and this fee may be adjusted (e.g., supplements to daily base rates) to take account of case-mix variance or to provide for reimbursement of activities that are not adequately recognized by the classification (such as resuscitation, long-term hospital stays or palliative care);
- Activities not included in the DRG system are funded through service tariffs or fixed payments. Consultations, medical care and outpatient consultations are financed by service tariffs which are determined according to a specific classification using the existing standard national fee per medical procedure and fixed technical fees (scanner, MRI, recompression chamber, PET scan), home care (variable daily rate) and chronic renal failure treatment (service fees). Organ retrievals are funded through an annual budget allocation. Lastly, emergency care (including emergency care without hospitalisation) will be paid through a mixed system of annual budget allocations and DRG fees per discharge;
- Expensive drugs and medical devices (implants) are reimbursed according to specific national tariffs.

Under the T2A system, direct funding is provided for public service activities (such as research, teaching and innovation) and contracting promotion schemes (investment subsidies, funding to ensure the quality of healthcare provision and financial support for healthcare centres in remote areas provided by RHAs under contractually agreed multiyear targets and agreements).

The new payment system is intended to cover all public and private healthcare institutions with authorization to deliver acute care, without making distinctions between the type of care provided (e.g., hospitalisation with or without accommodation, home care, consultations and outpatient care). Where healthcare institutions are authorized to provide after-care, rehabilitation or psychiatry, T2A applies exclusively to acute care. Thus, the activities of after-care, rehabilitative care and psychiatric wards are not yet funded by T2A, even if they ultimately will be, depending on their activity (when the medical information is deployed there).

The T2A system was launched in private hospitals on 1 March 2005. A transition period has nevertheless been introduced, and will include individual adjusting coefficients for healthcare institutions to ensure that the measure has no economic impact for institutions in the first year of application. These adjusting coefficients will be progressively phased out before the end of the transition period in 2012. The timeframe for phase-out of adjusting coefficients is identical to that for public hospitals.

The T2A system was phased in more slowly for public hospitals. Under the reform program, the funded share based on activity met the 100% target in 2008.

The adoption of T2A will have several consequences for health authorities, among them: (i) increasing the accountability of healthcare professionals while providing incentives to adapt facilities and adopt medico-economic planning tools for healthcare provision; (ii) making public and private healthcare systems more easily comparable for benchmarking purposes and, in turn, enabling future cooperation.

6.4.4 **Hygiene and Safety Regulations**

Générale de Santé places particular emphasis on ensuring that its facilities implement internal procedures to measure the results of hygiene and safety management efforts. In this area, it has implemented a Vigilance and Risk Monitoring Committee ("COVIR" in the French abbreviation) with responsibility for gathering information at regional and national levels. Générale de Santé also monitors the results of the actions it has implemented to ensure the safety of its healthcare facilities.

Générale de Santé is satisfied that its healthcare facilities comply with applicable hygiene and safety regulations. It has no knowledge of any complaint made against its facilities involving a breach of health and safety regulations.

6.4.4.1 **Safety Controls**

Healthcare facilities in France are governed by legislation regarding buildings open to the public. In addition to general risks in connection with receiving, accommodating and catering for patients (the public), healthcare facilities are also exposed to special risks relating to the procedures and products used within them.

A number of standards have been established to prevent these risks, among them:

- General regulations applicable to classified installations (Articles L. 511-1 et seq. of the French Environment Code), fire safety (e.g., Decree no. 73-1007 of 31 October 1973, ministerial order of 25 June 1980, ministerial order of 23 May 1989 and/or ministerial order of 10 December 2004 on fire safety guidelines for U-class healthcare facilities; Hospital Bureau memorandum no. 4 of 24 January 1994) and electrical safety (Decree no. 88-1056 of 24 November 1988);
- Protection against health hazards associated with exposure to asbestos in constructed buildings (amended Decree no. 96-97 of 7 February 1996), against risks associated with exposure to biological agents (Decree no. 94-352 of 4 May 1994) and against ionising radiation (Decree no. 2002-460 of 4 April 2002); and
- Use of hot sanitary water (Health Affairs Department memorandum no. 97/311 of 24 April 1997 on the surveillance and prevention of Legionellosis; Health Affairs Department memorandum no. 98/771 of 31 December 1998; on situations and guidelines for the use of water in hospital environments) and use of medical gases (Decree no. 94-144 and decree no. 99-145 of 4 March 1998 Health Affairs Department memorandum/3A/667 bis of 10 October 1985).

In accordance with legislation on buildings open to the public, the Group's healthcare centres are inspected at regular intervals by local or departmental fire safety commissions to assess compliance with fire safety regulations and applicable standards. These commissions are also required to perform fire safety inspections in the event of significant alterations to healthcare premises, where bulky equipment or materials are installed or where premises are temporarily reorganized to accommodate construction or renovation work.

6.4.4.2 *Infection Surveillance*

The fight against nosocomial infections has become a major public health issue in recent years, insofar as some 5.6% of patients report nosocomial infections after leaving the hospital (source: 2006 Survey on Incidence of Nosocomial Infection in France).

All private healthcare centres are required to appoint technical committees on nosocomial infections ("CLIN") and to establish hospital hygiene teams (EOHH). All Group facilities have had their own CLIN and a team in charge of hygiene for many years. These are coordinated at the Group head office by the specialist physician attached to the Risks Department. Each CLIN is in charge of preparing an annual action program to fight nosocomial infections, coordinate the action of the facility's professionals and establish an annual report of actions taken to fight those infections.

The activity assessments of the CLINs (committees on nosocomial infections) and of the operating hygiene teams of all French healthcare establishments are analysed in detail and rated, all scores being available on the French Ministry of Health's website.

The purpose in publishing these scores is to ensure transparency towards users, and to allow for the elaboration of indicators that will help assess the progress of the prevention of infection risks within the facilities.

The first indicator published in 2006 (on the data of the 2004 assessments is the ICALIN score: Composite indicator of struggle activities against nosocomial infections (Indicateur Composite des Activités de Lutte contre les Infections Nosocomiales). The results of that score are rated on a 100-point scale and broken down into 5 classes from A to E.

Since 2006, the ICALIN score has been supplemented by three new indicators:

- ICSHA: Composite indicator of the use of hydro-alcoholic solutions (Indicateur Composite d'Utilisation des Solutés Hydro Alcooliques) per thousand days of hospitalisation. This is an indirect marker of the actual implementation of the hygiene of hands, a fundamental measure for the prevention of nosocomial infections;
- ICATB: Composite indicator of the proper use of antibiotics (Indicateur Composite du bon usage des Antibiotiques);
- SURVISO: Surveillance indicator of infections on operation sites (Indicateur de Surveillance des Infections de Sites Opératoires). This is a marker of the practices targeted at controlling infection risks in surgery. It helps assess the frequency of post-surgery nosocomial infections.

To help the general public understand these scores, for the first time in 2008 an **aggregate score** was introduced, summarizing the 4 weighted indices (ICALIN, ICSHA, ICATB, SURVISO).

On 21 January 2009, the Health Ministry published on its website the results achieved by all French facilities. Significant progress has been achieved by Générale de Santé's facilities compared to the previous ranking. Indeed, the Group's consolidated data are as follows:

- 9 facilities are ranked (A) for their aggregate scores, against 2 in 2008
- 39 facilities are ranked (B) against 18 in 2008
- 33 facilities make progress in the national ranking.

In order to strengthen the skills of the medical and para-medical teams in terms of the prevention of infectious risks, the Group's Risk Department organizes each year a conference (10th edition in 2008) gathering some 100 CLIN Chairmen. In parallel, a specific training designed for the Group's nurses specializing in hygiene was organized for the first time in 2008.

Besides, the Group's Risk Department coordinates a specific arm in charge of the monitoring, early-warning and investigation about infectious risks within the Group's facilities in close cooperation with the health authorities and the CCLINs (Centres for the coordination of the fight against nosocomial infections, Centre de Coordination de lutte contre les Infections Nosocomiales). Prevention actions against infectious risks, including a specific programme for the control of multi-resistant bacteria, for the prevention of infections carried by the hands, and specific supervision of post-surgery infections, is now being implemented throughout the medico-surgical clinics of the Générale de Santé Group.

6.4.4.3 *Blood Surveillance*

Blood surveillance is "the systematic monitoring of the transfusion chain, from the collection of blood and its components to the subsequent follow-up of recipients," as defined in article L.1221-13 of the Public Health Code.

The blood surveillance system is based on the following elements:

- The French Health Products Safety Agency ("AFSSAPS"), is in charge of implementing the blood surveillance system: Its role is to define the objectives and coordinate the activities of the different players. It ensures that monitoring procedures are respected and takes all measures necessary to safeguard the blood supply and/or refer matters to the appropriate authorities;

- Blood surveillance coordinators are appointed by the directors of public/private medical facilities and blood transfusion centres, and are responsible for supervising blood surveillance procedures within their facility and reporting any unexpected or undesirable effects arising from the administration of labile blood products; and
- At the regional level, a regional blood surveillance coordinator supervises the regional blood surveillance system and reports to the appropriate authorities.

Générale de Santé has deployed a continuous improvement process for blood transfusion safety and blood surveillance. This is supported by a permanent monitoring and early-warning system which covers the entire transfusion chain, from blood donor to transfused patient. Its purpose is to report and record serious adverse effects of transfusions, to prevent reoccurrence and to ensure the traceability of blood products.

Since 2007, and in accordance with applicable regulations, Group facilities report to AFSSAPS all the serious incidents that occur in the blood-transfusion chain, that is all incidents that took place at one of the stages of the transfusion process, whether or not there has been actual transfusion. To achieve that, Générale de Santé relies on its experience in that area to take an active part in the elaboration of national tools for the analysis of such incidents.

Since 1995, Générale de Santé has implemented a common transfusion incident reporting system for its healthcare centres, thus ensuring the complete traceability of blood products. In addition, a code of practice for transfusion therapy and an information brochure for patients were developed in 1997 and updated in 2001. To further improve the traceability and management of stocks of blood products in blood banks, the Group has implemented a software solution for acute care clinics which automates the tracking of blood, from the initial transfusion request through to outpatient care and laboratory examinations. The software was deployed between July 2002 and May 2004. Générale de Santé is the first healthcare provider in France to have implemented an information system that ensures end-to-end traceability for the blood surveillance network.

Within the Group's healthcare centres, more than 40,000 blood product units were transfused to 11,000 patients. In 2005, Générale de Santé maintained the rate of transfusion incidents at 1.6 per 1,000 transfusions, which is in line with national data.

Each year, Générale de Santé gathers all of its blood surveillance correspondents in order to ensure ongoing training and share experience and knowledge. Through that network, Générale de Santé intends to harmonise its practices and take part in the ongoing improvement of patient care.

6.4.4.4 *Pharmaceutical Surveillance*

The purpose of pharmaceutical surveillance is to record and evaluate all serious adverse, unexpected or toxic reactions to drugs (and medicinal substances such as blood-derived products) after the drug's market launch.

At the national level, the pharmaceutical surveillance system is implemented by the French Health Products Safety Agency ("AFSSAPS"), which is assisted by a national pharmaceutical surveillance commission, and is coordinated at local level by regional pharmaceutical surveillance centres.

The contract for the proper use of drugs has further emphasised risk management. Within each healthcare institution, a Drugs and Sterile Medical Devices Committee ("COMEDIMS) is appointed to define pharmaceutical surveillance policies for drug and sterile medical devices and to combat iatrogenic adverse effects within healthcare facilities. In addition, healthcare professionals are required to report any serious or unexpected undesirable reaction to a drug or product to the regional pharmaceutical surveillance authority.

Within the Group, a network of clinical pharmacists has been set up to supervise pharmacy-related activities, pharmaceutical surveillance and medical device surveillance.

This network disseminates information on every undesirable, adverse or unexpected effect that may be attributed to the use or misuse of drugs (or medicinal substances such as blood-derived products) or sterile medical devices (single use or not) to clinical pharmacists who draw up a report for transmission to the regional pharmaceutical surveillance authority.

Finally, the Group's pharmacy department operates a rapid alert and early warning system for Générale de Santé, which is accessible to the Group's clinical pharmacists via instant messaging and a dedicated intranet.

6.4.4.5 *Biological Surveillance*

Biological surveillance procedures are designed to monitor incidents and risks and to prevent undesirable effects relating to human body elements and products used for therapeutic purposes, to human-derived products other than medicines, to medical devices incorporating human body elements and products and to ancillary therapeutic products.

AFSSAPS is responsible at the national level for implementing the biological surveillance system and is assisted by a national biological surveillance commission.

Each healthcare centre must appoint a local biological surveillance correspondent with responsibility for alerting the appropriate authorities of any incident or undesirable effect in order to conduct apposite examinations and investigations.

Within Générale de Santé, biological surveillance activities essentially concern corneal transplants, which are performed in specialist ophthalmology facilities. No accident has been reported to date.

6.4.4.6 *Medical Device Surveillance*

Medical device surveillance procedures are designed to monitor incidents and risks relating to the use of specific medical devices after their market launch, as defined in article 5211-1 of the Public Health Code.

This monitoring activity is organized in much the same way as blood surveillance and pharmaceutical surveillance, and imposes reporting obligations on local correspondents (generally pharmacists and biomedical engineers) who are appointed within each medical facility to monitor medical devices. Any incidents, risks or discrepancies relating to medical devices must be reported to the manufacturer of the device and to AFSSAPS.

One medical device surveillance correspondent per facility is registered with AFSSAPS, in accordance with a regulatory process.

6.4.4.7 *Reagents*

Law no. 94-43 of 18 January 1994 and no. 98-535 of 1 January 1998 established medical safety standards for other monitoring activities, including reagents used by biomedical laboratories and reagents used in pathological anatomy and cytology examinations.

6.4.4.8 *Use of Ionising Radiation*

Articles L. 1333-1 et seq. of the Public Health Code, which transposed the EC directives 96/29 and 97/43, established procedures governing the use of ionising radiation, including in medical treatment (including diagnostic radiology, radiotherapy, nuclear medicine). The enactment of Decree no. 2002-460 of 4 April 2002 extended the scope of these provisions to medicine.

Regulations governing the use of ionising radiation set limits for human exposure to ionising rays and imposed an obligation to report any incident or accident that could adversely affect human health through exposure to radiation.

6.4.5 **Medical Waste Management**

Within a series of legal provisions that transpose the European provisions in terms of waste (Directive 2008/98 of 19 November 2009), the regime of waste from healthcare activities ("D.A.S. or "déchets des activités de soins") is governed by Articles R. 1335-1 to R1335-8 of the Public Health Code which, after defining the notion of medical waste, covering in particular waste arising from diagnosis, monitoring and preventive, curative or palliative activities in the field of human medicine, and those from medical research and training, defines the conditions for their processing. The installations used for the collection, storage and pre-treatment of medical waste are governed by the Public Health Code and not by French law on classified installations. The waste producer (i.e., the healthcare facility) is directly responsible for the disposal of its waste and is required to sign a formal contract with a waste collection and disposal contractor. The French Ministry of Health and Ministry of the Environment determine the mandatory terms and conditions to be incorporated in such contracts, together with the documentation requirements for traceability of waste collection and disposal operations.

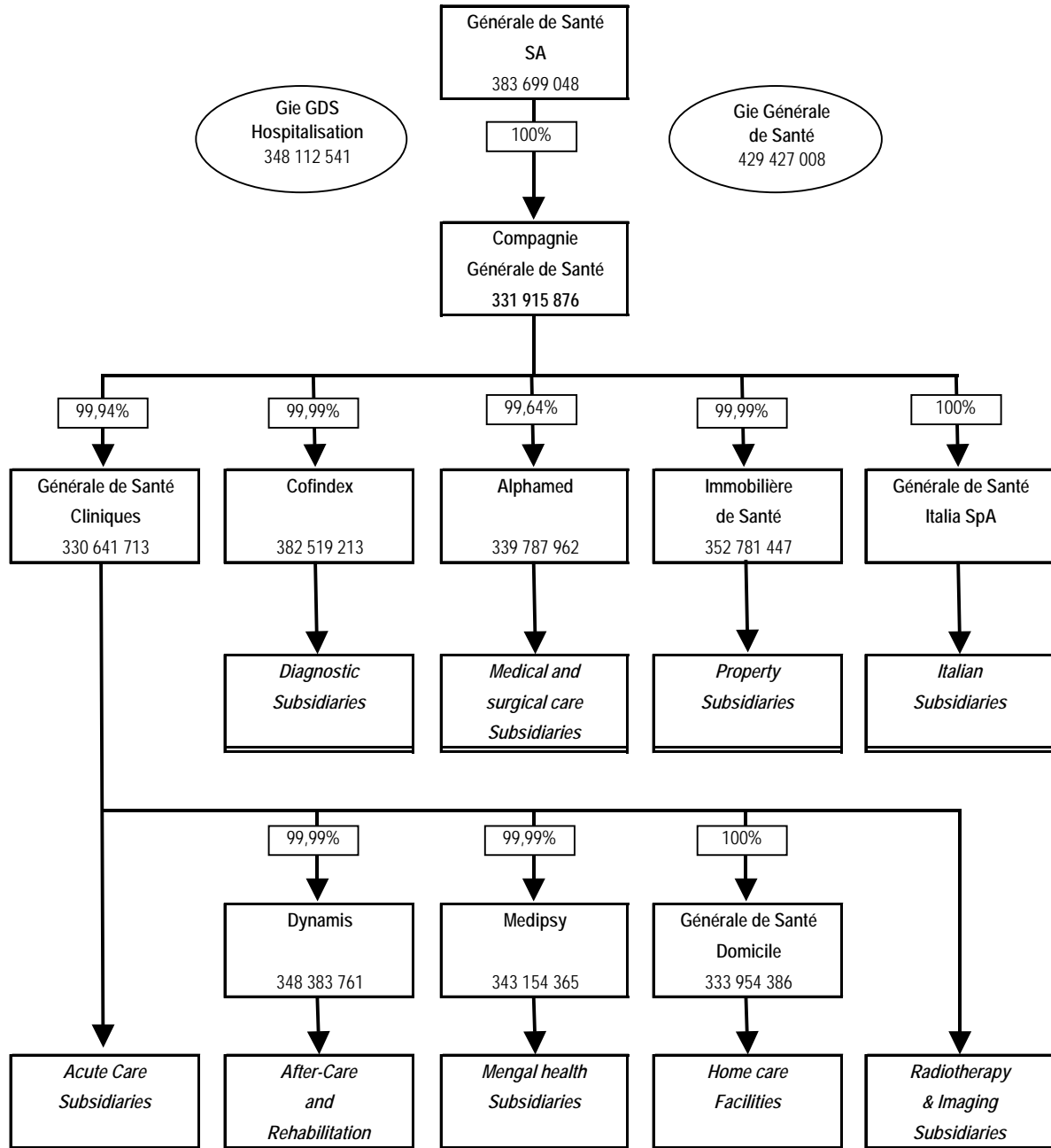
Under the Public Health Code, healthcare facilities are required to implement specific procedures for separating potentially infectious or hazardous medical waste from other medical waste, and must comply with strictly regulated disinfection and incineration procedures. Furthermore, the transportation of medical waste for treatment outside hospital facilities is governed by the same requirements as those applying to the transport of hazardous goods and materials. Medical waste tracking forms must be completed by healthcare facilities each time waste is transported.

Private Hospital Sector facilities generating medical waste are required to conserve records of contracts entered into with waste disposal contractors ("**DDASS**") and documentation used to track and monitor the treatment of medical waste.

CHAPTER 7

ORGANISATION OF THE GROUP

The organizational chart below represents the simplified organizational chart of Générale de Santé's main subsidiaries as of the date of this offering circular.



The Company does not have any individual economic activity, but rather holds directly only one subsidiary, Compagnie Générale de Santé, which holds subsidiaries in France and in Italy, representing a total of 280 consolidated entities.

The Group's operational subsidiaries are organized according to business area under the Company's intermediary holding companies, as indicated in the organizational chart above. Except in rare circumstances, each operational subsidiary holds and operates one of the Group's institutions. The Group's latest acquisitions are described in paragraph 5.2.

The Group's real estate holdings are held either:

- by direct ownership of land and buildings by a real-estate subsidiary (an "SCI") or by operating companies (sociétés d'exploitation);
- by indirect ownership, through the financing of rentals of property holdings contracted by SCIs or by the institutions;
- business property rents, most of which are subjected to the commercial lease system.

Each of the Group's institutions functions under its own responsibility and has to respect certain organizational criteria, as well as certain criteria related to the quality of care and reporting. In this respect, each establishment's director commits to follow a three-year regional strategic plan, to operate subject to an annual operational and investment budget, and to respect the Group's procedures (including annual and monthly, labour and tax-related reporting, as well as communications and crisis management). Each director maintains a certain management autonomy in this regard. In the acute care area, each director reports to a regional director who is responsible for relations with supervising authorities. In other sectors, each director reports directly to a national supervisor.

The coordination needed to maintain a centralized policy within the Group led to the establishment of specific tools for the management and coordination of each institution. Directors serve on different committees (for example, the investment committee, the scientific committee and the label committee); branch-specific committees also exist, reuniting regional operational supervisors and functional services representatives, thereby permitting the organization and assurance of effective and coherent policy-making within the Group as a whole, as well as specific promoting policies related to investment, scientific excellence, and quality.

Economic Interest Groupings

In order to better coordinate the Group's activities, two Economic Interest Groupings ("GIEs" in the French denomination) have been established: the GIE Générale de Santé and the GIE Générale de Santé Hospitalisation. These represent centralized management structures in charge of counselling and assisting the different subsidiaries of Générale de Santé. They also facilitate the solicitation of the best external specialists in order to provide expertise and counselling to all of the Group's entities. The GIEs make use of outside service providers for legal advice, marketing and communications, quality-related endeavours, risk management and medical communications (the Medical Information Systems Program, or the "PMSI").

The Company joined in the creation of the GIE Générale de Santé on 1 January 2000, and has been a member of this GIE since. This GIE's activities are very broad, including the general operations of all services relating to financial management, such as investments, consolidation, insurance, and investor relations, and also relating to organisation, information, accounts, management control, legal advice and communications. The GIE also aims at carrying out operations related to this pooling of services, to the benefit of its members and any other company, in accordance with the targets set out in the Order of 1967, now formalised in Articles L251-1 et seq. of the Commercial Code.

The Group's main holding companies are members of this GIE jointly with the Company. As such, the Group's main holding companies must contribute annual membership fees in order to facilitate the GIE's functioning, as the GIE was established with no initial capital contributions. The GIE's internal regulations also provide that additional costs linked to previously executed transactions are to be divided among all members, under a formula derived according to the nature of such costs and according to each member's use of the GIE's different services. The GIE's members are jointly and severally liable for its debts, and such liability extends to each member's capital. The GIE's members may be asked to provide material or human resources if such demands are provided by specific agreement to that effect.

The GIE Générale de Santé Hospitalisation is also a member of the GIE Générale de Santé, and has the same characteristics as the GIE Générale de Santé. Its activity, its bylaws and its internal rules are very similar as those of the GIE Générale de Santé. However, its members are different, as it is composed of health care establishments. The GIE Générale de Santé Hospitalisation, which was set up in 1992, develops and manages human resources and practitioner relations for the benefit of its members, within the information technology management sector.

Acquisitions Department

Générale de Santé continually coordinates and optimises its purchasing, having created a specialized department to this end. The department, which integrates an ongoing quality improvement policy in its area of specialisation, has been awarded ISO 9001 V.2000 accreditation. The total of the Group's purchases in 2008 neared €550 million (all types of purchases included).

The goals of this department, which consists of 17 employees at headquarters, include:

- Centralising the sourcing, negotiations and management of databases containing information about goods and established service providers. This goal is achieved with the help of integrated management software, which has been deployed throughout the Group's facilities. All negotiations are led by the market supervisors of purchasing directors, which has freed the institutions' purchasers of the constraints and costs linked to such negotiations.
- Establishing a purchasing policy that allows for a long-term guarantee of the best financial terms for all of the Group's purchasing (such as medications, medical needs, equipment and services).
- Converting savings into earnings, through a distribution of data and statistics helping the institutions' purchasers to closely supervise consumption rates.
- Revitalising a standardisation program for goods used, as well as for the harmonization of storing facilities and acquisition practices.

The centralisation process has been guided by the Group's Purchasing Department, and its establishment within the Group's institutions has been aided by a regional liaison team, as well as by the use of effective means of communications. All supervisory personnel within the relevant establishments have personalised e-mail accounts, as well as access to all information and services provided by the centralized purchasing office on the Générale de Santé's Intranet server, including online product catalogues, negotiated contracts and rates, information linked to changes in regulations, and subscriptions to training sessions organized by the relevant departments.

The Purchasing Department is based within the company's headquarters, and is buttressed by a regional liaison team:

- the Medical Equipment department handles the purchase of medical equipment, such as implants and prosthetics
- the Medications department furnishes the Group's health care institutions with their pharmacological requirements (the employees of these institutions include pharmacists responsible for medications);
- the Biomedical department, which includes biomedical engineers, handles medical equipment acquisitions and services linked mainly to maintenance contracts and ensuring the consistency of services provided by outside service providers;
- the Services department handles general costs and relations with service providers, such as dining, laundry, office needs, telecommunications, energy, and maintenance of non-medical equipment, such as lifts, hygienic products and cleaning products, etc.;
- the Organisation and Development department, which was recently created, handles projects which improve the organisation of the Group's purchasing and supplies for institutions, and, as a general matter, of any transactions linked to the long-term optimisation of revenue management.

The market supervisors of the Purchasing Department are specialised according to activity sector. This structure is designed to take advantage of the complementarity of the experience and training of such supervisors, who are usually also pharmacists, physicians, biomedical engineers, logistics specialists or distribution professionals.

Cash Management Agreement

The centralized cash management system currently in place among different companies within the Group was established at the end of 1997.

Seven credit establishments manage the entire treasury of the Group. Each company within the Group must open only one bank account, and such bank account can only be opened with one of the approved credit establishments.

The accounts of all companies within the Group are managed centrally at the level of the five main sub-holding companies within the Group, including Compagnie Générale de Santé, Générale de Santé Cliniques, Immobilière de Santé, Dynamis and Médipsy, which all interact with the credit establishments in their capacity as the Group's intermediary companies.

The Group's cash management system has been established on the one hand through cash management agreements contracted among the Group's companies, one of the six main sub-holding companies and each entity's chosen credit establishment, and, on the other hand, in service contracts with the relevant credit establishments.

These cash management agreements set forth the conditions under which cash is forwarded to the companies that are parties thereto, according to their respective treasury needs.

The service contracts entered into with the credit establishments are of two types. The first are "cash pooling" contracts, which refer to the daily account consolidation of each relevant company, at the level of the main sub-holding companies. The second are agreements that merge only the account interests of the relevant company with the main sub-holding company's account. Statements for the accounts are issued each quarter.

As an exception to the above, the GIE Générale de Santé and Générale de Santé Hospitalisation accounts have been opened on the books of a different credit establishment than the ones mentioned above, and such accounts function independently according to a zero cash system.

As an exception, Italian subsidiaries have a cash position that remains independent from the French companies for its management; this is due to regulatory and tax-related reasons that are beyond the Group's control.

Group financing and financial flows

The Group's financing is ensured by internal resources from the shareholders and the profits accumulated by the Company, as well as debt taken out under conditions covered with more details in Chapter 10 (see paragraph 10.2.1.2).

The operating structures of the financial ties between the Company, the sub-holding companies, and the subsidiaries consolidated with the Group, belong to three different categories:

- capitalistic structures, governed by common law on companies and taxes (dividends and others);
- financial, through current accounts; the cash agreements described above also define the nature of the parent/child current accounts and assign calculations of debit and credit interest rates on the funds borrowed. In that context, one may distinguish the so-called "structural" current accounts, related to the acquisitions of subsidiaries and the financing of restructuring investments, and current accounts related to temporary conditions, which are dependent upon the cash management of the subsidiaries and the cash poolings, and to the working capital requirement adjustments;
- current accounts between the main holding companies, which are for amounts in excess of €50 million.

CHAPTER 8

PROPERTY AND EQUIPMENT

8.1. *ANY MAJOR EXISTING OR PLANNED TANGIBLE FIXED ASSET, INCLUDING RENTED PROPERTY, AND ANY MAJOR EXPENSE RELATED TO IT*

8.1.1 **Property management policy**

a) Générale de Santé's property policy

Générale de Santé holds significant property assets to conduct its business. The Group actually holds modern property holdings, perfectly maintained and updated to reflect the latest trends in the sector regarding security, medical care and needs, in order to attract the largest number of patients under the best possible conditions.

Since 2005, Générale de Santé has redeployed its property policy in accordance with the Group's long-term strategy based on the refocusing of its core business as a provider of hospital services and an active external growth policy in terms of industrial capital expenditures and purchases of new capacities.

In that context, Générale de Santé has decided to dispose of part of its property assets in order to devote these additional resources to the development of its facilities, in particular through the acquisition of business goodwill enabling it to strengthen its regional positions with the following goals:

- ⚡ Harmonise the management of the property disposed of through the signing of negotiated lease agreements;
- ⚡ Partner with an experienced property investor to streamline the management of the buildings, and back the property aspect of its development;
- ⚡ Find a property partner able to take part in the property and financial development of Générale de Santé by harnessing the favourable prospects of the private clinics industry.

In September 2006, thus took advantage of the favourable market context for the property sector by disposing of a property portfolio to Gecimed (Gecina group) for a total price of €536 million "deeds in hand". The transaction, by the name of "Hestia", had the following characteristics:

- ⚡ 28 property assets located exclusively in France, with a total surface of 322,411 square meters, of which nearly 60% in acute care and 32 % in psychiatry
- ⚡ The signing of 28 commercial leases with firm terms ranging from 10 to 14 years for a total (triple net) rent of €32.4 million
- ⚡ A commitment to finance property works on certain buildings for €30 million, generating additional rents on the basis of a yield identical to that of the transaction.

In September 2008, Générale de Santé completed another outsourcing transaction by selling to Icade Santé (Icade Group) the walls of four acute care facilities for €201.6 million, with the following characteristics:

- ⚡ Four assets exclusively located in the Ile-de-France (Paris area);
- ⚡ Group flagship assets given their size, their competitive position on their respective health territories, the quality of their medical assets and their profitability levels;
- ⚡ A budget of nearly €36 million, entirely borne by Icade Santé, for works designed to modernise and increase the capacities of the facilities concerned.

These transactions were carried out in the context of a balanced relationship between Générale de Santé and its two partners, with the objective of providing visibility and safety to investors, in particular through the signing of a long-term triple net lease, while enabling the Group to keep the flexibility necessary in the operational management of its assets, by ensuring the delegate project management on behalf of the investors in the context of the completion of the works programme.

b) A new stage in the Group's property strategy

The Générale de Santé Group plans, for 2009 - 2013, an ambitious programme for the development and modernisation of its facilities, relying mainly on the following two factors:

- ⚡ Facilities combination projects in the acute care segment;
- ⚡ The creation of after-care and rehabilitation, as well as mental health, facilities.

These projects are perfectly in line with Générale de Santé's strategy based on the structuring of its network of facilities, with the goal of eventually having two types of facilities:

- ⚡ Reference private hospitals offering a complete set of healthcare and diagnostic services, with areas of excellence and handling assignments of general interest;
- ⚡ Smaller, specialist facilities.

This development programme will include in particular some facilities combination operations, heavy extensions and new constructions for an estimated amount in excess of €500 million over the period under consideration.

Générale de Santé considers outsourcing the construction of the walls of these new facilities and implementing an actual long-term property partnership with one and/or several investors

c) The property management policy

In order to strengthen the development of its activities, Générale de Santé implements a policy designed to streamline, modernise and improve its structures permanently, in order to best meet the sanitary requirements of its environment.

In that context, Générale de Santé undertakes major investments in order to best rationalise its network of facilities according to geographic, technical and medical criteria.

The Group carries out approximately 50 projects per year, including:
the development of new sites (facilities combinations or creations of new care units which take between two and five years);
significant restructuring projects, such as expansions (projects which take between one and three years);
small restructuring projects (between €1-5 million), which are all accomplished within the year.

In recent years, the Group has completed major investment and non-recurring programmes for the replacement, combination, and restructuring of assets. These programmes are part of an initiative to promote the growth and profitability of the assets portfolio. They have temporarily increased the level of expenditures above the recurring level of 5% to 5.5% of turnover.

The Group's real estate projects are currently managed by an established real estate team, organised in four separate groups: technical property management, project supervision, asset management, and legal property management.

Technical property management

At the head office, the technical property management team is in charge of tracking the following risks: fire safety, air-conditioning/liquids and electricity. That team is also in charge of setting up maintenance management with budget tracking and cost optimisation. It is also in charge, in connection with the legal property management, of monitoring regulatory, property, sanitary, and normative changes.

For each region and subsidiary, a technical supervisor is in charge of maintenance and compliance of the assets in cooperation with the central teams.

Project supervision

The projects are supervised by programme managers, monitored by the project director, whose role is to ensure the sound management of investments. In cooperation with the facility director concerned, they optimise the operation's programming in order to meet the requirements of the medical project while guaranteeing compliance with the technical, regulatory, and financial constraints. Once the contours and the content of projects are determined, the Group out-sources the project execution to sector specialists (architects, design bureaus and control bureaus). Générale de Santé turns to a delegate project owner when the construction is outsourced to an investor. The programme managers ensure the proper completion of operations, while making sure that everything is handled within budget and schedule.

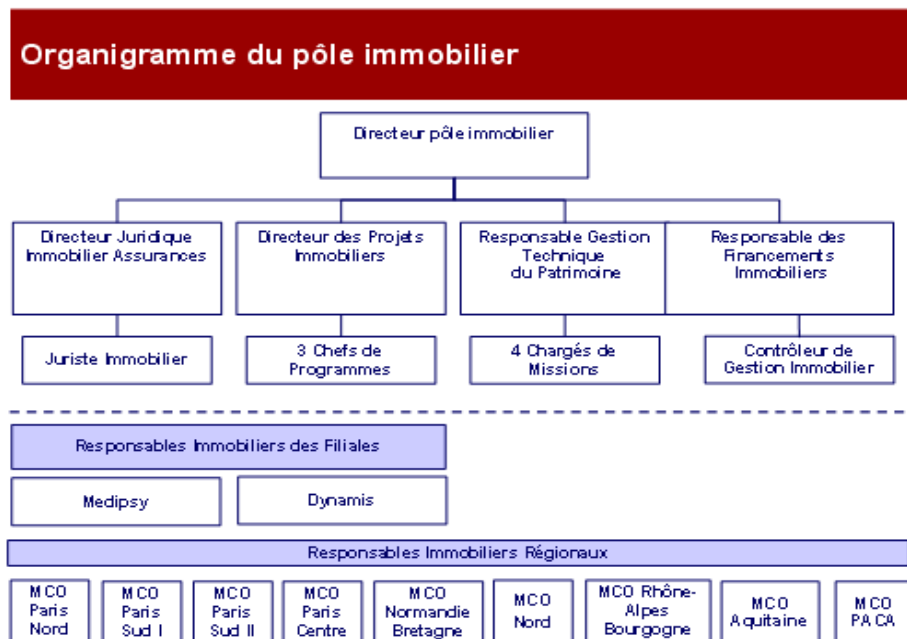
Asset management

This team optimises the financial and fiscal arrangements implemented for the property transactions, in cooperation with the Group's financial department. It negotiates the arbitration and development property transactions (acquisitions and disposals) and follows up and controls the management of rented property. It conducts adjustment campaigns in coordination with adjustors. Lastly, it controls the budgetary aspects of property transactions.

Legal property management

This entity assists the property department in setting up projects (acquisitions / disposals, construction projects, works contracts, leases) and handles the legal tracking of existing property contracts. It organises the subscription and follow-up of the insurance policies relative to the construction works and handles the related losses, if necessary, in connection with the insurance companies. Lastly, it handles all property disputes, in coordination with the lawyers.

Property department organisation chart



8.1.2 General description of the property assets occupied by healthcare facilities

Générale de Santé is the leading French private hospital operator, with 180 facilities in France, generally in densely populated urban areas.

It owns in particular 68 facilities for acute care, 19 for after-care and rehabilitation, and 23 for mental health.

Générale de Santé's facilities are spread out over a large portion of the territory, with marked concentration in ten regions: Paris and Paris area, Rhône-Alpes, Bourgogne, Nord-Pas-de-Calais et Picardie, Bretagne and Normandie, Provence-Alpes-Côte d'Azur, Aquitaine and Pays de la Loire. These are densely populated areas that record demographic growth that exceeds the national average.

Geographic breakdown of GdS sites in France at 31 December 2008

The size of the buildings is tightly related to their capacities in terms of hospitalisation beds (short and medium-term stays), which results in great disparity in terms of per-site surfaces (the surface bracket ranges from 3,000 sq. meters to more than 30,000 sq. meters). In acute care, the mono-disciplinary nature of certain facilities accounts for the smaller surfaces; on the other hand, pluridisciplinary clinics, similar to hospitals, are provided with larger space and require greater living space.

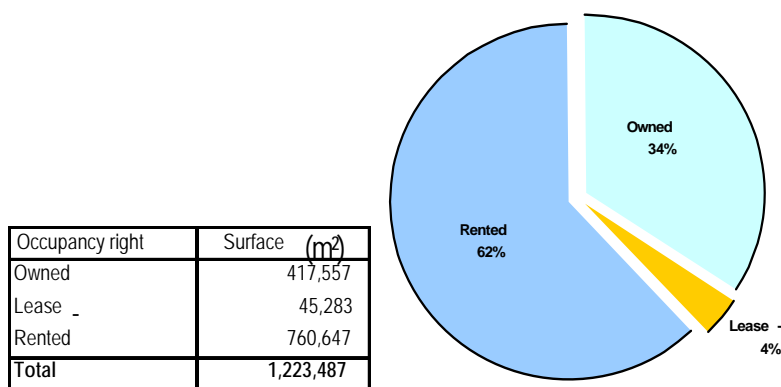
For medium stay sites (mental health and after-care and rehabilitation), the size of facilities may exceptionally reach 9,000 square meters. These sites are sometimes located outside the Group's target regions, due to the nature of their activities.

The property (regarding acute care, after-care and rehabilitation, and mental health facilities) totals a surface of 1,223,487 square meters, mainly made up of leased sites that total 760,647 square meters, which is 62% of the total surface.

In the past ten years, the Group's property policy has been more in favour of renting in the context of external growth. This has accelerated with the Hestia transaction and the disposal of walls to Icade Santé. Since then, only 38% of the facilities are on freehold or under a lease financing agreement.

For rented sites, the share of "Hestia" sites (walls sold in 2006 to Gécimed) and "Icade" sites (walls sold in 2008 to Icade Santé) prevails as, out of the total rented sites, it represents 44.4% of the rented property, that is a surface of 338,229 square meters out of 760,647 square meters.

Distribution of surfaces according to their holding mode (in square meters) at 31 December 2008



Acute care (MCO) clinics in France account for approximately 72% of the total property surface used by the Générale de Santé Group; the average size of these establishments stands at approximately 13,000 square meters. Twelve of them exceed a unit surface of 20,000 square meters.

8.1.2.1 Greater weight of leased buildings

In the past ten years, the Générale de Santé Group's property policy has been more in favour of rental as part of its external growth, insofar as the financial and negotiation-related data could permit it under good conditions.

Therefore, the property assets reflect that strategy, which was accelerated by the Hestia operation; the operation in itself was favoured by the situation of the property market.

Hestia transaction

On 7 September 2006, the Company sold to Gecimed (formerly Sofco/ Gecina) 28 of its property holdings (of which, 3 in the form of SCI shares), for a total price of €536 million "deeds in hand" (paid by the buyer, including costs, rights and commissions of any future sales). This operation generated gross capital gains of €196 million and net capital gains of €177 million (these disposals were carried out under the tax regime of Article 210 E of the General Tax Code, the so-called "SIIC 3" favourable regime).

The 28 property assets sold are exclusively located in France (of which 18% of the portfolio in the Paris area) and total a surface of 322,411 square meters, broken down between activities according to the following proportions in terms of occupied surface:

- 57% Acute Care activities
- 32% Psychiatry activities
- 11% After-Care and Functional Rehabilitation activities

This operation came with the signing of 28 commercial leases for firm periods between 10 and 14 years, for a total rent (net triple) of €32.4 million, of which the main contractual terms and conditions can be summarised as follows:

- rents will increase each year on the basis of the National Cost of Construction Index (INCC in the French abbreviation);
- the initial term will be 10, 12, or 14 years, depending upon the asset categories, these leases being renewable if the lessee so desires for two successive terms of 9 years;
- a so-called "net triple" lease: maintenance and renovation works will be borne by the tenant;

- the rent of each facility is guaranteed throughout the term of the lease by Compagnie Générale de Santé; and
- In case of the sale of the assets by the lessor, the Company shall have priority to issue an offer to repurchase the building and, in any event, will enjoy a pre-emption right in case of disposal to one of the Group's competitors.

In addition, according to a partnership agreement, Gecimed has undertaken to finance, in certain sold buildings, real estate construction projects of a total value of €30 million to be completed by 2009. The financing of the work will generate additional rents that will apply according to the lessor's financial contribution to the works and, in any event, on the entitlement date of these facilities on the basis of a yield rate identical to that of the transaction. On the other hand, the Group has undertaken to invest €10 million in equipment and €15 million in renovations and in safety improvements on the sites concerned.

Transaction with Icade Santé

On 17 September 2008, the Group pursued that outsourcing policy by selling to Icade Santé (an Icade Group property company) the walls of 4 facilities located in the Ile-de-France (Paris area) for a net seller price of €201.7 million. This operation generated gross capital gains of €58.8 million and net capital gains of €31.4 million (these disposals were carried out under the tax regime of Article 3 E of the General Tax Code, the so-called "SIIC 3" favourable regime).

Just as for the Hestia transaction, the sale involved the signing of 4 firm 12-year lease agreements representing a total rent of €13.7 million, whose major contractual terms and conditions can be summarised as follows:

- a rent indexed annually on a composite index between the national construction cost index and the consumer price index;
- an initial term of 12 years, these leases being renewable upon the taker's request for two successive periods of nine years;
- a so-called "net triple" lease: maintenance and renovation works will be borne by the tenant;
- the rent of each facility is guaranteed throughout the term of the lease by Compagnie Générale de Santé;
- In case of the sale of the assets by the lessor, the Company shall have priority to issue an offer to repurchase the building and, in any event, will enjoy a pre-emption right in case of disposal to one of the Group's competitors.

Further, Icade Santé has undertaken to finance property works regarding three of the sold buildings for an amount of €36 million, the completion of which is expected, as the case may be, between 2009 and 2011. The financing of the works will generate additional rents that will apply to the receipt of the structures set up at these facilities on the basis of a yield identical to that of the transaction.

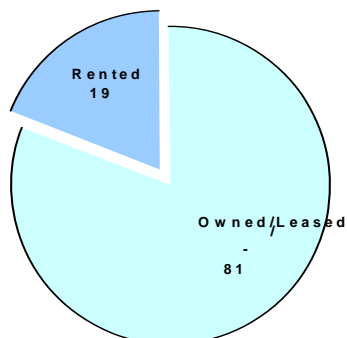
Thus, and since the disposal of 28 assets to Gecimed and 4 assets to Icade Santé, 39% of the facilities are in freehold or leased.

These two transactions also enable the Group to harmonise and streamline the management of a significant portion of its property assets by partnering with an entity capable of participating, both for the property and the financial aspects, in the completion of its future property transactions.

8.1.2.2 *Group's property assets (held on a freehold basis or under property lease agreements)*

At 31 December 2008, Générale de Santé held property assets representing a net book value of €695.8 million, of which 81% represent property sites held on a freehold basis or under a property lease, the balance being the residual value of the constructions completed on sites not owned by the Company.

Consolidated net assets of the Générale de Santé Group = share of property



Occupany right	Net book value (€K)
Owned/Leased	561,953
Rented	133,875
Total	695,828

8.1.3 *The Group's main non-property equipment*

The Group's main non-property equipment consists primarily of medical imaging equipment (see paragraph 6.1.5.2).

This heavy equipment is held in title by the Group or is subject to a property lease or to a financial rental. However, according to accounting norms applicable to the Group, all of such heavy equipment is entirely accounted for in the Group's consolidated accounting statements.

8.2. *Environmental issues likely to influence the issuer's use of fixed assets*

All environmental constraints arise under the applicable regulations in the subject matter, applying to all of the Group's establishments (see paragraph 6.4).

CHAPTER 9

FINANCIAL SITUATION AND EARNINGS REVIEW

9.1 *DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL SITUATION AND EARNINGS*

The following discussion of Group's financial condition should be read in conjunction with the rest of this document and in particular with the Company's consolidated financial statements for the years ended 31 December 2006, 2007 and 2008.

9.1.1 *General overview*

Générale de Santé's business in France consists largely of care provided in clinics (acute care, psychiatry and mental health, oncology and radiation therapy, and after-care and rehabilitation), representing 90.5% of consolidated turnover in 2008; diagnostics, representing 2.6% of consolidated turnover in 2008; and home-based care, representing 2.3% of consolidated turnover in 2008.

All hospital and clinical professions are represented among the Group's 5,254 independent medical professionals practicing in France, enabling the Group to offer a comprehensive range of healthcare services on the local and national level.

In France in 2008, Générale de Santé recorded 991,031 stays (of which 959,501 in acute care, 15,600 in after-care and rehabilitation and 15,930 in mental health), 132,700 day hospitalisation visits in after-care and rehabilitation and psychiatry, and conducted 109,282 chemotherapy sessions, 222,226 radiotherapy sessions, 275,716 dialysis sessions, and 32,909 births.

Générale de Santé also conducts healthcare activities in Italy. After selling the Tuscany and Centre Cardinal Ferrari hospitals in 2008, the Company now holds 56 facilities, of which two for acute care and fifty four diagnostic centres. In Italy, the Group generated revenues of €92.1 million in 2008 (down 3.5% compared to 2007, but up 8.1% on a comparable basis), representing 4.6% of the Group's consolidated turnover for 2008.

Over the last three fiscal years, the Group's turnover and consolidated EBITDA have grown continuously, increasing from €1,741.5 million and €217.4 million, respectively, in 2006, to €1,983.8 million and €229.6 million, respectively, in 2008.

9.1.2 **Turnover and Income**

(i) Turnover

Générale de Santé's turnover varies as a function of (i) the volume of care and services carried out by the Group, which itself depends, inter alia, on approvals provided by the regulatory authorities (see paragraph 6.4.1), the attractiveness of the Group's facilities and the quality of the Group's medical teams and equipment, and (ii) the fees and procedures covered by Social Security, as set by the regulatory authorities.

Générale de Santé's turnover is derived (i) mainly from Social Security payments and private insurance, based on fee schedules set each year by the regulatory authorities for care and services provided by the Group (see paragraph 6.4.3) (accounting for 87.7% of the Group's turnover for the fiscal year ended 31st December 2008), and (ii) to a lesser degree from payments by patients or from their private insurance for services associated with care, such as stays in private rooms or TV rental (accounting for approximately 5.4% of the Company's turnover in 2008). The balance of the Group's turnover (approximately 6.9% in 2008) comes primarily from payments from medical practitioners for general or administrative services provided by the Group's facilities, such as billing for work performed, and invoicing fees from Social Security, insurance companies and patients (see paragraph 6.1.6).

Besides, as a result of the implementation of the T2A fee schedule system as of 1st March 2005, the costs of eye prostheses and blood are included in the reimbursements from Social Security for care provided by the Group. Before that date they were not included in the Group's sales turnover, but were nonetheless booked as payables in the Group's balance sheet and repaid to the Group's suppliers. Consequently, since that date, the Group's turnover for the fiscal years ended 31 December 2006, 2007 and 2008 has increased by €42.1 million; €46.4 million and €46.8 million, respectively, due to billings to clients for prostheses and blood used by the Group in its healthcare activities.

The following table indicates, for the healthcare activities, the respective share of the payment of care, dedicated services, and amounts paid by practitioners in the turnover of Générale de Santé for the past three years, 2006, 2007 and 2008:

Activity	Financial year ended 31 December		
	2006	2007	2008
	(in percentage of turnover)		
Payment for healthcare services (medicine and surgery)	87.8%	87.7%	87.7%
Related services (private rooms, TV rental)	5.0%	5.3%	5.4%
Fees paid by doctors and others	7.2%	7.0%	6.9%

The table below describes the Group's turnover for the last three fiscal years, broken down by activity sub-segment:

Financial year ended 31 December						
	2006		2007		2008	
	TURNOVER*	As % of turnover	TURNOVER*	As % of turnover	TURNOVER*	As % of turnover
Healthcare provided in clinics	1,580.5	90.8%	1,723.0	90.4%	1,794.5	90.5%
of which acute care	1,332.4	76.5%	1,455.2	76.3%	1,508.4	76.0%
Home medical services activity	34.4	2.0%	43.6	2.3%	44.9	2.3%
Diagnostic activity	36.9	2.1%	44.0	2.3%	52.3	2.6%
Activity in Italy	89.7	5.1%	95.4	5.0%	92.1	4.6%
Other	--	--	--	--	--	--
TOTAL	1,741.5	100.0%	1,906.0	100.0%	1,983.8	100.0%

* in €m

(ii) Costs and expenses

The table below indicates the breakdown of the costs and expenses borne by the Group for the last three fiscal years, as well as the percentage they represent of Group turnover:

Financial year ended 31 December						
	2006		2007		2008	
	(in €m)	As % of turnover	(in €m)	As % of turnover	(in €m)	As % of turnover
Personnel expenses and profit sharing	(787.4)	(45.2)	(844.0)	(44.3)	(894.1)	(45.1)
Purchased consumables	(337.5)	(19.3)	(372.8)	(19.6)	(396.6)	(20.0)
Other operating expenses	(224.4)	(12.9)	(234.3)	(12.3)	(238.6)	(12.0)
Taxes and duties	(95.2)	(5.5)	(104.0)	(5.4)	(107.6)	(5.4)
Rents	(79.6)	(4.6)	(111.7)	(5.9)	(117.3)	(5.9)
TOTAL	(1,524.1)	(87.5)	(1,666.8)	(87.5)	(1,754.2)	(88.4)

The Group's principal operating expenses consisted of:

- Employment expenses, including salaries and benefits, statutory charges and other employment costs, such as profit sharing. These costs depend mainly on the number of employees and the level of salaries paid. After dropping from 45.2% in 2006 to 44.3% in 2007, payroll costs in percentage of turnover rose in 2008 to reach 45.1%.
- Purchases of consumables, which include chemo pharmaceutical products and medical devices, as well as (as of 1st March 2005) eye prostheses and blood, which had, prior to the implementation of the T2A fee schedule system, been billed directly to patients by the suppliers. Since 1st March 2005, the Group has also accounted for the sale of these items (at cost) in its revenues, while the cost is allocated to purchases of consumables. This change has therefore had the automatic effect of reducing the Group's EBITDA margin. Over the last three fiscal years, the cost of consumables has increased by 0.7 points (as a percentage of turnover) This is explained by the effect of the aforementioned factors.
- Other operating expenses, including mainly the costs of cleaning and catering services, which are subcontracted. These costs dropped as a percentage of turnover from 12.9% in 2006 to 12.0% in 2008.
- Taxes and duties, including mainly business tax and taxes on salaries. These expenses have decreased as a percentage of turnover, from 5.5% in 2006, to 5.4% in 2008.
- Rents, covering mainly lease payments for heavy equipment and for some of the Group's facilities, together with the associated property taxes. These expenses have increased as a percentage of turnover, from 4.6% in 2006, to 5.9% in 2008. In 2007, the rent/turnover ratio gained 1.3 points mainly due to the impact of the disposal of the walls of certain sites as part of the Hestia project (actual sale at 8 September 2006) with a paid rent of €33.3 million in 2007. In 2008 the ratio remained stable at 5.9% of the turnover: the effect of the disposal to lcade of the walls of four sites as part of the Vesta project (actual sale at 17 September 2008) with a paid rent of €4.0 million in 2008, is more than offset by the rent gained pursuant to the repurchase of the property of the Antony Private Hospital, which took place in April 2008 but with a retroactive effect as of 1st January 2008.

(iii) EBITDA and recurring operating income

The table below shows the breakdown of the Group's EBITDA and EBIT for the last three fiscal years. The Group defines EBITDA as current operating income before depreciation and amortization, in accordance with the IAS-1 standard, which requires grouping of the costs and provisions on the income statement by type.

	Financial year ended 31 December					
	2006		2007		2008	
	(in €m)	As % of turnover	(in €m)	As % of turnover	(in €m)	As % of turnover
EBITDA	217.4	12.5%	239.2	12.5%	229.6	11.6%
Depreciation allowance	(91.4)	(5.3%)	(107.8)	(5.7%)	(114.8)	(5.8%)
Current operating profit	126.0	7.2%	131.4	6.9%	114.8	5.8%

Because of their major share of the Group's revenues, medical care activities provided in clinics have been the main contributor to the Group's EBITDA over the last three fiscal years, with each of the Group's other three activities only accounting for about 10% of EBITDA.

(iv) Cost of net debt and other income and expenses

The table below shows the breakdown of the Group's cost of net debt and other income and expenses for the last three fiscal years:

Financial year ended 31 December						
	2006		2007		2008	
	(in €m)	As % of turnover	(in €m)	As % of turnover	(in €m)	As % of turnover
Net interest expenses	(31.4)	(1.8%)	(30.0)	(1.6%)	(72.5)	(3.7%)
Other income and expenses	187.1	10.7%	(24.6)	1.3%	45.6	2.3%
Of which						
restructurings	(7.1)		(25.6)		(20.0)	
Hestia capital gains/losses	196.0		---		---	
Vesta capital gains/losses	---		---		58.8	
Italy capital gains/losses	---		---		10.9	
Capital gains/losses on property sales	(1.8)		1.0		(0.2)	
Capital gains/losses on company disposals	---		---		(3.9)	
amortisation of goodwill	---		---		---	

The cost of net debt includes the cost of total borrowings (interest on bank debt and financial instruments after rate hedging) and income from cash and cash equivalents.

Other income and expenses includes:

- Restructuring costs (expenses and provisions);
- The capital gains or losses on disposals, or any significant unusual depreciation of non-current assets, whether tangible or intangible; and
- Other operating income or expenses, such as a provision for significant litigation.

(v) Income from business activities

The following table shows the Générale de Santé Group's share of net profit for the last three fiscal years:

Financial year ended 31 December 2007						
	2006		2007		2008	
	(in €m)	As % of turnover	(in €m)	As % of turnover	(in €m)	As % of turnover
Earnings	225.4	12.9%	45.6	2.4%	87.2	4.4%

9.1.3 Market trends and other factors influencing results

(i) Introduction

Générale de Santé conducts its business in a regulated environment, in which opportunities for organic growth in turnover, margin and income depend in large part on the increase in medical fees as set by the regulatory authorities.

As such, Générale de Santé relies primarily on the quality and scope of the healthcare services it offers, as well as upon the reputation of its medical teams and its advanced equipment, to attract new patients and increase the volume of care it provides. In addition, the Group seeks out strategic acquisitions that allow it to cover all segments of the healthcare market and all geographic areas where it intends to be a leading player. Générale de Santé also seeks to expand the healthcare services it provides by developing its services in more dynamic market segments, such as after-care or rehabilitation.

In 2004, the Group's external growth was limited as a result of the reclassification of the Group's equity in 2003, and the priority the Group gave to the recovery of its operating margins in 2004. In 2005, the Group resumed its external growth efforts by making some major acquisitions, such as the clinics of the Chiche Group (four facilities in Paris), specializing in surgery and medicine, and of the FlemingLabs Group (located in Brescia, Italy), specializing in medical analysis (see paragraph 5.2.1). More recently, on 19 January 2006, the group completed its largest acquisition since its creation, with the purchase of the 10 hospital facilities of the Hexagone Group (see paragraph 5.2.2). Due to these transactions, the Group's consolidation scope at 1st January 2006 grew by 14.1% in terms of pro forma turnover and 36.4% in terms of net earnings as compared with 31st December 2005. After acquiring Polyclinique de La Louvière and Clinique du Château de Montchenain (mental health) in 2007, the Group proceeded in 2008 to the acquisitions of the La Francilienne and l'Orangerie clinics in the East of Paris, the Centre Hospitalier Privé de La Loire, and Unilab laboratories. The Group has also acquired its associates' shares in the two property management companies that own the walls of the Antony Private Hospital.

Apart from its external growth, Générale de Santé continuously strives to improve its operating margin. These efforts have led to: (i) an increase in the volume of care the Group provides, resulting in particular from investments in capacity (designed to obtain new approvals from the authorities and/or changes in the capacity of a facility, whether in terms of authorizations, hospital bed capacity, operating rooms or heavy equipment), facilitating economies of scale; (ii) the improvement of operating rooms and heavy equipment usage rates; (iii) control of costs for non-care departments, specifically as a result of the "Springboard" (Tremplin) program; and (iv) reductions in patients' hospital stays in favour of out-patient procedures, all implemented while maintaining a high level of quality. EBITDA thus rose from €217.4 million in 2006 to €239.2 million in 2007, with a stable margin of 12.5% of turnover in 2006 and 2007 despite the €25.5 million rise in rental expenses subsequent to the disposal, on 8 September 2006, of the walls of 28 sites as part of the Hestia transaction.

However, the 2008 operating margin (11.6% of the turnover, with EBITDA at €229.6 million) is undermined by the insufficient progression of prices, which does not offset, on the one hand, the rise in operating costs and, on the other hand, the decline in volumes (particularly in terms of full hospitalisation), despite the new efforts put forth in terms of cost control.

(ii) Fee schedules and development of margins

The Group's income depends mainly on the following three factors:

- Increases in the volume of healthcare services provided;
- Growth in fees for healthcare services provided; and
- Reductions in the costs borne by the Group to supply this care.

Fees charged by Générale de Santé for treatment are set by the regulatory authorities, who set in particular the share of treatment costs that is paid by Social Security, based on the budgetary limitations of the national health insurance program and, to a lesser degree, on market conditions.

For 2006, scheduled fees for Acute Care decreased by 1% on average as of 15 March 2006, and then by an additional 2.6% for the period between 1st October and 31st December 2006. It ought to be pointed out that, as of early January 2007, healthcare facilities reimplemented the prices that applied before that second price decrease.

In March 2007, prices increased by 1.3% on average. In March 2008, prices increased by 0.75% on average.

In addition, the inclusion since 1 March 2005 in the Group's turnover of the costs of medical implants used for its activities (see paragraph 9.1.2 (i)) had the automatic effect of slightly reducing the Group's margin in 2008 relative to 2006 and 2007, since the Group earns no margin on these products. The Group believes that the change in the billing method will put pressure on its margins going forward, even if, strictly speaking, the change does not have any economic impact.

Consequently, overall, the Group's margins and income are most influenced by the decisions of the regulatory authorities on Social Security spending and the government's efforts to control costs. Faced with these constraints, an improvement in the Group's income and operating margins can only come from an increase in the volume of care provided and/or by continuous efforts to optimise the Group's operating costs.

(iii) Acquisitions and disposals

From 2006 to 2008, the Group implemented a strategy of selective acquisitions and disposals, in order to strengthen its core activity and improve its position in the French hospital services and healthcare market.

(a) Acquisitions

Générale de Santé seeks to acquire hospital facilities and other assets that it believes provide a synergy with its existing healthcare network, provided that the level of quality and prior investments in these facilities and assets are commensurate with those already owned by the Group.

The following table shows the impact, in terms of revenues and EBITDA, of the Company's principal acquisitions over the last three fiscal years, together with the costs of these acquisitions, including the cost of debt incurred:

	Turnover (in €m)			EBITDA (in €m)			Acquisition costs*
	2006	2007	2008	2006	2007	2008	
2006	227.7	267.8	270.4	42.5	51.2	49.2	468.6
2007	---	51.4	61.4	---	5.7	7.3	125.0
2008	---	---	25.9	---	---	8.1	126.8

* Including costs of debt incurred.

For further information on the Group's recent acquisitions, see paragraph 5.2.

(b) Disposals

As part of its strategy to concentrate on its core business, healthcare and hospital services, Générale de Santé disposed in 2006 and 2007 of non-strategic businesses, such as Clinique Sainte Isabelle (92 – Neuilly sur Seine) and CMC Vinci (75 - Paris).

In the course of 2008, the Group disposed of clinics in Tuscany and of the Clinique Esthétique de Spontini in Paris.

	Turnover (in €m)		EBITDA (in €m)		Proceedings from disposals*
	Last complete financial year	Disposal year (on disposal date)	Last complete financial year	Disposal year (on disposal date)	
2006	--	4.0	--	1.5	--
2007	--	2.7	--	(0.6)	2.0
2008	--	15.1	--	1.4	51.2

* Including the effect on debt.

(iv) Debt and changes in interest rates

As at 31 December 2008, it had a net debt of €913.0 million.

In 2008, the cost of net debt was €72.5 million, compared with €30.0 million in 2007 and €31.4 million in 2006.

(v) Seasonal fluctuations

The Group's turnover and income are subject to minor seasonal fluctuations in the volume of treatments handled over the course of a year. Historically the Group has found that patients do not undertake non-urgent care during traditional French vacation periods (August and December). The Group's turnover is lower during those two months. Conversely, the consumption of hospital services (and thus the Group's revenues and net income) are particularly high in September and January (the periods when students return to school from their vacation).

