INTERIM FINANCIAL REPORT

AT 30 JUNE 2010

We hereby present our interim financial report for the six months to 30 June 2010, prepared in accordance with the provisions of article L 451-1-2 III of the French Monetary and Financial Code and article 222-4 of the AMF's General Regulation.

The report will be disseminated in accordance with the provisions of article 221-3 of the AMF's General Regulation.

It will also be available on the company's website: **www.groupemedica.com.**

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2010 INTERIM
BUSINESS REVIEW

2010 INTERIM BUSINESS REVIEW

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1. PRESENTATION OF THE MEDICA GROUP

The Medica Group, a leading player in the French long-term and short-term care market, operates primarily in two business segments:

- Long-term care, comprising nursing and residential care homes for the elderly (127 facilities with 9,983 beds at 30 June 2010);[1] and
- Post-acute and psychiatric care, comprising short-term post-operative and rehabilitation care, as well as psychiatric services (37 facilities with 2,317 beds at 30 June 2010).

Key indicators at 31 December 2009 and 30 June 2010

	30 June 2010	31 December 2009
Number of facilities	164	148
Number of beds		
Long-term care, France	8,461	7,636
Post-acute and psychiatric care, France	2,317	2,317
Italy	1,522	1,428
TOTAL	12,300	11,381
Occupancy rate[2]	96.9%	96.7%
Yield (in euros)[3]	120.6	118.0

[1] *This segment comprises the Medica Group's long-term care facilities in France and Italy.*
[2] *Occupancy rate: the number of days billed divided by the number of days billable for facilities that have been open for more than twelve months.*
[3] *Yield: revenue per bed per day (for facilities open only part of the year, the calculation is based only on the number of days they were open).*

2. SIGNIFICANT EVENTS DURING THE PERIOD

2.1 INITIAL PUBLIC OFFERING OF MEDICA SHARES ON EURONEXT PARIS

On 24 January 2010, using the authorisation granted at the shareholders' meeting of even date, the Board of Directors agreed on the following proposals:

- To increase the share capital by a maximum of €6,084,219 through an initial public offering of up to 15,625,000 new shares with a par value of €0.38939, without pre-emptive rights;
- To increase the share capital by a maximum of €610,630 through a private placement restricted to Predica and independent directors of the Company – Catherine Soubie, Guy de Panafieu and Gilles Cojan;
- To increase the share capital by a maximum of €12,168 through an employee share offering to members of the Group employee savings plan.

The Board of Directors set an indicative price range of €16 per share (low) to €19.50 per share (high).

On 25 January 2010, the Autorité des Marchés Financiers (AMF) stamped the prospectus prepared by Medica for the public offering on Euronext Paris, under visa no. 10-015.

The final terms and conditions of the various offerings were set by the Board of Directors on 9 February 2010. To take account of the deterioration in the stock markets, the price of the shares offered under the global placement and open price offering was set at €13 per share. This decision was in line with the recommendation made jointly by BNP Paribas, Credit Suisse and RBS as Joint Global Coordinators, Lead Managers and Bookrunners. The banks considered that a lower price would better reflect current market conditions and ensure a successful offering.

All the shares of the Company (existing shares, new shares, shares issued on conversion of the convertible bonds, new shares issued to employees) were admitted for trading on compartment B of Euronext Paris on 10 February 2010 for settlement and delivery on 12 February 2010.

Despite the difficult market conditions, there was strong demand for Medica shares from both French and international institutional investors and the global placement was ultimately about three times oversubscribed. Similarly, the retail offering was highly successful, attracting almost 7,500 orders. The employee share offering was made through the Medica Group employee share ownership plan and was taken up by over 3,000 Group employees.

The total proceeds of the public offering, the placement with Predica and independent directors and the employee offering totalled about €275.5 million.

Medica shares are now traded on Euronext under ISIN code FR00010372581, symbol MDCA. They are eligible for deferred settlement.

2.2 Adaptation of financial structure to the Group's development strategy

2.2.1 Repayment and restructuring of the syndicated loan in February 2010

Following the public offering of shares on Euronext Paris on 10 February 2010, the Medica Group made the following financial transactions:

- Full repayment of the mezzanine debt;
- Partial repayment of tranche C debt.

In parallel, the new €80 million acquisition credit facility obtained on 9 November 2009 became effective. The facility, which pays interest at Euribor + 350 bps, was conditional on completion of the initial public offering on Euronext Paris.

2.2.2 Arrangement of a new credit facility in June 2010

On 16 June 2010, Medica obtained a new term loan facility with a pool of first-class banks under a club deal, containing the customary guarantees. The new facility has significantly reduced the cost of debt whilst providing the appropriate resources to finance Medica's development.