(vi) Labour costs/Payroll

The Group's salary costs have grown regularly since 2006, in line with the increase in its business. In percentage of turnover, payroll expenses moved from 45.2% in 2006 to 45.1% in 2008

9.1.4 Principal accounting issues and methods

Générale de Santé is a limited company incorporated under French law with its head office located 96 Avenue d'Iéna, Paris. Its corporate purpose encompasses investment activities of all types, either directly or through third parties, on its own behalf or on behalf of third parties. It is the parent company of a group which exercises all its activities in the Hospital Care sector.

The Group prepares its consolidated financial statements in accordance with IFRS applicable as of 31 December 2008, as adopted by the European Union and available on the website http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The financial statements are drawn up in accordance with the historic cost convention, except for the following items, which are valued at fair value:

- Financial derivatives
- Financial instruments at fair value via earnings
- Financial assets held for sale
- Liabilities resulting from transactions whose payment is share-based and will be settled in cash.

The accounting rules and methods used for preparing the financial statements at 31 December 2008 are compliant with those used for preparing the financial statements at 31 December 2007, except for the following standards, amendments, and interpretations, applicable to financial 2008:

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction
- Amendment to IAS 39: Financial instruments: Recognition and Measurement and to IFRS 7: Financial instruments: Disclosures, entitled Reclassification of Financial Assets.

These standards and interpretations have no effect on the Group's financial statements. In particular, the Group has not reclassified any financial assets.

The rules implemented by the Group at 31 December 2008 do not differ from the standards as published by IASB insofar as:

- the implementation of IFRIC 12 Service Concession Arrangements, mandatory for the financial periods open as of 1st January 2008 and not yet endorsed by the European Union, has no effect on the Group's financial statements.

Standards and interpretations published but not yet in force

Texts adopted by the European Union on the closing date for which the Group has not opted for the early implementation of the following standards:

- IFRS 8, Operating Segments (applicable to the annual periods open as of 1st January 2009); The implementation of this standard as at 1st January 2009 should have no significant effects on the Group's financial statements.

The GDS Group will implement IFRS 8 as of 1st January 2009.

The business segment information level is the same as the one used by the Group for drawing up its internal reporting in order to track its business activity and operating performance results. The reporting is structured on the basis of a notion of "Health territory", all health territories being grouped within "Regions" (currently the Regional Hospitalisation Agencies). The Group presents the following operating segments: Ile de France, Rhône Alpes, Nord, PACA, Bourgogne, Other regions and Italy.

In addition, implementing this standard has had no effects on the valuation of long-term assets (goodwill). The Group already conducts impairment tests based on this regional segmentation. (see Chapter 20 - paragraph 2.6 - Impairment tests performed on non-current assets).

- IAS 23 revised, Borrowing costs (applicable to the annual periods open as of 1st January 2009). This amendment will have no effect on the Group's financial statements;
- IAS 1 revised, Presentation of Financial Statements (applicable to the annual periods open as of 1st January 2009). This amendment will have no effect on the Group's financial position, but it will affect the presentation of financial statements;
- IFRS 2 amended, Share-based Payment: vesting conditions and cancellations (applicable to the annual periods open as of 1st January 2009). The Group is currently reviewing the effect of this amendment on the Group's financial statements;
- IFRIC 13, Customer Loyalty Programmes (applicable to the annual periods open as of 1st January 2009). This interpretation will have no impact on the Group's financial statements.

Texts not adopted by the European Union at year end

Texts whose implementation could have an effect on the Group's financial statements

- IFRS 3 revised, Business Combination (applicable to business combinations whose acquisition date is on the first financial year open as of 1st July 2009);
- IAS 27 revised, Consolidated and Separate Financial Statements (applicable to the annual periods open as of 1st July 2009);

These standards will have an effect on the recognition of future business combinations and of future transactions on minority interests.

- Improvements to IFRS standards (applicable to the annual periods open as of 1st January 2009, except for IFRS 5 applicable as of 1st July 2009)

Texts whose implementation should have no significant effect on the Group's financial statements.

- IAS 39 revised, Eligible hedged items (applicable to the annual periods open as of 1st July 2009);
- IFRS 1 revised, First-time Adoption of International Financial Reporting Standards (applicable to the annual periods open as of 1st July 2009);
- IFRS 1 and IAS 27 revised, Amendments for determining the cost of an investment in the separate financial statements (applicable to the annual periods open as of 1st January 2009);
- IAS 32 and IAS 1 revised, Financial instruments that can be refunded at the bearer's request or in case of liquidation (applicable to the annual periods open as of 1st January 2009);

- IFRIC 12, Service Concession Arrangements (applicable to the annual periods open as of 1st January 2008);
- IFRIC 15, Agreements for the Construction of Real Estate (applicable to the annual periods open as of 1st January 2009);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (applicable to the annual periods open as of 1st January 2008);
- IFRIC 17, Distributions of Non-cash Assets to Owners (applicable to the annual periods open as of 1st July 2009).

The financial statements are denominated in million euros.

The Group has not implemented any changes in accounting or assessment methods during the period.

9.2 COMPARISON BETWEEN THE PERIODS ENDED 31 DECEMBER 2008 AND 31 DECEMBER 2007

(i) Turnover

The following table shows the Company's consolidated turnover for the fiscal years ended 31st December 2007 and 2008:

(in €m)	2007	2008	Change 2008/2007
Published turnover	1,906.0	1,983.8	+4.1%
Organic growth	1,883.5	1,952.5	+3.7%
Change in scope	22.5	31.3	--

* Changes in consolidation scope include turnover reported in 2007 and 2008 by all the companies acquired and sold during the 2007 and 2008 fiscal years for their period within the Group..

Générale de Santé's consolidated turnover was €1,983.8 million for the fiscal year ended 31 December 2008, compared to €1,906.0 million as of 31 December 2007. The turnover at 31 December 2008 thus gained 4.1% on that at 31 December 2007, of which 3.7% organic growth.

	Turnover (in €m)		Change 2007/2008	Contribution to total turnover	
	2007	2008		2007	2008
Healthcare provided in clinics	1,723.0	1,794.5	+4.1%	90.4%	90.5%
Of which acute care	1,455.2	1,508.4	+3.7%	76.3%	76.0%
Home medical services	43.6	44.9	+3.0%	2.3%	2.3%
Diagnostic activity	44.0	52.3	+18.9%	2.3%	2.6%
Activity in Italy	95.4	92.1	-3.5%	5.0%	4.6%
Other	--	--	n.s.	--	--
TOTAL	1,906.0	1,983.8	+4.1%	100.0%	100.0%

Revenues from care provided in clinics in 2008 increased by €71.5 million, i.e. up 4.1%. Acute care remained the largest revenue generator during 2007 and 2008, representing 76.3% and 76.0%, respectively, of turnover.

The organic growth of Hospital Care and Services in France, between 2007 and 2008, stands at 3.5%.

Sales revenues by geographic area may be broken down as follows:

(in €m)	2007	2008
France	1,810.6	1,891.7
Italy	95.4	92.1
TOTAL	1,906.0	1,983.8

Turnover for Italy declined by 3.5% from €95.4 million in 2007 to €92.1 million in 2008. The disposals of hospitals in Tuscany and of the Cardinal Ferrari Centre account for this decrease. On a like for like basis, the turnover of the Hospital Care and Services arm in Italy displayed an 8.1% progression. This move is mainly due to the commissioning in September 2007 of new capacities at Rugani.

(ii) Personnel expenses and profit-sharing

Personnel expenses and profit-sharing in 2008 totalled €894.1 million (45.1% of turnover), compared with €844.0 million in 2007 (44.3% of turnover), up 5.9%. On a like-for-like basis, personnel expenses rose by 5.4%; this increase is mainly due to (i) the hiring of new recruits, mainly medical, (ii) the policy regarding wage increases for skilled and experienced medical staff, aimed at catching up on remunerations offered in the Public Hospital Sector in order to attract and retain such staff.

(iii) Purchased consumables

Consumables purchased in 2008 came to €396.6 million (20.0% of turnover), compared to €372.8 million in 2007 (19.6% of turnover), up 6.4%. This increase is mainly due to external growth operations.

(iv) Other operating expenses

Other costs in 2008 totalled €238.6 million (12.0% of turnover), compared to €234.3 million in 2007 (12.3% of turnover), up 1.8%.

(v) Taxes and duties

The total cost of taxes and duties in 2008 was €107.6 million (5.4% of turnover), compared to €104.0 million in 2007 (5.4% of turnover), up 3.4%.

(vi) Rents

Rents stood at €117.3 million in 2008 (representing 5.9% of turnover), against €111.7 million in 2007 (representing 5.9% of turnover), up 5%. This change mainly derives from the disposal of four assets to Icat, whose rental contribution represented €4.0 million in 2008, and from the an increase during the period in the National Cost of Construction Index (INCC in the French abbreviation), to which most of the Group's leases are indexed. However, this change is somewhat mitigated by the gain of rents resulting from the repurchase of the property of the Antony Private Hospital, which took place in April 2008 but had a retroactive effect as of 1 January 2008.

(vii) EBITDA

EBITDA was €229.6 million at 31 December 2008, down 4.0% compared to the €239.2 million at 31 December 2007.

The EBITDA/turnover operating margin (11.6% in 2008 against 12.5% in 2007) suffers from the insufficient rise in rates, which does not offset the rise in operating costs, on the one hand, and the drop in volumes, on the other hands (particularly in terms of complete hospitalisation), despite the new efforts put forth to control costs.

On a like-for-like basis and excluding Vesta, the Group's EBITDA loses 7.0% and the EBITDA/turnover operating margin loses 1.3 point compared to 31 December 2007.

EBITDA breaks down as follows between Company activities in 2007 and 2008:

	2007		2008	
	EBITDA (in €m)	EBITDA As % of turnover	EBITDA (in €m)	EBITDA (As % of turnover)
Hospital Care	271.8	14.3%	265.3	13.4%
Head office	(32.6)	(1.7%)	(35.7)	(1.8%)
TOTAL	239.2	12.5%	229.6	11.6%

(viii) EBIT

EBIT stands at €114.8 million in 2008, i.e. 5.8% of turnover, up 12.6%, compared to €131.4 million in 2007, and representing a margin progression of 1.1 points of turnover over 2007 (6.9% of turnover), which is explained by the aforementioned factors.

Depreciation represented a total of €114.8 million at 31 December 2008, i.e. 5.8% of turnover. On a like-for-like basis and excluding the Vesta project, the depreciation/turnover rate stood at 5.9% at 31 December 2008, against 5.6% at 31 December 2007.

(ix) Other income and expenses

(in €m)	2006	2007	2008
Restructuring charges	(4.7)	(18.3)	(9.7)
Change in provisions.....	(0.9)	3.3	(8.8)
Extraordinary impairment of tangible fixed assets	(1.5)	(10.6)	(1.5)
Other expenses.....	---	---	---
Total Restructurings	(7.1)	(25.6)	(20.0)
"Hestia" capital gains.....	196.0	--	--
"Vesta" capital gains.....	--	--	58.8
"Italy" Capital Gains.....	--	--	10.9
Capital gains and losses on property disposals	(1.8)	1.0	(0.2)
Capital gains and losses on company disposals.....	--	--	(3.9)
Goodwill impairment.....	--	--	--
TOTAL	187.1	(24.6)	45.6

At 31 December 2008, other income and expenses represented a net income of €45.6 million, mainly comprised of:

- the impact of capital gains from the "Vesta" transaction (€58.8 million) and the capital gains from the disposal of Italian subsidiaries (€10.9 million);
- restructuring costs net of changes in provisions, mainly comprised of costs related to the restructuring of the "Home Care" and "Biology" arms, and to the Dijon business combination;
- disposals of financial and property assets that generate a capital loss of €(4.1) million due in particular to the disposal of Clinique Spontini for €(3.2) million.

At 31 December 2007, other income and expenses represent a net charge of €24.6 million, mainly comprised of:

- restructuring costs that include mainly expenses related to the OPAS for €(9.0) million, and closure costs for €(2.5) million.
- Exceptional impairment of tangible fixed assets includes an impairment of €(6.0) million arising from costs relating to compensation paid following the purchase of the Lyon Mermoz property company, initially activated during construction then impaired, and exceptional depreciation of the Le Havre clinics property of €(2.5) million in view of the planned facility combination.

At 31 December 2006, other income and expenses represented a net income of €187.1 million, mainly comprised of:

- the impact of the gains from the "Hestia" transaction for €196.0 million,
- the restructuring costs are mainly comprised of costs related to the risks on the "Mermoz" project for €(3.2) million, of which a provision for risks intended to cover the activated interest expenses for €(2.2) million.
- costs related to the facility combinations in Le Havre, costs for the termination of the activity of the hyperbaric chamber at Imagerie Médicale du Parc for €(1.5) million.

(x) Net interest expenses

At 31 December 2008, net interest expenses stood at €72.5 million, against €30.0 million in 2007, up 141.7%, deriving from the refinancing of the Group's debt in October 2007 pursuant to the public offering of spring 2007. The interest rate on the average net debt stands at approximately 6.60% over the period, against 5.37% in 2007.

(xi) Corporate income tax

The amount of tax due at 31 December 2008 stood at €5.1 million, versus €29.7 million in 2007. In 2008, the Group's actual tax rate on consolidated net income before income tax and share of net profit for associates, stood at 5.9%, versus -38.0% in 2007. The difference between the actual tax rate and the normal rate is mainly due to the taxation rate relative to the Vesta transaction. This disposal is subject to the special tax regime set out in Article 210E of the General Tax Code (the so-called "SIIC3" regime). The capital gains generated by the Groups is therefore taxed at a rate of 17%. The tax on that transaction (tax proceeds) appears in the consolidated financial statements for +€8.7 million, while the tax on the capital gains displayed in the corporate financial statements stands at €27.4 million and will be paid in 2009. The difference between the existing tax rate of -14.8% (€8.7 million compared to €58.8 million) and the reduced rate of 17% is mainly due to the tax rate difference between deferred tax liabilities relative to the valuation differences calculated at a rate of 34.43%.

(xii) Group's share of net earnings

After minority interests for €2.9 million, the Group's share of net earnings stood at €87.2 million in 2008, up compared to the Group's share of net earnings at 31 December 2007, which stood at €45.6 million, mainly as a result of the "Vesta" and "Italy" capital gains recognised in 2008.

9.3 COMPARISON BETWEEN YEARS ENDED 31 DECEMBER 2007 AND 31 DECEMBER 2006

(i) Turnover

The following table shows the Company's consolidated turnover for the fiscal years ended 31 December 2006 and 2007:

(in €m)	2006	2007	Change 2006/2007
Published turnover	1,741.5	1,906.0	9.4%
Changes in scope	29.5	104.7	--

* Changes in consolidation scope include turnover reported in 2006 and 2007 by all the companies acquired and sold during the 2006 and 2007 fiscal years for their period within the Group..

Générale de Santé's consolidated turnover was €1,906.0 million for the fiscal year ended 31 December 2007, compared to €1,741.5 million at 31 December 2006. Turnover at 31 December 2007 thus increased by 9.4% compared with that at 31 December 2006, mainly due to external growth, in particular, the acquisition at the end of 2006 of Hôpital des Peupliers (Paris) and Polyclinique de La Louvière (Lille) early 2007, and organic growth that stands at 5.2%.

	Turnover (in €m)		Change 2006/2007	Contribution to total turnover	
	2006	2007		2006	2007
Healthcare provided in clinics	1,580.5	1,723.0	9.0%	90.8%	90.4%
Of which acute care	1,332.4	1,455.2	9.2%	76.5%	76.3%
Home medical services	34.4	43.6	26.7%	2.0%	2.3%
Diagnostic activity	36.9	44.0	19.2%	2.1%	2.3%
Activity in Italy	89.7	95.4	6.4%	5.2%	5.0%
Other	---	--	n.s.	n.s.	--
TOTAL	1,741.5	1,906.0	9.4%	100.0%	100.0%

Turnover from care provided in clinics in 2007 increased by €142.5 million, i.e. up 9.0%. Acute care remained the largest turnover generator during 2006 and 2007, representing 76.5% and 76.3%, respectively, of turnover.

The organic growth of Hospital Care and Services in France, between 2006 and 2007, stands at 5.2%. However, it should be pointed out that the figures published for Q4 of 2006 and 2007 are influenced by:

- in 2006, the price reduction set out in the minister's order of September 2006
- in 2007 the cancellation of that same order by the Council of State.

Reprocessed by these two factors, the organic growth of Hospital Care and Services in France, between 2006 and 2007, stands at 4.3%.

Turnover by geographic area may be broken down as follows:

(in €m)	2006	2007
France	1,651.8	1,810.6
Italy	89.7	95.4
TOTAL	1,741.5	1,906.0

Turnover for Italy increased by 6.4% from €89.7 million in 2006 to €95.4 million in 2007. On a like for like basis, the turnover of the Hospital Care and Services arm in Italy displayed an 6.3% progression. This change is mainly due to the dynamic activity of Ospedale Di Omegna and the commissioning of new facilities in Rugani in September 2007.

(ii) Personnel expenses and profit-sharing

Personnel expenses and profit-sharing in 2007 totalled €844.0 million (44.3% of turnover), compared with €787.4 million in 2006 (45.2% of turnover), up 7.2%. On a like-for-like basis, personnel expenses rose by 3.4%; this increase is mainly due to (i) the hiring of new recruits, mainly medical, (ii) the policy regarding wage increases for skilled and experienced medical staff, aimed at catching up on remunerations offered in the Public Hospital Sector in order to attract and retain such staff.

(iii) Purchased consumables

Consumables purchased in 2007 came to €372.8 million (19.6% of turnover), compared to €337.5 million in 2006 (19.3% of turnover), up 10.5%. This increase is mainly due to external growth operations.

(iv) Other operating expenses

Other costs in 2007 totalled €234.3 million (12.3% of turnover), compared to €224.4 million in 2006 (12.9% of turnover), an increase of 4.4%.

(v) Taxes and duties

The total cost of taxes and duties in 2007 was €104.0 million (5.4% of turnover), compared to €95.2 million in 2006 (5.5% of turnover), up 9.2%.

(vi) Rents

Rents increased to €111.7 million (5.9% of turnover) in 2007 from €79.6 million in 2006 (4.6% of turnover), an increase of 40.3%. This increase derives mainly from the disposal of the 28 assets to Sofco/Gecina, whose rental contribution amounted to €33.3 million in 2007, against €7.8 million in 2006. This increase also derives from external growth transactions and from an increase during the period in the National Cost of Construction Index (INCC in the French abbreviation), to which most of the Group's leases are indexed.

(vii) EBITDA

EBITDA at 31 December 2007 was €239.2 million, up 10.0% compared with €217.4 million at 31 December 2006.

On a like-for-like basis, excluding Hestia, the progression of the Group's EBITDA stands at 17.2%, thanks to the productivity gains achieved by the Group. The EBITDA/turnover margin thus rises by 1.5% on a like-for-like basis, excluding Hestia over 31 December 2006; in addition, this margin includes a negative 0.3-point impact related to the integration of DMIs and blood prostheses into the turnover, although they generate no margin.

On a published data basis, the EBITDA/turnover margin is stable, mainly due to the impact of the sale of the walls of 28 sites as part of the Hestia transaction, with an increase in rental costs of €25.5 million between 2006 and 2007.

EBITDA breaks down as follows between Company activities in 2006 and 2007:

	2006		2007	
	EBITDA (in €m)	EBITDA As % of turnover	EBITDA (in €m)	EBITDA (As % of turnover)
Hospital Care	249.8	14.3%	271.8	14.3%
Head office	(32.4)	(1.8%)	(32.6)	(1.7%)
TOTAL	217.4	12.5%	239.2	12.5%

(viii) EBIT

EBIT stands at €131.4 million in 2007, i.e. 6.9% of turnover, up 4.3% compared to €126.0 million in 2006, and representing a margin progression of 0.3 points of turnover over 2006 (7.2 of turnover), which is explained by the aforementioned factors.

Depreciation represented a total of €107.8 million at 31 December 2007, i.e. 5.7% of turnover. On a like-for-like basis and excluding the positive impact of the Hestia transaction, the depreciation/turnover rate stood at 6.4% at 31 December 2007, against 6.0% at 31 December 2006.

(ix) Other income and expenses

(in €m)	2005	2006	2007
Restructuring costs ⁽¹⁾	(7.3)	(4.7)	(18.3)
Change in provisions	1.3	(0.9)	3.3
Extraordinary impairment of tangible fixed assets	(1.9)	(1.5)	(10.6)
Other expenses	0.1	---	---
Total Restructurings	(7.8)	(7.1)	(25.6)
"Hestia" capital gains	--	196.0	--
Capital gains and losses on property disposals	1.8	(1.8)	1.0
Capital gains and losses on company disposals	--	--	--
Goodwill impairment	--	--	--
TOTAL	(6.0)	187.1	(24.6)

At 31 December 2007, other income and expenses represent a net charge of €24.6 million, mainly comprised of:

- restructuring costs that include mainly expenses related to the OPAS for €(9.0) million, and closure costs for €(2.5) million.
- Exceptional impairment of tangible fixed assets includes an impairment of €(6.0) million arising from costs relating to compensation paid following the purchase of the Lyon Mermoz property company, initially activated during construction then impaired, and exceptional depreciation of the Le Havre clinics property of €(2.5) million in view of the planned facility combination.

At 31 December 2006, other income and expenses represented a net income of €187.1 million, mainly comprised of:

- the impact of the gains from the "Hestia" transaction for €196.0 million,

- the restructuring costs are mainly comprised of costs related to the risks on the "Mermoz" project for €(3.2) million, of which a provision for risks intended to cover the activated interest expenses for €(2.2) million.
- costs related to the facility combinations in Le Havre, costs for the termination of the activity of the hyperbaric chamber at Imagerie Médicale du Parc for €(1.5) million.

At 31 December 2005, other income and expenses represented a net expense of €6.0 million, mainly comprised of:

- restructuring costs for €7.8 million (mainly costs relative to the risks of the "Mermoz" construction project for €3.7 million, facility combination costs for €3.0 million, of which the Chambéry facility combination for €1.2 million and the Savoie facility combination for €1.1 million); and
- to a lesser extent, capital gains on tangible asset disposals for €1.8 million, which mainly result from the disposal of the property of Clinique Oasis for €2.9 million.

(x) Net interest expenses

At 31 December 2007, net interest expenses stood at €30.0 million, against €31.4 million in 2006, down 4.5%. The interest rate on the average net debt stands at approximately 5.37% over the period, against 3.90% in 2006.

(xi) Corporate income tax

The amount of tax due at 31 December 2007 stood at €29.7 million, against €55.6 million in 2006. In 2007, the Group's actual tax rate on consolidated net income before income tax and share of net profit for associates, stood at 38.0%, against 19.5% in 2006. The difference, in 2006, between the actual rate observed and the normal tax rate at 34.4% is mainly due to the fact that a tax rate of 9.6% was applied to the capital gains generated by the disposal of property assets to Gecina (the difference between the existing tax rate of 9.6% and the reduced rate of 17% is mainly due to two effects, the first one relating to the tax rate difference between deferred tax liabilities relative to the allocation of valuation differences (6%) and the other one to deferred tax assets on non recognised past losses (1.5%).

(xii) Group's share of net earnings

After minority interests for €2.9 million, the Group's share of net earnings stood at €45.6 million in 2007, down compared to the Group's share of net earnings at 31 December 2006, which stood at €225.4 million, mainly as a result of the "Hestia" capital gains recognised in 2006.

9.4 CASH AND EQUITY RESOURCES

9.4.1 Cash

In 2008, the Group used its cash mainly for:

- its external growth (acquisition of entities for €58.9 million excluding debt in 2008);
- its tangible and intangible investments (€131.7 million in 2008);
- the payment of dividends to shareholders and minority shareholders of consolidated companies (€30.1 million in 2008);
- net interest (€72.5 million in 2008); and
- the repayment of borrowings (€276.1 million in 2008).

The main sources of funds are:

- bank overdraft (€6.8 million in 2008);
- the net cash flow generated by business activity (€253.3 million);
- the increase in financial debt (€103.4 million);
- capital increases (€11.8 million) .

In addition, as part off the implementation of its external growth strategy, the Group regularly makes acquisitions, financed in part by the income from its business activities and in part by borrowing.

The Group also sometimes realizes assets.

At 31 December 2008, the Group's bank overdraft stood at €6.8 million. At the same date, the working capital for business activity was negative at €140.7 million. This is because in the hospital sector client debts are paid by the Social Security and private health insurances. Repayments from Social Security are received faster than the payments made by the Group to its suppliers, which explains why the item Suppliers usually is higher than debtors. Further, non-recoverable debts traditionally only represent a negligible amount of the income.

In 2008, the Group invested €165.6 million in existing assets (industrial investments: purchase of buildings and equipment), of which €33.9 million of industrial investments funded by leasing.

In addition, the Group made new acquisitions for a price of €58.9 million excluding debt in 2008.

The total (cash and leases) of industrial and financial investments was therefore €224.5 million in 2008.

The following table shows the breakdown of expenditure by type of investment:

<i>Investments, cash and leases</i>	2006		2007		2008	
	(in €m)	As % of turnover	(in €m)	As % of turnover	(in €m)	As % of turnover
Maintenance/renewal investments	87.9	5.0%	79.9	4.2%	56.1	2.8%
Restructuring investments	54.9	3.2%	17.1	0.9%	25.6	1.3%
Business combinations/creations/reconversions	29.8	1.7%	49.0	2.6%	45.5	2.3%
TOTAL Capex excluding capacity investments	172.6	9.9%	146.0	7.7%	127.2	6.4%
Capacity/innovation investments	76.0		37.6		38.4	
<i>Of which Hestia investments</i>	25.1					
TOTAL NET INDUSTRIAL INVESTMENTS	248.6	14.3%	183.6	9.6%	165.6	8.3%
TOTAL FINANCIAL INVESTMENTS	589.5		102.3		58.9	
TOTAL INVESTMENTS	838.1		285.9		224.5	

9.4.2 Financing

The tables below describe the Group's cash flows and net financial debt from 2006 to 2008:

(in €m)	Actual December 2006 Aggregate	Actual December 2007 Aggregate	Actual December 2008 Aggregate
EBITDA	217.4	239.2	229.6
Change in working capital requirements	(0.7)	0.1	39.2
Net interest paid	(26.6)	(30.0)	(72.5)
Corporate income tax paid	(61.8)	(2.7)	(4.1)
Non recurring and others	(2.3)	(18.0)	(11.4)
Net industrial investments <i>(incl. new capacity + financial lease)</i>	(223.5)	(183.6)	(165.6)
AVAILABLE CASH FLOW (excl. Hestia / Vesta) ⁽¹⁾	(97.5)	5.0	15.2
Disposal of Hestia / Vesta ⁽²⁾	396.6	(39.0)	177.1
Financial investments	(589.5)	(102.3)	(58.9)
Financial disposals	45.8	0.6	52.5
Capital increase	294.8	25.7	11.8
Dividends paid or received	(20.2)	(440.1)	(29.1)
Loan issue charges	0.0	(25.0)	(1.1)
CASH FLOW (before financing operations)	30.0	(575.1)	167.5

(1) Net cash flow generated by business activities after interest paid, after net industrial investments (including the capitalisation of financial leases) and excluding the impact of the Hestia/Vesta disposals.

(2) 2006 = impact of the disposal of the 28 sites (Hestia transaction) net of the prior acquisition of the C.H.P. Clairval building; 2007 = Hestia tax; 2008 = impact of the disposal of 4 sites (Vesta transaction)

(in €m)	Actual December 2006 Aggregate	Actual December 2007 Aggregate	Actual December 2008 Aggregate
NET DEBT AT YEAR START	588.2	439.0	1,001.3
CASH FLOW (before financing operations)	(30.0)	575.1	(167.5)
Capitalisation of loan issue costs	--	(24.4)	3.5
Assets held for sale	20.0	(7.7)	(9.2)
Fair value of hedging financial instruments	--	(1.5)	15.7
Acquisition of the Antony Private Hospital property	--	--	52.7
Change in consolidation scope and other	(139.2)	20.8	16.5
NET DEBT AT YEAR END	439.0	1,001.3	913.0

The Group's net borrowings stood at €913.0 million at 31 December 2008, for an average interest rate of 6.60% in 2008.

The following table shows an analysis of the Group's borrowings at 31 December 2006, 2007 and 2008:

(in €m)	31-12-2006	31-12-2007	31-12-2008
Senior debt	---	814.4	678.8
Capex debt	---	---	37.5
TRFA – Total senior debt (Agent = CALYON)	---	814.4	716.3
Senior bank debt (Club Deal).....	91.0	---	---
Other borrowings.....	148.9	50.1	33.1
Lease finance borrowings	135.3	123.3	156.9
- of which: - <i>property lease finance borrowings</i>	49.4	41.6	68.4
- of which: - <i>equipment lease finance borrowings</i>	85.9	81.7	88.5
Capitalisation of new debt issuance costs	---	(24.4)	(20.9)
Liabilities related to assets held for sale	(20.0)	(53.0)	(3.1)
Long-term financial debt	355.2	910.4	882.3
Liabilities related to assets held for sale.....	20.0	53.0	3.1
Financial current account liabilities	9.5	8.8	9.8
Bank overdrafts	61.6	35.5	6.8
GROSS FINANCIAL DEBT (I)	446.3	1,007.7	902.0
Fair value of hedging financial instruments	---	(1.5)	14.2 ⁽¹⁾
Fair value of hedging financial instruments (II)	---	(1.5)	14.2
Financial current account assets	(7.3)	(4.9)	(3.2)
Cash and cash equivalents	---	---	---
FINANCIAL ASSETS (III)	(7.3)	(4.9)	(3.2)
NET FINANCIAL BORROWINGS (I) + (II) + (III)	439.0	1,001.3	913.0

(1) Fair value of hedging financial instruments (€21.8 million minus the tax for €7.6 million).

The following table shows the developments in the Group's borrowings between 31 December 2007 and 31 December 2008:

(in €m)	Situation Debt at 31-12-2007	New Borrowings	Debt repayments	Net change in scope	Other	Situation Debt at 31-12-2008
Term A1	394.0	21.0	(78.0)	--	--	337.0
Term A2	419.8	--	(79.0)	--	--	340.8
Revolving	--	44.0	(44.0)	--	--	--
Capex	--	37.5	--	--	--	37.5
Interest accrued on senior debt	0.6	0.4	--	--	--	1.0
Senior debt (Club Deal)	--	--	--	--	--	--
TRFA – Total senior debt (Agent = CALYON)	814.4	102.9	(201.0)	--	--	716.3
Other borrowings	50.1	0.5	(29.1)	11.6	--	33.1
Property lease finance borrowings	41.6	--	(26.9)	53.7	--	68.4
Equipment lease finance borrowings	81.7	33.9	(28.1)	1.0	--	88.5
Capitalisation of new debt issuance costs	(24.4)	--	-	--	3.5	(20.9)
Liabilities related to assets held for sale	(53.0)	--	9.2	--	40.7	(3.1)
Subtotal current financial debt	910.4	137.3	(275.9)	66.3	44.2	882.3
Liabilities related to assets held for sale	53.0	--	--	--	(49.9)	3.1
Current account liabilities	8.8	--	(8.8)	9.8	--	9.8
Bank overdraft	35.5	--	--	(8.7)	(20.0)	6.8
TOTAL GROSS FINANCIAL DEBT	1,007.7	137.3	(284.7)	67.4	(25.7)	902.0
Fair value of hedging financial instruments	(1.5)	--	--	--	15.7	14.2
FINANCIAL INSTRUMENTS	(1.5)	--	--	--	15.7	14.2
Current account assets	(4.9)	--	8.6	(6.9)	--	(3.2)
Net cash and cash equivalents	--	--	--	--	--	--
FINANCIAL ASSETS	(4.9)	--	8.6	(6.9)	--	(3.2)
TOTAL NET FINANCIAL DEBT	1,001.3	137.3	(276.1)	60.5	(10.0)	913.0

Some Group companies have made overdraft agreements for the management of their cash flow (see Chap. 7).

Financing contract (see Chapter 10.2.1)

Status of credit lines

The drawdown status of credit lines breaks down as follows:

Senior debt	Available lines	Duration (Year)	Repayment	31 December 2008		
				Amount used	Amount unused	Early repayment
Tem A1 facility	415.0	7	24 October 2014	337.0	---	78.0
Tem A2 facility	419.8	7	24 October 2014	340.8	---	79.0
Revolving facility	50.0	7	24 October 2014	---	50.0	---
Acquisition / Capex facility 1 ⁽¹⁾	200.0	7	24 October 2014	37.5	162.5	---
TOTAL	1,084.8			715.3	212.5	157.0

(1) subject to the achievement of encouraging financial performance results, the company may benefit from an additional credit line of €100 million.

9.4.3 Company's commitments

Financial debt maturity analysis

At 31 December 2008 (in €m)	2009	2010	2011	2012	2013	>2013	Total
Senior debt	1.0	--	32.5	40.0	50.0	592.8	716.3
Capitalisation of new debt issuance costs	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.4)	(20.9)
Other borrowings.....	6.5	11.6	2.8	2.1	2.1	8.0	33.1
Property lease finance borrowings.....	5.9	8.6	8.4	6.3	6.4	32.8	68.4
Equipment lease finance borrowings	25.3	22.7	18.1	11.6	6.7	4.1	88.5
Bank overdrafts	6.8	--	--	--	--	--	6.8
Other financial liabilities (incl. current account Liabilities)	9.8	--	--	--	--	--	9.8
TOTAL	51.8	39.4	58.3	56.5	61.7	634.3	902.0

The average initial term of property finance lease borrowings is 15 years. Floating rate hedge agreements cover 57% of these borrowings

The average initial term of equipment finance lease borrowings is 5 years. All of these borrowings are 100%-hedged by fixed rate agreements. These finance leases mainly concern medical equipment.

At 31 December 2008 (in €m)	2009	2010	2011	2012	2013	>2013	Total
AMOUNTS PAYABLE - MINIMUM AMOUNT:							
Amounts payable under property lease.....	11.1	10.8	11.4	8.9	8.6	38.3	89.1
Amounts payable under equipment lease	30.3	24.7	20.0	12.6	7.1	4.3	99.0
Total amounts payable - Minimum amount	41.4	35.5	31.4	21.5	15.7	42.6	188.1
Future financial costs.....	(8.0)	(6.4)	(4.8)	(3.6)	(2.7)	(5.7)	(31.2)
Lease finance borrowings	33.4	29.1	26.6	17.9	13.0	36.9	156.9
DISCOUNTED AMOUNTS PAYABLE:							
Amounts payable under property lease.....	10.5	9.6	9.5	7.0	6.4	26.8	69.8
Amounts payable under equipment lease	28.5	21.9	16.7	9.9	5.3	3.0	85.3
Total amounts payable - Discounted values	39.0	31.5	26.2	16.9	11.7	29.8	155.1

(*) Amounts payable under finance leases were discounted at 5.78% as at 31 December 2008.

Off-balance sheet arrangements

WARRANTIES AND SURETIES (in €m)	2006		2007		2008	
	Commitments		Commitments		Commitments	
	given	received	given	received	given	received
Gecimed commitment to fund the works on "Hestia" sites.....	25.0	30.0	30.0	29.1	2.8	2.8
Icade commitment to fund the works on "Vesta" sites.....	---	---	---	---	---	36.0
Miscellaneous worksite completion guarantees	4.5	---	---	---	---	---
Clinique Mermoz building completion guarantee (Lyon facility combination)	41.5	41.5	---	---	---	---
Guarantee on future rents for the Clinique Mermoz Vefa (Lyon combination) ...	40.4	---	---	---	---	---
Future rental commitment for the HPE site (Le Havre combination).....	---	---	55.6	---	73.4	---
Commitment by Gecimed to build the HPE site (Le Havre combination)	---	---	---	106.5	---	106.5
Bank guarantees	---	---	---	3.7	---	3.5
Other rental guarantees	1.1	8.5	1.1	8.5	---	10.7
Other guarantees	20.9	11.5	20.7	6.0	1.0	12.7
TOTAL	133.4	91.5	107.4	153.8	77.2	172.2

ASSET AND LIABILITY GUARANTEES (in €m)	2006		2007		2008	
	Commitments		Commitments		Commitments	
	given	received	given	received	given	received
In most cases, the Group benefits from guarantees received pursuant to the acquisition of equity in healthcare establishments	0.9	13.3	0.9	12.0	0.9	6.8
TOTAL	0.9	13.3	0.9	12.0	0.9	6.8

COMMITMENT TO BUY/SELL SECURITIES AND OTHER ASSETS (in €m)	2006		2007		2008	
	Commitments		Commitments		Commitments	
	given	received	given	received	given	received
Unilateral commitments in respect of securities	31.1	---	---	---	---	---
Commitments in respect of other assets (property)	37.0	---	---	9.0	5.1	9.1
TOTAL	68.1	---	---	9.0	5.1	9.1

PARTNER COMMITMENTS (in €m)	2006		2007		2008	
	Commitments		Commitments		Commitments	
	given	received	given	received	given	received
Partner commitments	3.8	--	3.8	---	3.8	---
TOTAL	3.8	---	3.8	---	3.8	---

Financial instruments

At 31 December 2008, the Group used interest hedging instruments (SWAPS), so as to meet the conditions of the senior debt, which requires 66% hedging of the facilities used under the agreement for a minimum of 4 years.

In accordance with IAS 32 and IAS 39, the market value of these existing instruments at 31 December 2008 was recorded as non-current financial assets against equity (€21.8 million minus €7.6 million of tax). The decrease in fair value is due to the drop in rates. The fixed rate of our swaps is on average 4.27% with 4-year maturity. These same swaps would have had a rate of 2.97%, had they been initiated at 31 December 2008 with a 3-year residual maturity.

The exposure of financial debt to the interest rate risk before the rate hedging instruments breaks down as follows:

- 14.7% of the debt is on a fixed rate basis;
- 85.3% of the debt is on a variable rate basis.

Specifically:

- 100% of the senior debt is on a variable rate basis;
- 52% of the loans taken out from credit institutions are on a variable rate basis;
- 100 % of the equipment finance leases are on a fixed rate basis;
- 43% of the property finance leases are on a fixed rate basis.

After our hedging of our interest rate risk using swaps (compliance with our syndication's clause for the hedging of interest rate risk), the situation of our exposure to the interest risk is entirely reversed with:

- 90.2% of the financial debt on a fixed rate basis and
- 9.8% on a variable rate basis.

At 31 December 2008 (in €m)	31 December 2006		31 December 2007		31 December 2008	
	Outstandin g	Share	Outstandin g	Share	Outstandin g	Share
Fixed rate	236.4	63%	45.9	4.6%	133.8	14.7%
Variable rate	138.8	37%	956.9	95.4%	779.3	85.3%
Total before hedging.....	375.2	100%	1,002.8	100%	913.1	100%
Fixed rate	236.4	63%	535.9	53.4%	823.8	90.2%
Variable rate	138.8	37%	466.9	46.6%	89.3	9.8%
Total after hedging.....	375.2	100%	1,002.8	100%	913.1	100%

9.5 *Recent events*

9.5.1 **Disposal of the Ris Orangis radiotherapy centre and the Saint Joseph clinic (Senlis)**

At 1st January 2009, the Ris Orangis radiotherapy centre was disposed of. Its 2008 income statement displayed turnover for €3.0 million and operating profit of nearly zero.

At 1st January 2009, Clinique Saint Joseph (Senlis) was disposed of. Its 2008 income statement displayed turnover for €3.8 million and operating profit of €(1.2) million.

9.5.2 **Disposal of Clinique Hartmann and its subsidiary IRM Hartmann (Neuilly)**

At 9 March 2009, Clinique Hartmann (Neuilly) was disposed of, along with its subsidiary IRM Hartmann. The 2008 income statement of these two entities displayed turnover for €27.2 million and operating profit of €(0.1) million

9.5.3 **Disposal of Clinique du Parc (Beauvais)**

At 31 March 2009, Clinique du Parc (Beauvais) was disposed of. The 2008 income statement of that entity displayed turnover for €9.5 million and operating profit of €(0.1) million

9.5.4 **Acquisition of Clinique Saint-Victor (mental health)**

At 27 March 2009, the Générale de Santé Group executed a memorandum of understanding for the acquisition of Clinique Saint-Victor in Saint-Etienne (42). The clinic has a capacity of 80 beds.

CHAPTER 10

CASH AND SHARE CAPITAL

10.1 CASH AND SHARE CAPITAL

See paragraph 20.1.

10.2 FINANCING

10.2.1 Loans

Following the public takeover bid in the spring of 2007 which made part of the Group's debt payable, Générale de Santé in its capacity as guarantor and Compagnie Générale de Santé in its capacity as borrower agreed on 24 October 2007 with Mediobanca International (Luxembourg), Calyon SA and Crédit Agricole Luxembourg as initial lenders, a senior debt loan contract for a total amount of €1,185 million.

This senior debt has enabled the refinancing of part of Générale de Santé Group's borrowings and the refinancing of the exceptional distribution of additional paid-in capital decided at the company shareholders' general meeting on 17 December 2007 and also has the function of enabling the financing of the general operational requirements of companies in the Group and the financing of acquisitions and expenses associated with growth and reorganisation. This financing, granted under the terms and conditions of the 2007 Credit Agreement, is mainly repayable *in the end* by October 2014. It is comprised of four credit lines:

- a A1 tranche for a maximum of €415,000,000 at the Euribor variable rate plus 2.5% to refund part of the bank facilities granted to the Group. That tranche was drawn down for up to €336,951,000 at 31 December 2008;
- a A2 tranche for a maximum of €419,800,000 at the Euribor variable rate plus 2.375% to finance the exception distribution of additional paid-in capital by the Company. That tranche was drawn down for up to 340,849,000 at 31 December 2008;
- an "Acquisition/Capex" tranche for the acquisitions and capital expenditures, for a maximum of €200,000,000 at the Euribor variable rate plus 2.375%. This tranche is likely to be drawn down up until 24 October 2010. That tranche was drawn down for up to 37,500,000 at 31 December 2008.
- a renewable "revolving" tranche for a maximum of €50,000,000 at the Euribor variable rate plus 2.25%. The purpose of this tranche is to allow for the funding of (i) the general operating requirements of Group companies and (ii) the price due by a Group company for an investment, or a growth or reorganisation expenditure. It can be drawn down up until September 2014.

The margins applicable to the credit's various tranches can be adjusted downwards depending on the ratio between the total net debt and an aggregate close to the consolidated EBITDA.

Besides, Générale de Santé, borrower and only subsidiary of the Company, has the ability to request from the banks, without these having to meet such request, the granting of an *Additional Acquisition / Capex Facility* for a maximum of €100,000,000 designed to (i) finance certain of the Group's acquisitions, as well as their related costs, (ii) finance the repayment of the certain *Growth and Reorganisation Capital Expenditures*. Such credit facility would expire 7 years after the signing of the 2007 Credit Agreement. Once granted, it would benefit from the same guarantees and sureties as the other facilities provided by the 2007 Credit Agreement.

The 2007 Credit Agreement includes, among other things, the following obligations, which are habitual in such financing facilities and, if they are not met, are likely to result in the early repayment of the amounts granted under the 2007 Credit Agreement:

- External growth operations are limited to those that meet certain financial and documentary requirements, within the limits of an overall aggregate ceiling.
- Assets disposals are limited and, in particular, there is a commitment not to dispose of businesses or companies if an aggregate close to the EBITDA generated by such businesses or companies represents more than 3% of such aggregate at the consolidated level and more than 10% taking into account those disposals that have already been completed.
- There is an obligation to maintain a property assets value not subject to any loan, real surety or lease agreement in excess of €380,000,000, insofar as the ratio between the gross net debt and an aggregate close to the consolidated EBITDA exceeds 3:1.
- There is an obligation to maintain, at the consolidated level, at the end of each quarter, the following changing financial ratios calculated on the basis of 12 sliding months: (i) the ratio between the total net debt and an aggregate close to the consolidated EBITDA with a limit in excess of 5.5:1 being limited, for the period of the 2007 Credit Agreement, to 3.5:1 and (ii) the ratio between an aggregate close to the consolidated EBITDA and the net interest with a limit of less than 2.5:1 rising, over the period of the 2007 Credit Agreement, to 4.5:1. Besides, the Growth and Reorganisation Capital Expenditures was limited to €145 million at 31 December 2008, this amount declining gradually up until the end of the 2007 Credit Agreement, and the Capex and Maintenance Expenditures was limited to €66 million at 31 December 2008, this amount increasing gradually up until the end of the 2007 Credit Agreement. It is specified that the annual amounts of growth and reorganisation capital expenditures and maintenance expenditures authorised may, under certain conditions, be partly postponed to the following year if they are unused, or be used in advance.
- Limitation of property and equipment finance leases.
- Obligation to repay the credit in advance in case of a change of control of the Company or of disposal of assets.

The 2007 Credit Agreement also contains early repayment obligations within the limits of certain applicable thresholds and exceptions. These obligations concern (i) the proceeds from the disposal of property or equipment assets, insurance indemnities or repayments of intra-group loans and (ii) the amount corresponding to a fraction of Group excess cash.

The 2007 Credit Agreement contains statements and guarantees that are habitual in such financing agreements, as well as default clauses.

10.2.2 Intra-group loans

In order to refinance part of the debt of certain members of the Group, Compagnie Générale de Santé has taken out several intra-group loans with some of its subsidiaries. These intra-group loans have been financed by draw downs on the 2007 Credit Agreement by Compagnie Générale de Santé.

The main loans are the following:

- Intra-group loan entered into between Compagnie Générale de Santé as lender and Générale de Santé Cliniques as borrower as at 26 October 2007 for €90,000,000 at Euribor variable rate plus 2.50%.
- Intra-group loan entered into between Compagnie Générale de Santé as lender and Alphamed as borrower as at 26 October 2007 for €9,700,000 at Euribor variable rate plus 2.50%.
- Intra-group loan entered into between Compagnie Générale de Santé as lender and SCI Massy as borrower as at 26 October 2007 for €21,000,000 at Euribor variable rate plus 2.50%.

Besides, the centralised cash and current account advance agreement entered into by Générale de Santé and Compagnie Générale de Santé as at 26 April 2002 remains in full force.

10.2.3 Sureties

In the context of the financing provided by the Senior Debt, a number of sureties were granted as at 26 October 2007 to the lending banks:

10.2.3.1 *Sureties granted by Générale de Santé:*

- pledging by Générale de Santé of the financial instruments account where are recorded all Compagnie Générale de Santé shares held by Générale de Santé as collateral for its obligations under the 2007 Credit Agreement;
- pledging by Générale de Santé of the claims it holds against Compagnie Générale de Santé under the centralised cash and current account advance management agreement executed between them on 26 April 2002 as collateral for its obligations under the 2007 Credit Agreement;
- pledging by Générale de Santé of the balance of its bank accounts granted as collateral for its obligations under the 2007 Credit Agreement.

10.2.3.2 *Sureties granted by Compagnie Générale de Santé:*

- pledging by Compagnie Générale de Santé of the financial instruments account where are recorded all the Immobilière de Santé shares held by Compagnie Générale de Santé as collateral for its obligations as borrower under the 2007 Credit Agreement;
- pledging by Compagnie Générale de Santé of the financial instruments account where are recorded all the Générale de Santé Cliniques shares held by Compagnie Générale de Santé as collateral for its obligations as borrower under the 2007 Credit Agreement;
- pledging by Compagnie Générale de Santé of its claims under the intra-group loans dated 26 October 2006 which it has granted to (i) Générale de Santé Cliniques, (ii) Alphamed and (iii) SCI Massy as collateral for its obligations as borrower under the 2007 Credit Agreement;

- pledging by Compagnie Générale de Santé of the balance of its bank accounts granted as collateral for its obligations as borrower under the 2007 Credit Agreement;
- pledging by Compagnie Générale de Santé of the Générale de Santé Italia shares it holds granted as collateral for its obligations as borrower under the 2007 Credit Agreement.

10.2.3.3 *Sureties granted by Générale de Santé Clinique:*

Besides, the following sureties have been granted by Générale de Santé Cliniques as collateral for the intra-group held against it by Compagnie Générale de Santé under the intra-group loan between the two companies referred to in paragraph 2 above; this intra-group claim is covered by the pledging of collateral in favour of the lending banks under the 2007 Credit Agreement:

- pledging of the financial instruments account where are recorded all the Performance Achat au Service de la Santé shares held by Générale de Santé Cliniques;
- pledging of the financial instruments account where are recorded all the Medipsy shares held by Générale de Santé Cliniques;
- pledging of the financial instruments account where are recorded all the Dynamis shares held by Générale de Santé Cliniques.

10.2.3.4 *Sureties granted by Alphamed:*

Besides, the following sureties have been granted by Alphamed as collateral for the intra-group held against it by Compagnie Générale de Santé under the intra-group loan between the two companies referred to in paragraph 2 above; this intra-group claim is covered by the pledging of collateral in favour of the lending banks under the 2007 Credit Agreement:

- pledging of the financial instruments account where are recorded all the Centre Médico Chirurgical de Parly 2 shares held by Alphamed;
- pledging of the financial instruments account where are recorded all the Hôpital Privé de l'Ouest Parisien shares held by Alphamed.

10.2.4 **Interest rate risk hedging**

Under the 2007 Credit Agreement, the Company has undertaken to enter into interest rate risk hedging contracts for up to 66 2/3% of the amounts made available to the borrower under the A1, A2 and Acquisition/Capex tranches for a minimum period of 4 years as of the signing of the 2007 Credit Agreement.

The financial restructuring initiated by the Group will help it face its expenditure requirements and maintain its industrial tool. Besides, the Group already experienced a similar level of indebtedness in the past, at a time when it was much smaller in size.

CHAPTER 11

RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

11.1 RESEARCH AND DEVELOPMENT

The Company conducts the business of managing private hospital establishments. In that context, it does not take part into any R&D activities, and owns no patents. However, it does favour the setting up of knowledge sharing and exchange organisations (such as speciality clubs) that contribute to the improvement of knowledge and the dissemination of best practice.

11.2 INTELLECTUAL PROPERTY

The Company holds intellectual property rights on the "Générale de Santé" brands that have been filed several times with the French INPI (Institut national de la propriété intellectuelle, i.e. national institute for intellectual property) on 20 April 2001 (under numbers n°013096135; n°013096136 and n°013096133 for brands files in colours of a semi-figurative nature).

Besides, Générale de Santé Cliniques, a subsidiary of the Company, filed, on 11 July 1996, with the INPI, the brand "Générale de Santé Cliniques" under number n°96633923 and renewed it on 31st January 2006.

The registration and renewals of these rights is effective for a 10-year unlimitedly renewable period of ten years as of the registration or renewal date.

Générale de Santé owns or holds the rights relative to the elements and data that make up its website, including the texts, data, drawings, graphics, photographs, and sound tracks. Générale de Santé owns or holds the rights relative to the elements and data that make up its website, including the texts, data, drawings, graphics, photographs, and sound tracks.

Générale de Santé also owns or holds the rights, either *ab initio* or through acquisition, of intellectual property regarding its institutional and economic documentation, its internal press, its brochures, catalogues, IT and pedagogic media, texts and images.

CHAPTER 12

INFORMATION ABOUT TRENDS

12.1 RECENT CHANGES AND FUTURE PROSPECTS

Générale de Santé's environment in financial 2009 will be marked by a number of major factors:

1. the implementation of a new nomenclature at 1st March ("V 11") that will cause in-depth changes to the price list applicable since March 2005 (the number of medical procedures described in the new nomenclature will be multiplied by three, new classification criteria are to be introduced, new resuscitation and intensive care flat fees are to be set up etc.)
2. the uncertainty regarding the growth level of volumes in France (effect of the economic situation on household consumption and competition from public hospitals)
3. the hospital reform ("Hôpital Patients Santé Territoire" or so-called "Bachelot" bill) that will change the governance rules within the public hospital and create the Regional Hospitalisation Agencies.

In this fast-changing context, Générale de Santé intends to continue developing its market share (particularly in Acute Care and After-Care and Rehabilitation and Psychiatry) and improve its healthcare offer.

Lastly, depending on how market conditions change, Générale de Santé is reviewing the option to pursue its divestment programme regarding its non-strategic assets on a limited number of facilities.

CHAPTER 13

TURNOVER FORECASTS AND ESTIMATES

13.1 FORWARD-LOOKING INFORMATION AND TARGETS AND PROSPECTS

13.1.1 Group earnings forecast

The Group has not announced any earnings forecast for 2009.

13.1.2 Group targets

For 2009, the Group has announced its intention to continue to improve its healthcare offer, despite an unfavourable price context.

On a like-for-like basis, the Group also intends to:

- Limit the unfavourable price effect on the EBITDA;
- Control the level of net debt.

CHAPTER 14

ADMINISTRATION, MANAGEMENT, SUPERVISION, AND GENERAL MANAGEMENT BODIES

14.1 ADMINISTRATION, MANAGEMENT, SUPERVISION, AND GENERAL MANAGEMENT BODIES

Since 19 March 2004, Générale de Santé has been a limited company with an Executive Board and a Supervisory Board. A summarised description of the main provisions of the bylaws and the internal rules regarding the Executive Board and the Supervisory Board, particularly their operation and their powers, is given in Chapter 16.

14.1.1 Executive Board

The Executive Board met fourteen times during financial 2008, with an average attendance rate of 100%.

On the date this document is published, the Executive Board is composed of the following members:

Last name and first name or company name	Date appointed	Mandate expiry date	Number of shares held in the Company
<u>Chairman</u>			
Frédéric Rostand	16 April 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31 December 2009	0
<u>Other member</u>			
Filippo Monteleone	15 March 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31 December 2009	109.006

The functions exercised by the members of the Executive Board are as follows:

Name	Age	Date first appointed	Main function in the Company	Main position held outside the company	Other functions or mandates held over the past five years (other than those held within a Company subsidiary)
Frédéric Rostand	47	16 April 2007	Chairman of the Executive Board	<p>Chairman, Compagnie Générale de Santé</p> <p>Chairman and CEO, Compagnie Générale de Santé</p> <p>Chairman and CEO, Générale de Santé Cliniques</p> <p>Board member, Bic</p> <p>Board member, Louis Delhaize SA.</p> <p>Permanent representative, Compagnie Générale de Santé at the Board of Directors of Conectis Santé, Financière la Providence, Provence Santé, Sam Bio, Ecole Européenne de Chirurgie.</p> <p>Permanent representative, Générale de Santé Cliniques at the Board of Directors of Générale de Santé Domicile, Immobilière de Santé, Pass.</p> <p>Permanent representative, Sogur at the Board of Directors of Cofindex.</p>	<p>Chairman of the Executive Board, Saint Louis Sucre SA</p> <p>Member of the Executive Board, Südzucker AG</p> <p>Representative, Saint Louis Sucre SA Chairman, SFOP.</p> <p>Representative, Saint Louis Sucre SA Chairman, Saint Louis Sucre International</p> <p>Board member, Eastern Sugar BV</p> <p>Member and Chairman of the Supervisory Board of COFA.</p> <p>Board member, Raffinerie Tirmontoise</p> <p>Board member, Distilleries Ryssen</p> <p>Permanent representative, Saint Louis Sucre board member, Sucrieries de Bourgogne.</p> <p>VP, Supervisory Board, Slaska Spolka Cukrowa SA</p> <p>Board member, Ebro Puleva.</p>
Filippo Monteleone	40	19 March 2004	Member of the Executive Board and Managing Director	<p>Board member, Générale de Santé Cliniques.</p> <p>Board member, Sam Bio.</p> <p>Permanent representative, Compagnie Générale de Santé at the Board of Directors of Immobilière de Santé, Clinique de la Défense, Pass, and Libermed.</p> <p>Permanent representative, Générale de Santé Cliniques at the Board of Directors of Financière la Providence, of Ecole Européenne de Chirurgie.</p> <p>Permanent representative, Clinique Jouvenet at the Board of Directors of Clinique des Martinets.</p>	<p>Board member, AADJNON SA</p> <p>Board member, Génoméd</p> <p>Permanent representative, Compagnie Générale de Santé at the Board of Directors of Clinique Spontini.</p> <p>Permanent representative, Générale de Santé Cliniques at the Board of Directors of Jombeau Participations.</p> <p>Permanent representative, Immobilière de Santé at the Board of Directors of Patrimoine Santé.</p>

None of the mandates of the members of the Executive Board is due to expire in the course of financial 2009.

Frédéric Rostand

Chairman of the Executive Board

Born 21 March 1962, Frédéric Rostand holds degrees from the Paris Institute of Political Science and the Ecole des Hautes Etudes Commerciales. In 1987 he started a career as a banker with Chase Manhattan Bank, Meeschaert-Rousselle in Paris, and eventually Banque Demachy Worms, where he became head of Worms & Cie Développement in 1992. He was appointed CFO of Worms & Cie in 1994. In 1996, he joined the Saint Louis Group as CFO, and was eventually appointed Deputy Managing Director of Générale Sucrière in 1997 which eventually became Saint Louis Sucre. In 2001 he was appointed Chairman of the Executive Board of Saint Louis Sucre and member of the Executive Board of Südzucker AG in 2002. Concurrently, he holds various positions within the Group. He has been Board member of Bic since 2003 and of Louis Delhaize since 2008. He joined Générale de Santé in April 2007 as member of the Executive Board and has been Chairman of the Executive Board since 31 May 2007.

His business address is at the Company's head office.

Filippo Monteleone

Member of the Executive Board, Managing Director

After joining the Générale de Santé Group in November 2001, as Development Director, Filippo Monteleone was appointed Executive Board member in March 2004, and Managing Director in July 2007 particularly in charge of strategy, investments, development and international business. After beginning his career at Worms & Cie in 1994, in 1997 he became Development Director and Finance Controller for that same company. Holding a vocational degree of Corporate Finance from Université Paris IX - Dauphine, he was also founder and General Manager of JusTradeit from 2000 to 2001.

His business address is at the Company's head office.

14.1.2 Supervisory Board

The supervisory board met eight times during financial 2008. The attendance rate was between 85% and 100%.

The table below illustrates the composition of the Company's Supervisory Board on the date of this annual report.

Last name and first name or company name	Date appointed	Mandate expiry date	Number of Company shares held
<u>Chairman</u>			
Antonino Ligresti	17 December 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31st December 2009	1
<u>Deputy Chairman</u>			
Lorenzo Pellicoli	27 June 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31st December 2009	1
<u>Other members</u>			
Rosario Bifulco	27 June 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31st December 2009	1
Paolo Ceretti	27 June 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31st December 2009	1
Ross Mc Innes	27 June 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31st December 2009	1
Santé Europe Investissements Represented by: François de Montaudouin	27 June 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31st December 2009	1
Santé Europe Participations Represented by: Matthias Leridon	27 June 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31st December 2009	1

The functions exercised by the members of the Supervisory Board are as follows:

Name	Age	Date first appointed	Main function in the Company	Main position held outside the company	Other functions or mandates held over the past five years (other than those held within a Company subsidiary)
<u>Chairman</u>					
Antonino Ligresti	70	19 March 2004	Chairman, Supervisory Board Chairman, Appointments and Remunerations Committee	Chairman, Générale de Santé Italia S.p.A. Board member, Santé SA Chairman, Fondation d'entreprise Générale de Santé Member of the Supervisory Board, Equinox Investment Company Scpa.	Co-Manager, Santé Sarl (now Santé SA)
<u>Deputy Chairman</u>					
Lorenzo Pelliccioli	57	27 June 2007	VP, Supervisory Board	Chairman, DeA Capital Board member, De Agostini SpA Board member, Assicurazioni Generali SpA Chairman, Idea Alternative Investments SpA Manager, B&D Holding di Marco Drago Managing Director, DeA Factor SpA Board member, Magnolia France SA Board member, De Agostini Editore SpA Chairman, LottomaticaSpA Board member, Editions Atlas SAS Board member, Genesis SRL Single board member, Investendo SRL Chairman, Xantos SAS Chairman and CEO, Zodiak Entertainment SAS	Board member, Limoni SpA Chairman, GPP SpA Board member, Toro Assicurazioni SpA Board member, Limoni Holding SpA Board member, Limoni Due Holding SpA Board member, LottomaticaSpA Board member, ILTE SpA Chairman, Magnolia France SA Board member, De Agostini Periodici Srl Board member, De Agostini Finance SA Board member, Santé SA Board member, Eutelsat
<u>Members</u>					
Rosario Bifulco	54	27 June 2007	Member of the Supervisory Board Chairman, Audit Committee	Board member, DeA Capital SpA Chairman, Sorin SpA Board member, Permasteelisa SpA Board member, Pierrel SpA Board member, Santé SA Board member, Italian Hospital Group Chairman, ITB Banque Vice-Chairman, SIRTI SpA Board member, Rhiag SpA	Managing Director, Lottomatica SpA Board member, Humanitas Board member, Totobit Informatica Software SpA Board member, Scientific Game Corp. Board member, Sirti Sistemi SpA Lottomatica Servizi SpA Board member, Lottomatica SpA Single board member, Bootes srl Board member, Sirti Sistemi SpA
Paolo Ceretti	54	27 June 2007	Member of the Supervisory Board Member of the Appointments and Remunerations Committee	Board member, De Agostini SA Sicar Chairman, Cont Première SA Board member, DeA Capital SA Sicar Single board member, Cont	Board member, Nova Prima SpA Single board member, Nova Srl Chairman, New Games SpA Board member, FinEuroGames SpA Board member, De Agostini Partecipazioni SpA Board member, Toro Assicurazioni SpA

Name	Age	Date first appointed	Main function in the Company	Main position held outside the company	Other functions or mandates held over the past five years (other than those held within a Company subsidiary)
				Deuxième SAS and Cont Troisième SAS Board member, Santé SA Managing Director, DeA Capital SpA Board member, Idea Alternative Investments SpA Managing Director, De Agostini Communications SpA Board member, B&D Finance SA and Nova Deuxième SA Board member, Mikado Film SpA, , Nova Quatrième SA, De Agostini Invest SA, Inverst Games SA Single board member, Nova Quarta Srl, Lottomatica SpA, SpA, DeAgostini Editore SpA, DeA Factor SpA, Managing Director, De Agostini SpA Chairman, DeA Capital Investments SA Chairman of the Supervisory Board, Marathon Group SAS Board member, Migros Turk TAS Board member, Zodiak Entertainment SAS Chairman, Zodiak Television AB	Chairman, ITC Investments SpA Board member, Nova Troisième SA Board member, DeA Participations SA Board member, Magnolia SpA Chairman, Lottomatica Intl. Srl Single board member, Investori & Partners Immobiliari SpA

Ross Mc Innes	55	27 June 2007	Member of the Supervisory Board Member of the Audit Committee Member of the Appointments and Remunerations Committee	Vice-Chairman, Macquarie Europe Ltd. Board member, Santé SA Chairman's Representative, Santé Développement Europe Board member, Macquarie Autoroutes de France, Eiffarie, APRR, AREA, Adelac SAS. Board member, SNEF and Financière du Planier Board member, Faurecia Board member of Bienfaisance Holding	Chairman of the Executive Board, Générale de Santé SA Permanent representative, Santé Sàrl at the Supervisory Board of Générale de Santé SA VP Finance, P.P.R. Censor, P.P.R. Board member, CFAO, Board member, Rexel Member of the Supervisory Board, Gucci Group NV Deputy Managing Director, Thales Board member, Thales Air Defence SA, Thales Systèmes Aéroportés SA, Thales International. Director, Adi Group Holding Pty Limited, Adi Group Pty Limited, Adi Munitions Pty Limited, Australian Defence Industries. Board member, Camelot Plc. Board member, Electro Banque Board member, Chartreuse & Mont-Blanc Global Holdings SCA Board member, Chartreuse & Mont-Blanc GP Sàrl Board member, Chartreuse & Mont-Blanc Holdings Sàrl Chairman, Chartreuse & Mont-Blanc SAS Member of the Supervisory Board, Pisto SAS
Santé Europe Investissements represented by François de Montaudouin	50	27 June 2007	Member of the Supervisory Board Member of the Audit Committee	Board member, Santé SA Board member, Santé SA Member of the Supervisory Board, Interneto Representative, DeA Invest at the Board of Directors of Banijay Holding Board member, SPGC Manager, Orbite	Chief Executive Officer, Majid al Futtaim Group Managing Director, Rallye S.A Permanent representative, Santé Sàrl at the Supervisory Board of Générale de Santé
Santé Europe Participations, represented by Mr. Matthias Leridon	46	27 June 2007	Member of the Supervisory Board	Board member, Santé SA Chairman, Tilder Chairman, Cofilebo Manager, MLB Consulting	Chairman, Tilder Participations

Censors

Frédéric Lemoine	43	4 July 2007	Censor	Chairman of the Executive Board of Wendel Board member of Compagnie de Saint Gobain Board member, Legrand. Chairman of the Supervisory Board, Bureau Veritas Board member and Chairman of the Audit and Accounts Committee, Groupama SA Board member and Chairman of the Audit Committee, Flamel Technologies. Manager, LCE.	Chairman of the Supervisory Board, Areva. Senior Advisor with McKinsey. Member of the Supervisory Board, Wendel.
Henri Escojido	63	19 March 2004	Censor	Professor of medicine - Interventional cardiology	Manager, Mediterranean Institute for the Heart and Veins SELARL Co-Manager, Rey Escojido SARL

None of the mandates of the members of the Supervisory Board is due to expire in the course of financial 2009.

Antonino Ligresti

A medical doctor and surgeon, Antonino Ligresti specialises in cardiology and internal medicine. He began his career working for the medical clinic of the University of Milan, then of Fatebenefratelli hospital in Milan.

As of 1979, through the gradual acquisition of several prestigious establishments in Lombardy, he set up the first private hospitalisation group in Italy, recognised for the quality of its services and the assistance offered, as well as for its cooperation with academic teaching and research. Antonino Ligresti sold his group in 2000.

A reference shareholder of Générale de Santé since June 2003, he was appointed board member of the Company. Since the setting up of a new corporate governance system on 19 March 2004, he has been Chairman of the Supervisory Board.

Among his many functions in the healthcare business, Antonino Ligresti took part in the creation, and was a member of the executive committee, of the European Institute of Oncology.

Lorenzo Pellicoli

Lorenzo Pellicoli, Chairman, DeA Capital S.p.A. was born in 1951 in Lombardy. He began his career in the media world as journalist, and eventually as programmes manager for an Italian television channel. From 1984 to 1990, he worked for the Mondadori Espresso Group, and in the early 1990s joined the Costa Crociere Group successively as Chairman and CEO of Costa Cruise Lines in Miami, World Chairman of Costa Crociere S.p.A. in Genoa, and Chairman and CEO of Compagnie Française des Croisières Costa Paquet in Paris.

In 1997, he was appointed Deputy Board member of Seat Pagine Gialle and, upon the company's disposal to Telecom Italia in February 2000, he became Chairman of Telecom Italia Group's Internet Business Service.

Since 2005, he has been Managing Director of De Agostini S.p.A. and holds various mandates within that group's operating subsidiaries whose activities range from finance and investments to publishing, to media and to communication.

Rosario Bifulco

Rosario Bifulco was born 14 September 1954. Chairman and Managing Director of Lottomatica S.p.A. up until 2006, to date he is still a member of its Board of Directors. He is the initiator of the development project for one of the most innovative European hospitals, Humanitas, of which he is currently Vice-Chairman. In December 2006, Rosario Bifulco joined the Board of Directors of Pierrel S.p.A., an Italian company active in the pharmaceutical industry that specialises particularly in research, development, and on-demand production of medications, thus contributing to the company's international research.

Paolo Ceretti

Paolo Ceretti, aged 54, was appointed Deputy Board member of DeA Capital S.p.A. in January 2007 after a career that took him in 1979 from the Agnelli Group where he held various offices from finance to audit and to planning, to the world of communications in 1999 and more particularly to the IT industry within a joint-venture, Fiat/IBM. Since 2004, as Managing Director of De Agostini S.p.A., the holding company of the De Agostini Group, he has completed major operations aimed at developing and diversifying the Group's investments.

He is also a member of the Board of De Agostini Editore S.p.A., De Agostini Invest S.A., Lottomatica S.p.A., Mikado Film S.p.A. and other subsidiaries of the De Agostini Group.

Matthias Leridon

Matthias Leridon won a degree from ESSEC in 1985; he also is a graduate from the Institute of Political Studies. He holds a DESS in Management of Audiovisual Communication (Paris I). Matthias Leridon has been Chairman of Tilder since 1990. He was consultant, and then Director of Bernard Rideau et Conseil, a communication consultancy, from 1986 to 1989. He worked as advisor for the Ministry of Public Function and Planning in 1988. Matthias Leridon is also Chairman of Cofilebo and Managing Partner of MLB Consulting.

Ross Mc Innes

Ross Mc Innes was born 8 March 1954 in Calcutta, India. Ross Mc Innes studied at St John's College in Oxford and holds a Master of Arts. From 1977 to 1980, he was Assistant Manager at Kleinwort Benson Limited bank in London (UK), and then in Rio de Janeiro (Brazil). In 1980, he held a position as Director at the Continental Bank in Chicago, USA, and then in Paris, from 1981 to 1989. In 1989, he was appointed Finance Director of Ferruzzi Corporation of America in New-York, USA, and then in 1991, became Finance Director of Eridania Béghin-Say, where he was also board member from 1999 to 2000. In 2000, he was appointed Executive VP and Finance Director of Thales, and then joined the PPR Group (Pinault Printemps Redoute) from 2005 to March 2006 as VP Finance. Besides, Ross Mc Innes was board member of Camelot-The National Lottery in the UK (from 2000 to 2005), and of Rexel (from 2004 to 2005). Ross Mc Innes is currently Vice-Chairman of Macquarie Europe Ltd. Within Générale de Santé, after being the representative of Santé Sàrl at the Supervisory Board, he became Chairman of the Executive Board from March 2007 to May 2007 and was appointed member of the Supervisory Board in June 2007.

François de Montaudouin

Born 7 September 1958 in Boulogne-Billancourt, François de Montaudouin holds degrees from Université Paris IX-Dauphine (France) and Harvard Business School (United States). After working as Director of CIC-European Union New York (USA) and then Director of Euris SA (1988-97), he held the position of Managing Director of Rallye SA from 1998 to 2004. François de Montaudouin joined the Majid al Futtain Group in Dubai as Chief Executive Officer up until July 2007.

14.1.3 *Censors*

Using the ability provided for in the Company's bylaws, the Supervisory Board of 4 July 2007 appointed two Censors for a period of three years that will expire in 2010 at the end of the General Meeting ruling on the accounts of the financial period ended 31 December 2009:

Professor Henri Escojido, from the medical community that operates within Générale de Santé's establishments and Mr. Frédéric Lemoine, an independent individual, were both members of the Company's Supervisory Board from 2004 to 2007.

Last name and first name or company name	Date appointed	Mandate expiry date
Henri Escojido	4 July 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31st December 2009
Frédéric Lemoine	4 July 2007	Date of the Company's ordinary general meeting ruling on the accounts of the year due to end 31st December 2009

Henri Escojido

Professor Henri Escojido currently chairs the medical establishment commission of the Hôpital privé Clairval in Marseille and the medical and scientific committee of Générale de Santé. A former resident student, a Hospital assistant, a head of the clinic of cardiology at the Faculty and an associate university Professor, he works with his team in the professional hospital sector. The founder and head of the cardiology team of Clairval, he is also Head of the Interventional Cardiology Department of the Hôpital Saint Joseph Foundation. The author of various publications and communications, he is very active in ongoing education and valuation. He is a statutory member of the French Society and the European Society of Cardiology, and heads various committees, particularly in the medical field.

Frédéric Lemoine

Mr. Frédéric Lemoine holds degrees from HEC and IEP Paris, as well as a degree in law; he is also a former ENA student. He began his career at the General Finance Inspectorate, where he focused on corporate and hospital management finance. After heading a heart surgery hospital in 1992-1993 (the Heart Institute of Saigon - Vietnam), in 1995 he became Deputy Director of the Ministry of social affairs and labour, where he was in charge of coordinating the social security and hospital reforms. In 1997, Frédéric Lemoine joined the Capgemini Group, where he successively held positions as Executive Board Secretary, Group Finance Director and, as of May 2000, Deputy VP in charge of Finance for the Capgemini Group. From 2002 to 2004, he was Deputy General Secretary of the President of the Republic, a position where he was, in particular, in charge of economic, industrial, and financial issues. After being Chairman of the Supervisory Board of Areva, Frédéric Lemoine is currently Chairman of the Executive Board of Wendel, Board member of Legrand and Compagnie de Saint Gobain, Chairman of the Supervisory Board of Bureau Veritas, Board member and Chairman of the Audit and Accounts Committee of Groupama SA and Board member and Chairman of the Audit Committee of Flamel Technologies. In addition, he is General Secretary of the Alain Carpentier Foundation.

14.1.4 Statements regarding members of the Executive Board and the Supervisory Board

To the Company's knowledge, there are no family ties between members of the Executive Board or of the Supervisory Board.

To the Company's knowledge, in the past five years: (i) there has been no conviction for any member of the Executive Board or Supervisory Board, (ii) no member of the Executive Board or Supervisory Board has been involved in a bankruptcy, sequestration or liquidation in a capacity as member of management of a board of directors or supervisory board, (iii) no member of the Company's Executive Board or Supervisory Board has been incriminated or publicly sanctioned by the statutory or regulatory authorities (iv) no member of the Company's Executive Board or Supervisory Board has been prevented by a court from acting in his capacity as member of an administration, management, or supervisory body of an issuer, nor from intervening in the management or the affairs of an issuer.

14.2 CONFLICTS OF INTEREST

To the Company's knowledge, there are no (i) conflicts of interest regarding the administration and general management bodies of Générale de Santé; (ii) arrangements or agreements entered into by the Company with its main shareholders, nor with customers of suppliers, under which a member of the Executive Board or the Supervisory Board would have been selected; nor (iii) any restrictions accepted by the members of the Executive Board or Supervisory Board regarding the disposal of their holdings in the Company's capital stock.

CHAPTER 15 DIRECTORS' REMUNERATION AND BENEFITS

The information given in this chapter is presented in accordance with the AMF Recommendation of 22 December 2008 regarding the information to be disclosed in annual reports regarding the remuneration of corporate officers.

15.1 REMUNERATION AND BENEFITS PAID TO GENERALE DE SANTE DIRECTORS IN 2008

15.1.1 Remuneration and benefits paid to members of the Executive Board in 2008

This table only concerns the corporate officer managers referred to in paragraph 1.2 of the AMF Recommendation of 22 December 2008:

- Mr. Frédéric Rostand, Chairman of the Executive Board, appointed 16 April 2007, whose mandate expires at the end of the general meeting that will rule in 2010 on the accounts of financial 2009.
- Mr. Filippo Monteleone, member of the Executive Board, appointed 15 March 2007, whose mandate expires at the end of the general meeting that will rule in 2010 on the accounts of financial 2009.

This table summarises the remuneration of corporate officer managers as displayed in the subsequent tables. These tables deal with the remunerations and benefits of all nature due to corporate officer managers in connection with their office by (i) the company, (ii) the controlled companies, in the sense of Article L. 233-16 of the Commercial Code, by the company where the function is held, (iii) the controlled companies, in the sense of L. 233-16 of the Commercial Code, by the company or companies that control the company where the function is held and (iv) the company or companies that control, in the sense of that same article, the company where the function is held.

The Company belongs to a Group. Therefore, the information deals with the amounts due by all the companies in the control chain, in connection with the function held within the Company.

Table 1

Summary table of remunerations and options and shares allocated to each top manager		
	Financial 2007	Financial 2008
<u>Frédéric Rostand</u> ⁽¹⁾		
Remunerations due for the period (<i>detailed in table 2</i>)	911,149	1,021,828
Valuation of the options allocated during the period (<i>detailed in table 4</i>)	None	None
Valuation of performance shares allocated during the period (<i>detailed in table 6</i>)	None	None
TOTAL	911,149	1,021,828
<u>Filippo Monteleone</u> ⁽²⁾		
Remunerations due for the period (<i>detailed in table 2</i>)	497,588	631,227
Valuation of the options allocated during the period (<i>detailed in table 4</i>)	None	None
Valuation of performance shares allocated during the period (<i>detailed in table 6</i>)	None	None
TOTAL	497,588	631,227

(1) As far as the 2007 remuneration is concerned, it was paid as of 16 April 2007, i.e. over 8.5 months

(2) Change of office effective 1st July 2007.

15.1.2 Remuneration and benefits paid to members of the Executive Board in 2008

Table 2 (This table concerns corporate office managers referred to in table 1).

Summary table of remuneration of each corporate officer manager				
Frédéric Rostand Chairman of the Executive Board	Financial 2007		Financial 2008	
	Amounts due (5)	Amounts paid (6)	Amounts due (5)	Amounts paid (6)
fixed remuneration (1)	411,989	411,989	580,778	580,778
variable remuneration (1) (2)	493,000	0	431,810	493,000
exceptional compensation (1)(4)	None	None	None	None
directors' fees	None	None	None	None
benefits in kind (3)	6,160	6,160	9,240	9,240
TOTAL	911,149	418,149	1,021,828	1,083,018
Filippo Monteleone Member of the Executive Board	Financial 2007		Financial 2008	
	Amounts due (5)	Amounts paid (6)	Amounts due (5)	Amounts paid (6)
fixed remuneration (1)	306,208	306,208	352,970	352,970
variable remuneration (1) (2)	189,100	100,000	274,870	89,100
exceptional remuneration (1)(4)	None	None	None	None
directors' fees	None	None	None	None
benefits in kind (3)	2,280	2,280	3,387	3,387
TOTAL	497,588	408,488	631,227	445,457

(1) This information deals with the gross pre-tax remuneration.

(2) The variable portion of the compensation of the members of the Executive Board is subject to the determination of its criteria during the Supervisory Board held at the beginning of the financial year, after the recommendations of the Appointments and Compensations Committee have been reviewed. Its payment results from a Supervisory Board decision made at the beginning of the next year, after achievements are reviewed. In accordance with the provisions of article L225-102-1 of the Commercial Code, it is specified that the variable portion of the bonus is based on the achievement of collective quantitative targets (EBITDA and indebtedness ratio) and individual qualitative targets (completion of specific operations, for example).

(3) The benefit in kind concerned is a company vehicle.

(4) Remuneration paid to the corporate officer manager for the functions held during the period, regardless of the date paid.

(5) Entire remuneration due and paid to the corporate officer manager for the functions held during the period.

(6) Entire remuneration paid to the corporate officer manager for the functions held during the period.

15.1.3 Remuneration and benefits paid to Supervisory Board members in 2008

Table 3

Summary table of remunerations paid to the Chairman and Vice-Chairman of the Supervisory Board				
Antonino Ligresti Chairman, Supervisory Board	Financial 2007		Financial 2008	
	Amounts due	Amounts paid	Amounts due	Amounts paid
fixed remuneration (1)	259,559	259,559	251,250	251,250
variable remuneration (1)	None	None	None	None
exceptional remuneration (1)	None	None	None	None
directors' fees	35,000	35,000	35,000	35,000
benefits in kind	None	None	None	None
TOTAL	294,559	294,559	286,250	286,250
Lorenzo Pellicoli VP, Supervisory Board	Financial 2007		Financial 2008	
	Amounts due	Amounts paid	Amounts due	Amounts paid
fixed remuneration (1)	35,502	35,502	65,004	65,004
variable remuneration	None	None	None	None
exceptional remuneration	None	None	None	None
directors' fees (see table 3)	35,000	35,000	35,000	35,000
benefits in kind	None	None	None	None
TOTAL	70,502	70,502	100,004	100,004

(1) This information concerns the gross pre-tax remuneration.

The only individuals remunerated for their sitting at the Supervisory Board are the Chairman, on the one hand and the Vice-Chairman, on the other hand.

This is a fixed remuneration that has been reviewed beforehand by the Appointments and Remunerations Committee, in charge of elaborating recommendations in that respect, after what the Supervisory Board rules and sets the amount of the remuneration for the entire financial year. The members concerned take part neither in the deliberations, nor in the vote.

Besides, the members of the Supervisory Board all receive directors' fees shared between them in accordance with the Appointments and Remunerations Committee's recommendations in that respect, and within the limits of the overall amount voted by the annual general meeting. The above tables reflect all these elements.

Table 3bis

Summary table of the directors' fees and other remuneration received by the other members of the Supervisory Board		
Non-managing corporate officers	Amounts paid during financial 2007	Amounts paid during financial 2008
Rosario Bifulco		
Directors' fees	None	35,000
Other remuneration	None	None
Paolo Ceretti		
Directors' fees	None	None
Other remuneration	None	None
Matthias Leridon		
Directors' fees	20,400	35,000
Other remuneration	None	None
Ross Mc Innes		
Directors' fees	14,600	35,000
Other remuneration	None	None
François de Montaudouin		
Directors' fees	35,000	35,000
Other remuneration	None	None
Henri Escojido		
Directors' fees	35,000	None
Other remuneration	none	35,000
Frédéric Lemoine		
Directors' fees	35,000	None
Other remuneration	None	35,000
TOTAL	245,000	245,000

15.1.4 Detailed information regarding members of the Executive Board

Table 4 (Information referred to in Table 1).

Share subscription or purchase options allocated during the year to each corporate officer manager by the issuer or by any Group company						
Name of the corporate officer manager	Plan Nr. and date (1)	Nature of the options (purchase or subscription)	Valuation of the options according to the method chosen for the consolidated statements (2)	Number of options allocated during the period	Exercise price	Exercise period
	Nr. Date:	None				
	Nr. Date:					
TOTAL						

Table 5

Share subscription or purchase options exercised during the year by each corporate officer manager			
Name	Plan Nr. and date (1)	Number of options exercised during financial 2008	Exercise price
Filippo Monteleone	Nr.1 Date: 2 August 2004	109,006	865,507
TOTAL		109,006	865,507

Plan allocation date (date of the board of directors or the supervisory board).

Table 6

Performance shares (1) allocated to each corporate officer						
Performance shares allocated by the shareholders' general meeting during the period to each corporate officer by the issuer or by any Group company (nominative list)	Plan Nr. and date (2)	Number of shares allocated during the period	Valuation of the shares according to the method chosen for the consolidated statements (3)	Acquisition date	Date available	Performance requirements
Frédéric Rostand	Nr.: 1 Date: 2 April 2008	15,751	196,887	2 April 2010	2 April 2012 (4)	See below (5)
Filippo Monteleone	Nr.: 1 Date: 2 April 2008	15,751	196,887	2 April 2010	2 April 2012 (4)	See below (5)
TOTAL		39,960				

1. Performance shares are free shares allocated to the corporate officers, under the provisions of Articles L.225-197-1 et seq. of the Commercial Code, which are subjected to additional requirements provided for in the AFEP / MEDEF recommendations of October 2008.
2. Plan allocation date (date of the board of directors or the supervisory board).
3. Value of the shares upon their allocation as recorded in the context of the enforcement of IFRS 2, after taking into account a potential discount resulting from performance criteria and the probability that the person will be present in the company at the end of the vesting period, and before, as per IFRS 2, the expense over the acquisition period.
4. Except, if applicable, 25%, that is 4,995 shares, frozen during the term of the individual concerned.
5. The acquisition of the plan shares would be final at the end of a two-year vesting period, subject to a condition of presence on the acquisition date and the achievement of performance criteria, as defined in the Plan Rules and detailed below:

Performance criterion	Weight in the performance criterion
2009 turnover	20%
EBITDAR 2008 – 2009.....	50%
Net debt at end 2009.....	30%

Table 7

Performance shares that have become available for each corporate officer	Plan Nr. and date (2)	Number of shares that became available during the period	Acquisition conditions (3)
	Nr.: Date:		
	Nr.: Date:	None	
TOTAL			

15.2 SHARE SUBSCRIPTION OR PURCHASE OPTIONS

Table 8

HISTORY OF SHARE SUBSCRIPTION OR PURCHASE OPTION ALLOCATIONS (1)			
INFORMATION REGARDING SHARE SUBSCRIPTION OR PURCHASE OPTIONS (1)			
Meeting date	Plan Nr.1	Plan Nr.2	Plan Nr.3
Date of the Board of Directors or Executive Board, depending on the case	2 August 2004	30 June 2005	23 October 2006
Total shares that can be subscribed or purchased,	1,521,850	81,419	126,630
Of which shares that can be subscribed or purchased by corporate officers:			
Filippo Monteleone	109,006	None	None
Option exercise start date	2 August 2008	30 June 2009	23 October 2010
Expiry date	2 August 2012	30 June 2013	23 October 2014
Subscription or purchase price	7.94	12.32	19.34
Exercise terms and conditions (when the plan includes several tranches)	N/A	N/A	N/A
Number of shares subscribed at 31 December 2008	1,492,770	None	None
Aggregate number of share subscription or purchase options cancelled or lapsed	None	None	None
Remaining share subscription or purchase options at year end	29,080	81,419	126,630

(1) There are no other financial instruments given access to the capital (BSA, BSAR, BSPCE etc), optional instruments, allocated on the occasion of operations reserved for the corporate officers.

Table 9

SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED TO THE TOP 10 EMPLOYEES NOT CORPORATE OFFICERS AND OPTIONS THEY HAVE EXERCISED (1)	Total number of options allocated / shares subscribed or purchased	Average weighted price	Plan Nr. 1	Plan Nr. 2
Options granted, during the period, by the issuer and any company included in the option allocation scope, to the ten employees of the issuer and any company included within that scope, whose number of options thus granted is the highest (aggregate information)	None			
Options held by the issuer and the aforementioned companies, exercised, during the period, by the ten employees of the employer and such companies, whose number of options thus purchased or subscribed is the highest (aggregate information)	443,297	7.94	X	

15.3 DIRECTORS' LABOUR CONTRACTS, RETIREMENT BENEFITS AND DISMISSAL BENEFITS.

Table 10

Corporate officer managers	Labour contract (1)		Complementary retirement scheme (3)		Indemnities or benefits due or likely to be due as a result of the termination or change of office (2)		Indemnities relative to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Frédéric Rostand Chairman of the Executive Board Date Mandate began: 16 April 2007 Date Mandate ends: 2010 annual general meeting	X			X	X			X
Filippo Monteleone Managing Director, Member of the Executive Board Date Mandate began: 15 March 2007 Date Mandate ends: 2010 annual general meeting	X			X	X			X

(1) During its meeting held 31 March 2008, the Supervisory Board harmonised the provisions of the labour contracts of Messrs Frédéric Rostand, Chairman of the Executive Board, and Filippo Monteleone, member of the Executive Board, with the provisions of the law of 21 August 2007 and, in accordance with the recommendations of the Appointments and Remunerations Committee of that same day, adopted the provisions of the law conditioning the payment of severance benefits to the beneficiaries of the contractual clauses referred to by setting five objective criteria, also in accordance with the provisions of Article L225-86 of the Commercial Code.

(2) Each of the labour contracts provides the payment of a departure benefit amounting to 24 months of gross salary. This aspect has been covered by approved resolutions, for each beneficiary, by the annual ordinary general meeting of 26 May 2008, in accordance with the provisions of Article L225-90-1 of the Commercial Code. In accordance with the provisions of that law and, subsequently, those of Article L225-102-1 of the Commercial Code, the Supervisory Board has set as a condition for the payment of the said indemnity, the achievement of at least one of the following criteria: Compliance with the financial ratios set in the Générale de Santé Group's loan agreements (TRFA) as signed on 24 October 2007, achievement of organic growth for the Générale de Santé Group equal or greater than that of the private hospitalisation industry, achievement of the budgeted EBITDA, achievement of the budgeted turnover, non-exceeding of the budgeted Capex.

The Company's Supervisory Board in its sitting of 15 December 2008, decided to adhere to the recommendations of MEDEF and AFEP of October 2008 in terms of remuneration of corporate officer managers (supplementing the MEDEF and AFEP's corporate governance code for listed companies).

(3) Neither the Company, nor its subsidiaries, provision nor recognise amounts for the payment of pensions, retirement and other benefits to members of the Executive Board or the Supervisory Board.

CHAPTER 16

OPERATION OF THE ADMINISTRATION AND MANAGEMENT BODIES

16.1 MANDATES OF THE MEMBERS OF THE ADMINISTRATION AND MANAGEMENT BODIES

16.1.1 The Executive Board

Throughout financial 2008 and on the date this document is published, the Executive Board is composed of Messrs Frédéric Rostand (Chairman) and Filippo Monteleone.

The elements regarding the Executive Board are subject to the developments and information contained in Chapter 14.

16.1.2 The Supervisory Board

Throughout financial 2008 and on the date of this document, the Supervisory Board is composed of Messrs Antonino Ligresti (Chairman), Lorenzo Pellicoli (Vice-Chairman) and Rosario Bifulco, Paolo Ceretti, Ross Mc Innes, as well as the companies Santé Europe Investissements represented by Mr. François de Montaudouin and Santé Europe Participations represented by Mr. Matthias Leridon. The Board also includes two Censors: Professor Henri Escojido and Mr. Frédéric Lemoine.

The information relative to the Supervisory Board is further developed in Chapter 14.

The bylaws provide that the following operations regarding the Company and/or the companies it controls are subject to the prior authorisation of the Supervisory Board:

- (i) Approval and amendment of the business plan;
- (ii) Approval of the annual budget;
- (iii) Amendment of the annual budget;
- (iv) Completion, in one or several instalments, of any capital expenditure (in particular the acquisition of interests, setting up of a business, purchase of assets or otherwise) not planned in the annual budget and for an amount in excess of €10 million;
- (v) Any sale, disposal, or transfer of assets not planned in the annual budget and for an amount in excess of €5 million over a given fiscal year ;
- (vi) Granting of any surety, guarantee, or other third-party title on assets representing more than €5 million over a given fiscal year;
- (vii) Taking out, in one or several series of transactions, of any debt or off-balance sheet commitment (including for guarantees) not planned in the annual budget and exceeding €5 million over a given fiscal year, and any related change (including any derogation of decision likely to represent a case of default with regard to the financing agreement);
- (viii) Approval of any capital expenditure, in one or several instalments, not planned in the annual budget for an amount exceeding €10 million over a given fiscal year;
- (ix) Preparation of the annual accounts;
- (x) Any capital increase or reduction, and any issue of marketable securities giving access to the capital;

- (xi) Approval of any operation resulting in the dilution of existing shareholders or having an impact on the substance of their share (in particular mergers, splits, contribution, issue of marketable securities giving access to the capital, stock options, standalone bonds, IPO, leveraged recapitalisation etc) ;
- (xii) Any amendment made to the Company's bylaws;
- (xiii) The approval of, or changes to, share repurchase programmes;
- (xiv) Any payment of dividends or other distribution (including the terms and conditions of such a distribution: distribution, capital reduction, partial contribution of assets etc) ;
- (xv) Strategic alliance involving the Company or its subsidiaries;
- (xvi) Appointment or dismissal of the auditors or the accounting firm, and any change to the accounting rules and methods;
- (xvii) Adoption of, or change to, any stock option or free share plan; or any similar plan; and
- (xviii) Any action relative to the winding up or dissolution of the Company.

16.2 INFORMATION REGARDING THE SERVICE AGREEMENTS BINDING THE MEMBERS OF THE EXECUTIVE BOARD OR THE SUPERVISORY BOARD TO THE COMPANY OR TO ANY OF ITS SUBSIDIARIES

On 2 January 2005, the Group entered into an agreement with Henri Escojido regarding the coordination of the Group's medical and scientific committee. The agreement was subject to an authorisation by the Supervisory Board in accordance with the provisions governing regulated agreements.

Besides, since 2002, the Group has entered into various agreements with Tilder which, due to the appointment of Mr. Matthias Leridon, Chairman of Tilder, as the permanent representative of Santé Europe Participations at the Supervisory Board of Générale de Santé SA, have been reviewed and authorised by the Supervisory Board as regulated conventions.

On 29 April 2008, the Group executed an agreement with LCE regarding consulting which, given the Censor position held by Mr. Frédéric Lemoine, Manager of LCE, was submitted to the authorisation of the Supervisory Board in accordance with the provisions governing regulated agreements.

There are no agreements between the members of the Executive Board of the Supervisory Board and the Company or its subsidiaries providing for the granting of benefits.

16.3 COMMITTEES SET UP BY THE SUPERVISORY BOARD

The Company's bylaws provide for the ability, for the Supervisory Board, to set up specialist committees in charge of reviewing issues that it, or its Chairman, submit to their review in order to collect their opinion.

On that basis, an audit committee and an appointments and remunerations committee have been set up. These committees do not take away the authority of the Executive Board or the Supervisory Board, which alone have legal decision-making authority in their respective fields; however, they issue proposals, recommendations, and opinions, as the case may be, in their areas of competency. The rules that govern their operation and roles are part of internal rules specific to each committee, that have been validated by the Supervisory Board.

16.3.1 Audit Committee

16.3.1.1 Audit Committee's tasks

Composed of Messrs Rosario Bifulco (Chairman), Ross Mc Innes and François de Montaudouin, the audit committee has the following tasks:

a) In accounting terms:

- review the accounting methods and principles adopted for establishing the company accounts and ensure their relevance, their permanence, or the legitimacy of suggested changes, if applicable, as well as compliance with such methods and principles;
- at the time of settling accounts, proceed to a prior review of the accounts and issue an opinion on the draft and consolidated company accounts, both half-yearly and annual, drawn up by the Executive Board, before they are submitted to the Supervisory Board; for that purpose, draft accounts and all other documents and useful information should be communicated to the audit committee before the accounts are reviewed by the Supervisory Board; the committee hears the auditors, the Executive Board, the accounts department and the finance department, in particular regarding depreciations, provisions, the handling of goodwill, and the consolidation principles;
- review the Executive Board's half-yearly and annual draft reports, as well as all other reports, notices, statements, tables, assessments, and other documents containing information of an accounting or financial nature, and whose publication is required by applicable regulations, before they are published, as well as all the accounts established for the purpose of specific significant operations (contributions, mergers, market operations, advance payments of dividends, etc.); ;
- review the consolidation scope and, if applicable, the reasons for which certain companies are not part of the scope, changes in scope and their effects;
- review any significant risks and off-balance sheet commitments.

b) In terms of control, internal audit, and regarding the auditors:

- verify that internal procedures are defined for the collection and control of information, in order to guarantee its prompt escalation and reliability;
- review each year, with the auditors, their intervention plans, the conclusions of their interventions, their recommendations, and the way they are adhered to;
- review each year, with the person(s) in charge of internal control, their intervention plan, the conclusions of their interventions, their recommendations, and the way they are adhered to;
- hear, if necessary, the auditors and the directors in charge of finance, accounts, if necessary without the presence of any Executive Board members;
- hear the individuals in charge of the internal audit and control within the accounts department, give its opinion regarding the organisation of the department, review the work programmes, and receive the Company's internal audit reports or a summary of such reports;
- hear regularly the reports of the Company's external auditors regarding the method implemented for conducting their work;
- ensure compliance with the rules, principles, and recommendations aimed at guaranteeing the auditors' independence;

- supervise the procedure for selecting or renewing the auditors, ensuring the selection of the lowest bidder rather than of the lowest tenderer, issue an opinion regarding the fees requested for the performance of the legal control assignments, issue a justified opinion regarding the selection of auditors, and express its recommendation to the supervisory board;
- request a detailed statement of the fees paid by the Company to the auditing firm and the auditor network, ensure that the amount or the percentage represented by these fees in the revenue of the auditing firm and the auditor network are not likely to impair their independence;
- give its prior approval regarding the auditors' completion of work strictly accessory or directly complementary to account auditing, such as acquisition audits, with the exception of assessment work;
- review the regulated agreements requiring prior permission from the Supervisory Board; and
- review current litigations and ask for the necessary explanations.

c) In terms of financial policy:

- be informed by the Executive Board of the Company's financial situation, of the methods and techniques implemented to define the financial policy; be regularly informed of the guidelines governing the Company's financial strategy;
- upon the Executive Board's request, give its opinion regarding the decisions relative to the allocation of resources which, either due to their beneficiaries, or due to potential conflicts of interest, may raise difficulties of interpretation regarding their compliance with legal and statutory rules; and
- review all matters of a financial or accounting nature that are submitted to it by the Chairman, the Supervisory Board, the Executive Board, the General Management, or the auditors.

16.3.1.2 *Audit committee's activity during financial 2008*

The audit committee met on two occasions during financial 2008, with an attendance rate of 100%.

During its first meeting, held 18 February 2008, the audit committee reviewed the 2007 annual corporate and consolidated accounts, heard the Auditors, analysed the methods and work conducted with the audit department, and issued various recommendations in terms of Group dividends and budget. The sitting of 28 July 2008 focused on the half-yearly accounts at 30 June 2008 (first half-year statements).

16.3.2 Appointments and Remunerations Committee

16.3.2.1 *Tasks of the Appointments and Remunerations Committee*

The Appointments and Remunerations Committee, composed of Messrs. Antonino Ligresti (Chairman), Paolo Ceretti and Ross Mc Innes, is in charge of the following tasks:

- review and issue proposals in terms of the composition of the Company's management bodies;
- give the Supervisory Board its opinion or express recommendations regarding the selection of the Company's corporate officers;
- issue justified recommendations to the Supervisory Board regarding the appointment of members of the committees set up by the Supervisory Board, taking into account the committees' respective assignments;
- review and issue proposals regarding the remuneration of corporate officers;
- suggest an overall amount for the directors' fees to be paid to the supervisory board, which will be submitted to the Company's general meeting, and issue an opinion regarding the breakdown of the total amount allocated by the general meeting between the Supervisory Board members, as well as regarding the exceptional remunerations allocated by the Supervisory Board to its members for assignments or tasks entrusted to them;
- give the Supervisory Board an opinion regarding the general policy for the allocation of share subscription or purchase options and the option plan(s) established to the benefit of employees and/or directors of the Company and companies it controls as per article L.233-3 of the Commercial Code (the "Subsidiaries");
- indicate to the Supervisory Board its proposal in terms of allocation of share purchase or subscription options to Executive Board members; and
- review any questions submitted by the Committee Chairman regarding the remuneration of corporate officers or directors of the Company or Subsidiaries, the allocation of share subscription or purchase options to employees and/or directors of the Company or Subsidiaries, the establishment and implementation of any form of incentive or profit-sharing for the directors or employees of the Company or Subsidiaries, as well as projects of capital increase reserved to employees.

The Appointments and Remunerations Committee may turn to a specialist company for advice regarding the remuneration of Company directors.

16.3.2.2 *Activity of the Appointments and Remunerations Committee during financial 2008*

The Appointments and Remunerations Committee met on two occasions during financial 2008, with an attendance rate of 100%.

The Appointments and Remunerations Committee focused on its traditional tasks relative to the remuneration and bonuses paid to corporate officers; it also gave the Supervisory Board its recommendations in terms of capital increase, directors' fees, corporate mandates within the company with a view to the entry of new Board members in order to strengthen Group governance and, on that basis, with a view to completing the composition of the various committees instituted with the Supervisory Board. It also reviewed the issues relative to the share subscription options plan.

16.4 STATEMENT REGARDING CORPORATE GOVERNANCE

Our of concern for transparency and informing the public, the Company has set up several measures aiming at complying with local recommendations regarding corporate governance principles.

Further, the Company's Supervisory Board in its sitting of 15 December 2008, decided to adhere to the recommendations of MEDEF and AFEP of October 2008 in terms of remuneration of corporate officer managers (supplementing the MEDEF and AFEP's corporate governance code for listed companies).

16.4.1 Report drawn up by the Chairman of the Supervisory Board regarding the circumstances for the preparation and the organisation of the work of the Supervisory Board and the internal control procedures provided for in Article L.225-68 of the Commercial Code for the period ended 31 December 2008

The report below was drawn up by the Chairman of the Supervisory Board and approved by the Board during its sitting of 9 February 2009 in accordance with the provisions of the Commercial Code derived from the law of 3 July 2008.

Introduction

In accordance with the provisions of Article L.225-68 al.7 of the Commercial Code, it is an honour for me to inform you, through this report, of the governance rules and of the conditions under which the Board prepares and organises its work, and of the internal control procedures set up by the Company regarding the financial year ended 31 December 2008. This report was drawn up in accordance with the provisions of law n°2008-649 of 3 July 2008.

To begin with, let me remind you that the Company's sole activity consists in bearing the securities of the entities that make up the Générale de Santé Group and in managing these equity holdings.

This report was drawn up, after a full review of regulatory aspects, on the basis of a detailed review of all the documentation drawn up by the various organs and a verification of the relevance of the circumstances under which they were preserved. It was then submitted to the Supervisory Board, which approved its content during its sitting of 9 February 2009.

1. Corporate governance

1.1. Générale de Santé Group organisation and governance.

Since March 2004, Générale de Santé SA has been operating like a limited company with an Executive Board and a Supervisory Board. In the context of this statutory organisation, the Company has taken into consideration, as they came, the changes that occurred, particularly regarding regulations, as well as regarding the economic situation, concerning the operating of the governance organs.

1.1.1. Supervisory Board.

Since the general meeting of 27 June 2007, the Supervisory Board has been composed of Messrs. Antonino Ligresti, Rosario Bifulco, Paolo Ceretti, Ross Mc Innes, Lorenzo Pellicoli and the companies Santé Europe Investissements represented by Mr. François de Montaudouin and Santé Europe Participations represented by Mr. Matthias Leridon.

The Supervisory Board of 4 July 2007 appointed:

- Mr. Antonino Ligresti as Chairman of the Board,
- Mr. Lorenzo Pellicoli as Vice-Chairman.

All the mandates of the Board members appointed during the general meeting of 27 June 2007 are for three years and will expire at the end of the general meeting that will rule on the accounts of the financial year ending 31 December 2009. The mandate of Mr. Antonino Ligresti was aligned on that same term during the general meeting of 17 December 2007.

Consequently, no renewal will be reviewed this year.

None of the Supervisory Board members hold any functions within any of the Company's subsidiaries.

None of the Supervisory Board members are elected by the personnel.

The Supervisory Board adopted its internal rules on 17 May 2004.

Since June 2007, the Supervisory Board being composed of members representing the Company's benchmark shareholders, it has decided to supplement its structure with two Censors. In accordance with Article 17 of the bylaws, the Board proceeded to these appointments during the session held on 4 July 2007.

Were appointed: Professor Henri Escojido, a member of the medical community contributing to the achievement of the Group's goals and also a former member of the Company's Board of Directors and Supervisory Board, the other one, Mr. Frédéric Lemoine, being also a former member of the Supervisory Board. The Censors are also appointed for three years.

In accordance with applicable rules, the Censors are in charge of ensuring the enforcement of the bylaws, supervising the management and submitting, if necessary, comments to the meeting of shareholders. They have access to the same information as the members of the Supervisory Board. They are called to the Supervisory Board sessions and take part in the deliberations with an advisory vote.

1.1.2. Advisory committees

The Supervisory Board is assisted in its tasks by two advisory committees: An Audit Committee and an Appointments and Remunerations Committee. The current composition of these two committees results from the appointments made by the Supervisory Board in its 4 July 2007 sitting. These committees refer to the internal rules drawn up for each of them on 10 September 2004 for the Audit Committee, and on 17 May 2004 for the Appointments and Remunerations Committee. These rules were approved in due time by the Supervisory Board.

The Audit Committee:

Chairman: Mr. Rosario Bifulco

Members: Messrs Ross Mc Innes and François de Montaudouin

Referral Agent: Emmanuel de Geuser, CFO, Générale de Santé Group.

The purpose of that Committee is, regarding accounts, to review the accounting methods and principles, to ensure their relevance and permanence, or the legitimacy of changes suggested, if applicable, and compliance with them; proceed to the prior review of accounts and issue an opinion regarding the half-yearly and annual draft corporate and consolidated accounts, prepared by the Executive Board, before they are submitted to the Board; review the Executive Board's half-yearly and annual draft management reports; review the scope of consolidated companies; review any significant risks and off-balance sheet commitments.

In terms of internal and external auditing, the Audit Committee must, in particular, verify that internal procedures for the collection and control of information are defined, that guarantee the prompt escalation and reliability of the information in question; It reviews the internal audit plan, the conclusions of the actions, the recommendations issued and the feedback received; each year, with the auditors, it reviews their intervention plan, the conclusions of their interventions, their recommendations and what is done of them; it supervises the procedure for selecting or renewing the auditors, ensuring the selection of the lowest bidder rather than of the lowest tenderer; it issues an opinion regarding the fees requested for the performance of the legal control assignments and the selection of auditors, and expresses its recommendation to the Supervisory Board.

The Committee is also informed by the Executive Board of the Company's financial situation, of the methods and techniques used to define the financial policy; it is regularly informed of the guidelines that govern the Company's financial strategy, and reviews any issue of a financial or accounting nature that is submitted by the Chairman, the Board, the Executive Board, the General Management, or the Auditors.

The Appointments and Remunerations Committee:

Chairman: Mr. Antonino Ligresti

Members: Messrs Paolo Ceretti and Ross Mc Innes

Referral Agent: Georges Ichkhanian, HR Director.

This Committee has as its task to:

- review and issue proposals regarding the remuneration of corporate officers;
- suggest an overall amount for the directors' fees to be paid to the Board, which will be submitted to the Company's general meeting, and issue an opinion regarding the breakdown of the total amount allocated by the general meeting between the Board members, as well as regarding the exceptional remunerations allocated by the Board to its members for assignments or tasks entrusted to them;
- give the Board an opinion regarding the general policy governing the allocation of share subscription or purchase options and regarding the option plans established to the benefit of the employees and/or directors of the Company and the companies it controls as per Article L.233-3 of the Commercial Code;
- express to the Board its proposal regarding the allocation of share purchase or subscription options to Executive Board members.

The Committee is also a competent body for review and advice regarding the composition of the Company's managing organs. Thus, it is consulted by the Board for the selection of the Company's corporate officers (members of the Board or the Executive Board).

It expresses its recommendations in terms of:

- appointment proposals at the general meeting, or cooptation, if applicable, of Board members;
- proposals for appointment by the Board of the Executive Board members;
- proposals for appointment by the Board of the Chairman of the Executive Board.

It also recommends the appointment of the members of the Committees set up by the Board, taking into consideration the respective tasks of these Committees. It sends the Board justified proposals regarding the choice of applicants.

The Committee's choice regarding applicants for positions as Board members is guided by the interest of the Company and all its shareholders. It may take into account such factors as the desired balance in the composition of the Board in the light of the composition and the evolution of the Company's shareholders, as mentioned in Article 1.2 of the Board's General Rules, the possible representation of the interest of certain categories, the opportune nature of renewing mandates, the integrity, the skills, the experience and the independence of each applicant, the desired number of independent members.

The Committee ensures compliance with the prohibition, for the Company, to appoint as directors or to hire, Company auditors or any signing members of a company having held positions as Company auditors within the five years following the termination of their office as Company auditors.

1.1.3. Executive Board

In accordance with statutory provisions, the executive role is entrusted to an Executive Board that exercises all of the rights provided for by law and reports to the Supervisory Board.

Since 31 May 2007, the Executive Board has been composed of:

Chairman: Mr. Frédéric Rostand,

Member: Mr. Filippo Monteleone.

The members of the Executive Board have been appointed for three years, Mr. Frédéric Rostand on 16 April 2007 and Mr. Filippo Monteleone on 15 March 2007, respectively. Their mandates have been renewed by deliberations of the Supervisory Board of 4 July 2007, which has set their expiration date to the end of the general meeting that will rule in 2010 on the accounts of 31 December 2009. Consequently, no renewal will be reviewed this year.

1.2. Corporate governance code

In its sitting of 15 December 2008, the Supervisory Board confirmed that it implements the recommendations of AFEP and MEDEF regarding the corporate governance of listed companies.

The Supervisory Board thus confirmed that these recommendations of AFEP and MEDEF represent the corporate governance code to which Générale de Santé refers voluntarily, particularly for drawing up this report, as provided in the provisions of Article L225-68 of the Commercial Code in accordance with the provisions of the law of 3 July 2008.

It is pointed out that the absence of any independent Supervisory Board member, in the sense of the governance code to which it refers, aside from the fact that such an appointment is not a Board but a shareholder prerogative, is mitigated by the compliance with the provisions regarding the information and expression of shareholders, particularly those holding minority interests, and the designation by the Board of two censors chosen outside the shareholders who are parties to the Shareholder Agreement.

The principles referred to are those of the document entitled "The corporate governance of listed companies" ("Le gouvernement d'entreprise des sociétés cotées"). A consolidated version of which was drawn up in December 2008. It can be viewed in the website of the company representative bodies that authored it.

Générale de Santé has, at its head office, a copy of that governance code in the form of a copy permanently available for the members that make up the bodies in charge of such governance.

1.3. Conditions under which the Supervisory Board prepares and organises its work

In compliance with statutory principles and internal rules, the meetings of the Supervisory Board involve the convening of its members and, if applicable, of the Auditors, who set the meeting agenda. The Board members are generally convened electronically with the prior notice provided for in the bylaws. Attached to it are the documents regarding the issues on the agenda.

The Supervisory Board organises its meetings in accordance with that agenda, unless a burning issue changes the order of the issues discussed. The first part of the meeting takes place in the presence of the members of the Executive Board submitting the operational issues and the accounts, as well as any issues contemplated by the Executive Board or the Supervisory Board. The second part of the meeting takes place between members of the Supervisory Board and tackles all issues regarding the actual work of the Board, including the approval of the minutes of the previous meeting. The Censors attend the meetings of the Supervisory Board.

In cases where a major issue requires the presence of internal or external experts, the latter take part in the meeting and introduce their work. They may participate each time whenever certain issues are monitored on a periodic basis by the Board.

The deliberations of the Supervisory Board are subject to discussions between its members, and then to decisions, opinions, or recommendations, as the case may be. They are recorded as minutes by the Board Secretary, and then to the Register of Supervisory Board deliberations, after being proofread and approved.

Depending on current events, subject matters, and opportunities, the Supervisory Board's work is preceded or followed by advisory committee meetings, aimed at issuing opinions, comments, and recommendations that are subjected to the Supervisory Board's close attention.

When current events require, the Supervisory Board may be convened at very short notice, the organisation relying, if necessary, on videoconference or conference call systems, ensuring uninterrupted exchanges. Such systems are allowed by the bylaws to enable each member to express his/her views remotely and take part in the collegial nature of the deliberations and decisions whenever he/she is unable to come to the Board's meeting room.

As part of its assignment, under the impulse of its Chairman, the Supervisory Board ensures the full separation of rights and obligations between the Executive Board and the Supervisory Board and, in that context, exercises the control entrusted to it by applicable law.

The auditors are convened in accordance with the provisions of the Commercial Code, and the Supervisory Board has been able to verify that they have been convened to the Executive Board sessions, as provided for by the same provisions of the Commercial Code or the CNCC's recommendations.

1.4. Information regarding the operation of the Supervisory Board

Through this report, the Chairman of the Supervisory Board ensures that, on the one hand, both the Supervisory Board and the committees have met the current fundamentals of corporate governance used as a reference in France and that, on the other hand, due to major operations conducted during financial 2008, a large number of meetings have been held in accordance with statutory principles:

- 14 Executive Board meetings
- 8 Supervisory Board meetings
- 2 Audit Committee meetings
- 2 Appointments and Remunerations Committee meetings.

The attendance of members, with an average ranging from 93 to 100%, can be considered highly satisfactory.

Verbal or written exchanges have enabled the various instances to dialog and orient the dissemination of information according to current Group events.

Each meeting has been summarised in minutes drawn up by the secretary designated at the opening of the session. The minutes are attached to the invitation in order to be ratified at the subsequent session. Then they are copied to the legal registries (Supervisory Board and Executive Board). A copy is archived to a file opened for each session and containing all of the documentation used as material for member information and deliberations.

Besides, in reference to the other provisions of Article L.225-68 of the Commercial Code, particularly those of the first paragraph, the Supervisory Board has been able to exercise ongoing control over the Executive Board's management of the Company, as evidenced by the organisation of the Supervisory Board's work as presented above, and in particular through the active participation of the Executive Board representatives in the stages of the Supervisory Board that concerned them.

Beyond the formal organisation of the various instances and the fact that he is present at the company headquarters once a week, the Chairman of the Supervisory Board kept himself informed of the various issues relative to the company's operations under the impulse of the Executive Board. Besides, the Chairman has been able to inform the Board members of the conclusions of his visits to the Générale de Santé Group sites. The Supervisory Board has also been able to meet at one of the Générale de Santé Group's facilities and, aside from the issues listed in the agenda, controlled the administrative operations of the said facility and the deployment of the management tools available.

Lastly, the Chairman recalls that, to the extent necessary, the Company's bylaws provide for the limitation of the powers of the Executive Board, and that the operating rules include overall and unit caps per type of commitment made by the Executive Board. As specified in this annual report, the text of the bylaws is available on the Company's website. The Supervisory Board ensured compliance with these limitations and their related authorisations. Their text is included in the bylaws.

Regarding the remuneration of corporate officers, and in accordance with the provisions of Article L225-68 paragraph 10 of the Commercial Code, it is specified that a complete table of the information referred to in Article L225-100-3 of that same code is included in the annual report filed with the AMF and posted to the Company's website. Such remuneration is subjected to prior review by the Appointments and Remunerations Committee, which suggests to the Supervisory Board a set of recommendations regarding the fixed portion and, if applicable, the variable portion (or bonus). The Supervisory Board, after reviewing such recommendations, sets the annual fixed remunerations and the rules for setting the bonuses, part of it being based on the achievement of quantitative targets that can be quantified, and the other part on the achievement of qualitative targets, which can also be quantified. These elements are also detailed in the aforementioned annual report.

1.5. Conditions relative to the participation of shareholders to the general meeting

In accordance with the provisions of Article 14 of the bylaws "Each share entitles its holder to one vote at the general meetings of shareholders.» It is pointed out in Article 14.2 that "a double voting right is allocated to any fully-paid registered share, for which the same shareholder can justify that he has held the share for at least five years, as of the general meeting of 19 March 2004. The double voting right expires de jure under the conditions set out by the Commercial Code."

The conditions set for the shareholders' participation in the general meeting of Générale de Santé SA are subject to Articles 20 and 21 of the bylaws, whose main provisions are:

"Regardless of the number of shares he owns, any shareholder may, upon proving his identity and quality, take part in the general meetings provided that his shares are registered on the third business day preceding the general meeting at 0:00 Paris time:

for holders of registered shares: in the name of the shareholder in the share registries held by the Company,

for bearer shares: in the name of the intermediary registered on behalf of the shareholder in the bearer shares registries held by the authorised intermediary and, if applicable, provide the Company, in accordance with applicable provisions, all elements of information permitting his identification.

The registration or recognition of the securities in the bearer share registries held by the authorised intermediary is recognised through a participation certificate delivered by the intermediary, in accordance with legal and regulatory provisions.

A shareholder who fails personally to attend the shareholders' meeting may appoint another shareholder or a proxy, or may send a proxy to the Company, without mentioning the authorization, in accordance with the conditions stipulated by laws and regulations. Alternatively, he may ask the Company in writing to send him, if applicable, electronically, in accordance with the conditions defined by regulations in effect, an absentee ballot to be submitted by mail. This request must be filed or received at the registered office at least six days prior to the date of the shareholders' meeting.

If a proxy is sent to the Company and does not identify the representative, the shareholders' general meeting will approve the adoption of the draft resolutions presented or approved by the Executive Board and will reject the adoption of all other draft resolutions. To issue any other vote, the shareholder must choose a representative who agrees to vote in the manner it specifies.

Any absentee ballot that reaches the Company later than three days prior to the date of the shareholders' meeting will not be counted. However, absentee ballots submitted electronically will be counted so long as they are received by the Company up to the day before the shareholders' meeting, by 3 p.m. Paris time at the latest.

At the time of the shareholders' meeting, the shareholder's personal attendance will cancel any proxy or absentee ballot.

Two members of the company committee appointed by the latter and belonging, one to the category of technical executives and first-line supervisors, the other to the category of employees and workers, or if applicable, the persons mentioned in the third and fourth paragraphs of Article L.432-6 of the Labour Code, may also attend the general meetings. They must, upon their request, be heard during any deliberations requiring the unanimous consensus of shareholders.

One or several shareholders representing at least the percentage of capital set by law, and the company committee, have the ability to request the listing of draft resolutions in the agenda of the general meetings as per legal and regulatory requirements."

In accordance with law, at the ordinary and extraordinary general meetings, the quorum is calculated on the basis of all the shares that make up the share capital and, at special meetings, on the basis of all the shares of the category interested, after deducting the shares deprived of voting rights, in accordance with legal provisions.

In case of remote voting, only are taken into account for calculating the quorum, those forms that have been received by the Company within the timeframe set out in the previous article.

The Company's bylaws, updated with the latest changes, have been regularly filed with the Paris Commercial and Corporate Register. They can be viewed on the Company's website {<http://www.gsante.fr/>} under "Shareholders" (Actionnaires).

2. Organisation of the Générale de Santé Group's internal control

2.1 Company's goals in terms of internal control

Internal control is a process implemented by the general management, department executives and all staff members, to provide reasonable assurance as to the achievement of general targets defined in an internationally recognised reference system established by the COSO (Committee of Sponsoring Organizations), including:

- operations efficiency and effectiveness;
- the accuracy of financial information; and
- compliance with applicable laws and regulations.

It also serves other targets in terms of assets preservation, prevention, and even detection of risks of error and fraud, particularly regarding accounts and finance and, more generally, the control over risks related to the Group's activities.

However, although an internal control system provides reasonable assurance, it gives no absolute guarantee as to the achievement of the Group's targets; this is due to the limits inherent to all human processes, as well as to resource limitations, which any company should take into consideration.

2.2. General operation of internal control

The general operation of internal control within the Générale de Santé Group is characterised by:

First of all, extremely scattered risks

Actually, the organisation of the Group's internal control should take into account a consolidation scope of 280 companies at 31 December 2008, and the fact that the most significant healthcare facility accounts for less than 5% of the Group's total turnover, and that its "hospital care and services" activities cover all hospitalisation specialities (medicine, surgery, obstetrics, psychiatry and mental health, functional rehabilitation and after-care, radiotherapy, medical imaging etc), which are conducted in facilities that are in turn scattered throughout metropolitan territory.

However, the Group's strategic refocusing on the its so-called "core business", completed at the end of H1 2004, has helped simplify the complexity of activity steering.

Secondly, decentralised responsibility regarding internal control

Local management is highly aware of its responsibilities, as well as of the implementation of appropriate internal control rules that can help achieve the aforementioned targets.

General principles delineating the areas of power and responsibility have been defined, both for regional directors (for acute care establishments) and subsidiaries (for other activities) and for all establishment directors, with the various tasks being classified as follows:

- full delegation (in the context of Group-defined policies),
- delegation after approval from the General Management;
- no delegation, responsibility remains that of the General Management.

These rules cover the entire field of action of operational and functional directors:

- marketing strategy;
- human resources and personnel management;
- administration (financial and legal management) and information systems;
- patient support and follow-up and quality policy (Label);
- relationships with practitioners;
- relationships with third parties (including the press, industrial units, and authorities in charge);
- purchasing and investments;
- compliance of the facilities with applicable standards (particularly in terms of sanitary safety etc).

These rules are currently being reviewed with the objective of further clarifying the powers and the obligations of each operating manager within the Group.

Thirdly, central steering that relies on intermediaries

The organisation of the Group relies on a conventional pyramid structure comprising a central head office that centralises all of the general management units and all of the central functional departments and certain shared departments (purchasing), as well as the regional/subsidiary management units, that report to the general management.

That type of configuration is perfectly in line with the organisational logic chosen by the Authorities in charge; it allows for much more effective intermediary control of operations.

Besides, pursuant to a detailed diagnostic of the Group's capital expenditure process carried out in the course of 2007, it has been decided to strengthen and refine the Group's steering in that respect. In that context, a new capital expenditure process was published in the course of January 2008, applicable immediately. That process relies on the following general principles:

- inclusion of the process into a multi-annual context adjusted annually in a capital expenditure budget;
- emergence of projects from the base and escalation in two steps by the Group's Capex Department;
- process logic relying on increased formalisation and standardisation of capital expenditure applications;
- centralisation of all expenditure decisions;
- subsequent tracking of all capital expenditure projects.

The monitoring of the implementation of this essential Group steering process and of some of its commitments, in particular with respect to banks, was handled in 2008 by the Group's Audit Department. This process has been applied satisfactorily no later than the first year it was implemented.

Lastly, internal control follow-up

In October 2005, an Audit Division, which reports reporting directly to the Chairman of the Executive Board, was set up; its task consists in assessing the efficiency of the risk management, internal control and corporate governance processes implemented within the Group, making proposals to strengthen their efficiency. Its first task consisted in establishing a Group risk map, that served as a basis for the elaboration of an audit plan. These documents were submitted to the Audit Committee during its meeting held 16 March 2006.

The Audit Director regularly reports to the Chairman of the Executive Board and the Audit Committee regarding the progression of the audit plan and the results of the assignments conducted, in accordance with the Audit Charter that has been elaborated and that defines formally the role, the responsibilities, and the powers of the internal audit, in accordance with applicable professional standards.

Besides, in September 2004, upon the Supervisory Board's request, the Executive Board appointed the Administration and Finance Department for drawing up an overall assessment of the Group's internal control environment, by listing and collecting all the legal, operational, administrative, and accounting procedures implemented by the various facilities; the assessment was to focus on a review of the power delegations and the administrative and operational procedures applied. This approach helped identify a number of areas requiring improvement. The findings resulted in a three-year action plan suggested by the Executive Board to the Supervisory Board and the Audit Committee, focused on the drawing up of a Group procedures manual.

In that context, it was decided in the course of 2007 to redesign the Group's capital expenditure process as a priority. In the context of redesigning that capital expenditure process, the property project management process was revised and published in its new version in the course of January 2008 for immediate enforcement. An accounting and budgetary management audit of major property and computer projects (IT master plan) was launched in December 2008. Such audit should make it possible to disseminate, no later than early February 2009 for immediate implementation, two detailed budget and account and financial tracking processes, as well as the Group's IT master plan. The large projects being launched are, nevertheless, already covered by appropriate processes (particularly in terms of delegation of powers), whose principles anticipate the future aforementioned processes.