- A new €350 million term loan facility has been obtained to refinance the existing syndicated loans, with a margin reduced to 165 bps against 270 bps previously.
- A €100 million revolving loan facility provides Medica with additional capacity to finance its controlled growth policy, and notably new acquisitions, with a margin reduced to 170 bps against 350 bps previously.
- Lastly, Medica has an additional basket of €150 million of authorised bilateral facilities, which can be used among other things in the form of lease finance for acquiring properties.

2.3 ANNUAL GENERAL MEETING OF 29 JUNE 2010

- Statutory Auditors

At the annual general meeting held on 29 June 2010, the shareholders appointed Mazars as Statutory Auditors and Mr Cyrille Brouard as alternate for a term of six years ending at the conclusion of the annual general meeting held to approve the 2015 financial statements.

- Authorised unissued share capital

The following authorisations to issue shares or other securities and other key financial authorisations were granted at the annual general meeting:

Resolution	Purpose of the resolution	Maximum amount	Term of authorisation (from 29 June 2010)
7th	Authorisation to purchase the Company's own shares	10% of the Company's share capital at the time of purchase Maximum purchase price: €30 Maximum purchase amount: €55,960,398	18 months
10th	Authorisation to reduce the share capital by cancelling treasury shares held	10% of the share capital on the date of cancellation	24 months
11th	Capital increase by making public offerings of shares or securities carrying rights to shares or debt securities, without pre-emptive rights	€6 million (shares)/€300 million (debt securities) to be deducted from the blanket limit set in the 24th resolution	26 months
12th	Capital increase by making private placements of shares or securities carrying rights to shares, without pre-emptive rights	€6 million (shares)/€300 million (debt securities) to be deducted from the blanket limit set in the 24th resolution and up to a maximum of 20% of the share capital in any one year or any other maximum percentage that might be provided for by law	26 months
13th	Capital increase by issuing shares or securities carrying immediate and/or deferred rights to shares of the Company, with pre-emptive rights	€12.2 million (shares)/€300 million (debt securities) to be deducted from the blanket limit set in the 24th resolution	26 months
14th	Capital increase by issuing shares or securities carrying rights to shares to members of a company or group employee savings plan, without pre-emptive rights	€100,000 to be deducted from the blanket limit set in the 24th resolution	26 months
15th	Capital increase by capitalising reserves, earnings, share premiums or other capitalisable sums	€3.7 million to be deducted from the blanket limit set in the 24th resolution	26 months
16th	Capital increase by issuing shares or securities carrying rights to shares in consideration for capital contributions in kind made to the Company, without pre-emptive rights	10% of the share capital to be deducted from the blanket limit set in the 24th resolution	26 months

Resolution	Purpose of the resolution	Maximum amount	Term of authorisation (from 29 June 2010)
17th	Increase of the issue amount in the case of oversubscription	15% of each issue within the blanket limit set in the 24th resolution	26 months
18th	Authorisation to issue shares or securities carrying rights to shares in the event of a share exchange offer made by the Company for the shares of another company, without pre-emptive rights	€6 million to be deducted from the blanket limit set in the 24th resolution	26 months
19th	Authorisation to issue shares or securities carrying rights to shares with no pricing restrictions, without pre-emptive rights	10% of the share capital to be deducted from the blanket limit set in the 24th resolution	26 months
20th	Authorisation to increase or reduce the share capital during a public offer for shares of the Company		26 months
21st	Delegation of authority to the board of Directors for the purpose of granting share subscription options or share purchase options	1% of the share capital to be deducted from the blanket limit set in the 24th resolution[4]	38 months
22nd	Delegation of authority to the Board of Directors for the purpose of allotting bonus shares (existing or future) to salaried employees and corporate officers of the group or some of them	0.5% of the share to be deducted from the blanket limit set in the 24th resolution[4]	38 months
23rd	Delegation of authority to the Board of Directors for the purpose of issuing share subscription warrants or redeemable share subscription and/or purchase warrants to employees and corporate officers of the Company and its subsidiaries, without pre-emptive rights	€200,000 to be deducted from the blanket limit set in the 24th resolution Minimum price: 110% of the average of the closing prices for the Company's shares quoted in the 20 trading sessions preceding the date on which the terms and conditions of the warrant issue were set	18 months
24th	Blanket limit	€12.2 million for capital increases €300 million for debt securities	26 months

[4] If the authorisations granted in the twenty-first and twenty-second resolutions are used cumulatively, the total number of shares allotted and/or issued may not exceed more than 1% of the share capital.

3. DEVELOPMENT OF THE MEDICA GROUP

In the first half of 2010, Medica achieved strong growth in business, opening 247 new beds and acquiring 770 beds.

Three new facilities were opened in France: Evrecy (Normandy) with 88 beds, La Roche sur Yon (Pays de Loire) with 75 beds and Saint-Martin de Crau (Provence Alpes Côte d'Azur) with 84 beds.