Given the huge effort necessary for tracking the internal control of the Group's capital expenditure process in the implementation phase of the new process, the finalisation and validation of the general internal control questionnaires could only be launched in December 2008 with the choice of the application solution and the purchase of the operating license. A first questionnaire focused on the control in terms of cash management, will be implemented at the end of the first half of 2009. Later on, other questionnaires will address the key internal control processes to be implemented within the Group. These self-assessment questionnaires will be sent to the establishments on a regular basis; the establishments will then have to indicate their compliance degree with the rules described in the questionnaires, inducing a gradual convergence process of all the internal control procedures currently implemented within the Group. In turn, these questionnaires may be amended based on internal control best practices implemented within certain establishments, that will be identified during their review phase.

2.3. Internal control process relative to the elaboration and processing of financial and accounting information

The internal control process relative to the elaboration and processing of financial and accounting information is organised as follows:

Organisation

The roles and skills required at the various organisational levels have been defined and validated by the General Management.

The organisation of the financial function relies on centralised functional units and regional and subsidiary finance departments.

The centralised functional units pool the finance and cash departments, management control, legal assistance, tax and accounting issues, consolidation and Head Office accounts.

Each operational unit has its own dedicated management control structure, in charge of performance follow-up, that reports to the Group management control Department.

The accounting and financial rules and methods are updated on a regular basis and disseminated throughout the operating entities. They are also available on the Group intranet.

Half-yearly and annual account settlements are subjected to specific instructions communicated after they are validated by the auditors. Prior to settlement, the Group Administrative and Finance Department and the regional finance controllers identify the issues that require special attention and determine the appropriate action to take in terms of accounts processing.

Moreover, a unified information system that uses the market's most popular consolidation software package, provides, within a reasonable timeframe, the financial data required for managing and controlling the activity of the operating units.

A financial planning process including:

- a strategic plan,
- a budgeting process preceded by the definition of a framework specifying key targets and by a full discounting process, in the course of the month of May,
- monthly account settlements,
- monthly discounting of certain indicators, and
- monthly performance tracking meetings gathering the financial teams and operating managers,

makes up the main component of the performance follow-up process implemented in the various facilities.

In that context, each unit prepares a monthly detailed financial report in the form of a comprehensive consolidation bundle that is required for the preparation of the Group's consolidated accounts. This financial report is characterised by a unique format that is passed on to the Head Office, 15 days after the end of the month. The financial information is integrated into a centralised, unified database, which is used both for internal management requirements and for external publications.

In the consolidation bundles, the operating units provide financial statements restated in accordance with Group standards and summary tables that can be used to prepare the consolidated financial statements and the annexes. These consolidation bundles are controlled by a central team that validates, throughout the year, the accounting options selected, and proceeds to the actual consolidation and to the validation of the items that are most subject to risks (intangible assets, taxes, provisions, off-balance sheet commitments etc).

2.4 Organisation of risk management within the Group

The organisation of risk management within the Group is based upon:

- The department responsible for risk management and insurance, along with the department responsible for quality, reporting to operations management;
- A risks monitoring committee, formerly the "risk observatory", constantly monitors events, incidents and accidents reported within the Group, provides advice based upon an analysis of these unwanted events and potential risks and sets up a coordinated surveillance system within the Group for warnings and assessments. It then proposes, in direct coordination with specialists of the corporate functions involving risk, preventative actions as part of an annual plan. This covers ensuring the reliability of the incident or accident management system and the installation of a map of potential risks;
- the Audit Department, whose initial task consisted in identifying and assessing qualitatively the major risks within the Group in the form of a risk mapping process. It must also verify regularly that the internal control in terms of risk management systems is effective;
- The Audit Committee, which is informed of the major risks.

In order to address the main types of risk with which the Group might be faced, the Company has implemented special procedures, in particular:

- For risks related to acquisitions: they are monitored by the Group's Business Development department, which reports to the Group Managing Director, and can, in relation to overall or individual thresholds, be subject to prior approval by the Supervisory Board, or to information and consulting with the Chairman. Depending upon the scale of the transaction, the Company also makes use of financial, legal and accounting consultants in order in particular to carry out the usual audits for this type of transaction, in which the Group's own departments are sometimes involved (property department, tax and accounts department) and help in the preparation of contracts and of applicable assets and liabilities guarantees. Lastly, for major acquisitions, once the transaction has been completed, a pluridisciplinary management team is set up to manage and monitor the integration of the new assets;
- For risks related to investments in the facilities: the Group has implemented an investment procedure whose purpose is to select investment projects according to a number of criteria, including: the exact definition of the investment, the risk factors associated with both a positive and a negative decision, the components and parameters of the business plan submitted, the estimated budget, and finally the positioning of the transaction in respect of the priorities presented by the facility; A major project involves the intervention of a pluridisciplinary team (Operations Department, Property Department, Purchasing Department, Capex Department, Administrative and Financial Department) and systematic approval by the Capex Department.

At the level of the facilities in the network, Générale de Santé carefully checks that internal procedures are in place to ensure patients' safety and compliance with regulations. The data collection, analysis and coordinated processing of all the monitored (cf. paragraph 6.4.4) and non-monitored risks, the latter being more numerous, are handled at each Group business by a Risk Watchdog Committee ("COVIR"), whose job is to gather, analyse and monitor the ongoing improvement plans from the data collected as part of a system of signalling undesirable events and management tables of potential risks.

Lastly, Générale de Santé is developing a training policy for risk management that will facilitate moving from reactive and individual management of risks to proactive prevention and collection of risks, that are incorporated within the daily activities of the Group's facilities. Training is offered to the businesses to have better control of the methodology and of the tools for identifying and analysing potential risks.

Conclusion

Under the terms and provisions of this report, I inform you that the auditors, in accordance with Article L225-235 paragraph 5 of the Commercial Code, have drawn up a specific report where they make their comments regarding the description of the company's internal control procedures relative to the elaboration and processing of the accounting and financial information, as it is described in this report.

16.4.2 **Auditors' report drawn up in accordance with Article L.225-235 of the Commercial Code, regarding the report by the Chairman of the Supervisory Board of Générale de Santé**

Dear Shareholders,

In our capacity as auditors of Générale de Santé and in accordance with the provisions of Article L.225-235 of the Commercial Code, we submit to you our report regarding the report established by the Chairman of your company's Supervisory Board, in accordance with the provisions of Article L.225-68 of the Commercial Code, regarding the financial year ended 31 December 2008.

It is for the Chairman of the Supervisory Board to submit to the Supervisory Board's approval a report describing the internal control and risk management procedures implemented within the Company and giving the other information required by Article L.225-68 of the Commercial Code in terms of corporate governance, in particular.

It is for us:

- to inform you of such observations as are called for by ourselves, in respect of the information given in the Chairman's report concerning the internal control procedures for the preparation and processing of accounting and financial information, and
- to certify that this report includes the other information required by Article L.225-68 of the Commercial Code, it being specified that it is not for us to verify the sincerity of this other information.

We have carried out our work in accordance with the professional standards in use in France.

Information regarding the internal control procedures relative to the elaboration and processing of the accounting and financial information

The professional rules that apply in France involve the implementation of due diligence designed to assess the sincerity of the information provided in the Chairman's report, regarding the internal control procedures relative to the elaboration and processing of the accounting and financial information. These careful evaluations largely consist of:

- familiarising ourselves with the internal control procedures for the drafting and processing of the accounting and financial information behind the information presented in the Chairman's report and other existing documentation;
- familiarising ourselves with the work on which existing information and documentation is based;
- ascertaining whether appropriate information on serious lapses in internal controls regarding the drafting and processing of accounting and financial information which we may have found within the scope of our mission are appropriately included in the Chairman's report.

Based upon the work done, we have no observations to make concerning the information and declarations in respect of the company's internal control procedures for the preparation and processing of accounting and financial information, as contained in the Chairman's Report, prepared in accordance with the last paragraph of article L 225-68 of the Commercial code.

Additional information

We certify that the report drawn up by the Chairman of the Supervisory Board includes the other information required by Article L. 225-68 of the Commercial Code.

The Auditors

Paris La Défense and Neuilly-sur-Seine, on 24 avril 2008,

Salustro Reydel
Member of KPMG International

Deloitte & Associés

François Caubrière
Associé

Christophe Perrau
Associé

CHAPTER 17

EMPLOYEES - HUMAN RESOURCES

17.1 HUMAN RESOURCES

17.1.1 General description. Breakdown

On the date of this document, Générale de Santé employs over 21,420 employees (full-time equivalent), it being specified that this figure does not include those medical doctors who have their own practice and work in partnership with Group establishments, as indicated in paragraph 6.1.6.

The following table shows the breakdown of staff in full-time equivalence by main categories and subcategories:

CONTRACTUAL GROUPS OF SKILLS	Ac. Care	SAMBIO	SSR	HOME	PSYCHIATRY	Italy	GIE HQ	TOTAL
MEDICAL STAFF								
IDE	6 163	20	277	-	428	107	-	6 995
MIDWIVES	327	-	-	-	-	-	-	327
HEALTH AIDS	3 507	-	322	-	259	44	-	4 132
ASH	1 534	-	136	-	179	-	-	1 849
STRET. BEARERS	490	-	28	-	-	-	-	518
PHARMACISTS and ASSISTANTS	262	-	31	-	17	-	-	310
OTHER MEDICAL PERSONNEL	641	180	418	-	126	216	-	1 581
GENERAL AND TECHNICAL STAFF								
ESG	465	23	54	-	77	78	-	697
COOKS / KITCHEN STAFF	49	-	64	-	27	-	-	140
TECHNICIANS	178	13	9	32	15	-	-	247
OTHER GEN. TECHNICAL STAFF	221	4	34	215	32	9	-	515
CLERICAL STAFF								
SERVICE EMPLOYEES	1 143	26	65	-	61	102	45	1 442
ACCOUNTANTS	268	11	35	24	26	8	23	395
MED. SECRETARIES	680	69	63	-	22	-	-	834
OTHER CLERICAL STAFF	849	39	75	14	85	17	359	1 438
TOTAL	16 777	385	1 611	285	1 354	581	427	21 420

(1) including Imaging, Radiotherapy, and Aesthetics

This breakdown covers activities associated with the health sector represented by Générale de Santé's activities; most of the head count is comprised of healthcare personnel, in particular health aids and nurses of all specialities.

The following table provides the breakdown of Group staff by function and supplies, for each of the major functional groupings a ratio of the category to the entire Group staff.

GROUPS OF SKILLS	ETP	WEIGHT OF THE GROUPS IN TOTAL HEAD COUNT
MEDICAL STAFF		
IDE	6 995	33%
MIDWIVES	327	2%
HEALTH AIDS	4 132	19%
ASH	1 849	9%
STRET. BEARERS	518	2%
PHARMACISTS	310	1%
OTHER MEDICAL STAFF	1 581	7%
TECHNICAL STAFF		
ESG	697	3%
COOKS AND KITCHEN STAFF	140	1%
TECHNICIANS	247	1%
OTHER TECHNICAL STAFF	515	2%
CLERICAL STAFF		
CLERICAL STAFF	1442	7%
ACCOUNTANTS	395	2%
MED. SECRETARIES	834	4%
OTHER CLERICAL STAFF	1438	7%
TOTAL	21 420	100%

The following table provides a breakdown of staff by gender, in full-time equivalence:

GROUPS OF SKILLS	ETP	WEIGHT OF THE GROUPS IN TOTAL HEAD COUNT
MEDICAL STAFF		
MEN	2	10%
WOMEN	13	63%
TOTAL	15	73%
TECHNICAL STAFF		
MEN		4%
WOMEN	1	4%
TOTAL	1	7%
CLERICAL STAFF		
MEN		3%
WOMEN	3	16%
TOTAL	4	19%
TOTAL	21 420	100%

The breakdown, in full-time equivalence, between management and staff, with categories broken down between medical and non-medical, is as follows:

en	MCO	SAMBIO	SSR	HOME CARE	PSYCHIATRY	Italy	GIE	TOTAL
MEDICAL STAFF								
EXEC.					-			645
EMPLOYEES	12		1		-			15,067
TOTAL	12,924	200	1 212	-	1 009	367	-	15,712
TECHNICAL STAFF								
EXEC.	89	5	8	50	13	3	-	168
EMPLOYEES	824	35	153	197	138	84	-	1,431
TOTAL	913	40	161	247	151	87	-	1,599
CLERICAL STAFF								
EXEC.	270	26	26	5	41	8	382	758
EMPLOYEES	2,670	119	212	33	153	119	45	3,351
TOTAL	2,940	145	238	38	194	127	427	4,109
TOTAL	16,777	385	1 611	285	1,354	581	427	21,420

The Group uses subcontractors mainly in the area of catering and cleaning; in fact, 70% of the facilities subcontract the catering, while 39% subcontract the cleaning.

Our head count at 31 December 2008 stands at 27,562 (e.g.: 1 part time is 1 person).

17.1.2 4.1.2 Collective agreements and staff representation

The main collective agreement applicable to Générale de Santé is that of the Private Hospitals Federation, implemented in 2001 following negotiations that culminated in the merger of two previous collective agreements: That of the French Inter-Union Federation of Private Hospitals (known by the French acronym FIEHP) and that of the Private Hospital Union (UHP).

For informational purposes and consultations, based on the head count thresholds set out by law in terms of staff representation, each facility has a company committee and/or a staff representative.

Negotiations in respect of working hours and pay are handled within each company in annual negotiations.

Memorandums of Understanding are monitored and checked from both a technical and legal point of view by the Group.

The Group has 98 Works Committees with some 817 committee members.

A Group Committee meets twice a year at the Group's head offices; it is briefed on business activity, the financial position of the Group and of the companies that make it up, and receives once a year the consolidated financial statements and the auditors' report. It receives data on employment developments and large national human resource projects. The Group Committee is also the recipient of annual data on staff, employment developments, professional training, salaries, and more generally any social information that applies across the board. The committee numbers 15 members and 15 stand-by replacements.

The overall social climate is good and has only given rise to very few labour disputes, which is an important development in labour relations at Générale de Santé. In that respect, surveys are conducted regularly with the staff. They reveal that the social climate is a most appreciated factor.

Welfare work at Générale de Santé is handled at each facility and represents on average 0.25% of the payroll.

In respect of hygiene and safety, in accordance with the law, Hygiene, Safety and Working Committees (known by the French acronym CHSCT) have been established at each of the Group's facilities.

17.1.3 Organisation of working hours

The reduction in working hours was implemented in all Group facilities 7 or 8 years ago.

The organisation of working hours for medical care teams is mainly structured as follows: 12-week work cycles with a working period of 8-12 hours per day.

The Group's activity necessitates the 24x7 presence of parts of the teams, and the work cycles take into account the need to ensure permanent care for patients. Activity is nonetheless reduced at weekends, based on patient admissions.

17.1.4 Salaries within the Group for employees concerned by general or category rises

Salaries are adapted to local budgetary constraints, which take into account pricing, the managerial status of the facility, and competitiveness in salaries.

Annual surveys are carried out in particular for medical staff in order to assess the Group's competitiveness vis-à-vis competition from public and private hospitals. The results of such surveys can lead to specific salary policies designed to enhance employee loyalty.

During the year ended 31 December 2008, the following general trends characterised salary developments:

- The effect of automatic seniority increases by age (known by the French acronym GVT) of about +1% per annum in terms of the conventional salary structure;
- An overall salary increase of 1,7% for the year, with impact on those skills that have competition (registered nurses, medical auxiliaries, midwives).

A specific budget for medical staff is granted after assessing accurately the difference between remuneration levels at Générale de Santé and Public Hospitals, taking into account the resignation rates, staff shortage, the relative weight of temporary employees, and the recruitment difficulties in the employment area. Targeted action plans are defined for each individual facility, in addition to other actions; they have helped retain our healthcare personnel to ensure quality care for our patients.

17.1.5 Structural actions in respect of HR

The shortage of staff (nurses, midwives, physiotherapists, x-ray technicians), it is well under control since in 5 years it has been reduced and brought back to a close to normal level. This has been achieved through volunteering by the staff.

17.1.5.1 *Initial training and lifelong training: a key factor for the development of the skills of Générale de Santé employees and a tool serving the Group's strategic challenges:*

Every year, Générale de Santé devotes more than €12 million to training, being an effort representing more than twice its legal obligations, as training is one of the key factors of the management of a good career path and the adaptation to the fast-changing medical and paramedical techniques, as well as of quality care for patients.

The general orientations for lifelong training in 2009 – 2012 at Générale de Santé

The 2009 training plan falls within the context of the Group's strategic stakes and the pursuit of the multi-annual action implemented.

Générale de Santé encourages the development of vocational curricula for its staff, offering collective and individual training schemes.

Developing and enhancing managerial skills:

For facility managers and the key executives of the Group's facilities:

A vocational curriculum elaborated in cooperation between Générale de Santé and HEC has been implemented for 500 of the Group's key executives.

Curriculum targets include:

- developing the entrepreneurial dimension of our establishment management units
- integrating management practices taken from other sectors
- enhancing the professionalism of our key executives with respect to future challenges
- developing creativity and initiative
- favouring the transversality and collective performance by developing mutual knowledge between the key executives of the Générale de Santé Group, thereby allowing for experience sharing.

The curriculum, which lasts a total of 25 days spread out over 18 months, is designed for each executive in promotions that group various Group activities and specialities.

Mandatory and optional courses have been defined, covering highly complementary topics: strategic environment analysis, finance fundamentals, activity steering, flow and production management, establishment strategy and development, establishment project and change management, strategic project, labour relations, team management, organisational skills, etc.

The curriculum leads to a vocational certificate (an HEC CESA) that is granted providing full attendance and the presentation of collective projects assessed by a jury made of the Board of Directors of Générale de Santé and HEC.

This vocational curriculum, unique in France in the healthcare industry, prepares the Group's managers to help them better face the challenges of tomorrow. It develops the strategic, managerial, management and finance, production, and HR management skills of the Group's 500 key executives. This scheme illustrates the Group's willingness to stand out from the other players in the healthcare industry.

For middle management

- Further developing a common managerial culture, by training middle management on management fundamentals, is also a major challenge:
 - o train executives on departmental budget management in the context of the implementation of the S.I.R.H. with the further deployment of that scheme in the coming years according to the remaining demand and under the auspices of local coordinators that can be HR or Healthcare Managers. More than 300 healthcare assistants have already followed that training scheme; the new healthcare assistants will be trained on that approach to care production.
 - o Implement a vocational skills improvement process for middle managers, tailored for Générale de Santé, in partnership with a Higher Education Institution. The scheme, which initially lasts 13 days, will focus on operating management issues and concerns 1,200 medical and non-medical middle managers.

Support the evolution of jobs:

Adjust pricing skills to the pathology: more than 200 TIMs (Medical Information Technicians) follow a training scheme via the "Ecole des TIM" on basis knowledge modules about the various pathologies addressed and skills upgrades on coding rules.

Support the implementation of quality and risk initiatives

The Quality training initiative is based both on listening to the patients' expectations and needs and to the safety and quality requirements.

The clerical and medical staff is thus offered, as part of the Générale de santé Label, a number of training schemes on patient welcoming. Likewise, training schemes on patient information and pain handling are offered to practitioners and paramedical staff.

Trainings on quality audit, risk prevention, and professional practice assessments, supplement this offer.

Assist medical and non-medical personnel in the mastery of information management practices

The Group has also decided make the computerisation of healthcare production a priority project. Healthcare staff and practitioners will eventually have new applications to improve compliance with new regulations and optimise their working conditions.

To contribute to the deployment of that programme, training schemes on project management, the training of training referral agents, and the use of tools, are offered to the various employees concerned.

Develop professionalisation and apprenticeship

The development of training programmes is achieved according to a vocational or topic-based process:

Professionalisation or apprenticeship contract:

- Develop professionalisation contracts for care and clerical personnel.
- Develop apprenticeship contracts for the following personnel: nurses, health aids, physiotherapists, manipulators, medical secretaries.
- The gradual implementation of apprentice training centres in the health industry will facilitate the development of apprenticeship.

Every year, Générale de Santé develops apprenticeship with some 100 apprentices welcomed and trained

Professionalisation period:

In 2008, the Group seeks to develop training schemes:

- Dedicated to degrees: IDE, DPAS, Paediatric Nurse, IBODE, IADE, Midwife, Degree in Hygiene, Degree in Pain Handling, Physiotherapist degree (DE), SSIA, Degree in Health IT systems.
- Dedicated to priority topics such as the College Curriculum of care practices in mental health, palliative care, the consolidation and integration of care know-how and practices for nurses working in psychiatry departments, hygiene, good sterilisation practices, stress prevention and management, aggressiveness and violence prevention and management; the adjustment of the skills of IDEs joining specialised departments, accreditation and other Quality Assurance methods, the implementation of T2A, preparation for VAE.

Every year, Générale de Santé implements a policy to encourage the development of the Validation of Experience with encouraging results since Générale de Santé alone represents nearly 50% of the Health Aid VAEs in the corresponding private sector.

Develop training schemes to encourage the employment of disabled persons

The Group totals (in number of natural persons) 473 disabled employees and pursues an active policy to develop the employment of the physically impaired.

In that context, Générale de Santé strives to make sure that they have the same access to vocational and theme-based training schemes.

Finally, the DIF (Individual Training Right) appears today as a major and sustainable component of our training policy. It offers every employee the ability to access an extended training offer while securing its career path.

17.1.5.2 *Developing the relationship with schools, a factor of integration:*

In the context of its partnership with "healthcare" schools, Générale de Santé trained more than 10,000 interns in 2008. These partnerships, mainly with IFSIs, make it possible to:

- welcome large numbers of interns in our establishments, who can thus acquire vocational skills and be followed up (Générale de Santé is training 100 tutors for that purpose);
- ensure the active presence of health executives of Générale de Santé in the IFSIs' pedagogic orientation curricula;
- draw up intermediary and final assessments of the skills acquired by interns.

The specific national partnership with the Red Cross makes it possible, beyond all the actions described previously, to organise brainstorming days in the various regions of the country, in the form of forums on topics such as "The practice of healthcare in Europe" or "Pondering on nurse practices: from technique to well-being"; these forums gather on average more than 400 students and 200 Générale de Santé professionals; thus, this common thinking between the professional and the pedagogic world reconciles two worlds which traditionally, in France, are not always in sync.

17.1.5.3 *The social policy: a key factor taking into account the specific needs of Générale de Santé employees*

- Générale de Santé, in the light of opinion surveys, has set up an ambitious programme to create company nurseries to welcome the children of Générale de Santé's staff (80% female).
- This programme, entitled "The children of Générale de Santé" has already opened 7 nurseries that welcome more than 130 children of Group employees. This programme already plans 8 nurseries in the coming years, that will take different forms: micro nurseries, strictly Générale de Santé nurseries, inter-company nurseries. It is adapted in particular to the time constraints of our trade.
- Besides, the Générale de Santé Group has signed the Parentality Charter and adhered to the Observatory of Parentality, whose goal is to offer salaried staff measures enabling them to better balance private and business life. In that context, Générale de Santé has already implemented, for pregnant women, a working time reduction system as of the 2nd month of pregnancy.
- Générale de Santé has implemented a health care expense coverage system for its personnel, to which may adhere each facility according to its social policy.
- Générale de Santé has also signed a partnership agreement with the 1st housing collector operator, Solendi; this partnership makes it possible to help Générale de Santé personnel purchase their own housing.

17.1.5.4 *The search for competitive compensation: an ongoing concern*

Every year, an internal remuneration survey is conducted in each individual facility throughout the Group. It helps rank the remuneration of the healthcare personnel compared to competitors, particularly the public hospital sector. Depending on the situations observed, the difficulty to recruit, the resignation rates, the proportion of temporary personnel, Générale de Santé devotes a wage budget intended to preserve that competitiveness.

17.1.5.5 *Générale de Santé: a social policy player in the professional sector*

The Group is a player in the social policy of the Private Hospitalisation Sector. This policy should cause the sector to determine a renovation of the collective agreement regarding wage convergence with the public sector, a motivating career path for its personal, an active social policy vis-à-vis the employment of disabled and senior individuals, and more consideration for the overall difficulties of the work at stake. The negotiations that will take place in the coming years will facilitate facing the future challenges.

17.1.5.6 *Recruitment: local actions*

- Générale de santé, thanks to its active partnership policy with IFSIs, has set up an efficient system to meet to a large extent the requirements of nurses and health aids.
- Générale de Santé has also set up action plans targeting the massive recruitment of personnel abroad; thus every year, the Group recruits nearly 100 nurses and physiotherapists from Spain and Lebanon. Générale de Santé has set up an actual industrial process to assess the compatibility between the facilities' requirements and the technical know-how of applicants. The Group also pushes its recruitment approach to the extent of assessing the cultural appropriateness of its applicants; the success rate is therefore very high and the personnel hired generally remains with Générale de Santé on a medium term basis.
- Générale de Santé, to supplement its recruitment scheme, is present at more than 10 recruitment tradeshows throughout the country each year.

17.1.5.7 *Internal mobility: a factor that can help retain staff*

- An employment exchange regularly offers positions within the Group. The exchange thus offers a career path within the Group for employees willing to find new opportunities that will help them expand their technical and managerial skills.
- A mobility charter governs the internal transfer conditions. It is controlled by the Group's HR Department.
- The Group's internal network of HR managers facilitates mobility.

Générale de Santé is thus the only private Group in France to offer so many career opportunities throughout a network of hospitals and clinics spread out over the most part of the territory. In 2008, more than 200 mobility projects were completed and supported within the Group.

17.1.5.8. *Developing the employment of the disabled*

- Générale de Santé implements an active policy to develop the employment of disabled individuals. Our activity has automatically raised the Group's awareness of that societal challenge. A national steering scheme is implemented, regional and establishment referral agents are appointed and trained, and the awareness of all internal players (management, physicians, occupational physicians, social partners, personnel) is raised.
- At the end of 2007, some 450 disabled employees hired by the Group gave daily demonstrations of their skills and know-how. We have decided to go one step further by signing, in the course of 2008, a Group agreement signed by all of the Group's trade unions. This agreement sets precise goals for the next three years, obliging us to recruit 90 disabled employees by 2010. To achieve that, we have implemented action plans encouraging the welcoming conditions in terms of accessibility and equipment of the work stations, developing partnerships with specialised operators in terms of disabled employment, and set up relationships with nearby schools and training organisations allowing for the development of skills and know-how.
- The results are extremely encouraging since, no later than 2008, we exceeded the goals set in the agreement, despite the difficulties in finding skilled disabled medical personnel. Thus, 62 disabled persons were recruited in 2008, including 40 on term contracts and 22 on term contracts with terms beyond 6 months. Concurrently, 97 unsolicited employees reported their disabled worker status to the Company.

- In total, our workforce includes nearly 160 additional disabled persons in 2008. This excellent result is a consequence of the extraordinary involvement of all: managers, directors, employees, personnel representative organisations etc

17.1.5.9 *Creating a pool of operating executives and the compensation level of operating executives*

In order to monitor the performance of its employees and stimulate their motivation, Générale de Santé has developed an initiative of annual performance review meetings with the setting of results-based targets, which can be individual or of the Group. In this way Générale de Santé wants to achieve a forward-looking vision of staff management and to develop staff mobility by creating a mobility chart and an employment exchange that will always have some 150 jobs on offer.

17.1.5.10 *Career management*

A career and skills management policy has been in place for several years at Générale de Santé. It involves the implementation of skills and potentials assessments conducted in-house according to the Company's requirements and the employees' desires. As far as the management of executives is concerned, tools have been developed for the provisional management of jobs and skills, thereby promoting mobility, career development, and safe career paths. In 2008, over 2,000 promotions took place. These serve as personnel retention factors.

17.2 INTERESTS IN THE COMPANY'S CAPITAL AND STOCK OPTIONS

17.2.1 Authorisations to issue stock options and implementation

Authorisations

The combined general meeting of 19 March 2004, ruling under the quorum and majority conditions required for extraordinary general meetings, has decided to:

- authorise the Executive Board to set up a share subscription and/or purchase options plan for the Company, in accordance with the provisions of Articles L. 225-177 to L. 225-185 of the Commercial Code;and
- consequently, authorise the Executive Board, to grant, in one or several stages, during the period set below, options entitling their beneficiaries to subscribe new shares in the Company, to be issued as a capital increase, or to purchase existing shares in the Company resulting from repurchases conducted by the Company in accordance with the provisions of applicable law and rules.

Company stock options should be allocated by the Executive Board, by virtue of this agreement, for the benefit of salaried staff, or some of them, and/or corporate officers of the company acting as directors in accordance with the provisions of article L. 225-185 paragraph 4 of the Commercial Code, or for some of them, for the Company and for related companies or groups, or companies and groups which may be related under the conditions defined in the provisions of articles L. 225-180 and L. 225-185 paragraph 5, of the Commercial Code.

The maximum total number of options which may be thus allocated by the Executive Board shall not give holders of said options, and, where relevant, any person having acquired the right to exercise the options of a holder through legacy or inheritance, the right to subscribe or to purchase a number of company shares representing more than five per cent (5%) of the issued capital of the company on the day of the Executive Board decision, this percentage being calculated on a totally diluted basis, i.e. taking into account the portion of the Company's share capital represented by that for which share options or securities which may be allocated or issued by the Company.

The period during which the Executive Board may use, in one or several stages, this authorisation to award share subscription and/or purchase options in the Company, is set to thirty eight (38) months as of the date of this general meeting.

The General Meeting has resolved that, where appropriate, authorisation given to the Executive Board to allocate Company stock options implies the express renunciation, by holders of said options, and, where relevant, any person who has the right to exercise the options of a holder via legacy or inheritance, of the shareholders' pre-emptive right to new Company shares which may be issued as stock options are exercised.

The Company share subscription and/or purchase options awarded may be exercised by their beneficiaries and, where relevant, by any person having acquired the right to exercise the options of a beneficiary through alienation or inheritance, during a maximum period of eight (8) years as of the award date of such options by the Executive Board, subject to the enforcement of the provisions of Article L. 225-183 of the Commercial Code in case of a beneficiary's death.

The subscription price and/or the purchase price of the Company shares will be set by the Executive Board on the date when the subscription and/or purchase options are awarded, within the limits and in accordance with the provisions set out by law and, in any event, at a price that cannot be less than the minimum price set by applicable regulations, on the date of the Executive Board's decision(s) to award the options. The subscription and/or purchase price of the Company shares that will be set by the Executive Board upon the award of the options, cannot be changed, except if the Company completes, during the period during which the awarded options can be exercised, any of the transactions referred to in Article L. 225-181 of the Commercial Code or any other financial transaction explicitly provided for by the Executive Board upon awarding the options. In that case, the Executive Board will adjust the subscription and/or purchase price of the Company shares and the number of Company shares under the awarded options, in accordance with the provisions of Articles 174-8 et seq. of Decree n° 67-236 of 23 March 1967 on commercial companies.

The General Meeting has granted the necessary powers to the Executive Board to implement the present authorisation, in compliance with the conditions laid down by law, regulations and company statutes as well as those aforementioned, to do the following:

- set the conditions in which Company share subscription and/or purchase options will be granted;
- determine the list or categories of option beneficiaries
- fix the terms and conditions for the options, for (i) their validity period; (ii) the exercise date/s or periods, given that the Executive Board may bring forward the exercise date/s or period or extend the exercisability of the options; (iii) the resale restriction period for the all or part of the Company shares in the form of a list of all or part of the Company's shares granted and/or acquired as a result of the exercise of options provided that the restriction period does not exceed three (3) years from the exercise date, and (iv) the date, even retroactively, from which the shares acquired upon exercise of stock subscription options will carry dividends;
- set the price of company stock options on the date on which it will decide to grant the options;
- set the conditions under which the price and number of the company stock options should be amended, in cases where, during the period in which options granted may be exercised, the company carries out any one of the operations covered in article L.225-181 of the Commercial Code;

- limit, suspend, restrict or prohibit, as necessary, the exercise of the stock options or the transfer or disposal of the shares acquired in exercising the options, whether during certain periods or subsequent to certain events; the board's decision may involve some or all of the stock options or shares, or involve some or all of the holders;
- where it is deemed necessary, to charge the share issuance costs and fees which may be occasioned by increases to the Company's issued capital resulting from the exercise of stock options, against the related share premiums and to deduct, where necessary, the amount necessary to raise the legal reserve to one tenth of the new capital after each capital increase;
- fulfil, or ensure the fulfilment of, all acts and formalities which will ensure the complete and definitive power to carry out increases to the Company's issued capital corresponding to the number of shares actually subscribed for through the exercise of stock options, and to amend or ensure the amendment of the relevant articles, and more generally, to do anything else which is required; and
- record, if necessary, on the occasion of the first meeting following the end of each Company financial year, the number and value of shares granted during the previous financial year as a result of the exercise of stock options.

The Executive Board shall inform each year the Annual General Meeting ruling on the Company's financial statements for the financial year which have been produced in the course of said financial year, in line with Articles L. 225-177 to L. 225-185 of the Commercial Code. The Executive Board's report shall also contain the information mentioned in Article L. 225-180 of the Commercial Code.

Implementation

Pursuant to the powers delegated at the Ordinary and Extraordinary General Meeting of 19 March 2004, the Executive Board decided on 2 August 2004 to draw up a share subscription option plan for 131 persons within the Group, including five members of the Executive Board, providing entitlement to subscribe to new shares of the Company to be issued as part of an increase in its share capital up to a limit of an overall nominal amount of €863,250, corresponding to a maximum number of 1,151,000 new shares at a par value of €0.75 each. The subscription price per share is €11.54. The exercise period for the subscription options runs from 2 August 2008 until 2 August 2012.

In addition, pursuant to the 19 March 2004 authorisation, on 30 June 2005, the Executive Board decided to issue additional options permitting 17 additional persons to subscribe for new shares of the Company for Company executives and corporate officers up to an overall limit of €47,250, corresponding to a maximum of 63,000 new shares with a par value of €0.75 each. The subscription price per share is €17.91. The period for exercising these options is identical to the one indicated above:

On 23 October 2006, still in the context of the first plan open pursuant to the aforementioned delegation of powers, the Executive Board decided to grant additional options to the benefit of 39 persons permitting the subscription of new shares of the Company for Company executives and corporate officers up to a total nominal amount of €93,750 corresponding to a maximum of 123,000 new shares with €0.75 par value each. The subscription price per share is €27.71. The period for exercising these options is identical to the one indicated above:

The Executive Board of 27 October 2008 observed that the exercising of 1,492,770 by the beneficiaries of the subscription options of the plan open 2 August 2004, allows for the issue of 1,492,770 new shares in the Company at a unit price of €7.94.

17.2.2 Corporate officers' interests in the Company and main beneficiaries of stock options

On the date of this report, the corporate officers and main employees of the Company held share subscription options detailed in the table below.

Name	Number of share subscription options awarded	Subscription price (euros)	Option exercise start date	Expiry date
<u>Corporate officers</u>				
<i>None</i>				
<u>Ten best paid employees</u>				
Hovasse Denis	14,538	12.32	30 June 2009	30 June 2013
Chiche Laurent	10,177	12.32	30 June 2009	30 June 2013
Chiche Mickael	10,177	12.32	30 June 2009	30 June 2013
Foiret Maxime	8,722	7.94	02 August 2004	02 August 2012
Rey Frédéric	8,169	19.34	23 October 2006	23 October 2014
Jougounoux Norbert	8,169	19.34	23 October 2006	23 October 2014
Duperat Pierre	6,908	19.34	23 October 2006	23 October 2014
Messina Monique	5,816	19.34	23 October 2006	23 October 2014
Reber Elodie	5,816	19.34	23 October 2006	23 October 2014
Voiseux Bernard	5,816	19.34	23 October 2006	23 October 2014

To sum up, the main characteristics of these issues, after adjustments resulting from the capital increase finally completed on 10 May 2006 and taking into account the exceptional dividend distribution and the changes to date in head count included in the plan, are described below:

- Meeting date 19 March 2004
- Date of Executive Board decisions (1st phase) 2 August 2004
(2nd phase) 30 June 2005
(3rd phase) 23 October 2006
- Number of shares that may be subscribed 237,129 shares
- of which number of share that can be subscribed by Executive Board members 0
- Number of beneficiaries (1st phase) 7 persons
(2nd phase) 14 persons
(3rd phase) 32 persons
- Of which, Executive Board members concerned *none*
- Option exercise start date 2 August 2008
- Expiry date 23 October 2014
- Share subscription price (1st phase) €7.94
(2nd phase) €12.32
(3rd phase) €19.34
- Conditions for exercising Exercise between the fourth and the eighth anniversary following the date of allocation

17.2.3 Free share allocation plan

Using the authorisation granted by the Company's shareholders on 27 June 2007 and after authorisation from the Supervisory Board, the Executive Board has decided to set up a Free Share Allocation Plan granting the beneficiaries the conditional right to acquire shares in the Company for free, according to various terms and conditions covered in the rules it has drawn up.

The Executive Board and Supervisory Board of 18 February 2008 proceeded to the award, effective 2 April 2008, of 461,172 free shares to the benefit of certain employees and corporate officers

of French companies belonging to the Générale de Santé Group, a list of which it has drawn up. Each of the designated beneficiaries is thus granted a conditional right to acquire for free, under the conditions of the Rules, a certain number of Shares, that may be adjusted upwards or downwards by 60% maximum, depending on the degree of achievement of the performance criteria, as defined in the Rules.

These shares would be acquired definitively at the end of a two-year vesting period, subject to compliance with a condition of presence on the acquisition date and the achievement of performance criteria, as set out in the Plan Rules

Performance criterion	Weight in the performance index
2009 turnover	20%
EBITDAR 2008 – 2009	50%
Net debt at end 2009.....	30%

The shares acquired should also be kept for two years, a period during which the beneficiaries of the shares would enjoy the same rights as any other shareholder of the Company at the same time (except, however, the right to sell the shares). At the end of the two-year vesting period, the beneficiaries of the shares would have the choice between keeping them or selling them.

Information regarding the characteristics and changes in the free share plan:

	At 31-12-2008
Date allocated	2 April 2008
Number of beneficiaries	237
Date of final acquisition of the allocated shares	2 April 2010
End date of the allocated shares vesting period.....	2 April 2012
Number of shares allocated under performance conditions.....	461,172
Raised shares	--
Cancelled shares.....	16,086
Number of shares at 31 December 2008.....	445,086

17.2.4 Status of employee holdings (Art. L225-102 of the Commercial Code)

The interests held by employees in the Company's share capital, represents, on the last day of the period, 218,012 shares, that is 0.388% of the share capital and voting rights.

17.3 EMPLOYEE PROFIT-SHARING

17.3.1 Profit-sharing and incentive contracts

Investment agreements

In line with current legislation, Group companies employing over 50 salaried staff and who are involved in profit sharing, pay a reserve of the investment into their salaries.

For the financial year ending 31 December 2008, €10.5 million were allocated to Group employees within the framework of the investment agreements (as compared with €5.3m in 2002, €6.2m in 2003, €7.7m in 2004, €10.3m in 2005, €10.0m in 2006, and €11.2m in 2007).

Profit-sharing agreements

Profit-sharing agreements were signed within several Company subsidiaries.

For the financial year ending 31 December 2007, €3.9 million were allocated to Group employees within the framework of the profit-sharing agreements (as compared with €2.7m in 2002, €2.0m in 2003, €3.2m in 2004, €3.6m in 2005, €4.8m in 2006, and €4.4 in 2007).

17.3.2 Corporate savings plans and employee shareholding policy

A group company savings scheme was set up by the Company on 15 May 2001, when the company was floated on the stock exchange and, at the end of 2006, an addendum to the PEG was signed allowing to integrate two new FCPEs (mutual funds, GDS and GDS Italie) through which the employees were able to participate in the capital increase reserved to them at the beginning of 2007.

The total employee shareholding in Générale de Santé amounted to 2.35% at the time of the OPAS by Santé Développement Europe in March 2007. All the shares corresponding to that shareholding were brought to the offer.

Pursuant to that contribution, the two Supervisory Board, FCPE Générale de Santé Actionnariat, Levier Générale de Santé, decided that these funds would be merged-absorbed into a F.C.P.E. of the same nature, "FCPE CM-CIC Perspective Monétaire B", the Générale de Santé Italie fund being managed on a monetary basis since then.

CHAPTER 18

MAIN SHAREHOLDERS

18.1 COMPANY SHAREHOLDERS

On 31 March 2009, the Company shareholders holding over 3% of the Company's capital stock, composed of 56,229,854 shares, were as follows:

Shareholders holding more than 3% of the capital stock	Number of shares	% of capital	% of voting rights (1)
Santé Développement Europe (*)	33,139,188	58.94	50.78
Santé SA (*)	13,416,373	23.86	35.51
SCA Attia Villard Fribourg (**)	5,555,555	9.88	8.52
Hexagone Santé Participations (**)	85,000	0.15	0.13
Rainbow Santé (**)	10,000	0.02	0.02
TOTAL	52,206,116	92.85	94.96
Treasury stock (2)	773,668	1.37	0.00
Shareholders holding less than 3% of the capital stock	3,250,070	5.78	5.04
TOTAL	56,229,854	100	100

(1) This table takes into account those shares that have a double voting right acquired 19 March 2009.

(2) This table takes into account the treasury shares at 31 March 2009.

(*) Shareholders acting together, Santé Développement Europe being a subsidiary of Santé SA.

(**) Shareholders acting together.

To the Company's knowledge, there are no shareholders who own over 3% of the Company's capital or voting rights.

18.2 DECLARATION ON VOTING RIGHTS OF SIGNIFICANT SHAREHOLDERS

A double voting right was allocated effective 19 March 2009 to all fully-paid registered shares for which the shareholder can justify that he has held the shares for at least five years, starting as of the general meeting of 19 March 2004. The double voting right will expire de jure under the conditions set out in the Commercial Code.

18.3 COMPANY CONTROL

The Company is controlled by Santé SA that holds 23.86% of the Company's share capital and Santé Développement Europe SAS that holds 58.94% of the Company's share capital, Santé Développement Europe SAS being wholly owned by Santé SA. Santé SA therefore holds 82.80% of the Company's share capital, both directly and indirectly. Santé SA's share capital breaks down as follows: 47% for Santé Holdings S r l, the personal holding company of Dr. Ligresti, 43.01% for DeA Capital Investments SA, an indirect subsidiary (through DeA Capital SpA) of De Agostini SpA and 9.99% for Mediobanca SpA. The chairmanship of Santé Développement Europe SAS is held by Santé SA as a legal entity.

Santé Holdings S r l, DeA Capital Investments SA, Mediobanca SpA, Dr. Ligresti, Santé SA and Santé Développement Europe SAS are parties to a shareholders' agreement dated 13 April 2007 (as amended eventually) whose major provisions were published by the French AMF on 23 April 2007 (AMF 207C0716 information).

The shareholders' agreement provides, in particular, that the parties will cause the Board of Directors of Santé SA and the Company's Supervisory Board to have six (6) to eight (8) members, appointed according to the following rules:

- As long as the respective holdings of Santé Holdings S r l and DeA Capital Investments SA in the share capital of Santé SA will not differ by more than 10%, three (3) members (among which the Chairman of the Company's Supervisory Board and the Chairman of the Board of Directors of Santé SA) will be appointed by Santé Holdings S r l and three (3) members (among which the Managing Director of Santé SA and the Vice-Chairman of the Company's Supervisory Board) will be appointed by DeA Capital Investments SA; or
- If the respective holdings of Santé Holdings S r l and DeA Capital Investments SA in the share capital of Santé SA each exceed 20% but differ by more than 10% among themselves, six (6) members will be appointed by Santé Holdings S r l and DeA Capital Investments SA proportionally with their respective holdings in the share capital of Santé SA; or
- As soon as either Santé Holdings S r l, or DeA Capital Investments SA will hold less than 20% of the share capital of Santé SA and their respective holdings differ by more than 10%, five (5) members will be appointed by the one holding the most significant stakes and the sixth by the other one;
- As long as the other investors (of which Mediobanca SpA) will hold together at least 20% of the share capital of Santé SA, they will appoint two (2) members to represent them and, if they hold between 8% (inclusive) and 20% of the share capital, they will appoint one (1) member.

In case of death or disability of Dr. Ligresti or termination of his mandate as Chairman of the Board of Directors of Santé SA or as Chairman of the Company's Supervisory Board, DeA Capital Investments SA will be able to appoint the new Chairman of the Board of Directors of Santé SA and the new Chairman of the Company's Supervisory Board among its own representatives, insofar as the Managing Director of Santé SA and the Vice-Chairman of the Company's Supervisory Board will be chosen among the representatives of Santé Holdings S r l.

The agreement provides that the parties will act so that, as long as the Company's shares are listed on a regulated market, its Supervisory Board will appoint an Audit Committee and an Appointments and Remunerations Committee.

The shareholder agreement provides that the Company Executive Board cannot make certain major decisions without the prior authorisation of the Supervisory Board, and that some of these decisions must be adopted by a majority of two thirds of the members of the Company Supervisory Board. The decisions subjected to that authorisation are the following:

- (i) the approval of, and any changes to, the business plan;
- (ii) the approval of the annual budget;
- (iii) any changes to the annual budget;
- (iv) any capital expenditure (in particular the acquisition of stakes, setting up of a business, purchase of assets or other) not planned in the annual budget and exceeding €10 million;
- (v) any disposal of assets not planned in the annual budget and exceeding €5 million over a given fiscal year;

- (vi) the granting of any surety, guarantee, or other third-party title on assets representing more than €5 million over a given fiscal year;
- (vii) the taking out of any debt or off-balance sheet commitment (including for guarantees) not planned in the annual budget and exceeding €5 million over a given fiscal year, and any related change (including any derogation of decision likely to represent a case of default with regard to the financing agreement);
- (viii) the approval of any capital expenditure not planned in the annual budget for an amount exceeding €10 million;
- (ix) the preparation of annual accounts;
- (x) any capital increase or reduction, and any issue of marketable securities giving access to the capital;
- (xi) the approval of any operation resulting in the dilution of existing shareholders or having an impact on the substance of their share (in particular mergers, splits, contribution, issue of marketable securities);
- (xii) any change to the Company's bylaws;
- (xiii) the approval of, or any changes to, share repurchase programmes;
- (xiv) any payment of dividends or other distribution;
- (xv) any strategic alliance involving the Company or its subsidiaries;
- (xvi) any appointment or dismissal of the auditors or the accounting firm, and any change to the accounting rules and methods;
- (xvii) the appointment and dismissal of the members of the Executive Board (except in a situation of poor performance, in which case a simple majority suffices), as well as the remuneration of the members of the Executive Board;
- (xviii) the appointment of a new Chairman of the Executive Board to replace the Chairman in office;
- (xix) the adoption or modification of any stock option or free share plan;
- (xx) any action relative to the winding up or dissolution of the Company.

Besides, the agreement provides that the Executive Board of the Company will have a maximum of five members, appointed and dismissed by the Supervisory Board.

The parties to the shareholders' agreement have undertaken not to acquire, either directly or indirectly, shares in the Company otherwise than via Santé SA or Développement Europe SAS, subject to an exceptional approval.

The shareholders' agreement will expire automatically on the earlier of: (i) the date when Santé Holdings S r l and Dr. Ligresti, on the one hand, or DeA Capital Investments SA, on the other hand, would hold (along with their respective authorised assignees) less than 10% of the share capital of Santé SA, of Santé Développement Europe SAS or of the Company, or (ii) 31 December 2025.

18.4 AGREEMENT ALLOWING COMPANY CONTROL TO BE CHANGED

The shareholders' agreement referred to in paragraph 18.3 above provides for the total inalienability of Santé SA shares up until 31 December 2011 (except in case of a disposal to affiliates or of prior approval by the other shareholders of Santé SA). Under the rules set out in the shareholders' agreement, between 1 January 2012 and 31 December 2013, Santé SA shares will be inalienable except in case of prior approval from the other shareholders, disposal to affiliates or disposal on the market (floating or secondary placement in the market). As of 1 January 2014, Santé SA shares will be disposable, subject to the restrictions set out in the shareholders' agreement (pre-emptive right and joint disposal right). The parties to the agreement have not made any mutual promise to purchase or sell the shares in Santé SA, and the agreement contains no liquidity clause guaranteeing the parties a minimum return on investment.

Should any of the parties to the agreement hold Santé SA shares through an affiliate company, it may not transfer shares from the aforesaid affiliate to a competitor of the Company without the approval of Santé Holdings Srl, of Dr. Ligresti and of DeA Capital Investments SA, insofar as each of these parties will hold more than 20% of the share capital of the Company.

CHAPTER 19

RELATED-PARTY TRANSACTIONS

Details of transactions with related parties carried out by the Company during the financial years 2006, 2007 and 2008 are given in the report on related-party agreements for the financial years 2006, 2007 and 2008.

19.1 AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

Dear Shareholders,

In our capacity as Auditors in charge of your company's financial statements, we will now present you with our report on the regulated agreements of which we have been notified.

Commitments and agreements authorised during the period

Our role is not to detect the existence of any other agreements, but to provide you with the main characteristics and terms of those we have been advised of, based on the information we have been given, and without us being required to express an opinion as to their utility and validity. It is your responsibility to assess the advantage of establishing these agreements with a view to approving them, in accordance with the provisions of article R.225-58 of the Commercial Code.

We inform you that we have not been notified of any agreement or commitment subjected to the provisions of article L. 225-86 of the Commercial Code.

Agreements and commitments approved in past fiscal years, whose execution was pursued during the period

Besides, in accordance with the Commercial Code, we have been informed that the execution of the following agreement, approved in the previous fiscal year, was pursued during the last fiscal year.

Nature and purpose: the signing of a consultancy agreement with Professor Henri Escojido (a member of the Supervisory Board of Générale de Santé), which covers payment to him for his role as President of the Scientific and Medical Committee for the Générale de Santé Group.

Terms: agreement approved by the Supervisory Board on 26 January 2006, according to which Henri Escojido will receive a monthly fee of €5,000 (exclusive of taxes) for the financial year 2006.

We have carried out our work in accordance with the professional standards applicable in France; these standards require that due diligence be practiced in order to verify the consistency of the information we have been given with that held in the documents from which it originates.

Paris La Défense and Neuilly-sur-Seine, 17 April 2007

The Auditors
DELOITTE & ASSOCIES

SALUSTRO REYDEL
Member of KPMG International

François Caubrière
Partner

Christophe Perrau
Partner

Tristan Guerlain
Partner

19.2 SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Dear Shareholders,

In our capacity as auditors of your company, we will now present our report on regulated agreements.

1. Agreements and commitments authorised during the period and up until 31 March 2008

In accordance with article L.225-88 of the Commercial Code, we have been informed of the agreements and commitments that were subject to prior authorisation by your Supervisory Board.

Our role is not to detect the existence of any other agreements, but to provide you with the main characteristics and terms of those we have been advised of, based on the information we have been given, and without us being required to express an opinion as to their utility and validity. It is your responsibility, under the terms of article 225-58 of the Commercial Code, to evaluate the benefits arising from these agreements and commitments prior to their approval.

We have carried out our work in accordance with the professional standards applicable in France; these standards require that due diligence be practiced in order to verify the consistency of the information we have been given with that held in the documents from which it originates.

- **Communication assistance agreements with Tilder**

Person concerned: Mr. Matthias Leridon

The appointment of Mr. Matthias Leridon, Chairman and CEO of Tilder, as permanent representative of Santé SA at the Supervisory Board of Générale de Santé, has caused the authorisation of the following agreements to be necessary.

Tilder is a company linked to the Générale de Santé GIE and to Générale de Santé, respectively, via two permanent communication assistance agreements:

- ✓ Corporate communication and emergency communication management (signed on 20 December 2002),
- ✓ Corporate communication for the Chairman of the Supervisory Board (signed on 6 June 2006).

The remuneration paid to Tilder for these two agreements stood at €330,000 exclusive of tax in 2007.

Besides, the Générale de Santé GIE and Tilder signed a new agreement on 14 March 2007 regarding the temporary appointment of the communication department of the Générale de Santé Group. In that context, Tilder received a monthly fee of €20,000 exclusive of tax as of 14 March 2007, that is a total of €190,000 exclusive of tax over the period.

These agreements were authorised by the Supervisory Board of 15 March 2007.

- **Agreements relative to the new credit agreement (hereinafter the "TRFA")**

Persons concerned: Dr. Antonino Ligresti, Messrs Frédéric Rostand, Ross McInnes, Paolo Ceretti, Rosario Bifulco, Lorenzo Pellicoli, Santé SA, Santé Développement Europe SAS.

1) Authorisation to enter into a new credit agreement (hereinafter the "TRFA") and to grant the guarantees provided for by the TRFA

In the context of the refinancing of the Générale de Santé Group, your company is a party to the TRFA as guarantor and joint security:

- (i) of the obligations of Compagnie Générale de Santé (hereinafter "CGS") which is a party to the TRFA as borrower, for the A1 facility, the A2 facility, the acquisition/Capex facility, the revolving facility, and the additional acquisition/capex facility,

(ii) of the obligations of the subsidiaries in which it holds, either directly or indirectly, almost the entire share capital and that would become borrowers in the context of the Acquisition/Capex Facility, the Revolving Facility and the Additional Acquisition / Capex Facility,

for a maximum principal of €1,174,100,000 plus interest, expenses, and ancillary costs.

The TRFA was signed by your Company and CGS on 24 October 2007. The TRFA was signed by your company and CGS on 24 October 2007. The financing set up through the A1 and A2 facilities stood at €814,430,786 at 31 December 2007, including accrued interest. The acquisition/capex facility, the revolving facility, and the additional acquisition/capex facility had not been used at 31 December 2007.

This agreement was authorised by the Supervisory Board of 22 October 2007.

2) Authorisation to sign a syndication letter setting the syndication terms and conditions for the TRFA

Your company signed a syndication letter setting the syndication terms and conditions for the TRFA on 24 October 2007.

This agreement was authorised by the Supervisory Board of 22 October 2007.

3) Authorisation to grant the pledging of the balance of your company's bank accounts as collateral for its obligations under the TRFA

When signing the TRFA, your company pledge the balance of its bank accounts as collateral for its obligations. Your company is free to use its bank accounts as long as the banking agent has not exercised his right to freeze the accounts, which is subject to events specified in the TRFA.

This agreement was authorised by the Supervisory Board of 22 October 2007.

4) Authorisation to grant the pledging of claims under the existing partner current account agreement with CGS as collateral for its obligations under the TRFA

When signing the TRFA, your company pledged its claim on CGS in the context of their partner current account agreement as collateral for its obligations. The current account claim held by your company on CGS stood at €248,825,280 at 31 December 2007, including accrued interest.

This agreement was authorised by the Supervisory Board of 22 October 2007.

5) Authorisation to grant the pledging of the financial instruments account on which will be recorded 100 CGS shares and which, subject to the authorisation from your company's extraordinary general meeting, will eventually concern all the CGS shares held by your company as collateral for its obligations under the TRFA

When signing the TRFA, your company pledged the financial instruments account open in the name of your company in CGS' books, and on which will be recorded 100 shares that your company holds in CGS as collateral for its obligations.

Subject to prior authorisation from your company's extraordinary general meeting, and as of the issue of the said authorisation, all CGS shares held by your company will be included in that collateral security.

This agreement was authorised by the Supervisory Board of 22 October 2007.

6) Authorisation of the principle for CGS to pledge shares in the companies it would acquire subsequent to the execution of the TRFA as collateral for its obligations under the TRFA

The Supervisory Board has approved the principle that CGS may pledge all the shares of the companies it would acquire subsequent to the execution of the TRFA as collateral for its obligations under the TRFA and authorises the negotiation, the finalisation, and the execution by CGS of the corresponding collateral agreements and any related document.

This agreement was authorised by the Supervisory Board of 22 October 2007.

7) Authorisation to execute an addition to the TRFA

In the context of refinancing the Générale de Santé Group, on 17 December 2007, your company signed an addition to the TRFA as guarantor and joint security, in order, among other things, to change the interest calculation period and the interest payment date.

This agreement was authorised by the Supervisory Board of 17 December 2007.

- **Setting of the Executive Board Chairman's remuneration**

Person concerned: Mr. Frédéric Rostand

Mr. Frédéric Rostand is entitled, under his employment contract, to a gross fixed annual remuneration of €580,000 and a variable remuneration that may represent up to 120% of the gross fixed annual remuneration. The variable remuneration for 2007 will be at least €493,000.

The employment contract was approved by the Supervisory Board in its sitting of 16 April 2007.

- **Setting of the remuneration of the Managing Director, member of the Executive Board**

Person concerned: Mr. Filippo Monteleone

Mr. Filippo Monteleone is entitled, under his employment contract, to a gross fixed annual remuneration of €350,000 and a variable remuneration that may represent up to 100% of the gross fixed annual remuneration.

The pursuit of this employment contract was approved by the Supervisory Board in its sitting of 4 July 2007.

- **Agreements relative to the alignment on the law of 21 August 2007 of the conditions for paying departure benefits to managers in case of termination of their office in accordance with the provisions set out in their employment contracts**

The Supervisory Board has decided to align the employment contracts of Messrs Frédéric Rostand and Filippo Monteleone with the new legal scheme and to subject the payment of departure benefits to Messrs Frédéric Rostand and Filippo Monteleone to the achievement of at least one of the following criteria:

- ✓ compliance with the financial ratios set in the borrowing agreements of the Générale de Santé Group (TRFA) as signed on 24 October 2007,
- ✓ the achievement, by the Générale de Santé Group, or organic growth equal to or greater than, that of the private hospitalisation segment,
- ✓ the achievement of the budgeted EBITDA,
- ✓ the achievement of the budgeted turnover,
- ✓ the budgeted Capex not being exceeded.

In that context, the benefits paid would amount to 24 months of gross salary.

These agreements were authorised by the Supervisory Board of 31 March 2008.

2 Agreements and commitments approved in past fiscal years, whose execution was pursued during the period

Besides, in accordance with the Commercial Code, we have been informed that the execution of the following agreements and commitments, approved in previous fiscal years, was pursued in the last fiscal year.

Person concerned: Professor Henri Escojido.

Nature and purpose: signing of a consultancy agreement with the Professor, which covers payment to him for his role as President of the Scientific and Medical Committee for the Générale de Santé group.

Terms: the Professor will receive a fee of €59,144 (exclusive of taxes) for the financial year 2007.

The Auditors

Paris La Défense and Neuilly-sur-Seine, on 24 avril 2008

Salustro Reydel
Member of KPMG International

Deloitte & Associés

François Caubrière
Associé

Christophe Perrau
Associé

19.3 Special report on regulated agreements for the year ended 31 December 2008

Dear Shareholders,

In our capacity as auditors of your company, we will now present our report on regulated agreements.

1 Commitments and agreements authorised during the period

In accordance with article L.225-88 of the Commercial Code, we have been informed of the agreements and commitments that were subject to prior authorisation by your Supervisory Board.

Our role is not to detect the existence of any other agreements, but to provide you with the main characteristics and terms of those we have been advised of, based on the information we have been given, and without us being required to express an opinion as to their utility and validity. It is your responsibility, under the terms of article 225-58 of the Commercial Code, to evaluate the benefits arising from these agreements and commitments prior to their approval.

We have implemented the due diligence we judged necessary with regards to the professional standards of the Compagnie nationale des commissaires aux comptes regarding this assignment. Such due diligence consisted in verifying the consistency between the information delivered to us and the base documents they were derived from.

- **Communication assistance agreements with Tilder**

Person concerned: Mr. Matthias Leridon

1) Media-training operations for the benefit of the Chairman of the Executive Board

Tilder has entered with Générale de Santé into two agreements for six sessions to train Mr. Frédéric Rostand, Chairman of the Executive Board of Générale de Santé, on media communications.

Tilder's remuneration for both agreements stood at €54,000 exclusive of tax in 2008.

The conventions relative to these agreements were authorised by the Supervisory Board of 28 April 2008 and that of 30 June 2008.

2) Survey regarding the image of the Générale de Santé Group among opinion leaders

Tilder signed with Générale de Santé an agreement regarding an image survey among opinion leaders.

Under that agreement, Tilder's remuneration stood at €50,000 exclusive of tax in 2008.

This agreement was authorised by the Supervisory Board of 30 June 2008.

- **Institutional consulting and assistance assignment entrusted to LCE**

Person concerned: Mr. Frédéric Lemoine

LCE was appointed by Générale de Santé to contribute its expertise in the field of French hospitalisation to the Company's Supervisory Board. For that assignment, LCE is paid €50,000 exclusive of tax per annum.

LCE's remuneration for that assignment stood at €50,000 exclusive of tax in 2008.

This agreement was authorised by the Supervisory Board of 28 April 2008.

2 Agreements and commitments approved in past fiscal years, whose execution was pursued during the period

Besides, in accordance with the Commercial Code, we have been informed that the execution of the following agreements and commitments, approved in previous fiscal years, was pursued in the last fiscal year.

- **Communication assistance agreements with Tilder**

Tilder is a company linked to the Générale de Santé GIE and to Générale de Santé, respectively, via two permanent communication assistance agreements:

- ✓ Corporate communication and emergency communication management (signed on 20 December 2002),
- ✓ Corporate communication for the Chairman of the Supervisory Board (signed on 6 June 2006).

The remuneration paid to Tilder for these two agreements stood at €360,000 exclusive of tax in 2008.

Besides, Tilder is conducting an assistance and consulting assignment for the communication department of the Générale de Santé Group. The monthly flat fees paid to Tilder for conducting this assignment stood at €20,000 exclusive of tax for January to March 2008 and at €10,000 exclusive of tax for April to December 2008. Tilder's fees for that assignment therefore stood at €150,000 exclusive of tax in 2008.

- **Agreements relative to the credit agreement (hereinafter the "TRFA")**

1) Execution of the credit agreement (hereinafter the "TRFA") and the guarantees set out in the TRFA

In the context of refinancing the Générale de Santé Group, your company is a party to the TRFA in its capacity as Guarantor and joint and several guarantee:

- (iii) the obligations of Compagnie Générale de Santé (hereinafter "CGS"), which is a party to the TRFA in its capacity as Borrower,
- (iv) the obligations of the subsidiaries whose capital it holds almost entirely, either directly or indirectly, and that would become borrowers,

for a principal amount of €1,174,100,000 maximum plus interest, costs and auxiliary costs.

The TRFA was executed by your company and CGS on 24 October 2007. The financing set up with the A1 and A2 credit facilities, as well as the one relative to acquisitions and capital expenditures, stands at €716,348,289 at 31 December 2008, including accrued interest. The revolving credit line and the additional credit line relative to acquisitions and capital expenditures have not been used as at 31 December 2008.

2) Signing of a syndication letter setting the syndication terms and conditions for the TRFA

Your company signed a syndication letter setting the syndication terms and conditions for the TRFA on 24 October 2007.

3) Pledging of the balance of your company's bank accounts as collateral for its obligations under the TRFA

When signing the TRFA, your company pledge the balance of its bank accounts as collateral for its obligations. Your company is free to use its bank accounts as long as the banking agent has not exercised his right to freeze the accounts, which is subject to events specified in the TRFA.

4) Pledging of claims under the existing partner current account agreement with CGS as collateral for its obligations under the TRFA

When signing the TRFA, your company pledged its claim on CGS in the context of their partner current account agreement as collateral for its obligations. The current account claim held by your company on CGS stood at €285,926,169 at 31 December 2008, including accrued interest.

5) Pledging of the financial instruments account on which will be recorded all the CGS shares held by your company as collateral for its obligations under the TRFA

When signing the TRFA, your company pledged the financial instruments account open in the name of your company in CGS' books, and on which will be recorded 100 shares that your company holds in CGS as collateral for its obligations.

6) Principle for CGS to pledge shares in the companies it would acquire subsequent to the execution of the TRFA as collateral for its obligations under the TRFA

The Supervisory Board has approved the principle that CGS may pledge all the shares of the companies it would acquire subsequent to the execution of the TRFA as collateral for its obligations under the TRFA and authorises the negotiation, the finalisation, and the execution by CGS of the corresponding collateral agreements and any related document.

7) Execution of an addition to the TRFA

In the context of refinancing the Générale de Santé Group, on 17 December 2007, your company signed an addition to the TRFA as guarantor and joint security, in order, among other things, to change the interest calculation period and the interest payment date.

- **Remuneration of the Chairman of the Executive Board**

Mr. Frédéric Rostand is entitled, under his employment contract, to a gross fixed annual remuneration of €580,000 and a variable remuneration that may represent up to 120% of the gross fixed annual remuneration and the allocation of a vehicle as benefit in kind.

- **Remuneration of the Managing Director, member of the Executive Board**

Mr. Filippo Monteleone is entitled, under his employment contract, to a gross fixed annual remuneration of €350,000 and a variable remuneration that may represent up to 100% of the gross fixed annual remuneration and the allocation of a vehicle as benefit in kind.

- **Conditions for paying departure benefits to managers in case of termination of their office in accordance with the provisions set out in their labour contracts**

The payment of departure benefits to Messrs Frédéric Rostand and Filippo Monteleone is conditioned by the achievement of at least one of the following criteria:

- ✓ compliance with the financial ratios set in the borrowing agreements of the Générale de Santé Group (TRFA) as signed on 24 October 2007,
- ✓ the achievement, by the Générale de Santé Group, or organic growth equal to or greater than, that of the private hospitalisation segment,
- ✓ the achievement of the budgeted EBITDA,
- ✓ the achievement of the budgeted turnover,
- ✓ the budgeted Capex not being exceeded.

In that context, the benefits paid would amount to 24 months of gross salary.

- **Remuneration of Professor Henri Escojido in his capacity as Chairman of the Scientific and Medical Committee of the Générale de Santé Group**

Professor Henri Escojido is bound to the Group by a consulting agreement that sets out the remuneration for his assignment as Chairman of the Scientific and Medical Committee of the Générale de Santé Group.

As such, the Professor received €60,000 of fees exclusive of tax during financial 2008.

The Auditors

Paris La Défense and Neuilly-sur-Seine, 28 April 2009

Salustro Reydel
Member of KPMG International

Deloitte & Associés

François Caubrière
Associé

Christophe Perrau
Associé

CHAPTER 20

FINANCIAL INFORMATION REGARDING THE ISSUER'S ASSETS, FINANCIAL SITUATION, AND EARNINGS

20.1 FINANCIAL INFORMATION REGARDING THE ISSUER'S ASSETS, FINANCIAL SITUATION, AND EARNINGS

20.1.1 Historic financial information

For financial 2005, in accordance with article 28 of European Regulations (EC) Nr. 809/2004 implementing the "Prospectus Directive" 2003/71/EC, the following information is included by being referred to in this document:

- The management report of the Executive Board of Générale de Santé for the period ended 31 December 2005, as presented in the annual report filed with the French market authority (Autorité des marchés financiers) 24 March 2005 under number D.06-0157;
- The Group's consolidated financial statements and the auditors' reports on the consolidated financial statements for the period ended 31st December 2005, as presented in the annual report filed with the French market authority (Autorité des marchés financiers) 24 March 2005 under number D.06-0157;

The aforementioned annual report is available on the websites of the Company (<http://www.generale-de-sante.fr>) and the French AMF (<http://www.amf-france.org>).

Information regarding this chapter for the period ended 31 December 2008 is provided in paragraphs 20.1.3 and 20.1.4 of this document.

20.1.2 Group's consolidated financial statements for the year ended 31 December 2008

20.1.2.1 Income statements, balance sheet, equity, statements of changes in equity, and statement of consolidated cash flow and financing for the year ended 31 December 2008

CONSOLIDATED INCOME STATEMENT				
(in €m)	Note	2006	2007	2008
TURNOVER		1,741.5	1,906.0	1,983.8
Personnel expenses and profit sharing	5.1.1	(787.4)	(844.0)	(894.1)
Purchased consumables		(337.5)	(372.8)	(396.6)
Other operating income and expenses		(224.4)	(234.3)	(238.6)
Taxes and duties		(95.2)	(104.0)	(107.6)
Rents.....	5.1.2	(79.6)	(111.7)	(117.3)
EBITDA		217.4	239.2	229.6
Depreciation.....		(91.4)	(107.8)	(114.8)
Current operating profit		126.0	131.4	114.8
Other income and expenses.....	5.1.3	187.1	(24.6)	45.6
Operating profit		313.1	106.8	160.4
Net interest expenses.....	5.2	(31.4)	(30.0)	(72.5)
Other financial income and expenses	5.3	2.8	1.4	(2.9)
Share of net profit from associates.....	6.4	---	---	---
Corporate income tax	5.4	(55.6)	(29.7)	5.1
NET PROFIT FOR THE PERIOD		228.9	48.5	90.1
Allotment:				
Group's share of net earnings		225.4	45.6	87.2
Minority interests		3.5	2.9	2.9
NET EARNINGS PER SHARE (in euros)	5.5	4.53	0.84	1.59
NET DILUTED EARNINGS PER SHARE (in euros)	5.5	4.47	0.82	1.59

CONSOLIDATED BALANCE SHEET - ASSETS				
(in €m)	Note	31-12-2006	31-12-2007	31-12-2008
Goodwill	6.1	621.0	648.6	723.4
Other intangible fixed assets	6.2	7.6	7.3	15.9
Tangible fixed assets	6.3	865.6	960.7	962.5
Investments in associates	6.4	0.6	1.3	0.9
Other long-term investments	6.5	32.8	33.0	32.1
Deferred tax assets.....	5.4.4	38.2	34.8	54.6
NON CURRENT ASSETS		1,565.8	1,685.7	1,789.4
Inventories	6.10	32.0	35.0	38.4
Trade and other receivables.....	6.10	186.8	179.9	174.8
Other current assets	6.10	90.0	94.8	124.4
Current tax assets.....	5.4.2	10.2	11.6	2.8
Current financial assets	6.8	7.3	4.9	3.2
Cash and cash equivalents	6.8	---	---	---
Assets held for sale	6.11	20.0	84.8	3.1
CURRENT ASSETS		346.3	411.0	346.7
TOTAL ASSETS		1,912.10	2,096.7	2,136.1

The column "Note" indicates the appropriate note number and/or "CR", "B", "CP", "TFT" with "CR" = income statement, "B" = balance sheet, "CP" = shareholders' equity, and "TFT" = cash flow and financing statement.

CONSOLIDATED BALANCE SHEET - LIABILITIES				
(in €m)	Note	31-12-2006	31-12-2007	31-12-2008
Share Capital.....	6.6.1	40.2	41.1	42.2
Additional paid-in capital.....	6.6.1	446.8	50.8	61.5
Consolidated reserves.....	6.6.2	101.5	304.9	309.5
Group's share of net profit.....	CR	225.4	45.6	87.2
Group's share of equity	CP	813.9	442.4	500.4
Minority interests.....	CP	8.6	9.6	10.0
TOTAL SHAREHOLDERS' EQUITY	CP	822.5	452.0	510.4
Borrowings and other financial debts.....	6.8	284.2	871.4	847.1
Provisions for retirement and other employee benefits.....	6.9	17.4	29.5	29.6
Non-current provisions.....	6.9	43.4	26.0	39.5
Other long-term liabilities.....	6.5	16.9	16.3	36.3
Deferred tax liabilities.....	5.4.4	69.2	84.4	72.2
NON-CURRENT LIABILITIES		431.1	1,027.6	1,024.7
Current provisions.....	6.9	21.2	21.2	17.8
Accounts payable.....	6.10	167.6	166.6	196.4
Other current liabilities.....	6.10	269.9	270.2	305.4
Tax liabilities due.....	5.4.2	37.7	3.5	26.5
Short-term borrowings.....	6.8	80.5	47.8	45.0
Bank overdraft.....	6.8	61.6	35.5	6.8
Liabilities related to assets held for sale.....	6.11	20.0	72.3	3.1
CURRENT LIABILITIES		658.5	617.1	601.0
TOTAL LIABILITIES		1,912.10	2,096.7	2,136.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY								
(in €m)	Note	SHARE CAPITAL	ADDITIONAL PAID IN CAPITAL	RESERVES	PROFIT/(LOS S)	GROUP'S SHARE OF EQUITY	MINORITY INTERESTS	SHAREHOLDERS' EQUITY
Shareholders' equity at 31 December 2005		29.3	162.9	69.4	40.9	302.5	7.0	309.5
Capital increase (including net fees)	TFT	10.9	283.9	--	--	294.8	--	294.8
Treasury shares (2)		--	--	1.7	--	1.7	--	1.7
Group savings scheme		--	--	7.0	--	7.0	--	7.0
Stocks options		--	--	1.6	--	1.6	--	1.6
Prior year appropriation of earnings		--	--	40.9	(40.9)	--	--	--
Distribution of dividends (including pre-distribution)	TFT	--	--	(18.8)	--	(18.8)	(2.0)	(20.8)
Change in consolidation scope		--	--	--	--	--	0.1	0.1
Profit for the period		--	--	--	225.4	225.4	3.5	228.9
Revenues and expenses recognised directly as equity		--	--	(0.3)	--	(0.3)	--	(0.3)
Shareholders' equity at 31 December 2006		40.2	446.8	101.5	225.4	813.9	8.6	822.5
Capital increase (including net fees)	TFT	0.8	24.9	--	--	25.7	--	25.7
Treasury shares (2)		--	--	0.3	--	0.3	--	0.3
Stocks options		--	--	1.1	--	1.1	--	1.1
Prior year appropriation of earnings		--	(1.1)	226.5	(225.4)	--	--	--
Distribution of dividends (including pre-distribution)	TFT	--	--	(19.2)	--	(19.2)	(1.9)	(21.1)
Exceptional distribution of additional paid-in capital		--	(419.8)	--	--	(419.8)	--	(419.8)
Change in consolidation scope		--	--	--	--	--	--	--
Profit for the period		--	--	--	45.6	45.6	2.9	48.5
Revenues and expenses recognised directly as equity		0.1	--	(5.3)	--	(5.2)	--	(5.2)
Shareholders' equity at 31 December 2007		41.1	50.8	304.9	45.6	442.4	9.6	452.0
Capital increase	TFT	1.1	10.7	--	--	11.8	--	11.8
Treasury shares (2)		--	--	(0.6)	--	(0.6)	--	(0.6)
Stocks options and free shares		--	--	1.3	--	1.3	--	1.3
Prior year appropriation of earnings		--	--	45.6	(45.6)	--	--	--
Distribution of dividends (including pre-distribution)	TFT	--	--	(27.4)	--	(27.4)	(2.7)	(30.1)
Change in consolidation scope		--	--	--	--	--	0.2	0.2
Profit for the period		--	--	--	87.2	87.2	2.9	90.1
Revenues and expenses recognised directly as equity		--	--	(14.3)	--	(14.3)	--	(14.3)
Shareholders' equity at 31 December 2008		42.2	61.5	309.5	87.2	500.4	10.0	510.4
		31-12-2006	31-12-2007	31-12-2008				
(1) Dividends per share distributed over the period (in euros including pre-distribution)		0.35	8.02	0.5				
(2) Number of treasury shares		10,000	---	53,346				

STATEMENT OF RECOGNISED REVENUES AND EXPENSES			
(in €m)	31-12-2006 ⁽¹⁾	31-12-2007	31-12-2008
Net earnings (Group's share)	225.4	45.6	87.2
Translation differential	(0.3)	(0.1)	(0.2)
Actuarial differences on retirement commitments	--	(6.7)	1.6
Fair value of hedging financial instruments	--	1.5	(15.7)
Revenues and expenses recognised directly as equity	(0.3)	(5.3)	(14.3)
Total revenues and expenses (Group's share)	225.1	40.3	72.9

(1) The Group opted for recording actuarial differences as equity in 2006. Therefore, the table above summarises recognised revenues and expenses as changes in equity, in accordance with IAS19 paragraph 93B.

CONSOLIDATED CASH FLOW AND FINANCING STATEMENT				
(in €m)	Note	2006	2007	2008
Total net consolidated profit	CR	228.9	48.5	90.1
Depreciation	CR	91.4	107.8	114.8
Other income and expenses	CR	(187.1)	24.6	(45.6)
Share of net profit from associates	CR	---	---	---
Other financial income and expenses	CR	2.0	(1.4)	2.9
Net interest expenses	CR	26.6	30.0	72.5
Corporate income tax	CR	55.6	29.7	(5.1)
EBITDA	CR	217.4	239.2	229.6
Non-cash items including provisions and reversals (transactions with no cash effect)	6.9	0.4	(1.4)	3.5
Other income and expenses paid	5.1.3	(4.7)	(18.3)	(9.7)
Changes in other long term assets and liabilities	6.5	2.0	1.7	(5.2)
Cash flow before net interest expenses & taxes		215.1	221.2	218.2
Corporate income tax paid	5.4.2	(61.8)	(41.7)	(4.1)
Change in working capital requirements	6.10	(0.7)	0.1	39.2
NET CASH FROM OPERATING ACTIVITIES: (A)		152.6	179.6	253.3
Purchase of property, plant & equipment and intangible assets	6.3	(221.1)	(163.3)	(131.7)
Proceeds from sale of tangible and intangible assets	--	421.7	3.0	177.1
Purchase of financial assets	3.2	(589.5)	(102.3)	(58.9)
Proceeds from the disposal of financial assets	3.2	45.8	0.6	52.5
Dividends from non consolidated companies	5.3	0.6	0.8	1.0
NET CASH USED FOR INVESTING ACTIVITIES: (B)		(342.5)	(261.2)	40.0
Capital increase: (a)	CP	294.8	25.7	11.8
Capital increase performed by subsidiaries subscribed to by third parties (b)	CP	---	---	---
Exceptional distribution of additional paid-in capital: (c)	CP	---	(419.8)	---
Dividends paid to GDS shareholders: (d)	CP	(18.8)	(19.2)	(27.4)
Dividends paid to minority interests of consolidated companies: (e)	CP	(2.0)	(1.9)	(2.7)
Net interest expense paid: (f)	5.2	(26.6)	(30.0)	(72.5)
Loan issue charges: (g)		---	(25.0)	(1.1)
Cash flow before repayment of borrowings: (h) = (A+B+a+b+c+d+e+f+g)		57.5	(551.8)	201.4
Increase in borrowings: (i)	6.8.3	400.9	857.8	103.4
Repayment of borrowings: (j)	6.8.3	(539.0)	(279.9)	(276.1)
NET CASH USED FOR INVESTING ACTIVITIES: (C) = a + b + c + d + e + f + g + i + j		109.3	107.7	(264.6)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS: (A + B + C)		(80.6)	26.1	28.7
Opening cash position	B	19.0	(61.6)	(35.5)
Closing cash position	B	(61.6)	(35.5)	(6.8)
Net debt at beginning of period	6.8	588.2	439.0	1,001.3
Cash flow before repayment of borrowings: (h)		(57.5)	551.8	(201.4)
Capitalisation of financial leases	6.8	27.5	23.3	33.9
Capitalisation of loan issue costs	6.8	--	(24.4)	3.5
Assets held for sale	6.11	20.0	(7.7)	(9.2)
Fair value of hedging financial instruments		--	(1.5)	15.7
Change in consolidation scope and other	3.2/6.8	(139.2)	20.8	69.2
Net debt at end of period	6.8	439.0	1,001.3	913.0

20.1.2.2 Appendices to Group consolidated financial statements for the year ended 31 December 200_

1 - PREAMBLE: FINANCIAL PERIOD HIGHLIGHTS

• Antony Private Hospital: Acquisition of the property

On 8 April 2008, Générale de Santé acquired its partners' shares in the 2 property management companies that held the walls of the Antony private hospital, that is 90% of the HPA1 and 65% of the HPA3 for a total value (equity investments + debt) for €77.9 million. This acquisition is negotiated on the basis of entitlement beginning with retroactive at 1st January 2008.

- Free share plan

As at 18 February 2008, the Executive Board and the Supervisory Board decided and approved the establishment of a free share plan representing 461,172 shares in Générale de Santé, based on the achievement of a number of performance criteria.

- Disposal of property to Icade ("Vesta" transaction)

On 17 September 2008, Générale de Santé sold the property of four currently-operating Acute Care (MCO) facilities to ICADE, for a total amount of €201.7 million.

The completion of the operation involves the implementation of lease contracts, coming into force on 17 September 2008, for a firm term of 12 years, renewable on the initiative of Générale de Santé, generating a triple net rent of €13.7 million on a full year basis (i.e. a yield of 6.79%).

In addition to that transaction, Icade will bear a budget of approximately €36 million for the modernisation and capacity upgrade of the facilities concerned (Hôpital Privé de l'Ouest Parisien at Trappes, Centre Médico Chirurgical Parly II at Le Chesnay, Hôpital Privé Armand Brillard at Nogent-sur-Marne, Hôpital Privé Paul d'Égine at Champigny-sur-Marne), of which nearly half for the Trappes establishment. The same terms and conditions will apply to the additional rent related to these investments. At 31 December 2008, the work stood at €1.9m and was recorded under "Non-current assets held for sale".

The financial impact of the operation for the Group over financial 2008 is as follows:

Impact on Cash flow statement (in million euros)	2008
Tangible & intangible divestments	
- Sale price the 4 property assets	201.7
- acquisition value of a building repurchased prior to the transaction	(1.6)
- Sale completion costs (including transfer taxes, miscellaneous taxes & costs incurred for paying the company's various advisors)	(23.0)
NET FLOW FROM OPERATION	177.1

Impact on Income statement:

- Recognition of a consolidated gross capital gain (i.e.: before tax) of approximately €58.8 million, representing the disposal price of four property assets (€201.7 million) minus the costs for completing the sale (€23 million) and minus the net book value at 30 June 2008;

- this disposal is subject to the special tax regime set out in Article 210E of the General Tax Code ("SIIC 3" regime); therefore, the capital gains recorded by the Group are taxed at 17%. The taxes relative to that transaction (tax proceeds) appear in the consolidated financial statements for +€8.7 million, while the tax on the capital gains recognised in the company financial statements stands at €27.4 million and will be paid in 2009. The difference between the existing tax rate of -14.8% (€8.7 million compared to €58.8 million) and the reduced rate of 17% is mainly due to the tax rate difference between deferred tax liabilities relative to the valuation differences calculated at a rate of 34.43%;
- In accordance with the provisions of IFRS 5, since 1st July 2008, assets held for sale are no longer depreciated: favourable effect on the "Depreciation" item for €2.7m.
- Disposal of Italian clinics

During Q4 2008, Générale de Santé sold the following Italian subsidiaries:

- Clinique Rugani, Clinique Santa Rita, Il Pergolino, Villa Maria Teresa, Poggio del Sole and Centro Cardinal Ferrari.

The amount collected (net of cash) for that financial divestment stands at €52.1 million, that is a total financial effect (securities + debt) of €53.7 million. This transaction generated a consolidated gross capital gains of €10.9 million. In accordance with Italian tax regulations, capital gains are tax-free.

2 - ACCOUNTING PRINCIPLES

2.1 - Accounting framework

Générale de Santé is a limited company incorporated under French law with its head office located 96 Avenue d'Iéna, Paris. Its corporate purpose encompasses investment activities of all types, either directly or through third parties, on its own behalf or on behalf of third parties. It is the parent company of a group which exercises all its activities in the Hospital Care sector.

The Group prepares its consolidated financial statements in accordance with IFRS applicable as of 31 December 2008, as adopted by the European Union, and available on the website http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The financial statements are drawn up in accordance with the historic cost convention, except for the following items, which are valued at fair value:

- Financial derivatives
- Financial instruments at fair value via earnings
- Financial assets held for sale
- Liabilities resulting from transactions whose payment is share-based and will be settled in cash.

The accounting rules and methods used for preparing the financial statements at 31 December 2008 are compliant with those used for preparing the financial statements at 31 December 2007, except for the following standards, amendments, and interpretations, applicable to financial 2008:

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction
- Amendment to IAS 39: Financial instruments: Recognition and Measurement and to IFRS 7: Financial instruments: Disclosures, entitled Reclassification of Financial Assets.

These standards and interpretations have no effect on the Group's financial statements. In particular, the Group has not reclassified any financial assets.

The rules implemented by the Group at 31 December 2008 do not differ from the standards as published by IASB insofar as:

- the implementation of IFRIC 12 Service Concession Arrangements, mandatory for the financial periods open as of 1st January 2008 and not yet endorsed by the European Union, has no effect on the Group's financial statements.

Standards and interpretations published but not yet in force

Texts adopted by the European Union on the closing date for which the Group has not opted for the early implementation of the following standards:

- IFRS 8, Operating Segments (applicable to the annual periods open as of 1st January 2009); The implementation of this standard as at 1st January 2009 should have no significant effects on the Group's financial statements.

The GDS Group will implement IFRS 8 as of 1st January 2009.

The business segment information level is the same as the one used by the Group for drawing up its internal reporting in order to track its business activity and operating performance results. The reporting is structured on the basis of a notion of "Health territory", all health territories being grouped within "Regions" (currently the Regional Hospitalisation Agencies). The Group presents the following operating segments: Ile de France, Rhône Alpes, Nord, PACA, Bourgogne, Other regions and Italy.

In addition, implementing this standard has had no effects on the valuation of long-term assets (goodwill). The Group already conducts impairment tests based on this regional segmentation (see paragraph 2.6 - Impairment tests performed on non-current assets).

- IAS 23 revised, Borrowing costs (applicable to the annual periods open as of 1st January 2009). This amendment will have no effect on the Group's financial statements;
- IAS 1 revised, Presentation of Financial Statements (applicable to the annual periods open as of 1st January 2009). This amendment will have no effect on the Group's financial position, but it will affect the presentation of financial statements;
- IFRS 2 amended, Share-based Payment: vesting conditions and cancellations (applicable to the annual periods open as of 1st January 2009). The Group is currently reviewing the effect of this amendment on the Group's financial statements;
- IFRIC 13, Customer Loyalty Programmes (applicable to the annual periods open as of 1st January 2009). This interpretation will have no impact on the Group's financial statements.

Texts not adopted by the European Union at year end

Texts whose implementation could have an effect on the Group's financial statements

- IFRS 3 revised, Business Combination (applicable to business combinations whose acquisition date is on the first financial year open as of 1st July 2009);
- IAS 27 revised, Consolidated and Separate Financial Statements (applicable to the annual periods open as of 1st July 2009);

These standards will have an effect on the recognition of future business combinations and of future transactions on minority interests.

- Improvements to IFRS standards (applicable to the annual periods open as of 1st January 2009, except for IFRS 5 applicable as of 1st July 2009)

Texts whose implementation should have no significant effect on the Group's financial statements.

- IAS 39 revised, Eligible hedged items (applicable to the annual periods open as of 1st July 2009);
- IFRS 1 revised, First-time Adoption of International Financial Reporting Standards (applicable to the annual periods open as of 1st July 2009);
- IFRS 1 and IAS 27 revised, Amendments for determining the cost of an investment in the separate financial statements (applicable to the annual periods open as of 1st January 2009);
- IAS 32 and IAS 1 revised, Financial instruments that can be refunded at the bearer's request or in case of liquidation (applicable to the annual periods open as of 1st January 2009);
- IFRIC 12, Service Concession Arrangements (applicable to the annual periods open as of 1st January 2008);
- IFRIC 15, Agreements for the Construction of Real Estate (applicable to the annual periods open as of 1st January 2009);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (applicable to the annual periods open as of 1st January 2008);
- IFRIC 17, Distributions of Non-cash Assets to Owners (applicable to the annual periods open as of 1st July 2009).

The financial statements are denominated in million euros.

The Group has not implemented any changes in accounting or assessment methods during the period.

At 9 February 2009, the financial statements were reviewed by the Audit Committee and settled by the Executive Board, and then reviewed by the Supervisory Board.

2.2 - Consolidation methods

2.2.1 - Consolidation scope

The financial statements of companies over which Générale de Santé exercises direct or indirect majority control, including control which may result in the power to control the company's financial and operating policies so as to benefit from these activities, "including control which may result from shareholders' agreements", are fully consolidated.

Companies over which Générale de Santé exercises significant influence, which is presumed to exist when the shareholder owns more than 20% of voting rights, are accounted for under the equity method. According to the equity method of accounting, interests in an associated company are initially recorded at cost and the book value is subsequently increased or reduced to reflect the Group's share of the net profit or loss of the company held after the acquisition date.

For companies in which Générale de Santé and another partner jointly control the voting rights:

- the full consolidation method is used if Générale de Santé controls the company's operations.
- the proportional consolidation method is used solely for joint ventures where the two partners jointly control the voting rights, board of directors and executive management of the company.

Date of initial consolidation

The companies included in the scope of consolidation are consolidated from the initial date of control.

2.2.2 - Translation of foreign companies' financial statements

The financial statements of companies that operate in currencies other than that used in the Group's consolidated financial statements are converted using the "closing price" method. Their balance sheet items are translated in euros at the rate of exchange applicable at the year-end, while their income statement items are translated at the average rate of exchange for the period. Resulting translation differences are recorded as consolidated reserves under "Translation adjustments". Foreign company goodwill is considered as part of the acquired assets and liabilities and is therefore translated at the rate of exchange applicable at the year-end.

2.2.3 - Use of estimates

The preparation of consolidated financial statements involves using assumptions, estimates, and valuations that may have an impact on some of the amounts recorded in the balance sheet or the income statement.

The main estimates made by the Group when preparing its financial statements concern the valuation of goodwill, of intangible and tangible fixed assets, the recognition of deferred taxes, the valuation of end of career provisions and other personnel benefits and provisions for litigations.

These assumptions and estimates are based on existing information or situations on the date on which the statements are prepared. Such information or situations may possibly differ from reality. The assumptions and assessments are detailed in the notes below.

2.3 - Goodwill

Goodwill represents the difference recorded between the acquisition cost of the shares in a company entering the consolidation scope and the Group's share of the fair value, on the date of acquisition, of the assets, liabilities and contingent liabilities relating to the company acquired. When consolidating an entity for the first time, the assets and liabilities are revalued.

Goodwill relating to companies accounted for by the equity method are included under the heading "investments in associates".

In case of an excess of the share of interest in the net fair value of the identifiable assets, liabilities, or contingent liabilities of the acquired company on cost, such favourable difference is immediately recorded on the income statement.

At each close of accounts the company carries out goodwill impairment tests in accordance with the method described in paragraph 2.6.

2.4 - Intangible fixed assets

Intangible fixed assets mainly comprise computer programs and are recognised in the balance sheet at acquisition cost.

They are amortised over their useful lives (one to five years).

2.5 - Tangible fixed assets

Fixed assets are carried at acquisition cost less any accumulated depreciation and any accumulated impairment losses. Assets held by the Group under a lease agreement are recognised as assets against finance lease debts.

Acquisition cost includes:

- the purchase price net of legally recoverable taxes,
- all direct costs that may be involved for having the asset on its operating premises and for its restoration to proper condition of use. These include VAT and other non-recoverable taxes, shipping, installation and assembly costs, architect fees; and
- interim or pre-rental interest expenses (calculated at the actual interest rate) incurred during the production period in addition to legal publication costs and stamp duties paid in respect of lease finance contracts.

When various items of property, tangible fixed assets have different useful lives, they are recognized separately.

Depreciation is calculated over the expected useful life for each fixed asset, in accordance with the following schedule:

- Buildings	28 to 40 years
- Building fixtures and fittings	10 to 15 years
- Machinery and equipment	3 to 10 years
- General building installations and miscellaneous improvements.....	8 to 10 years
- Vehicles	4 to 5 years
- Office equipment	5 years
- IT hardware	3 to 5 years
- Furniture	5 to 10 years

Land is not depreciated.

Improvements made to comply with health and safety regulations are capitalized and depreciated.

Goods acquired under a finance lease are recorded as fixed assets when the lease contract transfers to the Group virtually all the risks and benefits inherent to ownership of the goods. They are recognised at the lower of their fair value and the discounted value of minimum rental payments. These fixed assets held under a lease are depreciated in accordance with the aforementioned method. Rental contracts that do not transfer ownership are recorded as operating lease agreements and only the rents are recorded in the income statement throughout the rental period.

2.6 - Impairment tests performed on non current assets

Intangible assets and items of property, plant & equipment are subject to impairment tests leading, if applicable, to an impairment loss of the net carrying amount, bringing it back down to the recoverable amount, which is the higher of the fair value less selling costs and its value in use.

The main terms for implementing the assets depreciation tests provided for by the IAS 36 standard are described below.

Frequency

For goodwill and non-current assets with an indefinite useful life, impairment tests are conducted at least once yearly, during the 4th quarter preceding the year-end and, if necessary, each time there is an indication of an impairment.

For non-current assets with a definite useful life, impairment tests are performed if there is any indication of impairment loss on an individual asset or a group of assets

Cash-generating units

Impairment tests are performed separately for each asset when it is possible to determine an individual recoverable amount.

When it is impossible to determine the recoverable value of an asset taken separately, the various assets displaying significant links of economic dependence are grouped into Cash-Generating Units (CGUs).

Regarding the goodwill, which by definition never generates cash flows independently from other assets, it is allocated, in accordance to IAS 36, to Cash-Generating Units or groups of Cash-Generating Units that conduct business in the same administrative region controlled by a Regional Hospitalisation Agency. This facility combination is justified by the health territory which, for the purpose of managing nationwide healthcare expenses, is placed under the Regional Hospitalisation Agency's responsibility.

The Regional Hospitalisation Agency manages a health care organisation structure on a health territory that matches the operating and strategic division adopted by Générale de Santé for the development of a network of regional branches.

The resulting groups of Cash-Generating Units by Regional Hospitalisation Agency generally comprise:

- several operating companies (acute care clinics or rehabilitation centres);
- real-estate companies that hold the property as landlords or tenants;
- imaging companies;
- laboratories;
- radiotherapy companies.

At 31 December 2008, the goodwill relative to psychiatric clinics (partners, if applicable, of the property management company owning the property) is assigned to the group for cash-generating units that depend on the same administrative region. At 31 December 2007, every psychiatric clinic (and property management company, if applicable), was assigned to a cash-generating unit.

Value in use

Value in use represents the present value of total future cash flows before taxes and financial items, generated by the ongoing use of an asset or a Cash Generating Unit and the cash flows generated when the asset is disposed.

The discount rate applied reflects the market's current assessment of the time value of money and the risks specific to the asset or the group of assets.

The asset is valued in its current condition, without taking into account the cash flows likely to be generated by performance or capacity investments.

Future cash flows are calculated on the basis of the budget for the current period and the 5-year plan. These forecasts are supplemented by a 3-year estimate in order to take into account the time required by Cash Generating Units to achieve the targets set by the Group's executive management in the private hospitalisation sector. Forecasts are thus prepared for a period of 9 years.

Recognising impairments

An impairment is recognised as operating expense when the net carrying amount of the asset exceeds its recoverable amount.

If several assets are grouped together as a cash generating unit, the impairment is recognized first in goodwill and then, if applicable, in the other assets of the cash generating unit, in proportion to their carrying value.

Impairments recognised for tangible and intangible fixed assets (excluding goodwill) can be eventually recovered, if the recoverable value exceeds the net book value, within the limits of the impairment value that was initially recognised.

The provision reversal is allocated to the assets other than the goodwill, proportionately to their net carrying value. Any impairment of goodwill is irreversible.

In addition, impairment losses may not result in the carrying amount of an asset which exceed its original value net of depreciation that may have been carried out without impairment. This new recoverable amount (after deducting the residual amount, if any) becomes the new basis subject to impairment for the remaining useful life.

Number of Cash-Generating Units and/or combination of Cash-Generating Units

The Group has selected seventeen Cash Generating Units and/or groups of CGUs for goodwill testing.

2.7 - Investments in associates

Investments in associates recognised in accordance with the equity method are initially recorded at acquisition cost, including goodwill where applicable.

The carrying amount is increased or decreased to take into account the Group's share of profit or loss generated after the acquisition date. When losses exceed the Group's net investment in equity accounted companies, these losses are not recognized, unless the Group has entered into a recapitalisation agreement or made payments on behalf of the associate.

2.8 - Other long-term investments

"Other long-term investments" include financial assets held for sale (consisting mainly of non-consolidated equity investments) and the portion over a year of loans and receivables valued at amortised cost (including deposits and guarantees paid).

Financial assets held for sale

At the end of year dates, financial assets held for sale are recognised at their fair value. If the fair value cannot be determined in a reliable manner, they are maintained at their cost. Changes in fair value are recorded against equity in re-evaluation reserves. In case of an objective indication of impairment loss, the impairment is recorded as a financial item. Such impairments may only be reversed in the income statement at the time of the disposal of the relevant financial assets.

Loans and receivables at amortised cost

The heading "loans and receivables at amortized cost" consists mainly of guarantee deposits and loans and receivables. When first recognized, these loans and receivables are recognized at their fair value plus directly attributable transaction costs. At each year end, these assets are valued at amortized cost using the effective interest rate method. An impairment may be recognized if there is an objective indication of loss of value. The impairment corresponding to the difference between the net carrying value and the recoverable amount, obtained by discounting the expected cash flows using the original effective interest rate, is recognized on the income statement. It may be reversed if the recoverable amount changes favourably in the future.

2.9 - Inventories

Inventories mainly comprise pharmaceutical products, reagents and medical supplies other than implants and blood purchased for patients which are recorded under "Other receivables".

Inventories are valued at the lower of cost and net carrying amount.

Inventory movements are recorded in accordance with the FIFO—First In First Out—method.

2.10 - Trade and other receivables

Trade receivables are initially carried at fair value upon initial recognition and then amortized at cost less any impairment loss.

Trade receivables are depreciated on a case-by-case basis, subsequent to analysis performed as part of general claims collection process implemented when the carrying amount value of the claim exceeds its recoverable amount.

Generally speaking, amounts owed by patients which are more than 6 months past due, and amounts payable by Social Security or mutual insurance companies which are over 24 months past due, are considered to be irrecoverable.

Purchases and sales of prostheses on behalf of patients are recognized under receivables and payables and are not recognized in the income statement, except for eye prostheses.

Fees due from doctors are also recorded as other receivables.

Management of doctors' fees

In general, doctors' fees are managed by the clinics using a separate accounting system. The clinic's bank account is completely separate from the doctor bank accounts.

In certain cases, under the specific terms and conditions of direct formal agreements with doctors, amounts relating to the management of fees may be included in the clinics' accounts.

2.11 - Current financial assets

These are the portions due within less than one year, of the loans and equity investments recognized as Other long-term investments. They mainly include current accounts held with companies that are not fully consolidated.

2.12 - Cash and cash equivalents

"Cash and cash equivalents" includes cash and monetary investments that are immediately available and present a negligible risk of change in value. Monetary investments are recognized at their market value at year-end, while changes in value are recorded as financial income or loss.

2.13 - Treasury shares

The Group's treasury shares are offset against equity at their acquisition cost. Income and losses resulting from the purchase, the sale, the issue, or the cancellation of treasury shares, are recognized directly against equity without impacting Group profit.

2.14 - Current and non current borrowings

Borrowings are carried at face value, net of related issue costs which are recognized gradually as financial losses until maturity, in accordance with the effective interest rate method.

If hedging is used to protect the debt value against rate exposure, the hedging instruments used are recognized in the balance sheet at their fair value at year-end, and the impacts of their restatement are recognized under net finance costs for the period.

Net indebtedness includes gross debt minus net cash.

Gross debt includes:

- loans secured with credit institutions, including accrued interest;
- finance leases, including accrued interest;
- fair value hedging instruments recognised in the balance sheet net of tax; and
- short-term financial assets and liabilities relating to current accounts held with minority investors.

Net cash includes:

- cash and cash equivalents;
- bank overdrafts.

The portion of borrowings due within less than one year is recognized under "Short-term borrowings".

2.15 - Pensions and employee benefits

Générale de Santé takes part in employee benefit schemes that guarantee its employees, retired former employees and their assigns fulfilling the prerequisites for the payment of retirement pensions and post-employment benefits, of which retirement indemnities. For Générale de Santé, most commitments are plans used for the defined contribution retirement schemes. Defined benefit schemes can be financed by investments in various instruments, such as insurance contracts or shareholders' equity securities and bonds. Contributions to defined benefit retirement schemes are recognised as expenses in the income statement.

Provisions for retirement benefits:

A provision is set in the balance sheet for retirement indemnity commitments. This provision is determined using the projected credit unit method, based on assessments conducted at each year end. The actuarial assumptions include assumptions regarding wage rises, inflation, life expectancy, and staff turnover.

When this commitment is covered, in part or in whole, by monies paid by the Group companies to financial institutions, the amount of these dedicated investments is deducted, in the balance sheet, from the actuarial commitment, as well as from the cost of past services.

The cost of past services corresponds to benefits granted either when the company adopts a new defined benefits scheme, or when it changes the benefit levels of an existing scheme. When new rights to benefits are acquired upon the adoption of the new scheme, the cost of past services is recognised in the income statement. On the contrary, when the adoption of a new scheme results in the acquisition of rights subsequent to the implementation date, the costs of past services are recognised as an expense, on a straight-line basis, over the average time remaining for the corresponding rights to be fully acquired.

The expense recognised as operating loss includes the cost of services rendered during the period and the amortisation of the cost of past services. The cost of discounting and the expected yield of assets is recognized in other financial income and expenses.

All actuarial differences for the year are recorded in shareholders' equity, in accordance with the option offered in the amendment to IAS 19.

Provisions for retirement and other employee benefits:

A provision for obligations relating to long-service medals granted to employees in French subsidiaries is recognized in the balance sheet. This provision is determined using the projected credit unit method.

2.16 - "Current and non current" provisions

Provisions are liabilities of which the maturity or amount cannot be determined in a precise manner. They are evaluated on the basis of their discounted amount, corresponding to the best estimate of the use of resources that will be necessary for the obligation to be fulfilled.

"Current" provisions

Current provisions are provisions directly related to the operating cycle, regardless of their rotation periods.

They mainly include provisions for industrial disputes and other operating risks.

"Non current" provisions

Non-current provisions are provisions not directly related to the operating cycle, whose maturity is generally beyond one year. They include provisions for restructuring and provisions for legal disputes.

Provisions for restructuring include, in particular, the cost of facility combination operations:

A facility combination is considered complete at the accounting period-end and its impact is subsequently reflected in the financial statements, when the following three criteria are met:

- The Group's Supervisory Board has formally authorised the combination and approved a documented restructuring plan;
- the main components of the plan have been announced;
- administrative authorization for the combination has been obtained.

Where combinations meet the above criteria and a sufficiently accurate estimate can be made, the following key items are recognized in the financial statements:

- an impairment of the net carrying value of items which cannot be recovered, or those with a fair value lower than their carrying value at the time of the combination ;
- provisions covering the cost of terminating doctors' contracts;
- provisions covering the cost of redundancy programs; and
- provisions covering the cost of terminating major agreements (leaseholds, sub-contracting, maintenance, etc.) still in force after the date of the combination, or fees payable on agreements which cannot be terminated.

Regarding temporary establishment closures, operating losses resulting from establishment restructuring operations leading to a temporary (partial or total) closure of the establishment are not subject to provisions. They are recognized for the closing period.

In the event of the planned permanent closure of an establishment, not subject to any condition precedents linked to a combination project, the closure is considered finalized at the accounting period-end if it has been approved by Group's Supervisory Board and announced. The impact of the closure is recorded in the financial statements of the period considered. The main impacts recorded in the financial statements are identical to those defined for combinations, provided a sufficiently accurate estimate can be made.

2.17 - Turnover

Consolidated revenue represents the cumulative amount of the above services performed by consolidated subsidiaries; it includes, after eliminating intra-group operations, the revenue of fully consolidated companies and jointly controlled companies for the Group's share of interests.

Turnover includes:

- healthcare activities, hotel revenue, fees and auxiliary income from activities conducted in the clinics;
- home medical services;
- diagnostic activities.

In order to assess the amount outstanding at the accounting period-end, customer accounts are valued at selling price.

2.18 - EBITDA and other income and expenses

Further details regarding the definition of the following indicators mentioned in the income statement:

EBITDA :

Represents the current operating income before depreciation & amortisation (the income statement provisions and charges are grouped by nature).

Other income and expenses :

In compliance with IAS 1, when income or expense items in the income statement have an importance, nature or impact such that their indication is relevant in explaining the company's performance during the year, the nature and amount of these items must be indicated separately. These items are grouped under "Other income and expenses".

They include:

- The restructuring costs (expenses and provisions) (see paragraph 2.16),
- The disposal capital gains or losses, or any significant unusual depreciation of non current assets, whether tangible or intangible;
- And other operating income or expenses such as a reserve set aside for a major dispute.

2.19 - Corporate income tax - (current and deferred taxes)

The corporate income tax charge represents the current income tax charge payable by each consolidated tax entity, adjusted for deferred tax. The tax is recognised as income, except if it relates to items that are directly recognized as equity, in which case it is recognised as equity.

Deferred tax is calculated using the liability method on timing differences between the book value and tax value of assets and liabilities. The following items are not subject to deferred taxation :

- The recognition of goodwill;
- The initial recognition of an asset or liability for a transaction which is not a grouping of companies and has no effect on the gross or taxable profit;
- Timing differences on interests, provided that they will not be reversed in the foreseeable future.

Deferred tax assets in respect of losses carried forward are only recognized when the offset of such losses against future taxable profits is considered probable.

Potential deferred tax assets existing at the date of acquisition of an investment in respect of losses carried forward and whose offset against future profits is considered probable, are allocated on initial consolidation. Other deferred tax assets recorded as income as they are effectively used, after acquisition, give rise to a retroactive symmetrical correction of the original goodwill.

The carrying value of deferred tax assets is revised at each year end and, if necessary, revalued or reduced to take into account more or less favourable prospects for the generation of an available taxable profit that will make it possible to use the said deferred tax assets. To assess the likelihood of achieving available taxable profit, the following aspects are taken into account: the earnings history of past years, future earnings forecasts, non recurring items that are not likely to be renewed in the future, and the taxation strategy. Therefore, the assessment of the Group's ability to use its deferred losses relies primarily on judgment. If the Group's future taxable earnings proved to differ significantly from anticipations, the Group would then have to revise the carrying value of its deferred tax assets, either upwards or downwards, which could have significant effects on the balance sheet and income statement.

Deferred tax assets and liabilities are determined on the basis of those taxation rates whose application is expected for the year during which the asset will be realised, or the liability will be settled, and on the basis of the taxation rates (and tax regulations) that were adopted at year end. These estimates are revised at each year end, depending on the movements of applicable taxation rates.

Tax assets and liabilities due are offset, in particular in the case of tax consolidations, when there is a legally binding right of compensation and an intention to settle the assets and liabilities for their net amount or concurrently. The deferred assets and liabilities are offset, in particular in the case of tax consolidations, when there is a legally binding right to compensate the tax assets and liabilities due and the assets and liabilities concern the same entity or different entities that intend, either to settle the tax assets and liabilities due on the basis of their net amount, or to realise the assets and settle the liabilities concurrently, during each future period during which one expects significant deferred tax assets or liabilities to be settled or recovered.

2.20 - Derivative financial instruments "assets and liabilities"

To cover its exposure to the rates market, the Group may use derivative instruments which may be described as fair value hedges, such as fixed interest rate swaps.

The hedging instrument and hedged item are recognised on the balance sheet at their market value. The share of profit or loss on the hedging instrument that is considered to represent an effective hedging is recorded as equity, while the inefficient share of the hedging is recorded as a financial item.

2.21 - Net earnings per share

Net earnings per share

Net earnings per share is calculated by dividing the Group's share of the net earnings by the average weighted number of shares outstanding during the financial year, after deduction of the number of treasury shares, i.e. 54,932,533 shares.

Net diluted earnings per share

Net diluted earnings per share is calculated by using the instruments that give deferred entitlement to the share capital of Générale de Santé (share subscription options). This so-called "share repurchase" method makes it possible to determine "non repurchased" shares that add up to ordinary shares outstanding, which results in a diluting effect.

2.22 - *Assets held for sale*

A fixed asset or a group of assets and liabilities is held for sale when its carrying value will be principally recovered through a sale and not through continued use. For this to be the case, the asset must be available for immediate sale and its sale must be highly likely. These assets or groups of assets and related liabilities are recorded under "assets held for sale" and "liabilities related to assets held for sale" in the balance sheet. These assets or groups of assets are valued at the lower of their carrying amount and the estimated disposal price, net of disposal costs.

Revenues and expenses associated with a disposal group are included in the consolidated financial statements up to date at which the parent company ceases to have control. This presentation concerns assets which do not satisfy the definition of an abandoned activity.

2.23 - *Share-based payments*

2.23.1 - *Payments in shares*

The methods used for assessing and recognising the share subscription or purchase plans, Group savings plans and free share allocation plans, are defined in IFRS 2 "Share-based payments". The allocation of stock options, free shares and subscription offers to the Group savings plan represent a benefit granted to their beneficiaries and, as such, represent a remuneration supplement borne by Générale de Santé. These being transactions that do not result in monetary transactions, the benefits thus granted are recorded as expenses over the period of acquisition of the rights against an increase in equity. They are valued on the basis of fair value on the date of allocation of the equity instruments allocated.

2.23.2 - *Share subscription and purchase option plans*

Share subscription and purchase options are allocated to the employees and corporate officers of the Group. The fair value of the options allocated is determined, on the allocation date, on the basis of a Black & Scholes-type assessment model. The number of options valued is adjusted by the probability that the acquisition conditions of the rights relative to the exercise of the option are not met.

2.23.3 - *Free share allocation plans*

These being plans whose final acquisition of the free shares is conditioned by the materialisation of financial performance conditions, the fair value of the GDS free shares was estimated, on the allocation date, on the basis of a Black & Scholes-type simulation model and on the basis of the probability that financial criteria such as those recommended by IFRS 2, materialise. The number of free shares to which the fair value is applied for the calculation of the IFRS 2 expense is then adjusted at each year-end according to the incidence of the variance of probability that the financial criteria will materialise.

2.24 - *Subsidies*

The GDS Group receives public investment subsidies.

These are deducted from the book value of the assets they have contributed to finance and follow the same depreciation scheme.

3. - *CHANGES IN CONSOLIDATION SCOPE*

The list of the main subsidiaries included in the consolidation scope as at 31 December 2008 appears in note 10.

3.1 - Main changes in the consolidation scope

The number of entities included in the consolidation scope increased as follows:

Consolidation method	31-12-2007	Acquisitions Creations	Change in method	Disposals / Mergers / Wind-ups	31-12-2008
Total.....	269	11	--	(7)	273
Proportional	3	--	--	--	3
Equity method	4	--	--	--	4
TOTAL	276	11	--	(7)	280

3.1.1. - Acquisitions / Creations

In 2008, the Group invested €126.8 million in external growth operations, borrowings included, that concerned the acquisition of the following establishments:

- Cotteel Clinic;
- HPA 1 and HPA 3 (walls of the Antony Private Hospital);
- Unilab and JMP Invest;
- Imothep;
- Clinique La Francilienne and its secondary facility "Clinique de l'Orangerie";
- CHP de la Loire.

The entities "Fondation GDS", "Flemings Labs Toscana" and "SII Care" were created in the course of 2008.

3.1.2. - Disposals/Mergers/Liquidations

During financial 2008, the following operations have been completed :

Disposals:

- Clinique Spontini;
- Centro Cardinal Ferrari;
- Casa Di Cura Poggio del Sole (Gle de Santé Toscana secondary facility);
- Del Poggio del Sole laboratory (Gle de Santé Toscana secondary facility);
- Casa Santa Rita (Gle de Santé Toscana secondary facility);
- Il Pergolino (Gle de Santé Toscana secondary facility);
- Villa Maria Teresa (Gle de Santé Toscana secondary facility).

Merger - Universal transfer of assets:

During financial 2008, the following operations have been completed :

- Merger between Clinique Les Pins and Clinique Kennedy;
- Merger between Matmed Lisieux and Générimed through a universal transfer of assets;
- Merger between SCI de la Nouvelle Clinique Sainte Marie and Immobilière de Santé through a universal transfer of assets;
- Merger between Clinique Lamartine and Clinique de Savoie through a universal transfer of assets;
- Merger between Clinique de Soins de Suite de Miramas and Clinique d'Istres through a universal transfer of assets.

3.2 - Impact of changes in consolidation scope

The impact on the main balance sheet and income statement items is as follows:

	IMPACT OF NEWLY CONSOLIDATED COMPANIES			IMPACT OF COMPANIES THAT LEFT THE CONSOLIDATION SCOPE IN 2006			
	Note	Companies consolidated for the first time in 2007 ⁽¹⁾	Companies consolidated for the first time in 2008	Total impact in 2008	Companies deconsolidated in 2007	Companies deconsolidated in 2008 ⁽²⁾	Total impact in 2008
Income Statement (in €m)							
Turnover.....	5.1	25.9	31.0	(7.1)	(15.1)	(22.2)	
EBITDA.....	3.7	8.1	11.8	0.5	(1.4)	(0.9)	
Balance sheet (in €m)							
Goodwill.....	---	62.1	62.1	---	(3.0)	(3.0)	
Non current assets excluding E.A and I.D.A.....	---	96.9	96.9	---	(0.9)	(0.9)	
Deferred tax assets.....	---	0.3	0.3	---	(0.2)	(0.2)	
Receivables, inventories, and other current assets.....	---	15.9	15.9	---	(6.4)	(6.4)	
Current financial assets excluding cash.....	---	2.7	2.7	---	---	---	
Cash.....	---	10.3	10.3	---	(1.2)	(1.2)	
Financial debt.....	---	70.6	70.6	---	1.3	1.3	
Provisions and other long-term liabilities.....	---	12.5	12.5	---	(0.4)	(0.4)	
Deferred tax liabilities.....	---	11.6	11.6	---	---	---	
Accounts payable, provisions and other short term borrowings.....	---	36.6	36.6	---	(3.9)	(3.9)	
Net total assets.....	---	56.9	56.9	---	(8.7)	(8.7)	
Cash flow (in €m)							
Acquisition price of the entities.....(A)	---	68.4	68.4	---	---	---	
Of which disbursed.....(B)	---	(69.2)	(69.2)	---	---	---	
Debt contracted.....(C) = (A) - (B)	---	(0.8)	(0.8)	---	---	---	
Acquired cash.....(D)	---	10.3	10.3	---	---	---	
Effects of newly-consolidated companies....(E) = (D) - (B) TFT	---	(58.9)	(58.9)	---	---	---	
Net debt of newly-consolidated companies exclusive of cash.....(F)	---	(67.9)	(67.9)	---	---	---	
Net effects of newly-consolidated companies ..(G) = (E) + (F)	---	(126.8)	(126.8)	---	---	---	
Sale price of the entities.....(a)	---	---	---	---	52.7	52.7	
Of which cashed.....(b)	---	---	---	---	(53.7)	(53.7)	
Recognised receivable.....(c) = (a) - (b)	---	---	---	---	(1.0)	(1.0)	
Cash taken out.....(d)	---	---	---	---	1.2	1.2	
Effects of deconsolidated companies.....(e) = (d) - (b) TFT	---	---	---	---	(52.5)	(52.5)	
Net debt of deconsolidated companies minus cash.....(f)	---	---	---	---	1.3	1.3	
Net effects of deconsolidated companies(g) = (e) + (f)	---	---	---	---	(51.2)	(51.2)	
Workforce							
Weighted average number of employees.....							
Scope effects and miscellaneous.....(F) + (f) TFT		(69.2)					

- (1) Companies joining the Group in 2007 or consolidated in 2007 over a period < 12 months (difference between 2007 and 2008)
(2) Companies leaving the Group in 2008 or consolidated in 2008 over a period < 12 months (difference between 2007 and 2008)

4. - BUSINESS SEGMENT INFORMATION

4.1 - Business segments

The Group conducts all of its business in the "Health Care and Hospital Services" segment.

The Générale de Santé Group will apply IFRS 8 (Operating Segments) as of 1 January 2009.

The business segment information level is the same as the one used by the Group for drawing up its internal reporting in order to track its business activity and operating performance results. The reporting is structured on the basis of a notion of "Health territory", all health territories being grouped within "Regions" (currently the Regional Hospitalisation Agencies...) and activities (Acute Care, Psychiatry, After-Care, etc.).

(in €m)	2006				2007				2008			
	Healthcare Hospital Services	Other Business	Head office	TOTAL	Healthcare Hospital Services	Other Business	Head office	TOTAL	Healthcare Hospital Services	Other Business	Head office	TOTAL
TURNOVER	1,741.5	---	---	1,741.50	1,906.0	---	---	1,906.0	1,983.8	---	---	1,983.8
Intra-sector transactions				---				---				---
TOTAL				1,741.5				1,906.0				1,983.8
EBITDA	249.8	---	(32.4)	217.4	271.8	---	(32.6)	239.2	265.3	---	(35.7)	229.6

4.2 - Geographic segments

TURNOVER (in €m)	2006	2007	2008	%
France.....	1,651.8	1,810.6	1,891.7	95.4
Italy	89.7	95.4	92.1	4.6
TOTAL	1,741.5	1,906.0	1,983.8	100.0

5. - NOTES TO THE MAIN INCOME STATEMENT ITEMS

5.1 - Operating profit

5.1.1 - Personnel expenses

(in €m)	2006	2007	2008
Salaries and wages	(528.9)	(566.0)	(602.3)
Statutory charges.....	(222.3)	(238.6)	(255.3)
Retirement benefits.....	(1.7)	(1.5)	(2.7)
Incentive.....	(4.8)	(4.4)	(3.9)
Profit sharing.....	(10.0)	(11.2)	(10.5)
Temporary employees.....	(14.6)	(17.9)	(16.2)
Other.....	(5.1)	(4.4)	(3.2)
TOTAL	(787.4)	(844.0)	(894.1)

5.1.2 - Rents

(in €m)	2006	2007	2008
Property rents (operating leases).....	(67.8)	(99.1)	(102.1)
Equipment rents (operating leases)	(11.8)	(12.6)	(15.2)
TOTAL	(79.6)	(111.7)	(117.3)

5.1.3 - Other income and expenses

(in €m)	NOTE	2006	2007	2008
Restructuring charges	TFT	(4.7)	(18.3)	(9.7)
Change in provisions		(0.9)	3.3	(8.8)
Extraordinary impairment on tangible fixed assets		(1.5)	(10.6)	(1.5)
- Of which impairment Mermoz I		---	(7.6)	---
Other expenses		---	---	---
Total Restructurings		(7.1)	(25.6)	(20.0)
"Hestia" capital gains		196.0	---	---
"Vesta" Capital Gains		---	---	58.8
"Italy" Capital Gains		---	---	10.9
Capital gains and losses on property disposals		(1.8)	1.0	(0.2)
Capital gains and losses on company disposals		--	---	(3.9)
Goodwill impairments		--	---	---
TOTAL	CR	187.1	(24.6)	45.6
Impact Statement of Cash Flows ⁽¹⁾	TFT	(4.7)	(18.3)	(9.7)

2008

At 31 December 2008, the restructuring costs net of changes in provisions are mainly comprised of the costs relative to the restructuring of the "home care" and "biology" arms, as well as the various business combinations under way. Aside from the "Vesta" and "Italy" capital gains (See Preamble - Financial period highlights), the disposal of financial and property assets generate a capital loss of €(4.1) million attributable in particular to the disposal of Clinique Spontini for €(3.2) million.

2007

At 31 December 2007, the restructuring costs, net of provision reversals, were mainly comprised of the costs related to the simplified takeover bid for €(0.9) million, as well as of closing down costs for €(2.5) million. Exceptional impairment of tangible fixed assets includes an impairment of €(6.0) million arising from costs relating to compensation paid following the purchase of the Lyon Mermoz property company, initially activated during construction then impaired, and exceptional amortization of the Le Havre clinics property of €(2.5) million in view of the planned facility combination.

2006

At 31 December 2006, the impact of the "Hestia" capital gain stands at €196.0 million (see preamble - period highlights), restructuring costs primarily consisted of the costs relative to the risks of the "Mermoz" construction project for €(3.2) million, of which a provision for risks and contingencies designed to cover the financial costs activated for €(2.2) million, costs for the Havre facility combination, costs for the termination of the activity of the hyperbaric chamber at Imagerie Médicale du Parc for €(1.5) million.

5.2 - Cost of net debt

(in €m)	NOTE	2006	2007	2008
Interest generated by the cash and cash equivalents.....		0.3	1.2	1.8
Proceeds from disposal of cash equivalents.....		0.3	0.2	0.1
Result of interest rate and foreign exchange hedging		---	---	0.4
<i>Subtotal income from cash and cash equivalents</i>		<i>0.6</i>	<i>1.4</i>	<i>2.3</i>
Interest on loans taken out from banks and other debt		(24.0)	(25.1)	(65.8)
Interest on property lease finance borrowings.....		(4.3)	(2.3)	(4.6)
Interest on equipment lease finance borrowings.....		(3.7)	(4.0)	(4.4)
Interest rate hedging expenses		---	---	---
<i>Subtotal gross interest expenses</i>		<i>(32.0)</i>	<i>(31.4)</i>	<i>(74.8)</i>
TOTAL NET INTEREST EXPENSES	(II) CR	(31.4)	(30.0)	(72.5)
Impact Statement of Cash Flows (II) - (I)	TFT	(31.4)	(30.0)	(72.5)

The net average interest rate on financial debts stood at approximately 6.60% as at 31st December 2008.

5.3 - Other financial income and expenses

(in €m)	NOTE	2006	2007	2008
Dividends.....	TFT	0.6	0.8	0.6
Borrowing costs incurred.....		4.8	4.6	1.7
Gains & losses from the extinction of debt.....		---	(0.6)	(3.5)
Discounting costs.....		---	(0.9)	(1.3)
Other financial income and expenses		(2.6)	(2.5)	(0.4)
Total other income and expenses	CR	2.8	1.4	(2.9)

5.4 - Corporate income tax

5.4.1 - Net tax burden analysis

- Tax regime of Group companies

At 31 December 2008, Générale de Santé SA was the head of a tax consolidation scope comprised of 175 member subsidiaries.

An agreement between the parent company and its member subsidiary formalizes the methods used to apportion the additional tax savings or charges resulting from the tax consolidation regime.

The process is as follows:

The Member Company pays to the Parent Company, as contribution to payment of the Group's corporate income tax, and as any additional contribution to the corporate income tax, and regardless of the amount of such taxes, an amount equal to that which would have been deducted from its profit or long-term capital gains for the period if it were separately taxable, after deducting the allocation rights of which the Member Company would have benefited had it not been consolidated.

The tax savings achieved by the Group, related to the deficits, are kept and recorded in the Parent Company's income statement.