New acquisitions included:

- **France:**

– an 80-bed long-term care facility in the Paris region;

– two long-term care groups operating a total of 620 beds:

  - A group with about 300 beds mainly in the Languedoc Roussillon region, a new area for the Medica Group, thereby increasing its geographical footprint in France.
  - A group with 320 beds in the Paris region specialising in Alzheimer's and similar sufferers.

- **Italy**: a long-term care home in Florence with 70 beds.

At 30 June 2010, Medica operated a total of 12,300 beds.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1 CONDENSED INCOME STATEMENT

In million of euros	30.06 2010	30.06 2009	*Change*
Revenue	**259.1**	**234.1**	***10.7%***
EBITDAR	66.8	60.1	*11.2%*
EBITDA	**43.3**	**39.1**	***10.8%***
EBIT	33.0	30.1	*9.9%*
Operating profit	29.9	26.9	*11.1%*
Net finance costs	(24.5)	(31.1)	*21.1%*
Share of profit/(loss) of associates	(0.2)	(0.2)	*na*
Income tax	(2.2)	1.8	*na*
Total consolidated net profit	3.0	(2.5)	*na*
Attributable to minority interests	0.1	0.2	*(61.2%)*
Attributable to equity holders of the parent	**2.9**	**(2.7)**	***na***

4.2 REVENUE

Consolidated revenue amounted to €259.1 million in the first half of 2010, an increase of 10.7% or €25.0 million compared with the same period of 2009, reflecting:

- €14.3 million or 6.1% in organic growth; and
- €10.7 million due to changes in the scope of consolidation in 2010 compared with 2009.

The 6.1% organic growth stemmed from:

- revaluations of rates charged for the various services provided by the Medica Group (accommodation fees for the long-term care segment and related services for the post-acute and psychiatric segment);
- revaluation of care rates and dependency allowances in the long-term care segment and of day rates in the post-acute and psychiatric segment;
- the ramp-up of facilities opened in 2009 and the first half of 2010.

Medica uses occupancy rate[5] and yield[6] to measure the effectiveness of its yield management policy.

The occupancy rate remained high at 96.9%.

All operating segments contributed to the growth:

- Long-term care, France posted revenue of €160.8 million, an increase of 15.2% compared with the first half of 2009. This good performance was due mainly to organic growth of 8.8% generated by the ramp-up of facilities opened in 2009 and 2010.
- Post-acute and psychiatric care, France posted revenue of €71.6 million, an increase of only 1.9% compared with the same period of 2009, due to the redevelopment programmes carried out by the Group.
- Italy posted 9.4% growth compared with the first half of 2009.

REVENUE BY BUSINESS SEGMENT (IN MILLIONS OF EUROS)	2010	2009	*Change*	*Organic growth*
Long-term care, France as a % of revenue	**160.8** *62.1%*	**139.7** *59.7%*	*+15.2%*	***+8.8%***
Post-acute and psychiatric care, France *as a % of revenue*	**71.6** *27.6%*	**70.1** *30.0%*	*+1.9%*	***+1.9%***
Italy *as a % of revenue*	**26.6** *10.3%*	**24.3** *10.4%*	*+9.4%*	***+3.1%***
TOTAL	**259.1**	**234.1**	*+10.7%*	***+6.1%***

4.3 REVENUE AND EBITDAR BY BUSINESS SEGMENT

Long-term care, France

	June 2010 (6 months)	June 2009 (6 months)
Revenue		
Total in millions of euros	**160.8**	**139.7**
EBITDAR		
Total in millions of euros	41.9	36.6
Total as a % of revenue	*26.0%*	*26.2%*

[5] See definition in footnote (5)
[6] See definition in footnote (5)

EBITDAR rose by 14.5% to €41.9 million compared with €36.6 million in the first half of 2009, with revenue growth of 15.2% offset by a slight deterioration in EBITDAR margin to 26% compared with 26.2% at 30 June 2009 despite the new consolidations and new facilities opened in the first half of 2010.

Post-acute and psychiatric care, France

	June 2010 (6 months)	June 2009 (6 months)
Revenue		
Total in millions of euros	**71.6**	**70.1**
EBITDAR		
Total in millions of euros	18.3	17.9
Total as a % of revenue	*25.5%*	*25.5%*

EBITDAR rose by 2.0% to €18.3 million compared with €17.9 million in the first half of 2009 due to revenue growth of 1.9% combined with a stable EBITDAR margin of 25.5%.

Long-term care, Italy

	June 2010 (6 months)	June 2009 (6 months)
Revenue		
Total in millions of euros	**26.6**	**24.3**
EBITDAR		
Total in millions of euros	6.6	5.6
Total as a % of revenue	*24.8%*	*22.9%*

EBITDAR rose by 18.5% to €6.6 million compared with €5.6 million in the first half of 2009 due to an improvement in EBITDAR margin from 22.9% at 30 June 2009 to 24.8% in 2010.