- Breakdown of the income tax expense:

(in €m)	Note	2006	2007	2008
Taxes at normal rate	(1)	(34.6)	(7.4)	(5.8)
Taxes at discounted rate (17% SIIC 3 regime)		(39.0)	--	(27.4)
Current taxes		(73.6)	(7.4)	(33.2)
Deferred taxes	5.4.4	18.0	(22.3)	38.3
Corporate income tax	CR	(55.6)	(29.7)	5.1

⁽¹⁾ including flows relative to provisions

5.4.2 - Current tax assets and liabilities

(in €m)	NOTE	31-12-2006	31-12-2007	CHANGES		31-12-2008
				related to activity	other changes	
Current tax assets.....	(I) B	10.2	11.6	(9.7)	0.9	2.8
Current tax liabilities	(II) B	37.7	3.5	22.4	0.6	26.5
Change in tax assets and liabilities due (III) = (I) – (II)		(27.5)	8.1	(32.1)	0.3	(23.7)

Change in tax provisions (.....IV) 6.9 (3.0)
 Total taxes due (.....V) (33.2)

Corporate income tax paid during the period = (V) + (IV) – (III) TFT (4.1)

Tax assets due correspond to the tax advances paid and not recorded against taxes due. These assets concern primarily companies that are not consolidated from a tax point of view.

Tax liabilities due correspond to income tax that remains due.

5.4.3 - Actual tax rate

- Tax burden analysis

The difference between the tax rate on profits and the actual tax rate applicable to the Group breaks down as follows:

% of the net pre-tax profit ⁽¹⁾	2006	2007	2008
Normal tax rate	34.4	34.4	34.4
Impact of tax rates different from the normal rate	(16.6) ⁽¹⁾	--	(35.8) ⁽¹⁾
Deferred taxes on previous tax deficits	(0.5)	--	0.5
Deferred tax assets not recognised against tax losses for the period.....	1.1	0.3	2.3
Permanent difference between the income and the taxable income.....	1.1	3.3 ⁽²⁾	(7.3)
Group's actual tax rate on the net pre-tax profit ⁽¹⁾	19.5	38.0	(5.9)

(1) The impact of the tax rates different from the normal rate is mainly due to the difference between the normal rate and the discount rate (17%).

(2) At 31 December 2007, the rate difference of 3.3% mainly concerned the tax scheme applicable to the Italian entities.

5.4.4 - Analysis of deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities by timing difference and tax loss category is presented below.

(in €m)	Note	DEFERRED TAX ASSETS				
		31-12-2006	31-12-2007	Income tax	Other changes ⁽¹⁾	31-12-2008
Previous tax losses.....		1.0	1.8	9.8	(0.2)	11.4
Lease finance.....		3.5	3.6	0.2	---	3.8
Non deductible provisions.....		14.0	14.0	1.9	(0.3)	15.6
Other.....		19.7	15.4	2.7	5.7	23.8
TOTAL	B	38.2	34.8	14.6	5.2	54.6

(in €m)	Note	Liabilities				
		31-12-2006	31-12-2007	Income tax	Other changes ⁽¹⁾	31-12-2007
Lease finance.....		15.7	17.2	(2.8)	2.8	17.2
Valuation differences.....		46.8	46.6	(20.5)	8.7	34.8
Other.....		6.7	20.6	(0.4)	---	20.2
TOTAL	B	69.2	84.4	(23.7)	11.5	72.2

Note

IMPACT ON THE INCOME STATEMENT

38.3

(1) The column "Other changes" mainly comprises changes in the consolidation scope.

5.4.5 - Non-recognised deferred taxes

- Losses available for carry forward and tax credits:

	2006		2007		2008	
	Base	Potential tax savings (a)	Base	Potential tax savings (a)	Base	Potential tax savings (a)
Indefinitely deferrable tax losses.....	32.7	11.3	48.9	16.8	76.2	26.2
Non recognised deferred tax assets.....	(29.8)	(10.3)	(43.6)	(15.0)	(43.0)	(14.8)
Recognised deferred tax assets	2.9	1.0	5.3	1.8	33.2	11.4

(a) Taxation rate used 34.433%

5.5 - Net earnings per share

	2006	2007	2008
Net earnings (in €m).....	225.4	45.6	87.2
Weighted number of shares during the period (including treasury shares).....	49,760,986	54,558,205	54,985,879
Number of treasury shares.....	10,000	---	53,346
Weighted number of shares during the period.....	49,750,986	54,558,205	54,932,533
Net diluted earnings per share (in euros)	4.53	0.84	1.59
Diluting effect of the subscription plan.....	675,256	754,813	8,266
Weighted number of shares during the period taking the diluting effect into account.....	50,426,252	55,313,018	54,940,799
Net diluted earnings per share (in euros)	4.47	0.82	1.59

6. - NOTES TO THE MAIN BALANCE SHEET ITEMS

6.1 - Goodwill

(in €m)	Note	31-12-2006	31-12-2007	31-12-2008
Opening net goodwill.....	B	282.8	621.0	648.6
Newly-consolidated companies.....		330.6	35.5	62.1
Deconsolidation.....		(3.9)	(0.7)	(3.0)
Changes in holding rates.....		11.5	3.3	12.9
Impairments for the period.....		--	--	(2.6)
Other.....		--	(10.5) ⁽¹⁾	5.4 ⁽²⁾
Closing net goodwill.....	B	621.0	648.6	723.4

(1) Corresponds to the goodwill of the Italian entities, reclassified under "Assets held for sale".

(2) Corresponds to the goodwill of Centro Diagnostico San Nicolo that was not disposed of as initially planned.

The goodwill allocated to groups of Cash Generating Units stands as follows:

(in €m)	Note	31-12-2006	31-12-2007	31-12-2008
Ile de France (Paris area).....		389.4	392.6	421.4
Rhône Alpes.....		44.8	45.5	83.8
North.....		27.0	52.9	54.6
Provence-Alpes-Côte d'Azur.....		57.1	57.1	59.8
Burgundy.....		10.7	10.7	10.7
Other regions.....		44.7	51.6	44.1
Italy.....		47.3	38.2	49.0
Total		621.0	648.6	723.4

The goodwill was subjected to impairment tests based on the following assumptions:

	31-12-2006	31-12-2007	31-12-2008
Discount rate before taxes.....	10.68%	10.78%	9.87%
Perpetuity growth rate.....	2.00%	2.00%	1.00%

The tests carried out have not generated any impairment loss.

Sensitivity of the recoverable value of Cash Generating Units to the assumptions chosen.

At 31 December 2008, a 100-base point rise in the after-tax discount rate would result in a reduction in the company value but would cause no impairment loss.

6.2 - Other intangible fixed assets

(in €m)	N O T E	Gross					Depreciation				Net carrying value		
		31 Dec. 2007	Acquis.	Disp.	Other Mvts.(1)	31 Dec. 2008	31 Dec. 2007	Prov. for	Other Mvts.(1)	31 Dec. 2008	31 Dec. 2006	31 Dec. 2007	31 Dec. 2008
Software programs.....	B	31.2	14.5	(1.4)	0.9	45.2	(23.9)	(6.1)	0.7	(29.3)	7.6	7.3	15.9

6.3 - Tangible fixed assets

(in €m)	N O T E	Gross					Depreciation					Net carrying value		
		31 Dec. 2007	Acq.	Disp.	Other Mvts(1)	31 Dec. 2008	31 Dec. 2007	Prov. for	Disp.	Other Mvts(1)	31 Dec. 2008	31 Dec. 2006	31 Dec. 2007	31 Dec. 2008
Land		53.3	5.7	(6.1)	8.1	61.0	(1.0)	---	---	---	(1.0)	20.3	52.3	60.0
Buildings.....		953.6	72.7	(200.6)	74.7	900.4	(262.9)	(35.2)	51.6	(17.5)	(264.0)	611.9	690.7	636.4
Technical equipment, machinery and tools ..		412.1	72.9	(53.4)	34.8	466.4	(289.6)	(59.4)	48.6	1.0	(299.4)	151.2	122.5	167.0
Other		226.8	27.8	(15.5)	8.2	247.3	(131.6)	(20.4)	11.9	(8.1)	(148.2)	82.2	95.2	99.1
TOTAL	B	1,645.8	179.1	(275.6)	125.8	1,675.1	(685.1)	(115.0)	112.1	(24.6)	(712.6)	865.6	960.7	962.5
<i>of which property lease finance borrowings:</i>														
- Land and buildings.....		131.1	---	(26.9)	57.3	161.5	(46.9)	(4.7)	13.2	(11.4)	(49.8)	87.8	84.2	111.7
- Equipment.....		149.8	33.9	(27.8)	2.4	158.3	(72.6)	(28.2)	27.7	(1.0)	(74.1)	82.2	77.2	84.2
Assets held for sale	B	57.4			(57.4)	---	(19.5)			19.5	---	---	37.9	---
<i>of which property lease finance borrowings:</i>														
Reclassified disposal price deducted from Capex	3.4		(6.9)											
Impact of subsidies received			(0.6)											
Impact of capitalised interest expenses.....	3.4		(1.7)											
Impact of the change in working capital on fixed assets.....			(18.8)											
Impact of the capitalisation of financial leases			(33.9)											
Impact Statement of Cash Flows	T F T		131.7											

(1) "Other movements" mainly comprise movements related to changes in the consolidation scope.

6.4 - Investments in associates

Investments in associates mainly comprise the following companies:

Companies (in €m)	%	31-12-2006		31-12-2007		31-12-2008	
		Amount	Share earnings	Amount	Share earnings	Amount	Share earnings
Clinique Lambersart.....	20.85	---	---	0.8	---	0.8	---
Other	---	0.6	---	0.5	---	0.1	---
TOTAL		0.6	---	1.3	---	0.9	---

6.5 - Other non-current financial assets and liabilities

(in €m)	NOTE	31-12-2006	31-12-2007	CHANGES		31-12-2008
				related to activity	other changes(1)	
Financial assets held for sale		5.8	4.9	--	1.2	6.1
Deposits paid and other loans.....		27.0	26.6	3.0	(3.6)	26.0
Fair value of hedging financial instruments.....		--	1.5	--	(1.5)	--
Total other long-term investments (I)		32.8	33.0	3.0	(3.9)	32.1
Deposits and sureties received		3.5	4.7	(0.1)	(0.4)	4.2
Profit-sharing		13.4	11.6	(2.1)	0.8	10.3
Fair value of hedging financial instruments.....	6.8	--	--	--	21.8	21.8
Total other non current liabilities (II)		16.9	16.3	(2.2)	22.2	36.3
CHANGES IN OTHER LONG TERM LIABILITIES AND REVERSALS (I - II)		15.9	16.7	5.2	(26.1)	(4.2)
IMPACT STATEMENT OF CASH FLOWS				(5.2)		

The financial assets held for sale primarily relate to equity stakes in subsidiaries where the Group does not have the power to govern the company's financial or operations policies in order to benefit from these activities. These shares of non-listed companies are mainly comprised of SCIs (property management companies), and of paid deposits granted under operating lease agreements.

Profits and losses recognised as equity and in the income statement on the financial assets available upon sale are as follows:

(in €m)	NOTE	At 31 December 2008				Proceeds from disposal
		Dividends	Future valuation			
			Change in fair value	Foreign exchange rate effect	Impairment	
Shareholders' equity.....		--	--	--	--	--
Earnings		0.6	--	--	2.1	(0.1)
Total		0.6	--	--	2.1	(0.1)

(in €m)	NOTE	At 31 December 2007				Proceeds from disposal
		Dividends	Future valuation			
			Change in fair value	Foreign exchange rate effect	Impairment	
Shareholders' equity.....		---	---	---	---	---
Earnings		0.8	---	---	(0.8)	---
Total		0.8	---	---	(0.8)	---

(in €m)	NOTE	At 31 December 2006				Proceeds from disposal
		Dividends	Future valuation			
			Change in fair value	Foreign exchange rate effect	Impairment	
Shareholders' equity.....		---	---	---	---	---
Earnings		(0.6)	---	---	(0.2)	---
Total		(0.6)	---	---	(0.2)	---

The net revenues and expenses recorded in the income statement on loans and borrowings at amortised cost are as follows:

(in €m)	31-12-2006	31-12-2007	31-12-2008
IMPACT ON EARNINGS			
Interest.....	---	---	---
Future valuation: Foreign exchange rate effect	---	---	---
Future valuation: Impairment	---	---	---
Proceeds from disposal.....	---	---	---
TOTAL.....	---	---	---

6.6 - Group and Non-Group equity

The Générale de Santé Group strives to handle its shareholders' equity following a long-term strategy, naturally focussing on ensuring its sustainability and, beyond, on maintaining an optimum financial structure in terms of cost of capital, profitability for its shareholders, and safety for all the stakeholders concerned.

6.6.1 - Shares

The Executive Board of 27 October 2008 recognised that the exercising of 1,492,770 options by the beneficiaries of the subscription options of the plan open 2 August 2004, allows for the issue of 1,492,770 new shares in the Company at a unit price of 7.94€.

Consequently, the Executive Board recorded a capital increase resulting in the payment of an overall amount of €11,852,593.80, including €1,119,577.50 par value and €10,733,016.30 additional paid-in capital.

After the increase, the capital is set to 56,229,854 shares with a part value of €0.75 (entirely paid-out) against 54,737,084 shares at the end of financial 2007 and 53,663,808 shares at the end of financial 2006. No share cancellation has taken place during financial 2006 / 2007 / 2008.

Shares	31-12-2006	31-12-2007	31-12-2008
Number of shares on the opening date.....	39,028,224	53,663,808	54,737,084
Capital increase (May 2006).....	14,635,584	--	--
Capital increase (PEG, Stocks options)	--	1,073,276	1,492,770
Number of shares on the closing date	53,663,808	54,737,084	56,229,854

6.6.2 - Treasury shares (own shares)

Movements on treasury shares break down as follows:

Shares	31-12-2006	31-12-2007	31-12-2008
Number of shares on the opening date.....	70,000	10,000	---
Share purchase.....	1,565,066	---	53,346
Disposals.....	(1,625,066)	(10,000)	---
Number of shares on the closing date	10,000	---	53,346

During financial 2008, Générale de Santé purchased 53,346 own shares at a cost of €0.6 million.

6.6.3 - Reserves

At 31 December 2008, consolidated reserves were made up of the legal reserve, earnings from previous periods and translation differentials.

6.6.4 - Revenues & expenses recognised directly as equity

(in €m)	31-12-2006	31-12-2007	31-12-2008
Actuarial difference on retirement commitments			
Reserves on the opening date.....	---	---	(6.7)
Change in actuarial difference	---	(6.7)	1.6
Reserves on the closing date.....	---	(6.7)	(5.1)
Fair value of hedging financial instruments			
Reserves on the opening date.....	---	---	1.5
Change in fair value.....	---	1.5	(15.7)
Reserves on the closing date.....	---	1.5	(14.2)

6.6.5 - Dividends

The dividends paid in 2008, 2007 and 2006 break down as follows:

	2006	2007	2008
DISTRIBUTED DIVIDENDS			
Amount (in €m)	18.8	19.2	27.4
Per share (in euros).....	0.35	0.35	0.50
EXCEPTIONAL DISTRIBUTION OF ADDITIONAL PAID-IN CAPITAL (Paid in December 2007)			
Amount (in €m)	---	419.8	---
Per share (in euros).....	---	7.67	---

6.6.6 - *Minority interests*

The minority interests mainly concern the public hospital's stakes in Ospedale Di Omegna.

6.7 - *Payment in shares*

6.7.1 - *Share subscription and share purchase option plan*

The Combined General Meeting held 19 March 2004 authorised the Executive Board to set up a share subscription and purchase option plan established under Articles L. 225-177 to L. 225-185 of the Commercial Code.

The Executive Board meeting held on 2 August 2004 decided to grant, as of that date and up until a date set by the meeting, in other words 38 months after 19 March 2004, options for the subscription of new shares of the Company to be issued as part of a capital increase, limited to a total par value amount of €863,250 corresponding to a maximum of 1,151,000 new shares of €0.75 par value each.

On 30 June 2005, the Executive Board decided to grant, up until the end of the power delegation received from the Combined General Meeting of 19 March 2004, additional options entitling their holders to subscribe new Company shares to the benefit of the Group's executives and corporate officers, for up to a total of €47,250 corresponding to a maximum of 63,000 new shares of €0.75 par value each.

On 23 October 2006, the Executive Board decided to grant, up until the end of the power delegation received from the Combined General Meeting of 19 March 2004, additional options entitling their holders to subscribe new Company shares to the benefit of the Group's executives and corporate officers, for up to a total of €93,750 corresponding to a maximum of 123,000 new shares of €0.75 par value each.

The Executive Board of 27 October 2008 observed that the exercising of 1,492,770 options by the beneficiaries of the subscription options of the plan open 2 August 2004, allows for the issue of 1,492,770 new Company shares at a unit price of €7.94.

The number of share subscription or purchase options in this plan has changed as follows:

Options	31-12-2006	31-12-2007	31-12-2008
Options outstanding at year start	1,186,000	1,373,185	1,768,855
Options assigned during the period	123,000	--	--
Options exercised during the period	--	--	(1,492,770)
Adjustment of the number of options pursuant to the capital increase	79,185	--	--
Adjustment of the number of options pursuant to the exceptional distribution	--	465,670	--
Cancelled options	(15,000)	(70,000)	(38,956)
Options outstanding on the closing date	1,373,185	1,768,855	237,129

Date of allocation by the Executive Board	02-08-2004	30-06-2005	23-10-2006
Price of the underlying security on the allocation date	11.50	20.20	28.24
Exercise price after adjustment	7.94	12.32	19.34
Option exercise start date	2 August 2008	30 June 2009	23 October 2010
Expiry date	2 August 2012	30 June 2013	23 October 2014
Number of shares allocated ⁽¹⁾	1,626,759	91,597	163,499
Options exercised during the period	(1,492,770) ⁽²⁾	--	--
Cancelled options	(104,909)	(10,178)	(36,869)
Number of options after cancellation	29,080	81,419	126,630

(1) After an adjustment of the number of options subsequent to the capital increase and the exceptional distribution.

(2) Options exercised at an exercise price of €7.94.

Fair Value of allocated options:

The fair value of the options is calculated on the date of allocation according to the Black & Scholes model. Subsequent changes in the fair value of the instrument, are not considered.

The main assumptions used for valuing, in accordance with IFRS2, the fair values of the options concerned are the following:

Summary	02-08-2004	30-06-2005	23-10-2006
No-risk rate ⁽¹⁾	3.46%	3.46%	3.46%
Option maturity ⁽²⁾	4.5 years	4.5 years	4.5 years
Estimated volatility ⁽³⁾	25.0%	25.0%	25.0%
Dividend rate.....	2.5%	2.5%	2.5%
Resignation rate over the period.....	5.0%	5.0%	5.0%
Option value according to the model.....	€2.30	€4.92	€5.80

The per unit valuation was calculated on the allocation date in accordance with the Black-Scholes-Merton model, using the above parameters.

(1) Government bond (OAT) rate as at 2 August 2004,

(2) Assumption that all the options are exercised within the 6 following months, within the four-year lockout period during which the options cannot be exercised.

(3) The historical volatility has changed significantly, with respect to the major historical variations that followed the year of the Company's IPO, the 25% volatility adopted corresponds to the average of a forecast volatility ranging from 20% to 30% (as at 2 August 2004, the historical volatility stood at 39.4%, assuming 96 weeks, while assuming 50 weeks it stood at 19.6%).

Expenses recognised relatively to share-based payments:

The Group records a countervailing charge for share-based payments, analysed as follows:

(in €m)	31-12-2006	31-12-2007	31-12-2008
Option plan.....	(0.6)	(1.1) ⁽¹⁾	(0.2)
Capital increase reserved for employees.....	(7.0) ⁽²⁾	--	--
Expenses recognised relatively to share-based payments.....	(7.6)	(1.1)	(0.2)

The expense recorded for 2007 includes €0.5 million corresponding to the acceleration, in one operation, of the depreciation of the fair value of options granted in 2004 and 2006 to certain top executives who have left the company and yet maintained their rights. The number of stock options concerned stands at 476,124 that were allocated in 2004 and 10,000 options that were allocated in 2006. The only changes made to the scheme are the acceleration of the rights acquisition period and the reduction of the subscription period, excluding any other changes to the characteristics of the options. This situation has therefore not generated any incremental fair value, in accordance with IFRS 2.

At 5 December 2006, the Executive Board of Générale de Santé implemented the principle of a capital increase reserved for employees with the removal of the pre-emptive subscription right. At 5 March 2007, the capital increase was subscribed for an amount of €26.2 million, corresponding to the issue of 1,073,276 new shares subscribed at a price of €24.42. This price includes a 20% discount as compared to the reference price. At 31 December 2006, an amount was recognised under "Personnel expenses" in the income statement, for €7.0 million, against shareholders' equity

6.7.2 - Free shares

The Executive Board and Supervisory Board of 18 February 2008 proceeded to the award, effective 2 April 2008, of 461,172 free shares to the benefit of certain employees and corporate officers.

The plan provides that the allocation of shares is final at the end of a two-year vesting period. In addition, the final acquisition of the free shares is subjected to the achievement of performance criteria as detailed below:

Performance criterion	Weight in the performance criterion
2009 turnover.....	20%
EBITDAR 2008 – 2009.....	50%
Net debt at end 2009.....	30%

Information regarding free share plan characteristics and changes:

	At 31-12-2008
Date allocated	2 April 2008
Number of beneficiaries	237
Date of final acquisition of the allocated shares	2 April 2010
End date of the allocated shares vesting period.....	2 April 2012
Number of shares allocated under performance conditions.....	461,172
Raised shares	--
Cancelled shares.....	16,086
Number of shares at 31 December 2008.....	445,086

Information regarding the fair value of the free share plan:

The fair value of the free shares has been estimated by an external actuary, on the allocation date, on the basis of the assessment model.

In accordance with IFRS 2, the model applies to the fair value the marginal effect of the performance condition relative to the market criterion.

The number of free shares to which the fair value is applied for the calculation of the IFRS 2 expense is adjusted at each year-end by the incidence of the change in the probability of achievement of the performance criteria observed since the share allocation date.

Under that plan and on the basis of the assumptions detailed below, the fair value stands at €4.4 million, of which €1.6 million have been recorded as expenses for 2008.

The main assumptions used for that assessment are the following:

	31-12-2008
GDS share price on the plan date (in euros)	15.44
Fair value per free share on the allocation date (in euros).....	12.50
Original maturity (in years) acquisition period.....	2 years
Volatility	25%
Risk-free interest rate.....	3.46%

6.8 - Net indebtedness

Net borrowings, all denominated in million euros, break down as follows:

(in €m)	Note	31-12-2006	31-12-2007	31-12-2008		
		TOTAL	TOTAL	Non current	Current	TOTAL
Senior debt.....		---	814.4	677.8	1.0	678.8
Capex debt.....		---	---	37.5	---	37.5
TRFA – Total senior debt (Agent = CAYLON)		---	814.4	715.3	1.0	716.3
Senior bank debt (Club Deal)		91.0	---	---	---	---
Other borrowings		148.9	50.1	26.6	6.5	33.1
Lease finance borrowings.....		135.3	123.3	125.7	31.2	156.9
- of which: - property lease finance borrowings.....		49.4	41.6	62.5	5.9	68.4
- of which: - equipment lease finance borrowings.....		85.9	81.7	63.2	25.3	88.5
Capitalisation of new debt issuance costs.....		---	(24.4)	(17.4)	(3.5)	(20.9)
Liabilities related to assets held for sale.....		(20.0)	(53.0)	(3.1)	---	(3.1)
Long-term financial debt	B	355.2	910.4	847.1	35.2	882.3
Liabilities related to assets held for sale.....		20.0	53.0	3.1	---	3.1
Financial current account liabilities.....		9.5	8.8	---	9.8	9.8
Bank overdrafts.....		61.6	35.5	---	6.8	6.8
GROSS FINANCIAL DEBT (I)	B	446.3	1,007.7	850.2	51.8	902.0
Fair value of hedging financial instruments	6.12.1	---	(1.5)	14.2	---	14.2 ⁽¹⁾
Fair value of hedging financial instruments (II)		---	(1.5)	14.2	---	14.2
Financial current account assets		(7.3)	(4.9)	---	(3.2)	(3.2)
Cash and cash equivalents.....		---	---	---	---	---
Financial assets (III)	B	(7.3)	(4.9)	---	(3.2)	(3.2)
NET FINANCIAL BORROWINGS (I) + (II) + (III)	TFT	439.0	1,001.3	864.4	48.6	913.0
FINAL BALANCE :						
Borrowings and financial debts..... (a)		284.2	871.4			847.1
Short-term borrowings	(b)	80.5	47.8			45.0
Bank overdraft..... (c)		61.6	35.5			6.8
Liabilities associated with non-current assets held for sale		20.0	72.3			3.1
- of which: liabilities associated with non-current assets held for sale)..... (d)		20.0	53.0			3.1
GROSS FINANCIAL DEBT A = (a) + (b) + (c) + (d)		446.3	1,007.7			902.0
Other long-term liabilities		---	---			21.8
Deferred taxes		---	---			(7.6)
Other net long-term liabilities (fair value of financial instruments)	(e)	---	--			14.2
Other non-current assets (fair value of financial instruments)	(f)	---	1.5			---
FINANCIAL INSTRUMENTS B = (e) - (f)		---	(1.5)			14.2
Current financial assets	(g)	7.3	4.9			3.2
Cash and cash equivalents(h)		---	---			---
FINANCIAL ASSETS C = - (g) - (h)		(7.3)	(4.9)			(3.2)
NET FINANCIAL DEBT (A + B + C)	TFT	439.0	1,001.3	---	---	913.0

(1) Fair value of hedging financial instruments (€21.8 million minus the tax for €7.6 million).

6.8.1 - Explanations on changes in borrowings

(in €m)	NOTE	Situation Debt at 31-12-2006	Situation Debt at 31-12-2007	New Borrowings	Refunds debts	Net change in scope	Other	Situation Debt at 31-12-2008
Term A1		--	394.0	21.0	(78.0)	--	--	337.0
Term A2		--	419.8	--	(79.0)	--	--	340.8
Revolving		--	--	44.0	(44.0)	--	--	--
Capex		--	--	37.5	--	--	--	37.5
Interest accrued on senior debt		--	0.6	0.4	--	--	--	1.0
Senior debt (Club Deal)		91.0	--	--	--	--	--	--
TRFA – Total senior debt (Agent = CAYLON)		91.0	814.4	102.9	(201.0)	--	--	716.3
Other borrowings		148.9	50.1	0.5	(29.1)	11.6	--	33.1
Lease property finance borrowings		49.4	41.6	--	(26.9)	53.7	--	68.4
Lease equipment finance borrowings		85.9	81.7	33.9	(28.1)	1.0	--	88.5
Capitalisation of new debt issuance costs		--	(24.4)	--	--	--	3.5	(20.9)
Liabilities related to assets held for sale		(20.0)	(53.0)	--	9.2	--	40.7	(3.1)
Subtotal current financial debt		355.2	910.4	137.3	(275.9)	66.3	44.2	882.3
Liabilities related to assets held for sale		20.0	53.0	--	--	--	(49.9)	3.1
Current account liabilities		9.5	8.8	--	(8.8)	9.8	--	9.8
Bank overdraft		61.6	35.5	--	--	(8.7)	(20.0)	6.8
TOTAL GROSS FINANCIAL DEBT		446.3	1,007.7	137.3	(284.7)	67.4	(25.7)	902.0
Fair value of hedging financial instruments	6.12.1	--	(1.5)	--	--	--	15.7	14.2
FINANCIAL INSTRUMENTS		--	(1.5)	--	--	--	15.7	14.2
Current account assets		(7.3)	(4.9)	--	8.6	(6.9)	--	(3.2)
Net cash and cash equivalents		--	--	--	--	--	--	--
FINANCIAL ASSETS		(7.3)	(4.9)	--	8.6	(6.9)	--	(3.2)
TOTAL NET FINANCIAL DEBT		439.0	1,001.3	137.3	(276.1)	60.5	(10.0)	913.0
Impact Statement of Cash Flows	TFT			103.4	(276.1)			

6.8.2 - Senior debt

Générale de Santé in its capacity as guarantor and Compagnie Générale de Santé in its capacity as borrower agreed on 24 October 2007 with Mediobanca International (Luxembourg), Calyon SA and Crédit Agricole Luxembourg as initial lenders, on a senior debt loan contract for a total amount of €1,085.0 million. This senior debt has enabled the refinancing of part Générale de Santé Group's borrowing and the refinancing of the exceptional distribution of additional paid-in capital decided at the company shareholders' general meeting on 17 December 2007 and also has the function of enabling the financing of the general operational requirements of companies in the Group and the financing of acquisitions and expenses associated with growth and reorganisation. This financing is mainly repayable by October 2014 (see paragraph 6.12.2). This financing comprises 4 credit lines:

Senior debt	Initial borrowing facilities	Economic life (Year)	Repayment	31 December 2008		
				Amount used	Amount unused	Early repayment
Tem A1 facility	415.0	7	24 October 2014	337.0	---	78.0
Tem A2 facility	419.8	7	24 October 2014	340.8	---	79.0
Revolving facility	50.0	7	24 October 2014	---	50.0	---
Acquisition / Capex facility 1 ⁽¹⁾	200.0	7	24 October 2014	37.5	162.5	---
TOTAL	1,084.8			715.3	212.5	157.0

(1) subject to the achievement of encouraging financial performance results, the company may benefit from an additional credit line of €100 million.

Special clauses in the Senior Debt agreement:

All these tranches are on a variable rate basis.

The financing imposes restrictions in the context of the assets disposal and acquisition policy. The disposal of property assets leads to early repayments of the debt. The agreement imposes annual investment limits and limits to the borrowing capacity in the form of a lease agreement.

Besides, the agreement requires that certain annual, half-yearly, and quarterly ratios, be met.

- **Financial ratio clause:**

- This financing agreement contains an early repayment clause in case of a failure to meet the financial ratios described in the following table:

Ratios	Thresholds 2008
Consolidated NFD / consolidated EBITDA ⁽¹⁾	< 5.25
Consolidated EBITDA / Net interest expenses.....	> 2.50
Industrial and restructuring capital expenditure.....	< 145.0
Maintenance capital expenditure	< 66.0

(1) NFD : Net financial debt

Ebitda : Earnings before interest, taxes, depreciation, and amortisation, defined as the difference between EBIT and depreciation and amortisation.

- The Générale de Santé Group meets these ratios at 31 December 2008

- **Hedging clause relative to the interest rate risk:**

Within the framework of the Group's refinancing operations (senior debt), finalised on 24 October and 27 December 2007, the company must hedge its exposure to the interest rate risk for 66% of the amounts used for the tranches A1, A2, and "Capex Acquisition", for a period of four years.

- **Surety clause:**

In the context of the senior debt, the shares in Générale de Santé, GS Cliniques, Immobilière de Santé, Dynamis, Médipsy, Alphamed, Parly 2, Hôpital Privé Ouest Parisien, Pass have been pledged.

6.8.3 - Status of credit lines

The drawdown status of credit lines breaks down as follows:

Nature of the debt (in €m)	At 31 December 2008			
	Authorised debt	Confirmed line	Debt utilised	Debt not utilised
Senior debt ⁽¹⁾	927.8	927.8	716.3	211.5
Other borrowings from credit institutions	33.1	33.1	33.1	---
Property lease finance borrowings.....	228.0	68.4	68.4	159.6
Equipment lease finance borrowings.....	120.0	88.5	88.5	31.5
Bank overdraft	60.0	60.0	6.8	53.2
TOTAL	1,368.9	1,177.80	913.1	455.8

(1) subject to the achievement of encouraging financial performance results, the company may benefit from an additional credit line of €100 million.

6.8.4 - Borrowings relative to lease finance agreements

At 31 December 2008 (in €m)	2009	2010	2011	2012	2013	>2013	Total
AMOUNTS PAYABLE - MINIMUM AMOUNT:							
Amount payable - property finance lease borrowing.....	11.1	10.8	11.4	8.9	8.6	38.3	89.1
Amount payable - equipment finance lease borrowing	30.3	24.7	20.0	12.6	7.1	4.3	99.0
Total amounts payable - Minimum amount	41.4	35.5	31.4	21.5	15.7	42.6	188.1
Future financial costs.....	(8.0)	(6.4)	(4.8)	(3.6)	(2.7)	(5.7)	(31.2)
Lease finance borrowings	33.4	29.1	26.6	17.9	13.0	36.9	156.9
DISCOUNTED AMOUNTS PAYABLE:							
Amount payable - property finance lease borrowing.....	10.5	9.6	9.5	7.0	6.4	26.8	69.8
Amount payable - equipment finance lease borrowing	28.5	21.9	16.7	9.9	5.3	3.0	85.3
Total amounts payable - Discounted values	39.0	31.5	26.2	16.9	11.7	29.8	155.1

(*) Amounts payable under finance leases were discounted at 5.78% as at 31 December 2008.

At 31 December 2007 (in €m)	2008	2009	2010	2011	2012	>2012	Total
AMOUNTS PAYABLE - MINIMUM AMOUNT:							
Amount payable - property finance lease borrowing.....	8.6	7.6	7.3	8.1	6.8	11.5	49.9
Amount payable - equipment finance lease borrowing	28.6	22.6	16.9	12.0	4.7	5.4	90.2
Total amounts payable - Minimum amount	37.2	30.2	24.2	20.1	11.5	16.9	140.1
Future financial costs.....	(5.4)	(4.1)	(3.0)	(2.0)	(1.2)	(1.1)	(16.8)
Lease finance borrowings	31.8	26.1	21.2	18.1	10.3	15.8	123.3
DISCOUNTED AMOUNTS PAYABLE:							
Amount payable - property finance lease borrowing.....	8.2	6.9	6.3	6.7	5.3	9.1	42.5
Amount payable - equipment finance lease borrowing	27.2	20.5	14.6	9.9	3.7	4.2	80.1
Total amounts payable - Discounted values	35.4	27.4	20.9	16.6	9.0	13.3	122.6

(*) Amounts payable under finance leases were discounted at 5% as at 31 December 2007.

At 31 December 2006 (in €m)	2007	2008	2009	2010	≥ 2011	Total
AMOUNTS PAYABLE - MINIMUM AMOUNT:						
Amount payable - property finance lease borrowing.....	10.3	8.6	7.6	7.3	26.6	60.4
Amount payable - equipment finance lease borrowing	27.6	23.8	17.8	12.3	12.6	94.1
Total amounts payable - Minimum amount	37.9	32.4	25.4	19.6	39.2	154.5
Future financial costs.....	(6.4)	(3.8)	(3.4)	(2.4)	(3.2)	(19.2)
Lease finance borrowings	31.5	28.6	22.0	17.2	36.0	135.3
DISCOUNTED AMOUNTS PAYABLE:						
Amount payable - property finance lease borrowing.....	9.9	8.0	6.7	6.2	21.9	52.7
Amount payable - equipment finance lease borrowing	26.6	22.0	15.8	10.5	10.3	85.2
Total amounts payable - Discounted values	36.5	30.0	22.5	16.7	32.2	137.9

6.9 - Provisions

During the period, provisions recognised as liabilities have changed as follows:

(in €m)	NOTE	31-12-2006	31-12-2007	Allowance	Reciprocal reversal	Non-reciprocal reversal	Other Mvts	31-12-2008
Provisions for retirement and other employee benefits								
Provisions for end of career benefits.....	6.9.2	17.2	29.3	0.7	(0.2)	--	(0.4)	29.4
Prov. for other employee benefits		0.2	0.2	--	--	--	--	0.2
Total	B	17.4	29.5	0.7	(0.2)	--	(0.4)	29.6
Non-current provisions								
Provisions for disputes		17.2	13.8	6.9	(0.8)	(3.3)	7.1	23.7
Provisions for restructuring.....		26.2	12.2	11.5	(6.4)	--	(1.5)	15.8
Total	B	43.4	26.0	18.4	(7.2)	(3.3)	5.6	39.5
Current provisions								
Provisions for taxes and duties		7.0	6.9	1.2	(2.8)	(1.5)	0.7	4.5
Other provisions for risks and charges.....		14.2	14.3	4.5	(3.8)	(1.0)	(0.7)	13.3
Total	B	21.2	21.2	5.7	(6.6)	(2.5)	--	17.8
CURRENT & NON-CURRENT PROVISIONS		64.6	47.2	24.1	(13.8)	(5.8)	5.6	57.3
TOTAL PROVISIONS		82.0	76.7	24.8	(14.0)	(5.8)	5.2	86.9

Effects of provision flows on the income statement

(in €m)	NOTE	Net effect 2006	Net effect 2007	31-12-2008			Net effect 31-12-2008
				Allowance	Reciprocal reversal	Non-reciprocal reversal	
Personnel expenses		1.1	(0.5)	(3.7)	2.0	1.9	0.2
Other operating expenses		(2.1)	1.7	(6.7)	0.5	2.4	(3.8)
Taxes		0.6	0.2	(1.0)	0.5	0.6	0.1
EBITDA⁽¹⁾		(0.4)	1.4	(11.4)	3.0	4.9	(3.5)
Other income and expenses		(0.9)	15.0	(11.5)	6.4	--	(5.1)
Other financial income and expenses		--	(2.4)	(1.7)	2.3	--	0.6
Corporate income tax		0.7	(0.3)	(0.2)	2.3	0.9	3.0
TOTAL		(0.6)	13.7	(24.8)	14.0	5.8	(5.0)
Impact Statement of Cash Flows ⁽¹⁾	TFT	0.4	(1.4)	11.4	(3.0)	(4.9)	3.5

6.9.1 - Provisions for restructuring

Principles governing provisions for restructuring are described in paragraph 2.16 "Non-current provisions". At 31 December 2008, the provisions for restructuring mainly include a €5.1 million provision corresponding to the "Ehpad" restructuring (Home Care activity), a €4.8 million provision corresponding to the restructuring of the "Biology" activity and a €1.0 million provision recorded for the "Mermoz" dispute.

6.9.2 - Provisions for end of career benefits

6.9.2.1 - Actuarial assumptions

An actuarial assessment of commitments was conducted at 31 December 2008, using the following assumptions:

(in €m)	31-12-2006	31-12-2007	31-12-2008
Retirement age with voluntary departure on the employee's initiative ⁽¹⁾	65 years old	65 years old	65 years old
Salary changes.....	2.5%	2.5%	2.5%
Opening discount rate.....	4.25%	4.10%	4.50%
Closing discount rate.....	4.10%	4.50%	4.50%
Yield expected from regime assets.....	4.10%	4.50%	4.50%

(1) For financial 2007 and 2006, the employee departure assumption adopted by the Group was a departure on the employer's initiative.

The assumptions regarding the long-term expected yield on plan assets and the discount rate adopted for estimates have been defined on the basis of recommendations made by independent experts. Regarding the discount rate, the standard actually specifies that the rate to be applied to discount obligations under post-employment benefits (whether these are financed or not) should be determined in reference to a market date at year-end, based on first category companies' obligations. In practice, the Group has adopted the OAT rate corresponding to the duration of the scheme and maintained the rate at 31 December 2007.

In 207, the strong increase observed is mainly due to the Social Security Financing law of 19 December 2007, which instituted a new contribution, borne by employers, on retirement benefits in case of departure on the employer's initiative (IMR).

This contribution stands at:

- 25% on the benefits paid between 11 October 2007 and 31 December 2008,
- 50% on the benefits paid as of 1st January 2009.

At 31 December 2007, the actuarial difference generated by this new contribution was recorded against equity for a net of tax amount of €6.7 million.

This legal amendment is supplemented, in 2008, by the one relative to the rise of the legal redundancy benefit schedule (the benefits are doubled).

The retirement benefit corresponds to the amount most favourable to the employee between the conventional retirement benefit and the legal redundancy benefit. In the case of Générale de Santé, the legal redundancy benefit applies, as it is more favourable than the benefit specified in the various collective agreement.

Consequently, the Group has decided to change the retirement terms and conditions. Employees will have to ask to retire.

6.9.2.2 - Financial position summary

Group companies' retirement benefit obligations break down as follows:

(in €m)	31-12-2006	31-12-2007	31-12-2008
Discounted value of financial obligations.....	19.8	31.9	31.7
Fair value of scheme assets	(3.2)	(3.2)	(2.9)
Excess assets of financed scheme.....	16.6	28.7	28.8
Actuarial difference.....	---	---	---
Non recognised cost of past services	(0.6)	(0.6)	(0.6)
Net balance sheet value	17.2	29.3	29.4

6.9.2.3 - Change in financial position

The change in the financial position of retirement obligations breaks down as follows:

(in €m)	31-12-2006	31-12-2007	31-12-2008
Actuarial debt at year start (I)	16.8	19.8	31.9
Cost of services rendered during the year	1.1	1.5	1.7
Financial cost.....	0.6	0.9	1.4
Benefits paid by the employer.....	(0.7)	(1.1)	(1.5)
Effects of deconsolidated companies.....	(0.1)	(0.1)	---
Effects of newly-consolidated companies	2.1	1.4	0.8
Cost of past services	---	---	---
Actuarial difference: (gain) / loss.....	N/S	10.3	(2.6)
Liabilities related to assets held for sale.....	---	(0.8)	---
Actuarial debt at year start (I)	19.8	31.9	31.7

(in €m)	31-12-2006	31-12-2007	31-12-2008
Fair value of scheme assets at 1 st January (II)	0.1	3.2	3.2
Yield expected from regime assets	---	0.1	0.1
Employer contributions ⁽¹⁾	3.0 ⁽¹⁾	---	---
Staff contributions.....	---	---	---
Benefits paid.....	(0.1)	---	---
Effects of newly-consolidated companies	0.2	---	---
Actuarial difference on scheme assets gain/(loss).....	N/S	(0.1)	(0.4)
Fair value of scheme assets at 31 December..... (II)	3.2	3.2	2.9

(in €m)	31-12-2006	31-12-2007	31-12-2008
Financial situation at 1 st January..... (I) - (II)	16.7	16.6	28.7
Financial situation at 31 December (I) - (II)	16.6	28.7	28.8

(in €m)	31-12-2006	31-12-2007	31-12-2008
Cost of services rendered during the year	(1.1)	(1.5)	(1.7)
Financial cost.....	(0.6)	(0.9)	(1.3)
Yield expected from regime assets	---	---	---
Depreciation of past service costs.....	---	---	---
Benefits paid by the employer	(0.7)	(1.0)	(1.5)
Provision reversals	0.7	1.0	1.5
Expenses recognised in the income statement	(1.7)	(2.4)	(3.0)

(1) SOGECAP payment in December 2006

6.9.2.4 - Reconciliation table

The reconciliation of the provision for payments due on retirement between 1st January and 31st December for the years under consideration breaks down as follows:

(in €m)	31-12-2006	31-12-2007	31-12-2008
Retirement provision at 1 st January.....	17.4	17.2	29.3
Expenses for the period.....	1.7	2.4	3.0
Effects of newly-consolidated companies	1.9	1.4	0.8
Effects of deconsolidated companies.....	(0.1)	(0.1)	---
Benefits paid directly by the employer.....	(0.7)	(1.1)	(1.5)
Contributions paid.....	(3.0)	---	---
Change in actuarial difference in equity	---	10.3	(2.2)
Liabilities related to assets held for sale.....	---	(0.8)	---
Retirement provision at 31 December	17.2	29.3	29.4

6.9.2.5 - Sensitiveness of end of career benefit commitments to the discount rates

The table below describes the effect of a change in the discount rate on the retirement benefits:

(in €m)	At 31 December 2008		
Discount rate.....	4.0%	4.5%	5.0%
IFC commitment	32.9	31.7	30.5

At 31 December 2008, a 0.5 base point rise (or drop) in the discount rate would result in the commitment being reduced (or increased) by €1.2 million.

6.9.3 - Environmental liabilities

The Company has not recorded any provisions for environmental liabilities.

The impact of Order Nr. 2005-829 of 20 July 2005 regarding the composition of electric and electronic equipment and the disposal of waste generated by such equipment, is insignificant.

Indeed, for equipment marketed after 13 August 2005, the directive specifies that the manufacturers should organise and fund the pickup and processing of the waste.

For equipment marketed before 13 August 2005, the disposal and processing of the waste is the responsibility of the users, unless they have agreed otherwise with the manufacturers. It is observed that Générale de Santé's suppliers bear the costs of that operation upon replacing former equipment with new equipment. This provision is specified in the heavy equipment order agreement (scanner, MRI, particle accelerators).

6.10 - Working capital requirements for ordinary operations

(in €m)	NOTE	31-12-2006	31-12-2007	CHANGES			31-12-2008
				related to activity	receivables & debt on property	other changes ⁽¹⁾	
Gross inventory		32.2	35.3	0.9	--	2.4	38.6
Impairments		(0.2)	(0.3)	0.1	--	--	(0.2)
Net inventories		32.0⁽²⁾	35.0	1.0	--	2.4	38.4
Trade and other receivables		194.4	187.8	(14.7)	--	8.4	181.5
Impairment		(7.6)	(7.9)	(0.5)	--	1.7	(6.7)
Net trade and other receivables	6.12.5	186.8	179.9	(15.2)	--	10.1	174.8
Other current assets		94.1	98.8	(4.3)	(17.7)	73.1	149.9
Impairment		(4.1)	(4.0)	(0.2)	--	(21.3)	(25.5)
Other net current assets	6.12.5	90.0	94.8	(4.5)	(17.7)	51.8⁽³⁾	124.4
- of which receivables on property		10.5	20.7	--	(17.7)	--	3.0
Total inventories and trade receivables (I)		308.8	309.7	(18.7)	(17.7)	64.3	337.6
Accounts payable		167.6	166.6	13.6	--	16.2	196.4
Other current liabilities		269.9	270.2	6.9	1.1	27.2	305.4
- of which liabilities on fixed assets		17.2	25.4	--	1.1	2.0	28.5
Total trade and other accounts payable (II)		437.5	436.8	20.5	1.1	43.4	501.8
Non current assets held for sale	(III)	20.0	19.1	--	--	(16.0)	3.1
WORKING CAPITAL REQUIREMENTS (I) – (II) + (III)		(108.7)	(108.0)	(39.2)	(18.8)	4.9	(161.1)
Impact Statement of Cash Flows (II) – (I)	TFT			(39.2)	18.8		

(1) The column "Other changes" mainly comprises changes in the consolidation scope for the period.

(2) Inventory mainly comprises small medical equipment and pharmaceutical products.

(3) The change in other current assets includes the reclassification of €32.7 million recorded for the "Mermoz" dispute (building demolition and other costs). At 31 December 2007, that dispute was recorded under "Constructions".

Operating receivables and liabilities have a cycle of less than 12 months.

6.11 - Related assets and liabilities held for sale

At 31 December 2007 (in €m)	31 December 2006		31 December 2007		31 December 2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Disposal project of the Italian subsidiaries	--	--	72.5	60.0	--	--
Gecimed works	16.7	16.7	12.3	12.3	1.2	1.2
Valnet property	3.3	3.3	--	--	--	--
Icade works	--	--	--	--	1.9	1.9
TOTAL	20.0	20.0	84.8	72.3	3.1	3.1

- **Disposal project of the Italian subsidiaries**

At 31 December 2007, the assets and liabilities of the Italian subsidiaries being disposed of were recognised as "assets held for sale" and "liabilities held for sale". These assets do not meet the definition of discontinued operations.

The table below lists the assets and liabilities of the Italian entities being disposed of at 31 December 2007:

BALANCE SHEET - ASSETS (in €m)	31-12-2007
Goodwill	10.5
Other intangible fixed assets	0.2
Tangible fixed assets	37.9
Investments in associates	---
Other long-term investments	0.2
Deferred tax assets	2.0
NON-CURRENT ASSETS	50.8
Inventories	1.2
Trade and other receivables	18.6
Other current assets	1.1
Current tax assets	0.8
Current financial assets	---
Cash and cash equivalents	---
CURRENT ASSETS	21.7
TOTAL ASSETS HELD FOR SALE	72.5

BALANCE SHEET - LIABILITIES - (in €m)	31-12-2007
Borrowings and other financial debts	39.6
Provisions for retirement and other employee benefits	0.8
Non-current provisions	0.4
Other long-term liabilities	3.2
Deferred tax liabilities	---
NON-CURRENT LIABILITIES	44.0
Current provisions	0.3
Accounts payable	6.6
Other current liabilities	7.5
Tax liabilities due	0.5
Short-term borrowings	1.1
Bank overdraft	---
CURRENT LIABILITIES	16.0
TOTAL LIABILITIES RELATED TO ASSETS HELD FOR SALE	60.0

- **Works on the "Hestia" sites to be financed by Gecimed**

At 31 December 2008, the item "Assets held for sale" includes an amount of €1.2 million for property work that is to be financed by Gecimed. In order to finance these works temporarily, the Group took out a debt of €1.2 million. At 31 December 2007, the respective amounts stood at €12.3 million.

- **Works on the "Vesta" sites to be financed by Icade**

At 31 December 2008, the item "Assets held for sale" includes an amount of €1.9 million for property work that is to be financed by Icade. In order to finance these works temporarily, the Group took out a debt of €1.9 million.

6.12 - Financial instruments

6.12.1 Interest rate risks

Breakdown of financial debt

At 31 December 2008, the Group used interest hedging instruments (SWAPS), so as to meet the conditions of the senior debt, which requires 66% hedging of the facilities used under the agreement for a minimum of 4 years.

In accordance with IAS 32 and IAS 39, the market value of these existing instruments at 31 December 2008 was recorded as non-current financial assets against equity (21.8 million minus €7.6 million of tax). The decrease in fair value is due to the drop in rates. The fixed rate of our swaps is on average 4.27% with 4-year maturity. These same swaps would have had a rate of 2.97%, had they been initiated at 31 December 2008 with a 3-year residual maturity.

The exposure of financial debt to the interest rate risk before the rate hedging instruments breaks down as follows:

- 14.7% of the debt is on a fixed rate basis;
- 85.3% of the debt is on a variable rate basis.

Specifically:

- 100% of the senior debt is on a variable rate basis;
- 52% of the loans taken out from credit institutions are on a variable rate basis;
- 100% of the equipment finance leases are on a fixed rate basis;
- 43% of the property finance leases are on a fixed rate basis.

After our hedging of our interest rate risk using swaps (compliance with our syndication's clause for the hedging of interest rate risk), the situation of our exposure to the interest risk is entirely reversed with:

- 90.2% of the financial debt on a fixed rate basis and
- 9.8% on a variable rate basis.

At 31 December 2008 (in €m)	31 December 2006		31 December 2007		31 December 2008	
	Outstanding	Share	Outstanding	Share	Outstanding	Share
Fixed rate	236.4	63%	45.9	4.6%	133.8	14.7%
Variable rate	138.8	37%	956.9	95.4%	779.3	85.3%
Total before hedging.....	375.2	100%	1,002.8	100%	913.1	100%
Fixed rate	236.4	63%	535.9	53.4%	823.8	90.2%
Variable rate	138.8	37%	466.9	46.6%	89.3	9.8%
Total after hedging.....	375.2	100%	1,002.8	100%	913.1	100%

Analysis of the sensitiveness of interest rate expenses to changes in interest rates

Based on the Company's indebtedness at 31 December 2008 and taking into account the effect of rate setting swaps, a significant drop in interest rates would result in a net gain for the Company. Thus, should interest rates lose 100 base points, the Company would achieve a net gain of €1.0 million (before tax). On the contrary, should interest rates rise by the same 100 base points, the cost of that debt could increase slightly by nearly €1.0 million, which would have a very limited negative effect on its earnings.

6.12.2 Liquidity risks

At 31 December 2008, the non discounted contractual flows on outstanding financial liabilities per maturity date were as follows:

At 31 December 2008 (in €m)	2009	2010	2011	2012	2013	>2013	Total
Senior debt	1.0	--	32.5	40.0	50.0	592.8	716.3
Capitalisation of new debt issuance costs	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.4)	(20.9)
Other borrowings	6.5	11.6	2.8	2.1	2.1	8.0	33.1
Property lease finance borrowings	5.9	8.6	8.4	6.3	6.4	32.8	68.4
Equipment lease finance borrowings	25.3	22.7	18.1	11.6	6.7	4.1	88.5
Bank overdrafts.....	6.8	--	--	--	--	--	6.8
Other financial liabilities (incl. current account liabilities)	9.8	--	--	--	--	--	9.8
TOTAL	51.8	39.4	58.3	56.5	61.7	634.3	902.0

At 31 December 2007 (in €m)	2008	2009	2010	2011	2012	>2012	Total
Senior debt	0.6	---	---	32.5	40.0	741.3	814.4
Capitalisation of new debt issuance costs	(3.6)	(3.6)	(3.6)	(3.6)	(3.6)	(6.4)	(24.4)
Other borrowings	13.4	8.7	7.7	5.4	4.2	10.7	50.1
Property lease finance borrowings	5.6	6.7	5.7	6.9	5.9	10.7	41.5
Equipment lease finance borrowings	24.1	21.4	15.5	11.3	4.4	5.1	81.8
Bank overdrafts.....	35.5	---	---	---	---	---	35.5
Other financial liabilities (incl. current account liabilities).....	8.8	---	---	---	---	---	8.8
TOTAL	84.4	33.2	25.3	52.5	50.9	761.4	1,007.7

At 31 December 2006 (in €m)	2007	2008	2009	2010	2011	>2011	Total
Senior bank debt (club deal).....	26.0	26.0	26.0	13.0	--	--	91.0
Other borrowings	33.5	21.2	19.9	28.1	46.2	--	148.9
Property lease finance borrowings	7.2	7.1	5.7	5.7	5.7	18.0	49.4
Equipment lease finance borrowings	24.3	21.5	16.5	11.6	11.6	0.4	85.9
Bank overdrafts.....	61.6	--	--	--	--	--	61.6
Other financial liabilities (Y/c) account Liabilities)	9.5	--	--	--	--	--	9.5
TOTAL	162.1	75.8	68.1	58.4	63.5	18.4	446.3

6.12.3 Currency risks

The Générale de Santé Group conducts 100% of its business through subsidiaries that operate in the euro zone. Consequently, the Group is not exposed to the currency risk.

6.12.4 Information about fair value

When this Standard requires that an information element be presented by category of financial instruments, the entity must group the financial instruments into categories that suit the nature of the information provided, taking into account the characteristics of the aforesaid instruments. An entity must provide sufficient information so as to allow for the reconciliation with balance sheet items.

The tables below detail the fair value and the book value of each category of assets and liabilities.

(in €m)	NOTE	At 31 December 2008				Value Balance sheet
		Fair value			TOTAL	
		Market Price	Models with observable data	Models with non- observable data		TOTAL
Financial assets						
Securities held for sale		6.1			6.1	6.1
Deposits paid and other loans		26.0			26.0	26.0
Total		32.1			32.1	32.1
Financial liabilities						
Borrowings and other financial debts		873.4			873.4	847.1
Fair value of hedging financial instruments		14.2			14.2	14.2
Liabilities relative to assets held for sale		3.1			3.1	3.1
Deposits and sureties received		4.2			4.2	4.2
Profit-sharing		10.3			10.3	10.3
<i>Other long-term liabilities</i>		<i>14.5</i>			<i>14.5</i>	<i>14.5</i>
Short-term borrowings		45.0			45.0	45.0
Total		950.2			950.2	923.9
(in €m)	NOTE	At 31 December 2007				Value Balance sheet
		Fair value			TOTAL	
		Market Price	Models with observable data	Models with non- observable data		TOTAL
Financial assets						
Securities held for sale		4.9			4.9	4.9
Fair value of hedging financial instruments		1.5			1.5	1.5
Deposits paid and other loans		26.6			26.6	26.6
Total		33.0			33.0	33.0
Financial liabilities						
Borrowings and other financial debts		960.6			960.6	871.4
Liabilities relative to assets held for sale		53.0			53.0	53.0
Deposits and sureties received		4.7			4.7	4.7
Profit-sharing		11.6			11.6	11.6
<i>Other long-term liabilities</i>		<i>16.3</i>			<i>16.3</i>	<i>16.3</i>
Short-term borrowings		50.2			50.2	47.8
Total		1,080.1			1,080.1	988.5

(in €m)	NOTE	At 31 December 2006				Value
		Fair value			Balance	
		Market Price	Models with observable data	Models with non-observable data	TOTAL	sheet
					TOTAL	
Financial assets						
Securities held for sale		5.8			5.8	5.8
Deposits paid and other loans		27.0			27.0	27.0
Total		32.8			32.8	32.8
Financial liabilities						
Borrowings and other financial debts		284.2			284.2	284.2
Deposits and sureties received		3.5			3.5	3.5
Profit-sharing		13.4			13.4	13.4
Other long-term liabilities		16.9			16.9	16.9
Short-term borrowings		80.5			80.5	80.5
Total		381.6			381.6	381.6

Clients and apportioned accounts, current financial assets, cash and cash equivalents, accounts payable and bank overdraft: the book value of these items is an estimate of their fair value due to their short-term nature.

Financial assets held for sale are recorded at their market value. Changes in fair value are recorded to a separate component of equity until they are disposed of.

Deposits paid and other borrowings are recorded at their depreciated cost.

Long-term and current borrowings and debt are recorded estimating the future cash flows relative to each borrowing, discounted at 5.78%.

6.12.5 Credit risks

The Group is likely to face delays in the supply of certain products or the presentation of certain services and their repayment by the health insurance funds.

In the past, similar situations often led to the implementation of cash advances granted by the funds to the Group's facilities.

Aged balance of delayed assets

The aged balance of assets displays delayed payments that have not been provisioned yet, as analysed below:

in €m	31 December 2008					
	Assets delayed at year end but not impaired					Assets impaired 100%
	0-3 months	3-6 months	6-12 months	beyond 1 year	Total	Total
Loans and receivables at amortised cost	1.1	0.1	0.8	24.1	26.1	1.1
Trade and other receivables	244.9	7.8	6.1	40.4 ⁽¹⁾	299.2	32.2 ⁽²⁾
TOTAL	246.0	7.9	6.9	64.5	325.3	33.3

(1) Of which Mermoz litigation for €32.7 million (claim of €5278 million impaired for €20.1 million)

(2) of which Mermoz impairment for €20.1 million

in €m	31 December 2007					
	Assets delayed at year end but not impaired					Assets impaired 100%
	0-3 months	3-6 months	6-12 months	beyond 1 year	Total	Total
Loans and receivables at amortised cost.....	1.7	0.1	0.2	24.9	26.9	0.7
Trade and other receivables.....	253.0	20.5	15.0	5.9	294.4	11.9
TOTAL	254.7	20.6	15.2	30.8	321.3	12.6

in €m	31 December 2006					
	Assets delayed at year end but not impaired					Assets impaired 100%
	0-3 months	3-6 months	6-12 months	beyond 1 year	Total	Total
Loans and receivables at amortised cost.....	2.1	0.1	0.2	24.6	27.0	0.7
Trade and other receivables.....	253.4	13.9	8.8	0.7	276.8	11.7
TOTAL	255.5	14.0	9.0	25.3	303.8	12.4

Tracking of receivables

(in €m)	NOTE	31-12-2006	31-12-2007	31-12-2008				31-12-2008
				Allowance	Reciprocal reversal	Non-reciprocal reversal	Other movements	
Provisions for the impairment of bad debts (Patients, Health Care funds).....		(11.7)	(11.9)	(6.1)	3.5	1.9	0.5	(12.1)
TOTAL		(11.7)	(11.9)	(6.1)	3.5	1.9	0.5	(12.1)

(in €m)	NOTE	Net effect 2006	Net effect 2007	31-12-2008			Net effect 31-12-2008
				Allowance / charges	Reciprocal reversal	Non-reciprocal reversal	
Bad debts (patients and healthcare funds)		(8.4)	(5.4)	(3.7)	---	---	(3.7)
Provisions for the impairment of bad debts (Patients, Health Care funds).....		1.4	(0.1)	(6.1)	3.5	1.9	(0.7)
EFFECT ON EBITDA		(7.0)	(5.5)	(9.8)	3.5	1.9	(4.4)

6.13 - Related-party transactions

Related-party transactions concern:

- The remuneration and benefits granted to the top executives (Supervisory Board and Executive Board);
- Operations with companies where Générale de Santé exercises notable influence or holds joint control.

6.13.1 - Remuneration and benefits granted to members of the Executive Board and Supervisory Board

The overall remunerations and benefits granted to the members of the Group's Supervisory Board and Executive Board, paid as expenses during financial 2008, 2007, and 2006, stand as follows:

(In €'000)	2006	2007	2008
Short-term benefits.....	2,159	3,062	2,284.3
Post-employment benefits.....	---	---	---
Other long-term benefits	---	---	---
.....			
Compensation for termination of employment contract	---	2,643	---
Payment in shares	---	335	865.5
TOTAL	2,159	6,040	3,149.8

6.13.2 - Contribution to the balance sheet of consolidated companies in accordance with the proportional integration method (non-consolidated share)

(in €m)	2006	2007	2008
Turnover	1.9	2.1	2.1
Operating profit.....	0.1	0.2	0.3
TOTAL BALANCE SHEET	0.7	0.8	0.7

6.13.3 - Information relative to companies consolidated according to the equity method

This information is provided in Note 6.4.

6.13.4 - Transactions with other related parties were as follows:

Générale de Santé has entered into a rate hedging agreement with Médiobanca. The amount net of interest is +€.3 million for financial 2008. Besides, in the context of the "Vesta" transaction, Générale de Santé paid €2.5 million as success commissions.

6.14 - Off-balance sheet commitments

WARRANTIES AND SURETIES (in million euros)	2006		2007		2008	
	Commitments		Commitments		Commitments	
	given	received	given	received	given	received
Gecimed commitment to fund the works on "Hestia" sites.....	25.0	30.0	30.0	29.1	2.8	2.8
Icade commitment to fund the works on "Vesta" sites	---	---	---	---	---	36.0
Miscellaneous worksite completion guarantees.....	4.5	---	---	---	---	---
Clinique Mermoz building completion guarantee (Lyon facility combination) ...	41.5	41.5	---	---	---	---
Guarantee on future rents for the Clinique Mermoz Vefa (Lyon combination) ..	40.4	---	---	---	---	---
Future rental commitment for the HPE site (Le Havre combination)	---	---	55.6	---	73.4	---
Commitment by Gecimed to build the HPE site (Le Havre combination)	---	---	---	106.5	---	106.5
Bank guarantees	---	---	---	3.7	---	3.5
Other rental guarantees.....	1.1	8.5	1.1	8.5	---	10.7
Other guarantees	20.9	11.5	20.7	6.0	1.0	12.7
TOTAL	133.4	91.5	107.4	153.8	77.2	172.2

ASSET AND LIABILITY GUARANTEES (in €m)	2006		2007		2008	
	Commitments		Commitments		Commitments	
	given	received	given	received	given	received
In most cases, the Group benefits from guarantees received pursuant to the acquisition of equity in healthcare establishments	0.9	13.3	0.9	12.0	0.9	6.8
TOTAL	0.9	13.3	0.9	12.0	0.9	6.8

COMMITMENT TO BUY/SELL SECURITIES AND OTHER ASSETS (in €m)	2006		2007		2008	
	Commitments		Commitments		Commitments	
	given	received	given	received	given	received
Unilateral commitments in respect of securities	31.1	---	---	---	---	---
Commitments in respect of other assets (property)	37.0	---	---	9.0	5.1	9.1
TOTAL	68.1	---	---	9.0	5.1	9.1

PARTNER COMMITMENTS (in €m)	2006		2007		2008	
	Commitments		Commitments		Commitments	
	given	received	given	received	given	received
Partner commitments	3.8	--	3.8	---	3.8	---
TOTAL	3.8	---	3.8	---	3.8	---

Operating lease agreements

The total future minimum rental payments to be made under operating leases that cannot be terminated, break down as follows:

(in €m)	31-12-2006	31-12-2007	31-12-2008
Amounts of future payments (*)			
< 1 year	90.5	108.4	121.2
2 to 5 years	198.7	230.0	451.8
> 5 years	234.9	125.7	400.8
TOTAL	524.1	464.1	973.8

(*) This amount is discounted at 4% for property and equipment.

6.15 - Head count and individual training rights

6.15.1 - Head count

HEAD COUNT	2006	2007	2008
Management	1,840	2,149	2,168
Staff	17,076	18,187	18,351
TOTAL	18,916	20,336	20,519

(1) Weighted average number of employees

6.15.2 - Individual Training Right

The law of 4 May 2004 regarding vocational training has set up the Individual training right that enables each employee, regardless of his skills level, to build training capital he/she may use upon his/her initiative, subject to the employer's approval. In accordance with the provisions of law, each employee has a new right that enables him/her to capitalise a minimum of 20 hours per annum.

The aggregate number of training hours corresponding to the rights acquired by Group employees in the context of the Individual training rights (Droit Individuel à la Formation or DIF) stood at 1,191,718 hours at 31st December 2008.

The expense is recognised as the hours are used.

7 - DISPUTES

7.1 - Jean Mermoz private hospital construction project (in Lyon)

Context at end 2003

The opening of the Jean Mermoz Private Hospital in Lyon, an establishment that groups 3 Générale de Santé clinics in the heart of Lyon, initially scheduled in July 2003, had to be postponed. The building company having closed down and poor workmanship having been noted in 2002, the construction of the new hospital was indeed disrupted.

Subsequently, several legal proceedings were engaged by SCI de l'Europe, a Générale de Santé Group subsidiary, and project manager for the real-estate project.

2004 events

- Publication of the adjuster's report on the construction of the Jean Mermoz Private Hospital dated 26 February 2004

The conclusions of the report are as follows:

As part of the legal proceedings under way, the adjusters have delivered their final report on the construction part on February 26, 2004. The report should be understood as a technical opinion and will be submitted to the appreciation of the judges, who will rule on the content, to reflect its final legal consequences.

However, certain items are likely to be adopted fully by the judges, as they fall within the scope of the experts' assessment, i.e. mainly the technical solution to be adopted for the future, the demolition of the three buildings present on the project site (Medical House, Clinic, and Oncology Building) without any exception.

In terms of responsibilities, the adjusters offer, from a purely technical standpoint, the following breakdown:

- 30% for the project ownership (SCI de l'Europe) and/or its project ownership Assistant,
- 30% for the building company,
- 30% for the architect,
- the remaining 10% being allocated to the Control Bureau (2%) and to the construction and project management bureaus (8%).

The final sharing of liability between the various parties will take several years and the SCI de l'Europe intends to dispute its liability as it is suggested by the adjusters.

In any event, all action has been initiated by the SCI de l'Europe against its insurers, the project ownership's assistant, the project manager, the companies involved, and their respective insurers.

Lastly, the adjusters have suggested to retain, as cost of the full demolition of the structures and their identical reconstruction, an amount of €17.2 million on the site shutdown date.

- Decisions made in 2004

Générale de Santé requested, on the one hand, the destruction of the last two buildings (Clinic, Oncology, the Medical House having already been destroyed) and, on the other hand, the rebuilding of the Medical House. The destruction of the two buildings ended early January 2005 and the reconstruction of the Medical House actually began in November 2004.

Changes since work on "Mermoz II" resumed up until 31 December 2008

The reconstruction of the Jean Mermoz has reached final completion. On 18 July 2008, the Jean Mermoz Private Hospital welcomed its first patient. On 31 December 2008 the Group recorded a total of €97.7 million excluding taxes in relation to this site.

On 31 December 2008, the amount recognised for the structures demolished and the litigation stands at €59.6 million including VAT to be recovered.

Faced with that risk and expecting the additional adjustment regarding the determination of the financial losses, the impairments and the provisions designed to cover the adjustment and legal fees generated by the delay in that construction site, have been recorded and stand at €21.1 million at 31 December 2008.

This mode of recording does not presume the SCI de l'Europe's liability in any way.

8 - FEES PAID TO THE AUDITORS AND THE MEMBERS OF THEIR NETWORKS AND BORNE BY THE GROUP

(in €'000 - excl. tax)	Deloitte & Associés			KPMG Salustro Reydel		
	2006	2007	2008	2006	2007	2008
AUDIT:						
- Auditing, Certification, and review of individual and consolidated financial statements	668.0	117.0	590.2	1,545.0	356.0	1589.0
- Auxiliary assignments	---	---	---	218.0	40.0	223.0
Sub-Total	668.0	117.0	590.2	1,763.0	396.0	1,812.0
OTHER SERVICES, IF APPLICABLE:						
- Legal, tax, and management	---	---	---	---	---	---
- Information technology.....	---	---	---	---	---	---
- Internal audit	---	---	---	---	---	---
- Others (to be specified if > 10% of the audit fees)	---	---	---	---	---	---
Sub-Total	---	---	---	---	---	---
TOTAL	668.0	117.0	590.2	1,763.0	396.0	1,812.0

The Compagnie Nationale des Commissaires aux Comptes has pointed out that the fees are recorded at year-end for the amount covering the actual services rendered.

Consequently, costs for services to be rendered in the future on behalf of a closed financial period, do not appear.

9 - EVENTS SUBSEQUENT TO YEAR-END

• Disposal of Ris Orangis and of Clinique Saint Joseph (Senlis)

At 1 January 2009, the Ris Orangis radiotherapy centre was disposed of. Its 2008 income statement displayed turnover for €3.0 million and operating profit of nearly zero.

At 1 January 2009, Clinique Saint Joseph (Senlis) was disposed of. Its 2008 income statement displayed turnover for €3.8 million and operating profit of €(1.2) million.

10 - LIST OF MAIN CONSOLIDATED ENTITIES

List of main consolidated entities (Contribution to the consolidated annual revenue in excess of €1m)						
Hospital Care						
ENTITIES	31-12-2006		31-12-2007		31-12-2008	
	% interests	% control	% interests	% control	% interests	% control
Full consolidation						
Centre de Traitement des Maladies Rénales St Augustin	99.94	100.00	99.94	100.00	99.94	100.00
Clinique de l'Oasis SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique du Parc - Saint-Lazare SA	99.91	99.97	99.91	99.97	99.91	99.97
Centre d'Imagerie Mermoz (formerly Scanner Saint-Jean)	49.95	50.00	49.95	50.00	49.95	50.00
Clinique du Landy SA	99.85	99.92	99.85	99.92	99.85	99.92
Polyclinique de Bois Bernard SA	99.47	99.53	99.47	99.53	99.47	99.53
S.I.M. de Bois Bernard	99.93	99.98	99.93	99.98	99.93	99.98
Société d'Imagerie Médicale Douai	60.61	60.92	60.61	60.92	60.70	60.92
Clinique Sourdille SA	99.68	99.73	99.81	99.87	99.81	99.87
Polyclinique de Savoie SA	99.50	99.56	99.50	99.56	99.50	99.56
Clinique Kennedy	97.23	97.29	97.23	97.29	98.82	98.88
Clinique du Parc SA	99.36	99.42	99.36	99.42	99.36	99.42
Clinique des Pins	99.83	99.89	99.85	99.91	---	---
Clinique du Lac et d'Argonay SA	98.66	98.72	98.66	98.72	98.63	98.69
Hôpital Privé Armand Brillard SNC	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Saint-Martin SA	95.04	100.00	95.04	100.00	95.04	100.00
Sté des Cliniques Colmoulines et François 1er	99.08	99.14	99.08	99.14	99.08	99.14
Séréna SARL	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Monticelli SA	99.93	99.99	99.93	99.99	99.93	99.99
Polyclinique Saint-Joseph SA	99.90	99.96	99.90	99.96	99.94	100.00
Clinique Saint Ame	97.23	97.94	97.23	97.94	98.19	98.89
Clinique Hartman	99.94	100.00	99.94	100.00	99.94	100.00
IRM Hartman	65.44	65.48	65.44	65.48	65.56	65.60
Clinique d'Aulnay	99.85	100.00	99.94	100.00	99.94	100.00
Clinique Chenôve	97.86	97.91	97.86	97.91	99.78	99.84
Société d'Imagerie Médicale Saint-Martin (Caen)	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Bon Secours	96.73	96.79	96.73	96.79	96.73	96.79
Clinique Générale de Savoie	86.57	86.63	86.57	86.63	97.06	97.12
Polyclinique Cotteel	---	---	---	---	99.36	100.00
Polyclinique La Louvière	---	---	95.91	95.97	95.91	95.97
Clinique Lamartine	---	---	94.63	100.00	---	---
CHP de la Loire	---	---	---	---	97.82	97.88
Clinique Blomet	100.00	100.00	100.00	100.00	100.00	100.00
Clinique Chirurgicale Marcel Sembat	100.00	100.00	100.00	100.00	100.00	100.00
Clinique Geoffroy Saint Hilaire	100.00	100.00	100.00	100.00	100.00	100.00
Clinique Bachaumont	100.00	100.00	100.00	100.00	100.00	100.00
Hôpital Privé des Peupliers (formerly Clinique Fougères)	99.94	100.00	99.94	100.00	99.94	100.00
Imagerie Résidence du Parc	95.06	95.12	95.06	95.12	95.06	95.12
Clinique Chirurgicale Dautancourt SA	99.90	99.96	99.90	99.96	99.94	100.00
Clinique Sainte-Marthe SA	99.82	99.88	99.82	99.88	99.82	99.88
H.P. Claude Galien	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Chirurgicale de Vitry SA	99.94	100.00	99.94	100.00	99.94	100.00
C.H.P. Clairval	99.94	100.00	99.94	100.00	99.94	100.00
Imagerie de Clairval	95.06	95.12	95.06	95.12	95.06	95.12
Institut Jacques Cartier	99.38	99.46	99.20	99.29	99.38	99.46
Scanner / IRM Massy	84.95	90.00	84.95	90.00	84.95	90.00
L'Angio	49.95	50.00	49.94	50.00	49.95	50.00
Clinique de Fontaine SA	98.50	98.56	98.50	98.56	98.51	98.57
Polyclinique Sévigné SA	96.84	96.90	96.84	96.90	96.84	96.90
Société d'Expl. de la Clinique Vignoli SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Tourny SA	99.93	99.99	99.93	99.99	99.93	99.99
Provence & Santé	99.94	100.00	99.94	100.00	99.94	100.00
Clinique d'Istres	99.94	100.00	99.94	100.00	99.94	100.00

List of main consolidated entities (Contribution to the consolidated annual revenue in excess of €1m)

ENTITIES	Hospital Care					
	31-12-2006		31-12-2007		31-12-2008	
	% interests	% control	% interests	% control	% interests	% control
Full consolidation						
Résidence du Parc	99.94	100.00	99.94	100.00	99.94	100.00
Polyclinique d'Aguiléra SA	98.73	98.79	98.73	98.79	98.73	98.79
Clinique de la Défense SA	99.93	99.99	99.93	99.99	99.93	99.99
Sté Anonyme d'Expl. de la Clinique des Maussins	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Sainte-Marie SA	98.80	98.86	98.80	98.86	98.80	98.86
Hôpital Privé Antony (formerly H.D.S.)	99.87	99.97	99.87	99.97	99.92	100.00
Clinique de l'Amandier	99.87	99.97	---	---	---	---
Polyclinique Jeanne d'Arc SA	99.93	99.99	99.93	99.99	99.93	99.99
Hôp. Privé Drôme Ardèche (formerly CI Pasteur)	99.94	99.99	99.94	99.99	99.94	100.00
Clinique Chirurgicale du Docteur Convert SA	99.72	99.77	99.72	99.77	99.72	99.77
Clinique Jouvenet	99.83	99.89	99.83	99.89	99.87	99.92
Clinique Herbert SA	99.93	99.99	99.93	99.99	99.93	99.99
Clinique de l'Orangerie SA	99.93	99.99	99.93	99.99	99.93	99.99
Centre Hospitalier Privé Saint-Martin - Caen - SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique du Sport	100.00	100.00	100.00	100.00	100.00	100.00
Clinique Spontini	100.00	100.00	100.00	100.00	---	---
A.A.D.J.N.O.N.	99.37	99.37	---	---	---	---
Alphamed	99.30	99.93	99.95	99.64	99.95	99.64
H.P. Marne Chantereine	99.30	100.00	99.95	100.00	99.95	100.00
H.P. Ouest Parisien	99.30	100.00	99.95	100.00	99.95	100.00
CMC de Vinci	99.30	100.00	---	---	---	---
Société des Cliniques Ardennaises	99.30	100.00	99.95	100.00	99.95	100.00
C.M.C. Parly II	98.99	99.68	98.63	99.68	98.63	99.68
H.P. Seine Saint Denis	99.25	99.95	99.91	99.96	99.91	99.96
Clinique des Martinet	99.28	99.98	99.93	99.98	99.93	99.98
Clinique du Vert Galant	99.30	100.00	99.95	100.00	99.95	100.00
H.P. Paul d'Egine	99.30	100.00	99.95	100.00	99.95	100.00
Scanner du Vert Galant	---	---	59.23	59.26	59.23	59.26
Centre du Bois d'Amour	99.30	100.00	99.95	100.00	99.95	100.00
Clinique La Francilienne	---	---	---	---	89.50	89.54
Clinique de l'Orangerie	---	---	---	---	89.50	89.54
Dynamis SA	99.94	100.00	99.94	100.00	99.94	100.00
Centre de Rééducation de Bourgogne	99.82	99.88	99.90	99.96	99.90	99.96
CRF Le Floride	99.81	99.88	99.90	99.96	99.90	99.96
Iris	99.91	99.97	99.93	99.99	99.93	99.99
Clinique Saint-Barnabé SA	99.90	99.96	99.90	99.96	99.90	99.96
Centre de Rééducation de Bazincourt	99.90	99.96	99.90	99.96	99.90	99.96
Cent. Européen de Rééd. du Sportif St Raphaël	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Kerléna	99.54	99.60	99.74	99.80	99.54	99.60
CMPR Châtillon (formerly Fauvettes)	95.34	95.40	95.34	95.40	95.29	95.35
Cap Club Hôtel	99.94	100.00	99.94	100.00	99.94	100.00
CMPR de Provence (formerly La Bourbonne)	99.83	99.89	99.83	99.89	99.83	99.89
CRRF Rosemond	99.92	99.98	99.93	99.99	99.93	99.99
Clinique de Choisy	98.40	98.46	98.41	98.48	98.40	98.46
C.S.S. L'Amandier	99.93	100.00	99.94	100.00	99.93	100.00
Miramas (formerly La Résidence)	99.91	99.97	99.87	99.94	---	---
Clinique du Val de Seille	99.93	100.00	99.94	100.00	99.93	100.00
Centre Européen de Rééducation du Sportif SA	99.90	99.96	99.94	100.00	99.94	100.00
Clinique Les Sorbiers SA	99.74	99.80	99.74	99.80	99.74	99.80
Centre de Soins de Suite & de Rééducation du Bourget	---	---	99.90	99.96	99.90	99.96
Médipsy SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Eugénie	99.94	100.00	99.94	100.00	99.94	100.00
Clinique de la Roseraie SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique de l'Ange Gardien SNC	99.94	100.00	99.94	100.00	99.94	100.00
Maison de Santé Perreuse SA	95.74	95.79	95.74	95.79	95.74	95.79
Clinique du Moulin SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique de l'Auzon SA	97.11	97.17	97.11	97.17	97.11	97.17
Clinique d'Yvelines SA	99.94	100.00	99.94	100.00	99.94	100.00

List of main consolidated entities (Contribution to the consolidated annual revenue in excess of €1m)

ENTITIES	Hospital Care					
	31-12-2006		31-12-2007		31-12-2008	
	% interests	% control	% interests	% control	% interests	% control
Full consolidation						
Clinique de l'Espérance SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Mon Repos SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique de Notre Dame de Pritz SARL	99.94	100.00	99.94	100.00	99.94	100.00
Clinique de Freschines SA	99.93	100.00	99.93	100.00	99.93	100.00
Clinique Belle Allée SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Psychiatrique du Parc SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique de l'Escrebieux SA	94.94	95.00	94.94	95.00	94.94	95.00
Clinique Saint-Martin SA	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Mont du Forez	99.94	100.00	99.94	100.00	99.94	100.00
Sté Nouvelle de la Clinique St Michel	99.94	100.00	99.94	100.00	99.94	100.00
Sté Nouvelle de la Clinique des Quatre Saisons	99.94	100.00	99.94	100.00	99.94	100.00
Clinique Pen Al Dalar	99.94	100.00	99.94	100.00	99.94	100.00
Clinique de Tremblay	99.94	100.00	99.94	100.00	99.94	100.00
SA d'Exploitation de la Clinique de Rech	99.85	99.98	99.85	99.98	99.94	100.00
Clinique des 3 Cyprés	99.91	99.99	99.91	99.99	99.91	99.99
Société Hospitalière de Montchenain	---	---	99.94	100.00	99.94	100.00
Généridis SA	99.94	100.00	---	---	---	---
Iridis Nord SA	99.90	99.96	99.90	99.96	99.90	99.96
Centre de Radiothérapie de Ris Orangis SARL	99.94	100.00	99.94	100.00	99.94	100.00
Institut de Radiothérapie de Hautes Energies (formerly La Roseaie SA)	64.96	65.00	64.96	65.00	99.94	100.00
SERA - Centre de Radioth. de la Contamine sur Arve	---	---	99.93	100.00	99.93	100.00
Centre de Radiothérapie Beauregard SA	99.82	99.88	99.82	99.88	99.82	99.88
Nucleridis Dunkerquee	99.90	99.96	99.90	99.96	99.90	99.96
Iridis Marseille	99.90	99.96	99.90	99.96	99.90	99.96
Iridis Lausanne	89.65	89.70	89.65	89.70	89.65	89.70
Générimed	99.94	100.00	99.94	100.00	99.94	100.00
SAS Les Peupliers	99.94	100.00	99.94	100.00	99.94	100.00
Sodipharm	99.94	100.00	---	---	---	---
Hôpital Privé Jean Mermoz (formerly Clinique St Jean SA)	99.91	99.97	99.91	99.97	99.91	99.97
Iridis Lyon (formerly Sté d'Expl. de Radioth. St-Jean SA)	99.93	99.99	99.93	99.99	99.93	99.99
Ortho-Confort SAS	95.07	100.00	95.07	100.00	99.94	100.00
Matmed Lisieux SAS	95.07	100.00	95.07	100.00	---	---
Matmed Lisieux SAS Poissy	95.07	100.00	95.07	100.00	99.94	100.00
Oxygeni	95.07	100.00	95.07	100.00	99.94	100.00
Soperal	50.97	51.00	---	---	---	---
Eolien	---	---	99.94	100.00	99.94	100.00
Matmed Midi Pyrénées	---	---	95.07	100.00	99.94	100.00
Sté d'Exercice Libéral de Directeurs et Directeurs Adjoints de Laboratoires d'Analyses de Biologie Médicale BIO CP	98.42	98.42	98.42	98.42	98.42	98.42
Gle de Santé Italia SPA	100.00	100.00	100.00	100.00	100.00	100.00
Casa Santa Rita	98.51	98.51	98.51	98.51	---	---
Générale de Santé Toscana (formerly Rugani)	98.51	98.51	98.51	98.51	98.90	98.90
Centro Cardinal Ferrari	100.00	100.00	100.00	100.00	---	---
Centro Diagnostico San Nicolo (Como)	100.00	100.00	100.00	100.00	100.00	100.00
Santé Labs (formerly GSD IM)	100.00	100.00	---	---	---	---
Ospedale Di Omegna	49.00	49.00	49.00	49.00	49.00	49.00
Casa Di Cura San Secondo De Asti	100.00	100.00	100.00	100.00	100.00	100.00
Poggio Del Sole	98.51	98.51	98.51	98.51	---	---
Villa Maria Teresa	98.51	98.51	98.51	98.51	---	---
Il Pergolino	98.51	98.51	98.51	98.51	---	---
Centro Analisi A. Fleming SPA	100.00	100.00	100.00	100.00	100.00	100.00
Fabre Srl	---	---	---	---	100.00	100.00

List of main consolidated entities Head office						
ENTITIES	31-12-2006		31-12-2007		31-12-2008	
	% interests	% control	% interests	% control	% interests	% control
Full consolidation						
Générale de Santé	100.00	100.00	100.00	100.00	100.00	100.00
Compagnie Générale de Santé	100.00	100.00	100.00	100.00	100.00	100.00
Générale de Santé Cliniques SA	99.94	99.94	99.94	99.94	99.94	99.94
G.S.Development International (U.K.)	100.00	100.00	---	---	---	---
Proportional consolidation						
Immobilière du Scanner	49.78	50.00	49.78	50.00	49.81	50.00
Scanner Vitry sur Seine	49.97	50.00	49.97	50.00	49.97	50.00
Laboratoire Clairval	46.81	50.00	46.81	50.00	46.81	50.00

All the real estate companies controlled by the Générale de Santé Group are consolidated according to the full consolidation method.

20.1.3 Company's financial statements

20.1.3.1 *Company's summarised financial statements*

The Company's summarised financial statements are taken from the audited annual financial statements. For a better understanding of the Company's financial situation and earnings, they should be read in conjunction with the audited financial statements they have been derived from, which can be obtained on 25 May 2009 at the general meeting, along with the corresponding Auditors' report.

Summarised Company's income statement

SUMMARISED INCOME STATEMENTS - in €m	2006	2007	2008
Operating income	0.0	0.2	0.1
Operating expenses	(9.0)	(14.2)	(9.8)
Net depreciation allowance	0.0	0.0	0.0
Operating profit	(9.0)	(14.0)	(9.7)
Financial revenues	28.3	33.0	15.5
Financing costs.....	(6.0)	0.0	0.0
PRE-TAX EARNINGS	13.3	19.0	5.8
EXTRAORDINARY EARNINGS	(0.1)	0.3	1.4
Corporate income tax	30.3	43.0	39.9
NET EARNINGS	43.5	62.3	47.1

Company's summarised balance sheet

SUMMARISED BALANCE SHEET - in €m	31-12-2006	31-12-2007	31-12-2008
ASSETS			
Financial fixed assets (treasury shares).....	0.3	--	--
Operating receivables.....	45.2	15.6	33.2
Short term financial receivables	590.2	248.8	286.2
Marketable securities and cash.....	2.4	0.0	0.7
TOTAL ASSETS	638.1	264.4	320.1
LIABILITIES			
Share capital.....	40.2	41.0	42.2
Additional paid-in capital + Reserves	458.0	63.1	73.8
Retained earnings	61.5	85.8	120.7
Profit for the period.....	43.5	62.3	47.1
Provisions for risks and expenses.....	2.0	1.8	2.0
Long term bank debts.....	--	--	--
Operating debt.....	32.5	10.2	34.2
Short-term financial debt	0.4	0.2	0.1
TOTAL LIABILITIES	638.1	264.4	320.1

Net assets at 31 December 2008 - in €m	€
Capital	42.2
Additional paid-in capital.....	57.5
Legal reserve.....	4.1
Other reserves.....	12.2
Retained earnings	120.7
Profit for the period.....	47.1
Total before appropriation of earnings	283.8

Financial earnings for the past five years

Financial earnings for the past five closed financial years in €'000	2004	2005	2006	2007	2008
1 - Financial situation at year end					
Share capital	29,271	29,271	40,248	41,053	42,172
Number of shares issued	39,028,224	39,028,224	53,663,808	54,737,084	56,229,854
Number of convertible bonds	---	---	---	---	---
2 - Transactions and earnings for the period					
Pre-tax sales	---	---	---	---	---
Profit before taxes, depreciation and provisions.....	8,935	26,653	13,073	19,134	7,416
Taxes on profits.....	(21,904)	(16,787)	(30,327)	(42,997)	(39,919)
Depreciation allowance and provisions	62	1,794	74	195	(188)
Profit after taxes, depreciation and provisions.....	30,777	41,646	43,474	62,326	47,147
Distributed earnings	9,738	11,708	18,763	19,158	27,369
3 - Earnings per share (in euros)					
Profit after taxes, but before depreciation and provisions	0,79	1,11	0,81	1,14	0,84
Profit after taxes, depreciation and provisions.....	0,79	1,07	0,81	1,13	0,84
Net dividend paid.....	0,25	0,30	0,35	0,35	0,5
4 - Personnel					
Number of employees.....	2	2	2	2	2
Payroll and amounts paid for social benefits (Social Security, charities etc)	534	1,197	977	3,309	1,855

TABLE OF SUBSIDIARIES AND EQUITY HOLDINGS (in €m)
Financial year from 1 January to 31 December 2008

Subsidiaries and Equity Holdings	Capital	Reserve and Retained Earnings	Share of Capital held in %	Book value of Shares held (gross)	Book value of Shares held (net)	Loans and advances granted by the Company	Sum of guarantees and deposits granted by the Company	Pre-tax turnover for the last year elapsed	Earnings for the last year ended	Dividends cashed during the period
A. DETAILS OF SUBSIDIARIES AND EQUITY HOLDINGS										
1. Subsidiaries (over 50% of equity held)										
• C.G.S.	137.8	(74.5)	100	-	-	285.9	-	12.4	40.4	-
2. Equity holdings (10% to 50% of the capital held)										
SUBTOTAL A	137.8	(74.15)	100-	-	-	285.9	-	12.4	40.4	-
B. GENERAL INFORMATION REGARDING THE OTHER SUBSIDIARIES AND EQUITY HOLDINGS										
1. Subsidiaries not taken into consideration in A										
a) French	-	-	-	-	-	-	-	-	-	-
SUBTOTAL B	-	-	-	-	-	-	-	-	-	-
TOTAL A + B	137.8	(74.15)	100-	-	-	285.9	-	12.4	40.4	-

20.1.3.2 Company's management report

(i) 2008 highlights

1. Allocation of free shares in the Company to employees and corporate officers of the Générale de Santé Group

Pursuant to the agreement given by the Extraordinary General Meeting of 27 June 2007, the Supervisory Board of 18 February 2008 explicitly authorised the Executive Board to use the authorisation.

The free share allocation plan concerns 461,172 shares in the Company, to the benefit of some of its main managers and corporate officers of the Company and companies of the Générale de Santé Group.

For that purpose, a provision for risks and charges has been recorded to the Company's accounts at 31/12/2008 for €1,645,000.

2. Vesta project

The purpose of the Vesta project is the outsourcing by some subsidiaries of the Générale de Santé Group of their rights and obligations regarding a portfolio of four buildings.

As at 30 June 2008, the Supervisory Board authorised the Executive Board to enter into an agreement with ICADE.

On 17 September 2008, the Générale de Santé Group signed the sale of four buildings for a total disposal price of €201,665,000.

3. Capital increase pursuant to the exercise of share subscription options

The Executive Board of 27 October 2008 recognised that the exercising of 1,492,770 options by the beneficiaries of the subscription options of the plan open 2 August 2004, allows for the issue of 1,492,770 new shares in the Company at a unit price of €7.94.

Consequently, the Executive Board recorded a capital increase resulting in the payment of an overall amount of €11,852,593.80, including €1,119,577.50 par value and €10,733,016.30 additional paid-in capital.

The increase brought the capital up to €42,172,390.50 divided in 56,229,854 with a par value of €0.75 each.

(ii) Business activity

Générale de Santé SA's business activity covers all activities of a financial nature, either directly or via third parties, for itself and on behalf of third parties.

It is the parent company of a group which exercises all its activities in the Hospital Care sector.

Future prospects are described in the Group's management report.

(iii) Capital held

Since June 1997, Générale de Santé SA has held 100% of the shares of Compagnie Générale de Santé.

The business activity of Compagnie Générale de Santé is the same as that of its parent company.

(iv) 2008 earnings

Operating earnings stand at €57K against €264K last year.

The operating loss rises from –€13,980K in 2007 to –€9,704K in 2008, that is an increase in earnings of €4,276K.

This is mainly due to the following factors:

Decrease in operating income	€(208)K
Decrease in the contribution to the GIE Générale de Santé	+€2,063K
Decrease in the rents and rental expenses item	+€59K
Decrease in fees	+€2,066K
Decrease in advertising and PR	+€74K
Decrease in travel, secondings and functions	+€56K
Decrease in banking services	+€106K
Decrease in taxes and duties	+€170K
Decrease in payroll expenses and social contributions	+€1,454K
Decrease in directors' fees	+€225K
Provision for risks and charges allowance	€(1,645)K
TOTAL	+€4,420K

The financial profit drops from +€33,027K in 2007 to +€15,487K in 2008, down €17,540K. This is due to the drop in interests collected on Compagnie Générale de Santé's account for €17,542K, resulting from the decline in Générale de Santé SA's current account claim on Compagnie Générale de Santé.

Compagnie Générale de Santé partly repaid its current account debt to Générale de Santé SA, thereby allowing for the payment of an exceptional dividend of €420m by Générale de Santé SA, on 27 December 2007.

The current profit dropped from +€19,047K in 2007 to +€5,783K in 2008.

The extraordinary profit stands at +€1,445K.

The tax integration proceeds, recorded for €39,918,707 corresponds to the difference between:

- the corporate income tax contributions paid by the consolidated subsidiaries for €71,714,442
- and the corporate income tax due by the consolidated Group set up around Générale de Santé for €31,773,845, as well as the corporate income tax on the expenses recorded against additional paid-in capital for €21,890.

The tax relative to the Vesta transaction (tax proceeds) stands at €8.7m in the Group's accounts.

The net profit at 31 December 2008 stands at €47,146K, down from 2007, at €62,326K.

4. Inclusion of expenses not deductible from the taxable profit under 4° and 5° of Article 39 of the General Tax Code (art 223 quater et 223 quinquies of the CGI)

The accounts for the period ended do not taken into account any expenses not deductible from the taxable profit under 4° and 5° of Article 39 of the General Tax Code (art 223 quater et 223 quinquies of the CGI).

20.1.4 *Verification of the annual historic financial information*

20.1.4.1 *Auditors' report on the annual accounts*

Within the scope of the task that has been entrusted to us by your general shareholders' meeting, we will now present our report relating to the financial year ended 31 December 2008, on:

- the control of the annual accounts of Générale de Santé, as attached to this report;
- the justifications for our assessments;
- the specific checks and information stipulated by law.

The annual accounts have been approved by the Executive Board (Directoire). Our role is to express an opinion on these accounts based on the audit we have carried out.

I. Assessment of the annual accounts

We have conducted our audit in compliance with the professional standards applicable in France; these standards require due diligence to ensure with a reasonable degree of certainty that the annual accounts do not contain any significant anomalies. An audit is conducted by examining the probative elements, obtained through surveys, that back up the data contained in these financial statements. It also involves appraising the accounting principles practiced and any significant estimates employed in drawing up the financial statements, as well as assessing the overall presentation.. It is our belief that our audit provides a reasonable basis for the opinion expressed hereafter.

We certify that the annual accounts comply with French accounting rules and principles and provide a true and fair view of the earnings derived from the company's activity during the year, as well as the financial situation and net worth of the company at the end of the financial year.

II. Justifications for our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Note 1.1. to the appendix describes the accounting rules and methods used for financial fixed assets.

As part of our assessment of the accounting rules and methods followed by your company, we have verified the appropriateness of the aforesaid accounting methods and the information provided in the appendix.

These assessments form part of our audit of the annual accounts, taken as a whole, and have therefore helped us form our opinion, as it is described in the first part of this report.

III. Verifications and specific information

In accordance with the professional standards applicable in France, we have also carried out the specific checks provided for by the law.

We have no remarks to make regarding:

- the sincerity and consistency with the annual accounts of the information given in the Executive Board's management report and the documents sent to the shareholders regarding the financial situation and the annual accounts.
- the sincerity of the information provided in the management report regarding the compensation and benefits paid to the corporate officers concerned, as well as the commitments granted in their favour upon their taking on, changing, or leaving their office, or subsequent to that.

In accordance with French law, we have verified that the various information relative to the identity of holders of the capital or the voting rights had been provided to you in the management report.

The Auditors

Paris La Défense and Neuilly-sur-Seine, 28 April 2009

Salustro Reydel

Member of KPMG International

François Caubrière

Partner

Deloitte & Associés

Christophe Perrau

Partner

20.1.4.2 *Auditors' report on the consolidated financial statements*

Dear Shareholders,

Following our appointment as statutory auditors by your Annual General Meeting, we hereby present you with our report for the financial year ended December 31, 2008, relating to:

- the control of the consolidated accounts of Générale de Santé - SA, as attached to this report;
- the justifications for our assessments;
- the specific verifications required by law.

The consolidated financial statements have been approved by the Executive Board (Directoire). Our role is to express an opinion on these financial statements based on our audit.

1. Assessment of the consolidated financial statements

We have carried out our work in accordance with the professional standards in use in France; these standards require due diligence to ensure with a reasonable degree of certainty that the consolidated financial statements do not contain any significant anomalies. An audit involves examining the key elements that support the data contained in these financial statements, through surveys. It also involves appraising the accounting principles followed and any significant estimates used in the drafting of financial statements, as well as assessing overall presentation. It is our belief that our audit provides a reasonable basis for the opinion expressed hereafter.

We certify that the consolidated financial statements for the period are, in regards to the IFRS standards as adopted by the European Union, honest and sincere, and provide a reliable picture of the assets, the financial health, and the performance of the group made up of the physical and legal entities comprised in the consolidation scope.

2. Justifications for our assessments

The estimates carried out related in particular to the following:

- The impairment tests on the goodwill and assets with an indefinite life: Each year, Générale de Santé systematically conducts impairment tests for goodwill and assets with an indefinite life and also determines if there is an indication that long-term assets may be impaired according to the methods described in Note 2.6 to the financial statements. We have reviewed the conditions under which the impairment test was conducted, as well as the cash flow forecasts and assumptions used, and have verified that Note 2.6 provides appropriate information.
- Provisions for disputes: The Générale de Santé sets up provisions to cover disputes, as described in Note 2.16. Our work consisted in assessing the data and assumptions on which these estimates rely, reviewing the company's calculations, comparing prior years' accounting estimates with the corresponding actual data and examining management's approval procedures for these estimates.

These assessments form part of our task as Auditors of the consolidated financial statements, taken as a whole, and have therefore helped us to form our unreserved opinion, as it is described in the first part of this report.

3. Specific verification

Besides, in accordance with applicable law, we have also verified the information delivered in the report regarding the management of the Group.

We have no comments to make on their sincerity and consistency with the consolidated financial statements.

The Auditors

Paris La Défense and Neuilly-sur-Seine, 28 April 2009

Salustro Reydel
Member of KPMG International

Deloitte & Associés

François Caubrière
Associé

Christophe Perrau
Associé

20.1.5 Date of the latest financial information

The latest financial information published by the Company relates to the year ended 31 December 2007

20.1.6 Intermediary and other financial information

Since the Group's consolidated statements and the Company's financial statements for the year ended 31 December 2007, the Company has not published any intermediary financial information.

20.2 DIVIDEND DISTRIBUTION POLICY

20.2.1 Dividends paid in the past three years

The table below indicates the dividends per share paid by the Company in the past three years:

Year	2006	2007	2008
Dividend per share (in euros)	0.35	0.35	0.5

In 2007, the Company also proceeded to an exceptional distribution of €419,833,434.28 taken from the additional paid-in capital, that is €7.67 per share, approved by a decision of the shareholders at 17 December 2007, with payment on 27 December 2007.

Besides, the company recalls that the Executive Board offers the Company shareholders the distribution of dividends taken on the Company's 2008 earnings, for an overall amount of €70,287,317.50, that is €1.25 per share. Shareholders will have to vote for or against this distribution during the Company's annual ordinary general meeting, slated to take place on 25 May 2009.

20.2.2 Dividend distribution policy

The Company's distribution policy will be defined by its social bodies according to the distribution capacity, the cash situation, and the financial needs of the Company and its subsidiaries.

20.2.3 Statute of limitations

Unclaimed dividends are waived within the legal timeframe, i.e. five years, to the benefit of the State.

20.3 LEGAL AND ARBITRATION PROCEEDINGS

20.3.1 Litigation regarding the Jean Mermoz private hospital

Context at end 2003

The opening of the Jean Mermoz Private Hospital in Lyon, an establishment that groups 3 Générale de Santé clinics in the heart of Lyon, initially scheduled in July 2003, had to be postponed. The building company having closed down and poor workmanship having been noted in 2002, the construction of the new hospital was indeed disrupted.

Subsequently, several legal proceedings were engaged by SCI de l'Europe, a Générale de Santé Group subsidiary, and project manager for the real-estate project.

2004 events

- Publication of the adjuster's report on the construction of the Jean Mermoz Private Hospital dated 26 February 2004

The conclusions of the report are as follows:

As part of the legal proceedings under way, the adjusters have delivered their final report on the construction part on February 26, 2004. The report should be understood as a technical opinion and will be submitted to the appreciation of the judges, who will rule on the content, to reflect its final legal consequences.

However, certain items are likely to be adopted fully by the judges, as they fall within the scope of the experts' assessment, i.e. mainly the technical solution to be adopted for the future, the demolition of the three buildings present on the project site (Medical House, Clinic, and Oncology Building) without any exception.

In terms of responsibilities, the adjusters offer, from a purely technical standpoint, the following breakdown:

- 30% for the project ownership (SCI de l'Europe) and/or its project ownership Assistant,
- 30% for the building company,
- 30% for the architect,
- the remaining 10% being allocated to the Control Bureau (2%) and to the construction and project management bureaus (8%).

The final sharing of liability between the various parties will take several years and the SCI de l'Europe intends to dispute its liability as it is suggested by the adjusters.

In any event, all action has been initiated by the SCI de l'Europe against its insurers, the project ownership's assistant, the project manager, the companies involved, and their respective insurers.

Lastly, the adjusters have suggested to retain, as cost of the full demolition of the structures and their identical reconstruction, an amount of €17.2 million on the site shutdown date.

- Decisions made in 2004

Générale de Santé requested, on the one hand, the destruction of the last two buildings (Clinic, Oncology, the Medical House having already been destroyed) and, on the other hand, the rebuilding of the Medical House. The destruction of the two buildings ended early January 2005 and the reconstruction of the Medical House actually began in November 2004.

Changes since work on "Mermoz II" resumed up until 31 December 2008

The reconstruction of the Jean Mermoz has reached final completion. On 18 July 2008, the Jean Mermoz Private Hospital welcomed its first patient. On 31 December 2008 the Group recorded a total of €97.7 million excluding taxes in relation to this site.

On 31 December 2008, the amount recognised for the structures demolished and the litigation stands at €59.6 million including VAT to be recovered.

Faced with that risk and expecting the additional adjustment regarding the determination of the financial losses, the impairments and the provisions designed to cover the adjustment and legal fees generated by the delay in that construction site, have been recorded and stand at €21.1 million at 31 December 2008.

This mode of recording does not presume the SCI de l'Europe's liability in any way.

20.3.2 Other disputes

Litigation regarding the Group's presence in medical analysis laboratories

Through its subsidiary Cofindex (formerly Générale de Santé Biologie), the Group has been holding minority interests since 1992, either in the form of full ownership or in certain cases securities for which the usufruct right has been separated from the title comprising all or part of the remaining capital balance, in various professional services firms (sociétés d'exercice libéral or "SELS") that operate medical analysis laboratories.

As of 2004, Cofindex's financial participation in the clinical biology SELs has met with opposition from the Association of Doctors and Pharmacists as well as the DDASS, who are opposed to a change in the status of SELs, the selection of legal representatives, and the process of acquiring or opening these laboratories using new technical support centres.

The source of this opposition is the enactment of Article 12 of the 17 June 1992 Decree forbidding a health establishment from holding, directly or indirectly, a clinical biology laboratory.

On 18 and 25 May 2004, Section G of the National Association of Pharmacists' Central Council (Ordre National des Pharmaciens Conseil Central) thus requested that certain Biological Pharmacists order Cofindex to withdraw from the share capital of two SELs. On 25 June and 2 July 2004, Cofindex appealed the order before the Paris Administrative Court (Tribunal administratif de Paris).

Besides, Cofindex has instituted against the National Association of Pharmacists (Ordre National des Pharmaciens) proceedings before the Administrative Court of Paris to request damages for the disciplinary measures initiated against biological pharmacists operating in the SELs where it holds stakes. Such proceedings impede or slow down its development.

By a joint judgment of the two afore-mentioned instances, pronounced on 15 July 2008, the Paris Administrative Court rejected the two appeals after qualifying Cofindex as a healthcare facility in the sense of Article 12 of the Decree of 17 June 2002, due to its belonging to the Générale de Santé Group.

The AC's judgment is common to the instances for cancellation and indemnification (combination of both affairs).

An appeal to the Paris Administrative Court of Appeal was interjected on 22 September 2008 and is currently pending.

Even though the Group considers neither Cofindex nor its holding company to be "health facilities," it is nevertheless possible that Cofindex may not be granted its appeal and, as a result, the Group may be ordered to transfer its shares. It is also possible that the laboratories and/or the biologists themselves could be subject to disciplinary sanctions. Nevertheless, the Group considers that the conditions under which Cofindex holds the laboratories are not contrary to the relevant decree and, second, that the application of the provisions of EC treaties might cause the Associations to adopt a more lenient position towards it.

in the meantime, the Ballereau report delivered to the Minister of Health on 23 September 2008, entitled "*Report for a reform project of medical biology*", confirms the Group's argumentation, as it even suggests lifting "*the prohibition against clinics to invest in medical biology laboratories*" (page 38).

As far as it is concerned, the European Commission issued, on 12 December 2008, a counsel's opinion against France, inviting it to "*take all action required to comply with this counsel's opinion within a period of two months or less upon the Commission's special decision as of the receipt hereof*".

20.4 SIGNIFICANT CHANGES IN THE FINANCIAL OR COMMERCIAL POSITION

See paragraph 9.1.

CHAPTER 21

ADDITIONAL INFORMATION REGARDING THE CAPITAL AND STATUTORY PROVISIONS

21.1 INFORMATION REGARDING THE SHARE CAPITAL

21.1.1 Share capital

As of 31 December 2008, the Company's issued share capital stands at €42,172,390.50 divided into 56,229,854 shares with a par value of €0.75 each, fully paid and all pertaining to the same category.

There were 54,737,084 shares outstanding on 1 January 2008 and 56,229,854 on 31 December 2008, the difference stemming from the capital increase resulting from the exercise, by the Group's employees and corporate officers, of the share subscription options granted to them by the plan of 2 August 2004, as the said capital increase was recognised by the Executive Board of 27 October 2008.

On the date of this document, the share capital stood at €42,172,390.50 divided into 56,229,854 shares with a par value of €0.75 each, fully paid and all pertaining to the same category.

21.1.2 Shares that are not representative of share capital

None.

21.1.3 Treasury shares

The general meeting of 26 May 2008 authorised a share repurchase programme, which the Company implemented as per a decision by the Executive Board of 17 November 2008 upon the Supervisory Board's permission.

The programme was implemented as of 9 December 2008.

At 31 December 2008, the Company holds directly 53,346 own shares.

On the date of this document, the Company holds directly 773,668 own shares.

21.1.4 Other securities giving access to the capital stock

Share subscription options: refer to Chapter 17.

21.1.5 Pledging of Company shares

Santé S.A. and Santé Développement Europe S.A.S., majority shareholders of the Company, entered on 24 October 2007 (i) into a Credit Agreement and (ii) a mezzanine bond subscription agreement, both of which are designed to finance the acquisition of the Company's shares. In order to guarantee the fulfilment of their obligations under the Credit Agreement and the Subscription Agreement, Santé S.A. and Santé Développement Europe S.A.S. have undertaken to pledge as collateral their shares in the capital of the Company.

Name of shareholder	Beneficiaries of the collateral	Pledge start date	Pledge expiry date	Condition for using the collateral	Number of Company shares pledged as collateral	% of Company equity pledged as collateral
	The lenders, the money of the loan, and the money of the sureties under the Credit Agreement All the holders of mezzanine bonds under the Subscription Agreement	26 October 2007	The earlier of the following two dates: (i) the date of the full, irrevocable, and unconditional repayment of any monies in principal, interest, late interest, expenses, commissions, and auxiliary costs and (ii) the date when none of the beneficiaries of the collateral has any obligation left to the obliges as per the <i>Finance Documents</i> in the sense of the Credit Agreement.	At the request of Santé S.A., the surety agent and the representative of the holders of mezzanine bonds will release the collateral on its expiry date.	13,416,373 ordinary shares	23,860
Santé Développement Europe S.A.S.	The lenders, the money of the loan, and the money of the sureties under the Credit Agreement All the holders of mezzanine bonds under the Subscription Agreement	26 October 2007	The earlier of the following two dates: (i) the date of the full, irrevocable, and unconditional repayment of any monies in principal, interest, late interest, expenses, commissions, and auxiliary costs and (ii) the date when none of the beneficiaries of the collateral has any obligation left to the obliges as per the <i>Finance Documents</i> in the sense of the Credit Agreement.	At the request of Santé Développement Europe S.A.S., the surety agent and the representative of the holders of mezzanine bonds will release the collateral on its expiry date.	33,139,188 ordinary shares	58,936

21.1.6 Options or conditional or unconditional agreements regarding the capital of all Group members

On the date of this document, there are no options or conditional or unconditional agreements on the capital of any of the members of the Group.

21.1.7 Change in the breakdown of the Company's share capital in the past three years

The distribution of the capital, for holdings exceeding 3% of the share capital, in the past three years, is roughly as follows:

Shareholders holding more than 3% of the capital stock	15-March-07			15-March-08			15-March-09		
	Number of shares	% capital	% voting rights*	Number of shares	% capital	% voting rights*	Number of shares	% capital	% voting rights*
Santé SA	13,416,373	24.51	24.52	13,416,373	24.51	24.51	13,416,373	23.85	23.88
Amber Capital LP	-	0.00	0.00	-	0.00	0.00	-		
Templeton Investment Council LLC	-	0.00	0.00	-	0.00	0.00	-		
Efibanca	-	0.00	0.00	-	0.00	0.00	-		
Capital Asset Management SGR SpA	1,920,400	3.51	3.51	-	0.00	0.00	-		
Julius Bar Investment Management	-	0.00	0.00	-	0.00	0.00	-		
Axa Rosenberg Investment	-	0.00	0.00	-	0.00	0.00	-		
Ixis Corporate & Investment Bank	-	0.00	0.00	-	0.00	0.00	-		
Santé Développement Europe	18,975,798	34.66	34.68	30,735,942	56.15	56.15	33,139,188	58.94	58.99
SCA Attia Villard Fribourg	-	0.00	0.00	5,511,732	10.07	10.07	5,650,555	10.05	10.06
Treasury stock	30,000	0.06		-			773,668	1.38	

* The difference between the percentage of capital and the percentage of voting rights is due to the presence of Company treasury shares that are not taken into account in the total number of voting rights.

21.1.8 Description of the share repurchase program in accordance with Articles 241-1 et seq. of the AMF's General Rules

In accordance with Article 241-2 of the AMF's General Rules, this section is a description of the programme that will be submitted to the General Meeting of 25 May 2009.

Per-objective breakdown of equity securities held by the Company

On the date this annual report is published, the Company holds 773,668 shares in order to allocate share purchase options and free shares to Company employees, in accordance with Article L. 225-208 of the Commercial Code.

Goals of the share repurchase plan

The share repurchase programme submitted to the General Meeting of 25 May 2009 has the following objectives:

- the management of the secondary market or share liquidity by an investment services provider within the framework of a liquidity contract in accordance with a code of ethics recognised by the Autorité des Marchés Financiers;
- the delivery of shares in the context of the exercising of rights attached to marketable securities giving access by all means, immediately or eventually, to the Company's share capital, through repayment, conversion, exchange, presentation of a warrant or otherwise, and the completion of all hedging transactions related to the issue of such marketable securities, under the conditions set forth by the market authorities and at the times determined by the Executive Board or the person acting on the Executive Board's behalf;

- the allocation of the shares bought back from the corporate officers or employees of the Company and/or the Group companies, under the conditions and in accordance with the provisions of law, in the context of a profit-sharing process, the share repurchase options scheme, or through a corporate savings plan or an inter-company savings plan, or through the allocation of free shares, and the completion of all hedging transactions relative to these transactions, under the conditions set forth by the market authorities and at the times determined by the Executive Board or the person acting on the Executive Board's behalf;
- the keeping of Company shares that were bought, within the limits set out by applicable laws and regulations, to deliver them eventually in exchange or as payment in the context of potential external growth, merger, spin-off, or contribution transactions; and
- the cancellation of all or part of the purchased shares, through the reduction of the Company's share capital, subject to the General Meeting of 25 May 2009 adopting the twenty-second resolution regarding the permission granted to the Executive Board to reduce the Company's capital through the cancellation of treasury shares.

Terms and Conditions

Maximum share of capital to be acquired and maximum amount of the funds intended for the transaction

The maximum number of shares that may be purchased as per the authorisation requested from the General Meeting of 25 May 2009, cannot exceed 10% of the total number of shares that make up the share capital, it being specified that this limit applies to an amount of the Company's share capital that will be, if applicable, adjusted to take into account the transactions affecting the share capital subsequent to such meeting. The acquisitions made by the Company may under no circumstances lead it to holding, directly or indirectly, more than 10% of the share capital.

The maximum price per share is €33.

As an indication, given the 56,229,854 shares that make up the share capital on the day this annual report is published, the repurchase could only concern 5,622,985 shares, which would represent a maximum theoretical investment of €185,558,505.

Repurchase terms and conditions

These purchase, disposal, exchange, and transfer transactions may be carried out by all means, including over the counter, through the acquisition or disposal of blocks of shares, or through financial instruments, in particular financial derivatives traded on a regulated market or over the counter, such as puts and calls or any combination of puts and calls, excluding the purchase of puts, or through warrants, under the conditions permitted by the relevant market authorities and at the time determined by the Executive Board or the person acting on its behalf. The maximum portion of Company capital acquired or transferred in the form of blocks of shares, may represent the entire programme.

These transactions may take place at any time, in accordance with applicable regulations, including during the period of a public offering initiated by the Company or targeting its shares, except, in the latter case, where such a public offering would consist, either partly or entirely, in the delivery of shares, subject to the legal and regulatory provisions applicable in such a case.

Repurchase programme duration and schedule

In line with article L. 225-209 of the Commercial Code and the 11th resolution that will be submitted to the approval of the General Meeting of 25 May 2009, the share repurchase programme can be implemented over a period of eighteen (18) months following the date of the meeting, thereby expiring on 25 November 2010.

Summarised statement of transactions conducted by the Company on its own shares as part of the previous programme

Company's statement at 30 April 2009

Percentage of capital held either directly or indirectly	1.375%
Number of shares cancelled in the past 24 months	-
Number of shares held	773,668
Portfolio net book value	9,999,979.73
Portfolio market value (1)	9,539,326.44

(1) Générale de Santé share price at the 21 April 2009 closing

In the context of the repurchase programme approved by the General Meeting of 26 May 2008 and up until 30 April 2009, the transactions carried out by the Company on its own shares were as follows:

	Aggregate gross flows		Positions open at 30 April 2009			
	Purchases	Sales/Transfers	Open buying positions		Open selling positions	
			Calls purchased	Futures purchases	Puts sold	Futures sales
Number of shares	773,668	—	—	—	—	—
Average maximum maturity	—	—	—	—	—	—
Average price of transaction (€)	12.93	—	—	—	—	—
Average exercise price	—	—	—	—	—	—
Value (€)	9,999,979.73	—	—	—	—	—

21.1.9 Status of the delegations of power and authorisations granted to the Executive Board in order to issue shares and other outstanding securities in the Company

Shares concerned	Source (Resolution number)	Maximum nominal amount or percentage of the share capital	Delegation period as of 27 June 2007
ISSUES WITH PRESERVATION OF THE PREFERRED SUBSCRIPTION RIGHT			
Issue of shares and/or marketable securities giving access to the capital of the Company and/or marketable securities entitling their holder to debt securities	15 ^e	€22,350,000 The nominal amount of marketable securities representing claims on the Company may not exceed €610,900,000.	26 months
Company capital increase through the incorporation of premiums, reserves, profits and other	18 ^e	€22,350,000 ⁽¹⁾	26 months
ISSUES WITH REMOVAL OF THE PREFERRED SUBSCRIPTION RIGHT			
Issue of shares and/or marketable securities giving access to the Company's capital and/or issue of marketable securities entitling their holder to debt securities	16 ^e	€22,350,000 ⁽¹⁾ The nominal amount of marketable securities representing claims on the Company may not exceed 610.900.000 € ⁽²⁾	26 months
Issue of shares or marketable securities giving access to the capital as remuneration for contributions in kind regarding equity shares or marketable securities giving access to the capital	17 ^e	10% of the share capital on the issue date ⁽¹⁾	26 months
ISSUE RESERVED TO EMPLOYEES OR PRACTITIONERS			
Issue of shares to the benefit of medical doctors and other practitioners exercising their medical and/or paramedical activities within facilities held by the Company and/or its subsidiaries	19 ^e	€1,210,000 ⁽¹⁾	18 months
Issue of shares or marketable securities giving access to the capital reserved for members of savings schemes	21 ^e	€410,528 ⁽¹⁾	26 months
Allocation of stock options to the benefit of staff members to be determined among the staff and, possibly, the corporate officers of the Company and its related companies or business combinations	22 ^e	5% of the share capital ⁽¹⁾	26 months
Free allocation of shares outstanding or to be issued to the benefit of the employees and corporate officers of the Group or some of them	23 ^e	3% of the share capital ⁽¹⁾	26 months
OVERALLOTMENT OPTION WITH OR WITHOUT A PREFERRED SUBSCRIPTION RIGHT			
Increase in the number of securities to be issued in case of a capital increase with or without pre-emptive right	20 ^e	15% of the initial issue ⁽¹⁾	26 months
CAPITAL REDUCTION THROUGH THE CANCELLATION OF SHARES			
Capital reduction through the cancellation of treasury shares	24 ^e	10% of the shares that make up the share capital	26 months

(1) The nominal amount of the capital increase completed as per the authorisation concerned is recognised against the total nominal amount of €22,350,000 set in the 13th resolution.

(2) The nominal amount of the capital increase completed as per the authorisation concerned is recognised against the total nominal amount of €22,350,000 set in the 13th resolution.

21.1.10 Elements likely to have an influence in case of an offering

As per the provisions of Article L225-100-3 of the Commercial Code, these elements are as follows:

- The structure of the capital as described in this document and the statutory clauses.
- The agreements between shareholders also mentioned in this document.
- The Executive Board's powers, particularly the issue or repurchase of shares.
- The agreements entered into by the Company and likely to be terminated in case of a change of control.
- The agreements providing for benefits to be paid to the managers if their contract is terminated as a result of a public offering.

21.2 STATUTORY PROVISIONS

21.2.1 Purpose

Article 2 of the Company's bylaws states that the Company's main objectives in France and/or in all other countries are the following:

- all commercial and financial transactions relating to health and, in particular, to the general protection of public health, and individual or family hygiene standards, social benefits for the sick, the disabled, the elderly and those in need, as well as social and medical activities relating to the control of disease and the protection of public health;
- all commercial and financial transactions relating to the management of all establishments, services, charitable works, charitable organizations, agencies or institutions, public or private, contributing services to any of the specified activities and, in particular, of those dispensing medical care, specifically nursing and retirement homes, hospitals and clinics, establishments specialized in medical and surgical procedures, rehabilitation care, as well as psychiatric and mental health institutions;
- the creation, acquisition, renting, leasing, installation and operation of all establishments or businesses regarding any of the specified activities;
- the leasing, acquisition, operation and/or transfer of processes, patents, trademarks or licenses concerning the specified activities;
- the direct or indirect participation, by any means, in all transactions, companies or private or public establishments able to aid in its activities;
- any transaction contributing, directly or indirectly, to implementing any of the activities specified above or aiding in the expansion of any such activities;
- the acquisition, possession, management or transfer of share interests by any means within the whole company or organization; and
- globally, all industrial, commercial, financial, civil and movable assets or real estate transactions linked directly or indirectly to one of the objectives mentioned above or to all similar or closely related objectives.

21.2.2 Provisions of the By-laws Regarding Management Bodies

21.2.2.1 Executive Board

(i) Statutory provisions (article 15)

Composition of the Executive Board

The Company is governed by an Executive Board that consists of between two and five members who carry out their functions under the supervision of the Supervisory Board.

Its members of the Executive Board are appointed for a period of three years by the Supervisory Board, They can be re-elected.

The appointment procedure sets out the method and amount of compensation received by each of the members of the Executive Board.

Executive Board members must be natural persons and must not be more than 65 years old. When an Executive Board member reaches this age limit, he or she is deemed to have resigned from his position.

The members of the Executive Board can be dismissed at any time by the ordinary general meeting or by the Supervisory Board.

In the event that a seat on the Executive Board becomes vacant, the Supervisory Board must fill such vacancy within two months.

The Supervisory Board designates one of the members of the Executive Board as Chairman.

Meetings – Executive Board deliberations

Executive Board members shall meet whenever the company's interests so require, upon the request of the Chairman or any other member, at the place indicated by the person drawing up the meeting notice; Meetings may be convened by any means, including verbally.

Executive Board meetings can be held using visio conference or telecommunication systems that transmit at least the voices of participants and meet the technical characteristics allowing for the ongoing, simultaneous retransmission of deliberations, so as to guarantee actual participation in the meetings.

An attendance record will be kept and signed by the members of the Executive Board who attend the meeting. The attendance record will include the names of the members deemed present by their participation via videoconference.

The Executive Board's deliberations shall only be valid if at least one half of its members are present or deemed present.

A member of the Executive Board may give written authorisation to another member to serve as his proxy at an Executive Board meeting. Each member present or deemed present shall only be permitted to bring a single proxy.

The Executive Board shall appoint a secretary, who need not be a member of the Executive Board.

The Executive Board Chairman or, in his absence, another member of the Executive Board designated by the other members, shall chair the Executive Board meetings.

Executive Board decisions are taken based on the majority of the votes of the members present, deemed present or represented by proxy. The vote of the meeting's chairman shall serve as the casting vote in the event of a tie.

Executive Board proceedings are officially recorded in the minutes kept in a special record filed at the Company's registered office. After each meeting, minutes are drafted and then signed by the session Chairman and at least one other member of the Executive Board. These minutes are to include the consequences, upon the proceedings of the Executive Board meeting resulting from any technical incidents with videoconferencing.

Board powers

The Executive Board has the broadest powers to deal with third parties in all circumstances in the Company's name, so long as the matter relates to the Company's stated corporate purpose and subject to those powers expressly attributed to the Supervisory Board and to the shareholders' meetings by law and by the Company's bylaws.

The Executive Board convenes the shareholders' meetings and, with the Supervisory Board, establishes their agendas. It also implements their decisions in accordance with applicable law.

Executive Board members may, with the Supervisory Board's authorisation, divide management tasks among themselves.

The Executive Board's Chairman represents the Company in its relations with third parties.

The Executive Board may not, without the prior permission of the Supervisory Board, under the conditions set out in article 16.3 and, when legally required, of the meeting of shareholders, carry out the following operations regarding the Company and/or the companies it controls in the sense of article L.233-3 of the Commercial Code:

- (i) Approval of, and changes to, the business plan;
- (ii) Approval of the annual budget;
- (iii) Changes to the annual budget;
- (iv) Completion, in one or several instalments, of any capital expenditure (in particular the acquisition of stakes, setting up of a business, purchase of assets or otherwise) not planned in the annual budget and for an amount in excess of €10 million;
- (v) Any sale, disposal, or transfer of assets not planned in the annual budget and for an amount in excess of €5 million over a given fiscal year;
- (vi) Granting of any surety, guarantee, or other third-party title on assets representing more than €5 million over a given fiscal year;
- (vii) Taking out of any debt or off-balance sheet commitment (including for guarantees) not planned in the annual budget and exceeding €5 million over a given fiscal year, and any related change (including any derogation of decision likely to represent a case of default with regard to the financing agreement);
- (viii) Approval of any capital expenditure, in one or several instalments, not planned in the annual budget for an amount exceeding €10 million over a given fiscal year;
- (ix) Preparation of the annual accounts;
- (x) Any capital increase or reduction, and any issue of marketable securities giving access to the capital;
- (xi) Approval of any operation resulting in the dilution of existing shareholders or having an impact on the substance of their share (in particular mergers, splits, contribution, issue of marketable securities giving access to the capital, stock options, standalone bonds, IPO, leveraged recapitalisation etc);
- (xii) Any amendment made to the Company's bylaws;
- (xiii) The approval of, or changes to, share repurchase programmes;
- (xiv) Any payment of dividends or other distribution (including the terms and conditions of such a distribution: distribution, capital reduction, partial contribution of assets etc);
- (xv) Strategic alliance involving the Company or its subsidiaries;
- (xvi) Appointment or dismissal of the auditors or the accounting firm, and any change to the accounting rules and methods;
- (xvii) Adoption of, or change to, any stock option or free share plan or any similar plan; and
- (xviii) Any action relative to the winding up or dissolution of the Company.

Unless it has first informed and consulted the Supervisory Board's Chairman, the Executive Board cannot:

- (i) appoint and/or determine the remuneration of the Company's top executives, the corporate officers and the top executives of the companies controlled by the Company in the sense of article L.233-3 of the Commercial Code or representatives of the Company of the companies it controls in the sense of article L.233-3 of the Commercial Code within the corporate bodies of all other companies;
- (ii) carry out, in accordance with the authorisation potentially granted by the Supervisory Board under article 16.5 below, an acquisition or disposal (total or partial) of buildings by nature, stakes, business goodwill or other assets, a direct or indirect investment (in particular regarding the premises rented by the Company or the companies it controls in the sense of article L.233-3 of the Commercial Code), a divestment, through a sale, a contribution or any other legal means (including property lease finance borrowing) for an amount exceeding that which may be determined by the Supervisory Board.

Reporting

At least once every quarter, and in any event, whenever the Supervisory Board so requests, the Executive Board shall present a report on the Company's performance to the Supervisory Board. Within three months of the closing of each fiscal year, it shall present to the latter, for verification and review, the management and consolidated accounts of the Company, as well as the management report that it will present to the Ordinary Shareholders' meeting called to rule on these accounts.

The Executive Board must pass on to the Supervisory Board the forecast management documents and the analysis report on these documents, referred to in articles L.232-2 and L.232-3 of the Commercial Codes, within eight days of their drawing up.

The Executive Board must also provide the Supervisory Board with the management accounts, the consolidated financial statements, and the interim management report, as well as any other document or information concerning the Company, which it is necessary for the Executive Board to prepare, or whose publication is necessary pursuant to applicable regulations, as soon as said documents or information have been prepared.

Each month, the Executive Board reports to the Supervisory Board's Chairman and Vice-Chairman on the implementation of the annual budget.

It must provide the Supervisory Board with all of the information and any other documents that it deems useful to its oversight of the Company.

The members of the Executive Board and any and all persons called to attend its meetings are bound by the strictest possible confidentiality with regard to the Executive Board's proceedings, as well as with regard to the information of a confidential nature or presented as such by the meeting chairman.

(ii) Executive Board's internal rules

On 17 May 2004, the Company's Executive Board adopted a code of procedures intended to codify its operating methods and its mission with respect to the Company's legal and regulatory provisions, as well as to the provisions of its by-laws.

These by-laws create certain obligations for Executive Board members to ensure that they are aware of the provisions that apply to them, in order to avoid conflicts of interest, to ensure that they devote the time and attention necessary to their functions and to ensure that they act loyally.

In addition, this code of procedures specifies the rules of conduct for the Executive Board (as to how meetings are called and the discussion format within meetings, for example) and states that the Board is required to meet at least once a month.

Lastly, it defines the Executive Board's responsibilities and states that its members may, with the Supervisory Board's permission, divide management tasks between members, insofar as this division of tasks does not contradict the principle of collegiality of the Executive Board.

21.2.2.2 *Supervisory Board*

(i) **Statutory provisions (article 16)**

Composition of the Supervisory Board

The Supervisory Board is comprised of a minimum of three and a maximum of eight members. Supervisory Board members are appointed by a vote at the ordinary shareholders' meeting, and may be dismissed at any time by the same method.

No member of the Supervisory Board may also be a member of the Executive Board. If a Supervisory Board member is appointed to the Executive Board, such member's term on the Supervisory Board shall end upon joining the Executive Board.

Supervisory Board members may be natural persons or legal entities and must own at least one share in the Company. All members that are legal entities are required to designate a permanent proxy, who is subject to the same conditions and obligations and the same responsibilities as Supervisory Board members in their own right.

Supervisory Board members are appointed for two to six year terms, expiring at the end of the ordinary shareholders' meeting called to approve the financial statements for the previous fiscal year and held in the year during which their term of office is set to expire. They can be re-elected.

No natural person who is 70 years of age or older may be appointed a member of the Supervisory Board if, with his or her appointment, the majority of the members of the Supervisory Board would be 70 years of age or older. If this situation arises, the oldest member of the Board is considered to have resigned from office.

If one or more Supervisory Board seats become vacant, the Supervisory Board may, between two general shareholders' meetings, make temporary appointments to fill those seats. If the number of Supervisory Board members falls to less than three, the Executive Board must immediately call an ordinary shareholders' meeting in order to fulfil the minimum membership requirements of the Supervisory Board. The appointments made by the Supervisory Board are subject to ratification at subsequent Ordinary General Shareholders' meeting.

The Supervisory Board elects a Chairman and a Vice-Chairman from among its members who are natural persons. If the Chairman is unavailable or unable to serve, his powers are transferred to the Vice-Chairman.

The Board determines, as it sees fit, the compensation of the Chairman and the Vice-Chairman.

Proceedings of the Supervisory Board

The Supervisory Board meets as often as the Company's interests require, and in any event at least once every other month. It also meets between the tenth and the third day preceding every shareholders' general meeting. It is convened by its Chairman, or, if he is unavailable, by its Vice-Chairman. At least one third of the members serving on the Supervisory Board or any member of the Executive Board, may, at any moment, issue a written request to the Chairman asking him to convene a Supervisory Board meeting within, at the latest, 15 days after he receives this request. If no action is taken in response to the request, its authors may convene a meeting themselves, indicating the meeting's agenda.

Notice may be issued by any means, including orally. Supervisory Board members must be kept informed at least three calendar days before the meeting date, except in the event of a duly substantiated emergency.

Supervisory Board meetings take place in the location specified in the meeting notice. Board meetings are held at any place designated in the notice. Board meetings can be held using visio conference or telecommunication systems that transmit at least the voices of participants and meet the technical characteristics allowing for the ongoing, simultaneous retransmission of deliberations, so as to guarantee actual participation in the meetings, in accordance with applicable legal and regulatory provisions.

An attendance record, which names the members deemed present, including those participating by videoconference or through telecommunication means, is to be kept and signed by Supervisory Board members taking part in the meeting.

The Supervisory Board is only deemed effectively to have met if at least half of its members are present or deemed present.

A member of the Board may give written authorization to another member to serve as his proxy at a Board meeting. Each member present or deemed present shall only be permitted to bring a single proxy. The proxy must be signed by the person issuing it.

The Board designates a secretary who may be selected from non-members.

Supervisory Board meetings are chaired by the Chairman or, if unavailable, the Vice-Chairman, or any other member of the Board designated by the other members.

The decisions are taken by a majority vote of members present, deemed present or represented. The Vote of the Chairman or the Vice-Chairman is never a deciding vote in case of equality of votes.

By derogation to the above paragraph, the Supervisory Board's following decisions are made by a majority of two thirds of all Supervisory Board members:

- (i) appointment, setting of the remuneration, and dismissal of Executive Board members; however, the members of the Executive Board may be dismissed by the simple majority of votes of the Supervisory Board members present, deemed present, or represented in the cases specified in the Internal Rules;
- (ii) appointment of the Executive Board Chairman;
- (iii) authorisations set out in article 15.4; it being specified that the authorisations referred to in article 15.4 (ii) and (ix) will be given by the majority of votes of the Supervisory Board members present, deemed present or represented if the aforementioned majority of two thirds has not been obtained after two consecutive meetings of the Supervisory Board.

After each meeting, minutes are drafted and then signed by the session Chairman and at least one other member of the Board. These minutes include the disclosures required by applicable regulations, and must include an indication of the consequences on the Supervisory Board's discussions of any technical incident resulting from the videoconference or the telecommunication.

Responsibilities of the Supervisory Board

The Supervisory Board monitors the quality of the Company's management by the Executive Board on an ongoing basis, subject to the conditions set out by law.

Throughout the year, it verifies matters it deems relevant and may request any document considered useful in order to carry out its responsibility.

At least once each quarter and whenever it so requests, the Supervisory Board receives a report from the Executive Board on corporate activity.

It may hear the members of the Executive Board, who can be called upon to attend Supervisory Board meetings.

It checks and audits the corporate accounts and consolidated financial statements prepared and presented by the Executive Board within three months after the end of the fiscal year, accompanied by a written report on the state of Company and its activity during the fiscal year under review.

It presents its comments in a report on the Executive Board's report, together with the financial statements for the previous fiscal year, at the General Shareholders' Meeting called to approve the corporate accounts. The Chairman of the Supervisory Board appends to this report another report detailing the manner in which the report was prepared, and setting out the organisational aspects of the Supervisory Board's work, together with the internal control procedures implemented by the Company.

It authorises the operations referred to in article 15.4 above, as well as the agreements referred to in article 18 below.

The Board (or, if applicable, its Chairman) is informed by the Executive board under the conditions defined in article 15.6 above.

The Chairman of the Supervisory Board is also kept informed and consulted by the Executive Board in the manner discussed above.

The Supervisory Board may, within certain global limits, and within the individual maximum amounts it establishes for each transaction or commitment category, authorize the Executive Board:

- (i) to carry out, during pre-determined periods, total or partial purchases or sales of real estate, investments or businesses, by means of a sale, contribution or any other legal means (including real-estate finance leases);
- (ii) to proceed, during a given budget period, to direct or indirect capital expenditure operations (in particular regarding the premises rented by the Company or the companies it controls in the sense of article L.233-3 of the Commercial Code), a divestment, acquisition or disposal of asset other than those referred to in (i) above, through a sale, a contribution or any other legal means, that would not be planned in the annual budget or would be budgeted for different amounts.
- (iii) to take commitments in the form of guarantees, for a period of no more than one year;
- (iv) to make guarantees using company assets for pre-determined periods; or
- (v) to incur loans or any other type of financial debt, for pre-determined periods.

The Supervisory Board must authorise any expenditures that exceed the total or individual maximum amounts thus established.

The Supervisory Board may, after having been informed by the Executive Board, call a general shareholders' meetings and establish the agenda for such meetings.

The Supervisory Board may decide to create one or more committees responsible for dealing with issues that it or its Chairman submits to them for review.

The shareholders at a shareholders meeting may allocate an annual fixed sum as compensation to the members of the Supervisory Board in the form of directors' fees (jetons de présence).

The Supervisory Board may also distribute exceptional compensation for certain projects (mandats confiés) delegated to its members, in particular for the participation of its members in the committees formed by the Supervisory Board.

Supervisory Board members, as well as any person called to participate in the meetings of the Supervisory Board, are required to maintain the proceedings of the Supervisory Board, as well as any information of a confidential nature or presented as such by the Chairman of the meeting, strictly confidential.

(ii) Code of Procedures for the Supervisory Board

On 17 May 2004, the Company's Supervisory Board adopted a code of procedures intended to codify its operating methods and its mission with respect to the Company's legal and regulatory provisions, as well as to the provisions of its by-laws.

This Code of Procedures outlines the obligations of the Supervisory Board members to ensure that members are aware of the provisions that apply to them, in particular those that apply to transactions involving the Company's securities, to avoid conflicts of interest, to ensure that they devote the time and attention necessary and that they act fairly. Finally, the Code renders Supervisory Board members responsible for maintaining confidentiality and stresses that each Supervisory Board member must conform to the rules laid out by the Company concerning transactions involving the Company's securities.

In addition, it specifies the rules governing the composition and functioning (rules for convening and deliberation) of the Supervisory Board. It states that every year, if necessary, before the publication of the annual report, the Supervisory Board will evaluate the independence of each of its members relative to the criteria of the Bouton report for the improvement of corporate governance for French companies and whose conclusions were made public on 23 September 2002) The conclusions of this examination must be brought to the attention of the shareholders in the annual report and to the attention of the shareholders' meeting at the time of the election of the members of the Supervisory Board.

The code of procedures also regulates the distribution of information necessary to ensure the smooth functioning of the Supervisory Board.

The code of procedures stresses, in addition, that the Supervisory Board shall maintain permanent control of the Company's management by the Board of Directors and establishes the limits of the Board of Directors' powers.

The code of procedures also specifies that the Supervisory Board should conduct evaluations of its operations in order to (i) evaluate the preparation and organization of its work and, more generally, its operation methods and (ii) verify that significant issues (in particular, concerning prior authorization under the conditions specified in the bylaws and the code of procedures) are appropriately prepared and discussed by the Supervisory Board. To this end, once a year, the Supervisory Board is to include these evaluations in its agenda and organize a debate on its operations in order to evaluate and improve its effectiveness. In addition, a formal evaluation of the Supervisory Board is to be conducted every three years, possibly under the direction of an independent member of the Supervisory Board, as the case may be, with the assistance of an independent consultant who would verify that the Supervisory Board respects its operational principles as established in its code of procedures, as well as suggesting various means of improving its operation and effectiveness. The code of procedures states that the annual report shall inform shareholders of any internal evaluations and, as the case may be, of any follow-up. The Chairman of the Supervisory Board must also draft a report summarising the preparation and organisation of the Supervisory Board's work, as well as the internal control procedures implemented by the Company.

The code of procedures also specifies that the Supervisory Board may decide, either internally or with the participation of non-members of the Supervisory Board, to set up consultative committees, permanent or temporary, to facilitate the smooth operations of the Supervisory Board, and which committees will contribute to the preparation of the Supervisory Board's decisions.

Finally, the code of procedures specifies that the rules relating to compensation of the Supervisory Board members who receive remuneration for their activities in the form of directors' fees (jetons de présence), an annual fixed sum determined by the annual ordinary shareholders' meeting; The Board of Directors presents a draft resolution at this meeting relating to the determination of the amount of remuneration, on the suggestion of the Appointments and Remunerations Committee and on the authorisation of the Supervisory Board. The Supervisory Board decides, after consultation with the Appointments and Remunerations Committee, how to allocate to its members the sum decided upon in the shareholders' meeting. The Supervisory Board may also allocate to its members, after consultation with the Appointments and Remunerations Committee, exceptional, additional remuneration for projects or positions that are assigned to them, in particular for serving on committees. Finally, the Supervisory Board may, after consultation with the Appointments and Remunerations Committee, decide on a separate remuneration plan for its Chairman and Vice-Chairman.

21.2.2.3 *Censors*

Upon the Chairman's proposal, the Supervisory Board may appoint one or several censors chosen from among the shareholders or not, in charge of ensuring the enforcement of the bylaws and to submit, if applicable, comments to the meeting of shareholders.

Their mandates may last between two and six years. The censors can be re-elected indefinitely. They can be dismissed at any time by decision of the Supervisory Board.

The censors may receive remuneration that is set by the Supervisory Board.

The censors have access to the same information as the members of the Supervisory Board. The agreements they enter into with the Company are subjected to the same rules that apply to those agreements entered into with members of the Executive Board or of the Supervisory Board.

The censors are convened to the sessions of the Supervisory Board and take part in the deliberations with consultative votes; nevertheless, their absence may not undermine the value of the deliberations.

21.2.3 **Statutory Provisions Applicable to the Company's Shares**

Dividend Rights

Each share gives the right to the Company's capital it represents regarding minority interests and corporate assets.

Dividend rights are allocated to those who are shareholders registered on the day of issuance (mise en paiement). If the shares are subject to a split between the usufruct and the title to the shares, the dividends are attributed to the party holding the usufruct rights.

Dividends escheat to the state if they are unclaimed after a period of 5 years, starting from the day of their issuance (leur mise en paiement).

Voting rights

Each share grants the right to one vote at the shareholders' general meeting.

However, under the provisions of Article 14.2 of the Company's bylaws, as modified during the extraordinary general meeting on 19 March 2004, a double voting right is attributed to every fully paid registered share which is held and registered by a given shareholder for a period of at least five years from the date of the general meeting on 19 March 2004.

In accordance with the provisions of the French Commercial Code, in case of capital increase by incorporation of reserves, profits, or additional paid-in capital, the double voting right may be awarded, upon their issue, to registered shares awarded free of charge to a shareholder for those former shares for which he benefits from that right.

The double voting right ceases automatically under the conditions stipulated by the French Commercial Code, in the event that shares are converted to bearer shares (actions au porteur) or in the event of their transfer, apart from all nominative transfers (au nominative) by way of inheritance or family donation.

Finally, the double voting rights can be withdrawn by the Company's Extraordinary Shareholders' Meeting and following special ratification by the beneficiary shareholders.

Rights to a Share of Income

The income statement, which sets out the revenues and expenses from the fiscal year, shows the change, after deductions for depreciation and provisions, in income or loss during the fiscal year. On the basis of the income for the fiscal year, reduced, if applicable, by past losses, a minimum of five percent (5%) is deducted as a legally mandated reserves. This drawdown ceases to be obligatory when the legal reserve amounts equal one tenth of the capital stock.

Distributable profit is calculated by adding the income for the fiscal year, after reduction for past losses and amounts placed in reserve, as mandated by law or the bylaws, and increased for amounts carried forward.

All amounts which the shareholders at the shareholders' meeting choose to carry over to the following fiscal year, placed in an extraordinary reserve or contingency fund or otherwise, whether a special or legal reserve, are deducted from income.

The balance is distributed among all shareholders pro rata to their rights in the Company's share capital.

Any loss during the fiscal year is placed in reserve in order to be set off against income received in future years, until it has been fully offset.

The procedures for payment of dividends are determined by the meeting of shareholders or, if not, by the Management Board, subject to the terms indicated above.

In all cases, the payment of dividends in cash must take place no later than nine months after the end of the fiscal year, unless a legal ruling extends this period.

When a certified balance sheet, prepared by one or several auditors during or at the end of the fiscal year, shows that the Company has recorded a profit, after the deduction of any previous losses and cash put into reserves as mandated by applicable laws and bylaws, and after the deduction of amortization and provisions, then the Company may distribute interim dividends before the accounts for the fiscal year are certified. Interim dividend payments cannot exceed the amount of profit thus defined.

The meeting of shareholders can elect to grant each shareholder, for all or part of the distributed dividends or interim dividends, an option of receiving payment for the dividends or interim dividends either in cash or shares. Payment will be deferred until the identification has been made. They can also, within the limits defined by law, distribute Company assets as dividends.

Where the Company has sent a shareholder a request for identification under the terms set forth in articles L. 228-2 to L. 228-3-1 of the French Commercial Code and such shareholder does not transmit the information required within the legal timeframe or transmits incomplete or erroneous information, the dividend payment will be deferred until the identification has been made.

Rights to Liquidated Dividends

The division of liquidated dividends among shareholders is calculated pro rata to their shareholdings.

The repurchase conditions

As per the provisions of Articles L.225-209 to L. 225-212 of the French Commercial Code and EC Regulation No. 2273 /2003 dated 22 December 2003, the Shareholders' General Meeting of 26 May 2008 authorised the Executive Board to effect transactions in the shares of the Company, up to a maximum amount equal to 10% of the company's total share capital (including shares already held under previous repurchase programmes, which are to be taken into account to determine the number of shares held by the Company),

- to stimulate the market or liquidity for Générale de Santé shares through an investment services provider by means of a liquidity contract pursuant to the terms of the compliance code accepted by the Autorité des marchés financiers; and
- to purchase shares to hold them and eventually trade them or use them as payment for potential external growth operations.

The shareholders' general meeting decided that the repurchase of the shares and the disposal or transfer of the shares repurchased, could be done in one or more instalments using any means permitted by the market authorities, including block purchases, on the stock market or over-the-counter.

The maximum purchase price is set to €33.

The authorisation given on 26 May 2008, that takes the place of the one granted by the ordinary annual meeting held 27 May 2007, has been given for a period that will expire at the end of the annual ordinary general meeting ruling in 2009 on the financial statements for the year ended 31 December 2008.

21.2.4 Changes in Share Capital and Rights Attached to Shares

All increases or decreases in share capital or of the rights attached to such shares are subject to official regulations; bylaws do not include any exceptional regulations.

21.2.5 General meetings

21.2.5.1 *Calling to shareholders' meetings*

The ordinary and extraordinary shareholders' meetings, and, as the case may be, the special shareholders' meetings, are convened, meet and deliberate under the conditions established by law. Shareholders' Meetings are convened at the registered office or at another place if such other place indicated in the meeting notice.

21.2.5.2 Participation in meetings

Any shareholder, regardless of the number of shares that he or she holds, is entitled to participate in the shareholders' meetings, provided that he or she presents proof of identity, specifically (i) owners of registered shares must prove that the shares are registered in the Company's records, and (ii) holders of bearer shares must furnish proof of the filing (at the places mentioned in the meeting notice) of a certificate issued by an authorized intermediary officially noting the fact that the shares in question are unavailable and are posted to the account until the shareholders' meeting date.

These steps must be carried out at least five days prior to the shareholders' meeting date.

A shareholder who fails personally to attend the shareholders' meeting may appoint another shareholder or a proxy, or may send a proxy to the Company, without mentioning the authorization, in accordance with the conditions stipulated by laws and regulations. Alternatively, he may ask the Company in writing to send him, if applicable, electronically, in accordance with the conditions defined by regulations in effect, an absentee ballot to be submitted by mail. This request must be filed or received at the registered office at least six days prior to the date of the shareholders' meeting.

If a proxy is sent to the Company and does not identify the representative, the shareholders' meeting will approve the adoption of the draft resolutions presented or approved by the Management Board and will reject the adoption of all other draft resolutions. To issue any other vote, the shareholder must choose a representative who agrees to vote in the manner it specifies.

Any absentee ballot that reaches the Company later than three days prior to the date of the shareholders' meeting will not be counted. However, absentee ballots submitted electronically will be counted so long as they are received by the Company up to the day before the shareholders' meeting, by 3 p.m. Paris time at the latest.

At the time of the shareholders' meeting, the shareholder's personal attendance will cancel any proxy or absentee ballot.

21.2.5.3 *Voting right*

See paragraph 21.2.3 above.

21.2.6 **Identification of share bearers**

To allow identification of the holders of securities, the Company is entitled, at any time and at the Company's expense, to ask the securities clearing institution to disclose the name or company name, nationality, year of birth or establishment, and the address of the holders of securities that confer immediately or in the future the right to vote at its shareholders' meetings, as well as information on the number of securities held by each holder and any restrictions on the securities, pursuant to articles L. 228-2 to L. 228-3-2 of the Commercial Code.

In the event of failure to respond within the time period required under applicable laws and regulations or where information provided is incomplete or inaccurate, the Company may directly request those persons appearing on the list and who, in the Company's opinion, may be registered on behalf of third parties, to provide the information set out in the foregoing paragraph on the owners of the securities. If said persons are intermediaries, they shall be required to reveal the identity of the owners of the securities. The information shall be provided directly to the authorized financial intermediary holding the account, which shall be responsible for forwarding it to the Company.

In the case of registered securities granting immediate or future access to the company's capital, the registered intermediary under article L. 228-1 of the French Commercial Code is obliged, within the regulatory time period, to disclose the identity of the owners of the securities upon the request of the Company, which can be made at any time.

Upon completion of transactions under articles L. 228-1 to L. 228-3 of the French Commercial Code, and without prejudice to the provisions of articles L. 233-7, L. 233-12 and L. 233-13 of the French Commercial Code, the Company may require any legal entity that owns company stock representing more than one-fortieth of equity or voting rights, to reveal the identity of persons who directly or indirectly hold more than one-third of that legal entity's capital or of the voting rights exercised at that legal entity's Shareholders' Meetings.

Failure by owners of the securities or the intermediaries to meet their legal obligation to disclose the above information may lead to the suspension or denial of voting rights and the right to pay the dividend attached to the shares.

21.2.7 Shareholder Threshold Notification

In addition to the shareholding thresholds stipulated by applicable laws and regulations and Article 12 of the Company bylaws, any natural or legal person who or which, acting alone or in concert, comes to hold a number of shares representing over one per cent (1%) of the Company's share capital or voting rights, must inform the Company of the total number of shares held in a registered letter with acknowledgement of receipt sent to the Company's registered office addressed to the Chairman of the Board of Directors, within the five days after their shareholding threshold is exceeded. This letter must certify that these shares are not held on the behalf of or controlled by any other natural person or legal entity.

This notification obligation also applies, subject to the same requirements, to any legal entity or natural person who, acting alone or in concert, already holds a number of shares representing over 3% of the Company's share capital or voting rights, whenever this person comes to hold, acting alone or in concert, an additional number of shares representing 1% of the Company's share capital or voting rights, until said person comes to hold, acting alone or in concert, a total number of shares representing over two-thirds of the Company's capital or voting rights.

This notification obligation shall also apply, subject to the same time limits and terms, each time the portion of the share capital or voting rights owned falls below one of the these thresholds.

At the request of one or more shareholders holding at least 3% of the Company's capital or voting rights, recorded in the minutes of a shareholders' meeting, failure to comply with the above threshold notification obligation shall be sanctioned by the suspension of the voting rights pertaining to the shares in excess of the threshold percentage that required notification, at all shareholders' meetings until a period of two years has elapsed following the satisfaction of the notification obligation.

21.2.8 Increases or Decreases of Share Capital

Share capital may be increased or decreased using any means or method allowed by law.

CHAPTER 22

MAJOR AGREEMENTS

On the date this document is published, no agreement (other than those entered into as part of ordinary business) entered into by any member of the Group and containing a major obligation or commitment for the Group as a whole, has been entered into, except for the financing agreements regarding the senior debt subject to the descriptions included in this document (see Chapter 4 - paragraph "Risks related to the securing of financing).

CHAPTER 23

INFORMATION FROM THIRD PARTIES, ADJUSTERS' STATEMENTS AND STATEMENTS OF
INTEREST

Not applicable.

CHAPTER 24

DOCUMENTS ACCESSIBLE TO THE PUBLIC

The Company's press releases, annual reports containing historic financial information about the Company filed with the AMF and their updates, are accessible on the Company's website at the following address: <http://www.generale-de-sante.fr>, and a copy may be obtained from the Company's head office, 96, avenue d'Éléna – 75016 Paris.

The Company's bylaws and the minutes of general meetings, reports by auditors and all other corporate documents, can be consulted at the Company's head office.

Investor relations

Emmanuel de Geuser

Investor relations

Telephone: +33 1 53 23 14 14

Address: 96, avenue d'Éléna – 75116 Paris (head office)

CHAPTER 25

INFORMATION ON HOLDINGS

Information about companies where the Company holds a portion of the capital likely to have a significant incidence on the assessment of its assets, its financial situation, or its earnings, is available in Chapter 7 and paragraph 20.1.3.

CHAPTER 26

CONCORDANCE TABLE

Information required by the annual financial report	Annual Report	
	Chapter(s)	Page(s)
Company's annual financial statements (summarised)	20.1.3	236-239
Group's consolidated financial statements	20.1.2	180-235
Management report:		
- Analysis of changes in the Company's business, earnings, and financial standing	20.1.3.2	239-241
- Description of major risks	4.1	12-18
- Indications regarding financial instruments	20.12.2	222-227
- List of the valid delegations granted by the general meeting of shareholders to the Executive Board	21.1.9	252
- List of elements likely to have an influence in case of public offering	21.1.10	253
Statement by the person in charge of the annual financial report	1.2	7
Auditors' report on the Company's annual financial statements	20.1.4.1	242
Auditors' report on the Group's consolidated financial statements	20.1.4.2	243
Auditors' fees	20.1.2.2	231
Report by the Chairman of the Supervisory Board regarding the conditions for the preparation and the organisation of the Supervisory Board's work and the internal control processes set up by the Company in accordance with Article L.225-68 of the Commercial Code	16.4.1	138-150
Auditors' report drawn up in accordance with Article L.225-235 of the Commercial Code, regarding the report by the Chairman of the Supervisory Board of Générale de Santé	16.4.2	151

**ADDENDUM : PARENT COMPANY'S ACCOUNTS AND APPENDICES
(GENERALE DE SANTE SA)**

GENERALE
DE SANTE

GENERALE DE SANTE
Financial statements at 31 December 2008 (EURO - Europe)
Page I

BALANCE SHEET - ASSETS

<i>Sections</i>	<i>Gross amount</i>	<i>Depreciation</i>	<i>31/12/2008</i>	<i>31/12/2007</i>
Uncalled-up capital				
<i>INTANGIBLE FIXED ASSETS</i>				
Setup costs				
R&D costs				
Concessions, patents and similar copyrights	907		907	907
Goodwill				
Other intangible fixed assets				
Advances and instalments on intangible fixed assets				
<i>TANGIBLE FIXED ASSETS</i>				
Land				
Buildings				
Technical facilities, equipment and tools				
Other tangible fixed assets				
Current assets				
Advance payments and instalments				
<i>FINANCIAL ASSETS</i>				
Equity holdings by the equity method				
Other equity holdings	103		103	103
Receivables related to equity holdings				
Other long-term investments				
Borrowings				
Other financial assets				
FIXED ASSETS	1,010		1,010	1,010
<i>INVENTORY AND WORK IN PROGRESS</i>				
Raw materials, procurement				
Work in progress				
Services in progress				
Work in progress and semi-finished products				
Goods				
Advances and instalments paid on orders				
<i>RECEIVABLES</i>				
Debtors and apportioned accounts				
Other debtors	319,404,984		319,404,984	264,405,653
Unpaid called capital				
<i>MISCELLANEOUS</i>				
Marketable securities (of which treasury shares:)	645,797		645,797	
Bank and cash	1,898		1,898	8,743
<i>EQUALISATION ACCOUNT</i>				
Deferred charges	22,060		22,060	57,602
CURRENT ASSETS	320,074,739		320,074,739	264,471,998
Deferred loan issue costs				
Bond repayment premiums				
Translation differential assets				
GRAND TOTAL	320,075,749		320,075,749	264,473,009

BALANCE SHEET - LIABILITIES

<i>Sections</i>	<i>31/12/2008</i>	<i>31/12/2007</i>
Share or individual capital (of which, paid:	42,172,391	41,052,813
Issue, merger, and contribution premiums	57,465,027	46,775,791
Revaluation differences (of which equivalence difference:		
Legal reserve	4,105,281	4,024,786
Statutory or contractual reserves		
Regulated reserves (of which res. prov. for price fluctuations)	7,255	7,255
Other reserves (of which purchase of original artistic works)	12,257,624	12,257,624
Retained earnings	120,673,756	85,796,969
EARNINGS FOR THE PERIOD (profit or loss)	47,146,459	62,325,824
Investment subsidies		
Regulated provisions		
SHAREHOLDERS' EQUITY	283,827,792	252,241,062
Proceeds from the issue of equity securities		
Conditional advances		
OTHER EQUITY		
Provisions for risks	1,780,000	1,600,000
Provisions for charges	243,077	235,000
PROVISIONS	2,023,077	1,835,000
FINANCIAL DEBT		
Convertible bond issues		
Other bond issues		
Loans and debts from credit organisations	53,599	65,291
Miscellaneous loans and debts (of which part. loans)		
Advance payments and instalments received on orders in progress		
OPERATING DEBT		
Trade payables	363,685	381,359
Income tax and social security liabilities	33,614,898	9,804,064
MISCELLANEOUS DEBTS		
Debts on assets and apportioned accounts		
Other liabilities	192,697	146,233
EQUALISATION ACCOUNT		
Deferred revenues		
CREDITORS	34,224,880	10,396,947
Translation differential liabilities		
GRAND TOTAL	320,075,749	264,473,009

Earnings for the period in centimes

47,146,458.65

Total balance sheet in centimes

320,075,749.27

INCOME STATEMENT (in list)

<i>Sections</i>	<i>France</i>	<i>Exports</i>	<i>31/12/2003</i>	<i>31/12/2007</i>
Goods sold Sales of finished goods Services sold				
NET TURNOVER				
Inventoried production Capitalised production Operating subsidies Reversals of impairments and provisions and transfer of charges Other income			18,904 37,684	250,828 13,493
OPERATING INCOME			56,588	264,321
Purchases of goods (incl customs) Change in inventories (goods) Purchases of raw materials and other purchases (incl. customs) Change in inventories (raw materials and procurement) Other purchases and external charges Taxes and sundry payments Salaries Statutory charges <i>OPERATING ALLOWANCE</i> On fixed assets: depreciation allowance On fixed assets: impairment allowance On current assets: impairment allowance Provision allowance Other expenses			5,721,674 227,473 1,476,782 377,823 1,645,000 311,967	10,070,356 398,240 2,631,362 677,626 466,778
OPERATING EXPENSES			9,760,718	14,244,362
OPERATING EARNINGS			(9,704,130)	(13,980,041)
<i>OPERATIONS IN COMMON</i> Appropriated profit or transferred loss Incurred loss or transferred profit <i>FINANCIAL EARNINGS</i> Financial earnings from equity interests Proceeds from other securities and receivables on fixed assets Other interest and similar income Reversals of provisions and transfer of charges Positive exchange differences Net earnings on transfer of shares			30 15,483,464 4,562	33,025,265 1,891
FINANCIAL EARNINGS			15,483,056	33,027,156
Financial depreciation, impairment, and provision allowances Interest and similar expenses Negative exchange rate differences Net expenses on disposals of marketable securities			827	262
FINANCING COSTS			827	262
FINANCIAL EARNINGS			15,487,230	33,026,894
CURRENT PRETAX EARNINGS			5,783,100	19,046,853

INCOME STATEMENT (continued)

<i>Sections</i>	<i>31/12/2008</i>	<i>31/12/2007</i>
Extraordinary income from management transactions		89,399
Extraordinary income from capital transactions		
Reversals of impairments and provisions and transfer of charges	1,465,000	193,036
EXCEPTIONAL INCOME	1,465,000	282,435
Exceptional charges on management transactions	12,271	
Exceptional charges on capital transactions		
Extraordinary provisions for depreciation and provisions	8,077	
EXCEPTIONAL CHARGES	20,348	
EXTRAORDINARY EARNINGS	1,444,652	282,435
Profit-sharing		
Corporate income tax	(39,918,707)	(42,996,536)
TOTAL EARNINGS	17,009,644	33,573,912
TOTAL CHARGES	(30,136,814)	(28,751,913)
PROFIT OR LOSS	47,146,459	62,325,324

-5- Designation: GENERALE DE SANTE		FIXED ASSETS		Period ended 2054 31/12/2008	
BOX A • FIXED ASSETS		Gross value of fixed assets at year start		Increases	
				through revaluations during the period	acquisitions, creations contributions, transfers
Setup and development costs	TOTAL I	CZ		D8	D9
Other intangible fixed assets items	TOTAL II	KD	907	KE	KF
Land		KG		KH	KI
	Of which components				
	L9	KJ		KK	KL
Buildings - on own land	M1	KM		KN	KO
- on third-party land	M2	KP		KQ	KR
technical installations, equipment, industrial	M3	KS		KT	KU
		KV		KW	KX
Other fixed - general installations, fittings & fixtures		KY		KZ	LA
assets - transportation equipment		LB		LC	LD
- office and IT equipment, furniture		LE		LF	LG
- recyclable conditionings and other		LH		LI	LJ
Tangible assets in progress		LK		LL	LM
Advance payments and instalments					
	TOTAL III	LN		LO	LP
Equity holdings assessed using the equity method		8G		8M	8T
Other equity holdings		8U	103	8V	8W
Other long-term investments		1P		1R	1S
Borrowings other financial assets		IT		1U	1V
	TOTAL IV	LQ	103	LR	LS
	GRAND TOTAL (I + II + III+ IV)	OG	1,010	OH	OJ

BOX B FIXED ASSETS		Disposals		Gross value of fixed assets at year-end	Legal revaluation Initial value Fixed assets at year-end
		by transfer from item to item	through disposal, equity method		
Setup and development costs.	Tot. I	IN	CO	D0	D7
Other intangible fixed assets items	Tot II	IO	LV	LW	IX
Land		IP	LX	LY	LZ
- on own land		IQ	MA	MB	MC
Buildings - on third-party land		IR	MD	ME	MF
general inst. fittings		IS	MG	MH	MI
Technical installations, equipment and tools		IT	MJ	MK	ML
- general inst. fittings		IU	MM	MN	MC
Other - transport equipment		IV	MP	MO	MR
tangible fixed assets - office & IT		IW	MS	MT	MU
equipment furniture		IX	MV	MW	MX
- recyclable conditionings		MY	MZ	NA	NB
Current tangible fixed assets		NC	NA	NP	NF
	TOTAL III	IY	NG	NH	NI
Equity holdings by the equity method		IZ	OR		OW
Other equity holdings					OZ
Other long-term investments					2D
Borrowings and other debts					2G
	TOTAL IV	I3	NI	NK	2H
	GRAND TOTAL (I + II + III + IV)	I4	OK	OL	OM

BOX A	SITUATION AND CHANGES IN TECHNICAL DEPRECIATION FOR THE PERIOD				
	Amortisable fixed assets	Depreciation at year start	Acquisitions Allowance	Disposals Reversals	Financial depreciation
Setup & dev. costs I Other intangible fixed assets II Land - on own land Buildings - on third-party land - general installations Tech. inst. equ., tools - fixtures & fittings Other. fixed assets - transport equipment fixed assets - office equipment, - recyclable cond.					I I
TOTAL III					
TOTAL (I to III)					

BOX B	BREAKDOWN OF MOVEMENTS AFFECTING THE PROVISION FOR EXCESS TAX DEPRECIATION						
	Amortisable fixed assets	Term and other differences	Allowance		Reversals		Net movement Depreciation at year-end
Degressive mode			Extr. taxable depreciations	Term and other differences	Degressive mode	Term and other differences	
Setup costs I Other intang. fixed Land Buildings - own land - third-party land - general inst. Techn. inst. Other tang. fixed - fittings & fixtures - transport equipment - office equipment - recyclable cond.							
TOTAL III							
Acquis. of securities TOTAL IV							
TOTAL (I to IV)	NP	NQ	NR	NS	NT	NU	NV
TOTAL not broken		NW = (NP+ NQ + NR)		NY = (NS+ NT + NU)			NZ=(NW – NY)

BOX C	MOVEMENTS FOR PERIOD AFFECTING DEFERRED CHARGES			
Deferred charges	Net amount year start	Acquisitions	Allowance	Net amount year end
Deferred borrowing issue costs Bond repayment premiums				

PROVISIONS

Designation: GENERALE DE SANTE

Period ended: 31/12/2008

Nature of the provisions	At year start	ACQUISITIONS Allowance	DISPOSALS Reversals	At year end
Prov. mine, oil deposits	3T	TA	TB	TC
Investment prov.	3U	TD	TE	TF
Price rise prov.	3V	TG	TH	TI
Accelerated depreciation	3X	TM	TN	OR
Of which except. increases 30%	D3	D4	D5	D6
Foreign sites before 01/01/92	IA	IB	IC	ID
Foreign sites after 01/01/92	IE	IF	IG	IH
Prov. for installation loans	IJ	IK	IL	IM
Other regulated provisions	3Y	TP	TQ	TR
TOTAL I	3Z	TS	TT	TU
Prov. for disputes	4A	4B	4C	4D
Prov. for cust. guarantees	4E	4F	4G	4H
Prov. losses on futures markets	4J	4K	4L	4M
Prov. for fines and penalties	4N	4P	4R	4S
Prov. for forex losses	4T	4U	4V	4W
Prov. pensions and similar commitments	4X	4Y	4Z	5A
Prov. for taxes	5B	5C	5D	5E
Prov. for fixed assets renewals	5F	5H	5J	5K
Prov. for maintenance	EO	EP	EQ	ER
Prov. for paid vacation expenses	5R	5S	5T	5U
Other provisions for risks and charges	5V	5W	5X	5Y
	1,835,000		1,653,077	1,465,000
TOTAL II	5Z	TV	TW	TX
	1,835,000	1,653,077	1,465,000	2,023,077
Prov. for intangible fixed assets	6A	6B	6C	6D
Prov. for tangible fixed assets	6E	6F	6G	6H
Prov. for shares in companies consolidated by the equity method	02	03	04	05
Prov. for equity securities	9U	9V	9W	9X
Prov. other financial assets	06	07	06	09
Prov. inventories and work in progress	6N	6P	6R	6S
Prov. receivables	6T	6U	6V	6W
Other impairment provisions	6X	6Y	6Z	7A
TOTAL III	7B	TY	TZ	UA
GRAND TOTAL (I + II + III)	7C	UB	UC	UD
	1,835,000	1,653,077	1,465,000	2,023,077
Of which allowance and reversals	- operating	UE	1,645,000	UF
	- financial	UG		UH
	- extraordinary	UJ	8,077	UK
			1,465,000	
Impairment of shares in companies consolidated by the equity method at year end				10

STATUS OF CLAIM AND DEBT MATURITIES

Designation: GENERALE DE SANTE

Period ended: 31/12/2008

BOX A	STATUS OF CLAIMS	Gross amount	Max. one year	Over one year
Receivables related to equity holdings	UL		UM	UN
Borrowings(1) (2)	UP		UR	US
Other financial assets	UT		UV	UW
Doubtful clients	VA			
Other trade receivables	UX			
Lent securities	UO	Z1		
Staff and apportioned accounts		UY		
Social Security and other social organisations		UZ		
- income tax				
State and other - value added tax		VB		
collective - other taxes, duties and similar		VN		
organisations payments		VP		
- Miscellaneous				

Group and associates (2)	VC	286,176,461		286,176,461	
Misc. debtors (of which pension securities)	VR	2,151,485		2,151,485	
Deferred charges	VS	22,060		22,060	
TOTALS	VT	319,427,044	VU	319,427,044	VV
(1) Amount: - borrowings granted during the period	VD				
- repayments received during the period	VE				
(2) Loans and advances to associates	VF				

BOX B	STATUS OF DEBT	Gross amount	Max. one year	Over one year and less than five years	Within more than 5 years
Convert. loan issues (1)		7Y			
Other loan issues (1)		7Z			
Borr. debt - within one year		VG	53,599	53,599	
credit inst. - more than one year		VH			
Misc. borr. and debt (1) (2)		8A			
Accounts payable and apportioned accounts		8B	363,685	363,685	
Staff and apportioned accounts		8C	863,141	863,141	
Social Security and other social organisations		8D	433,414	433,414	
State and other -	Corporate income tax	8E	32,307,164	32,307,164	
collective -	T.V.A.	VW			
organisations -	Secured liabilities	VX			
	other taxes	VQ	11,179	11,179	
Debt and apportioned accounts		8J			
Group and associates (2)		VI			
Other liabilities (pension securities)		8K	192,697	192,697	
Debt representing bonds		Z2			
Deferred revenues		8L			
TOTALS	VY	34,224,880	VZ	34,224,880	
(1) Borr. taken out during the period	VJ				
Borr. repayable during the period	VK				
(2) Borr., debt assoc.	VL				

TABLE OF SUBSIDIARIES AND EQUITY HOLDINGS

Financial year from 1st January to 31 December 2008

Subsidiaries and Equity Holdings	Capital	Reserve and retained earnings	Share % of capital held as %	Book value of shares held (GROSS)	Book value of shares held (NET)	Loans and advances granted by the Company	Sum of guarantees and deposits granted by the Company	Pre-tax turnover for the last year ended	Earnings for the last year ended	Dividends cashed during the 'year	Comments
A. Detailed information regarding subsidiaries and equity holdings											
1. Subsidiaries (over 50% of equity held)											
• C.G.S	137,804,800	- 74,520,911	100	21	21	285,926,169	-	12,440,419	40,456,876		
2. Equity holdings (10% to 50% of equity held)											
SUBTOTAL A	137,804,800	- 74,520,911	<i>100</i>	<i>21</i>	<i>21</i>	285,926,169	-	12,440,419	40,456,876		
B. Overall information regarding the other subsidiaries and equity holdings											
1. Subsidiaries not taken into consideration in A											
a) French				82	82						
SUBTOTAL B											
TOTAL A + B	137,804,800	- 74,520,911		103	103	285,926,169		12,440,419	40,456,876		

RECIPROCAL TRANSACTIONS WITH RELATED PARTIES

BALANCE SHEET ITEMS	AMOUNT CONCERNING RELATED PARTIES	
		COMPANIES WITH WHICH THE COMPANY HAS AN OWNERSHIP RELATIONSHIP
• Uncalled-up capital.....		
• Advance payments and instalments on intangible fixed assets.....		
• Advance payments and instalments on tangible fixed assets.....		
• equity holdings.....	103	
• Receivables related to equity holdings.....		
• Borrowings.....		
• Other long-term investments.....		
• Other financial assets.....		
• Advances and instalments paid on orders.....	2,062,685	
• Debtors and apportioned accounts.....		
• Other debtors.....	317,253,499	
• Unpaid called capital.....		
• Marketable securities.....		
• Bank and cash.....		
• Loans and debts from credit organisations.....		
• Sundry loans and financial debts.....		
• Advance payments and instalments received on orders in progress.....	76,519	
• Trade payables.....		
• Debts on assets and apportioned accounts.....	7,673,551	
• Other liabilities.....		

FINANCIAL ITEMS OF THE INCOME STATEMENT	AMOUNT CONCERNING RELATED PARTIES	
		WITH WHICH THE COMPANY HAS AN OWNERSHIP RELATIONSHIP
• Financial earnings from equity interests.....	15,483,464	
• Financial expenses from equity interests.....		

CASH FLOW STATEMENT (NPC model, in €K)

<i>Uses of funds</i>	<i>Financial 2008</i>	<i>Financial 2007</i>	<i>Source of funds</i>	<i>Financial 2008</i>	<i>Financial 2007</i>
Distributions paid during the period	27,368	438,991	Cash flow for the period	47,335	62,133
Acquisitions of fixed assets:			Disposals of non-current assets:		
– Intangible fixed assets			– Intangible fixed assets		
– Tangible fixed assets			– Tangible fixed assets		
– Financial investments			– Financial investments		
Deferred charges			Increase in equity	11,809	
Reduction in equity			– Capital or contributions		
			– Other equity		
Repayment of borrowings			Increase in borrowings		
TOTAL USE OF FUNDS	27,368	438,991	TOTAL SOURCE OF FUNDS	59,144	88,155
NET SOURCE OF FUNDS	31,776	0	NET USE OF FUNDS	0	350,836

<i>Change in net total working capital</i>	<i>Required (R)</i>	<i>Used (L)</i>	2008 balance	2008 balance
OPERATING CHANGES				
Changes in operating assets				
– Inventory and work in progress				
– Advances and instalments paid on orders				
– Trade receivables, apportioned accounts and other receivables	54,965			371,127
Changes in operating liabilities				
– Advance payments and instalments received on orders in progress		23,840		22,448
– Accounts payable and apportioned accounts and other liabilities				
OPERATING TOTALS	54,965	23,840		
A NET OPERATING CHANGE			(31,125)	348,679

<i>NON OPERATING CHANGES</i>				
Changes in other debtors				
Changes in other creditors				
NON OPERATING TOTALS	0	0		
B NET CHANGE EXCL. OPERATOINS			0	0

TOTAL [A + B] NET USE OF WORKING CAPITAL	(31,125)	348,679
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<i>CHANGES IN CASH</i>				
Change in cash available	639			2,192
Change in current bank facilities, credit balances, bank	12			(35)
TOTAL CASH	651	0		
C NET CHANGE IN CASH			(651)	2,157

APPENDIX

1. Rules, Accounting Methods and Significant Facts
2. Notes Relative to Certain Balance Sheet and Income Statement Items
3. Financial Commitments and Other Information

1°) Rules, Accounting Methods and Significant Facts

Main Accounting Methods

The annual accounts are prepared in accordance with fundamental accounting rules: Prudence, permanence of the methods from one period to the next, independence between periods, continuity of business, and in accordance with the general rules for preparing and presenting annual accounts.

The main accounting methods used are the following:

Fixed assets

Intangible fixed assets:

Fixed assets are recorded at acquisition cost.

Equity interests:

Equity interests are recorded at acquisition cost. If this value exceeds the value in use, an impairment provision is recorded for the difference. The value in use is the share of equity represented by the shares, corrected if necessary to take into account the relevance of these companies for the Group, and their future development and earnings prospects.

Own shares:

As part of the free share allocation plan for the key employees and corporate officers of the Company and the companies of the Générale de Santé Group, the Company acquired 53,346 Générale de Santé SA shares for a total of €645,797.04. (See paragraph on Significant Facts 1.2)

Receivables:

Receivables are valued at their nominal value. Receivables are subjected to a depreciation reserve determined on an ad hoc basis, based on the results of regular debt recovery procedures.

Retirement commitments:

The actuarial assumptions used are the following:

- changes in salaries	2.50%
- opening discount rate	4.50%
- closing discount rate	4.50%
- yield expected from regime assets	4.50%
- contractual departure age	65 years old, in accordance with the Fillon law
- departure requirements	Employee's voluntary departure for retirement
- acquired rights	The company's collective agreement applies.

The assumptions regarding the long-term expected yield on plan assets and the discount rate adopted for estimates have been defined on the basis of recommendations made by independent experts.

Retirement commitments stand at €117,940 at 31 December 2008. There is no provision for this amount in the Company's accounts. However, it is recorded as a financial commitment. The amount is calculated using the retrospective method.

Notion of current earnings and extraordinary earnings:

Items relative to ordinary business, even when extraordinary due to their frequency or amount, are included in the current earnings. Only those items that do not relate to the company's ordinary business are recorded as extraordinary earnings.

Recognition of interest rate hedging transactions:

At 31 December 2008, Générale de Santé SA uses no hedging instruments.

Significant facts:

1/ Allocation of free shares in the Company to employees and corporate officers of the Générale de Santé Group

Pursuant to the agreement given by the Extraordinary General Meeting of 27 June 2007, the Supervisory Board of 18 February 2008 explicitly authorised the Executive Board to use the authorisation. The free share allocation plan concerns 461,172 shares in the Company, to the benefit of some of its main managers and corporate officers of the Company and companies of the Générale de Santé Group.

2/ Vesta project

The purpose of the Vesta project is the outsourcing by some subsidiaries of the Générale de Santé Group of their rights and obligations regarding a portfolio of four buildings. At 30 June 2008, the Supervisory Board authorised the Executive Board to enter into an agreement with ICADE. On 17 September 2008, the Générale de Santé Group signed the sale of four buildings for a total disposal price of €201,665,000.

3/ Capital increase pursuant to the exercise of share subscription options

The Executive Board of 27 October 2008 recognised that the exercising of 1,492,770 options by the beneficiaries of the subscription options of the plan open 2 August 2004, allows for the issue of 1,492,770 new shares in the Company at a unit price of €7.94. Consequently, the Executive Board recorded a capital increase resulting in the payment of an overall amount of €11,852,593.80, including €1,119,577.50 par value and €10,733,016.30 additional paid-in capital. The increase brought the capital up to €42,172,390.50 divided in 56,229,854 with a par value of €0.75 each.

Events subsequent to year-end:

None.

2°) Notes relative to certain balance sheet and income statement items:

a) Fixed assets

The movements over the period relative to gross values and depreciation, are summarised in the tables D.G.I. n° 2054 and D.G.I. n° 2055.

b) Status of provisions

The movements for the period relative to provisions are summarised in the table of provisions D.G.I. n° 2056.

c) Accounts receivable and payable

The terms of accounts receivable and payable are summarised in table D.G.I. n° 2057.

d) Reciprocal transactions with related parties

See Appendix 6.

e) Apportioned accounts

Accrued income:

They represent a total of €15,483,464.34€ recorded as financial earnings.

Expense accruals:

They stand at €1,508,009.85€ recorded as operating expenses.

f) Other receivables

"Other receivables" stand at €319,404,983.59.

They are mainly comprised of the current account advance to Compagnie Générale de Santé for €285,926,169.05, corporate income tax due on subsidiaries consolidated under Générale de Santé for €31,077,038.00.

g) Marketable securities

This item stands at €645,797.04 and is comprised of 53,346 treasury shares acquired under a free share allocation plan for some of the top employees and corporate officers of the Company and Générale de Santé Group companies.

According to Crédit Agricole Chevreux, a company appointed to purchase Générale de Santé SA shares on its behalf, the 53,346 shares are valued at €671,626.14, being an unrealised capital gain of €25,829.10.

h) Accruals

Accrued expenses stand at €22,060.00 and relate to operating expenses.

i) Share capital

The Company's share capital is made up of 56,229,854 shares with a par value of €0.75.

It stands in total at €42,172,390.50.

j) Shareholders' equity

Changes in shareholders' equity between 31 December 2007 and 31 December 2008 break down as follows:

	31/12/2007	Capital increase	Ordinary Meeting of 1008	General of 26 May	Profit for 2008	31/12/2008
Share capital	41,052,813.00	1,119,577.50				42,172,390.50
Additional paid-in capital	46,775,791.36	10,689,236.12				57,465,027.48
Legal reserve	2,087,444.06			80,495.70		2,167,939.76
PVLT legal reserve	1,937,341.54					1,937,341.54
Non-distributable reserves	7,254.55					7,254.55
Other reserves	12,257,624.00					12,257,624.00
Retained earnings	85,796,969.19		34,876,786.77			120,673,755.96
Profit for the period	62,325,824.47		-62,325,824.47		47,146,458.65	47,146,458.65
2008 dividends			27,368,542.00			
Total	252,241,062.17	11,808,813.62	0		47,146,458.65	283,827,792.44

The amount recorded as additional paid-in capital stands at €10,689,236.12 representing:

total additional paid-in capital: €10,733,016.30

€7.19 of additional paid-in capital for each of the 1,492,770 new shares

recognition of an increase of €(43,780.18)

capital net of corporate income tax Total €10,689,236.12

k) Provisions for risks and charges

Provisions are designed to cover risks and charges that, due to events that have occurred or are under way, are likely and clearly precise as to their object, but whose materialisation, date and amount, are uncertain.

	Amount at 31/12/2007	2008 allowance	2008 reversal	Amount used	Amount at 31/12/2008
Effects of tax audits on the subsidiaries	1,600,000		1,465,000	1,173,743	135,000
Provision for charges incurred for the free share allocation plan		1,645,000			1,645,000
2004 corporate income tax provision pursuant to the CGS tax audit	235,000	8,077			243,077
TOTAL	1,835,000	1,653,077	1,465,000	1,173,743	2,023,077

l) Financial result

The main items that make up the financial result are as follows:

• Interest on current account	15,483,172.34
• Proceedings from the disposal of VMP	4,561.96
• Miscellaneous earnings	322.00
• Bank interest	(826.6)
FINANCIAL EARNINGS	15,487,229.70

m) Extraordinary earnings

The extraordinary earnings include the effect of the following transactions:

• Net allowance and reversals of provisions for exceptional risks and charges	1,456,923.00
• Miscellaneous extraordinary expenses	- 12,271.00
EXTRAORDINARY EARNINGS	1,444,652.00

n) Tax situation

Générale de Santé is the head of a tax consolidation group. The tax consolidation agreement sets out that the companies bear the tax burden corresponding to the amount due outside any Group regime. The tax consolidation proceeds recorded for €39,918,707 correspond to the difference between the corporate income tax contributions paid by the consolidated subsidiaries for €71,714,442 and the corporate income tax due by the consolidated Group set up around Générale de Santé for €31,773,845, as well as the corporate income tax applied to additional paid-in capital for €21,890.

Without tax consolidation, Générale de Santé would owe €2,604,796 of corporate income tax.

The unrealised tax situation is as follows:

Increase and reduction in future taxes due:

Nature of temporary differences	amount
Increases	NONE
Regulated provisions	
Other	
Increase in future taxes due	
Reductions	NONE
Provisions not deductible the year recorded	
Other	
Reductions in future taxes due	
So-called deferred depreciation	0
Deferrable losses	0
Long-term capital losses	0

3°) Financial Commitments and Other Information

a) Financial commitments

The company has no current property or equipment lease borrowings.

The financial commitments given and received by the Company are as follows:

- o Commitments given:

1/ In accordance with the credit agreement of 24 October 2007 between Générale de Santé, Compagnie Générale de Santé, Médiobanca Luxembourg, Calyon SA and Crédit Agricole Luxembourg:

The sureties granted to Médiobanca Luxembourg, Calyon SA and Crédit Agricole Luxembourg are as follows:

Sureties granted by Générale de Santé

- pledging by Générale de Santé of the financial instruments account where are recorded all Compagnie Générale de Santé shares held by Générale de Santé as collateral for its obligations under the senior debt agreement;
- pledging by Générale de Santé of the claims it holds against Compagnie Générale de Santé under the centralised cash and current account advance management agreement executed between them on 26 April 2002 as collateral for its obligations under the senior debt agreement;
- pledging by Générale de Santé of the balance of its bank accounts granted as collateral for its obligations under the senior debt agreement.

Sureties granted by Compagnie Générale de Santé

- pledging by Compagnie Générale de Santé of the financial instruments account where are recorded all the Immobilière de Santé shares held by Compagnie Générale de Santé as collateral for its obligations as borrower under the senior debt agreement;
- pledging by Compagnie Générale de Santé of the financial instruments account where are recorded all the Générale de Santé Cliniques shares held by Compagnie Générale de Santé as collateral for its obligations as borrower under the senior debt agreement;
- pledging by Compagnie Générale de Santé of its claims under the intra-group loans dated 26 October 2006 which it has granted to (i) Générale de Santé Cliniques, (ii) Alphamed and (iii) SCI Massy as collateral for its obligations as borrower under the senior debt agreement;
- pledging by Compagnie Générale de Santé of the balance of its bank accounts granted as collateral for its obligations as borrower under the senior debt agreement;
- pledging by Compagnie Générale de Santé of the Générale de Santé Italia shares it holds granted as collateral for its obligations as borrower under the senior debt agreement.

Sureties granted by Générale de Santé Clinics

Besides, the following sureties have been granted by Générale de Santé Cliniques as collateral for the intra-group held against it by Compagnie Générale de Santé under the intra-group loan between the two companies; this intra-group claim is covered by the pledging of collateral in favour of the lending banks under the senior debt agreement:

- pledging of the financial instruments account where are recorded all the Performance Achat au Service de la Santé shares held by Générale de Santé Cliniques;
- pledging of the financial instruments account where are recorded all the Medipsy shares held by Générale de Santé Cliniques;
- pledging of the financial instruments account where are recorded all the Dynamis shares held by Générale de Santé Cliniques.

Sureties granted by Alphamed

Besides, the following sureties have been granted by Alphamed as collateral for the intra-group held against it by Compagnie Générale de Santé under the intra-group loan between the two companies; this intra-group claim is covered by the pledging of collateral in favour of the lending banks under the senior debt agreement:

- pledging of the financial instruments account where are recorded all the Centre Médico Chirurgical de Parly 2 shares held by Alphamed;
- pledging of the financial instruments account where are recorded all the Hôpital Privé de l'Ouest Parisien shares held by Alphamed.

2/ *Commitments to Gecimed to purchase equipment and finance renovation and safety improvement work on the disposed sites* €2.8m

3/ *Commitments to Icade to purchase equipment and finance renovation and safety improvement work on the disposed sites* €33.4m

- o Commitments received

1/ *Commitment from Gecimed to finance the works on Hestia sites* €2.8m

2/ *Commitment from Icade to finance the works on Vesta sites* €33.4m

b) Personnel

The average head count is 2 executives in 2008.

Remuneration of directors: For financial 2008, the remuneration paid to members of the boards, the management, and the supervisory bodies, stands at €1,486,021.79 as salaries and €223,750 as directors' fees.

Identity of the consolidating company: Société Anonyme Générale de Santé, a French entity, is the consolidating company of Générale de Santé. Its head office is located 96 avenue d'Iéna 75116 PARIS and its share capital stands at €42,172,390.50.

NOTE

This annual report supplements the version filed with AMF on 30 April 2009, through the appending of the parent company's complete balance sheet and income statement (presented in summarised form in Chapter 20).