4.4 EBITDA AND EBIT

EBITDA margin was stable at 16.7% of revenue, despite a significant increase in employee benefits expense due to new openings and the increasing amount of medical care dispensed in the Group's facilities. In the first half of 2010, employee benefits expense represented 46.6% of consolidated revenue compared with 45.0% in the same period of the previous year.

External charges (other than rental expense) as a percentage of revenue fell to 17.5% compared with 18.3% in the first half of 2009, thanks to strict cost discipline.

The third main cost item – rental expense – increased to €23.4 million from €21.0 million in the first half of 2009. This growth was due mainly to changes in scope and new facility openings. On a like-for-like basis, rental expense remained stable.

EBIT margin also remained stable at 12.8%.

4.5 Other non-recurring operating income and expense

Other non-recurring operating income and expense represented a net expense of €3.1 million for the period, mainly comprising:

- IPO expenses for €3 million;
- restructuring costs for €2.2 million (€3.1 million in the first half of 2009);
- impact of fair value remeasurement of the minority interests previously held before obtaining control for €2.9 million.

4.6 Net finance costs

Net finance costs amounted to €24.6 million compared with €31.0 million the previous year, an improvement of €6.6 million.

The IPO led to a decrease in borrowing costs following the conversion of the convertible bonds on 12 February 2010 and the repayment of the mezzanine debt and a part of the tranche C debt.

The refinancing in June 2010 had a minor impact on interest expense in the first half of 2010 but led to the recognition of €5.1 million in financial expense representing the balance of unamortised transaction costs that have been repaid.

4.7 Financial structure

Consolidated equity amounted to €586.5 million at 30 June 2010 compared with €125.6 million at 31 December 2009, whilst net debt fell from €748.6 million to €374.4 million over the same period. Net debt was significantly reduced by the capital increases made in February 2010 (concurrently with the conversion of the convertible bonds).

5. SIGNIFICANT EVENTS SINCE 1 JULY 2010

5.1 Interest rate hedging

As announced at the time of the refinancing, in July 2010 the Group adapted its interest rate hedging policy to further optimise its cost of debt.

Fixed-rate swaps totaling €350 million were taken out commencing January 2011, with €100 million maturing on 31 December 2013 and €250 million on 30 June 2014.

From January 2011, the average rate on these swaps will be about 1.7%, a decrease of 200 bps compared with the existing fixed rate swaps.

6. KEY RISK FACTORS

The Group does not foresee any risks other than those identified in section 5 "Risk factors" of the 2009 registration document filed with the Autorité des Marchés Financiers on 7 June 2010 under number R.10-041.

There was no significant change in these risk factors in the first half of 2010.

7. MAIN RELATED PARTY TRANSACTIONS

There has been no significant change compared with the information disclosed in section 24 "Related Party Transactions" of the 2009 registration document.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT AT 30 JUNE 2010

MEDICA GROUP

Condensed interim consolidated financial statements at 30 June 2010

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CONSOLIDATED INCOME STATEMENT

		6 months		12 months
In thousands of euros	Notes	30.06 2010	30.06 2009	31.12 2009
Revenue	4.12	**259,088**	**234,111**	**480,727**
Purchases		(12,485)	(11,184)	(22,783)
External charges	4.13	(68,847)	(63,981)	(129,203)
Taxes other than on profit		(14,003)	(14,539)	(30,295)
Employee benefits expenses	4.14	(120,845)	(105,315)	(214,009)
Other operating expense		(362)	(299)	(596)
Other operating income		778	307	774
EBITDA		**43,323**	**39,100**	**84,615**
Depreciation and amortisation		(9,998)	(8,922)	(18,830)
Impairment losses and provisions		(280)	(108)	(1,698)
EBIT		**33,045**	**30,070**	**64,087**
Gains on disposal of consolidated equity interests			8	8
Non-recurring operating expense	4.15	(9,864)	(3,140)	(19,643)
Non-recurring operating income	4.15	6,764	8	13,312
Operating profit		**29,945**	**26,946**	**57,764**
Financial expense		(24,603)	(31,983)	(81,300)
Financial income		60	879	624
Net finance costs	4.16	**(24,543)**	**(31,104)**	**(80,676)**
Profit/(loss) from associates		(214)	(152)	(423)
Profit/(loss) before tax		**5,188**	**(4,310)**	**(23,334)**
Income tax benefit	4.17	(2,215)	1,812	10,365
Net profit/(loss)		**2,974**	**(2,498)**	**(12,969)**
Attributable to equity holders of the parent	4.18	2,894	(2,703)	(13,363)
Attributable to minority interests		80	206	394
Average number of shares	4.18	38,428,291	7,286,040	7,286,040
Earnings per share (in euros)	4.18	0.08	(0.37)	(1.83)
Diluted earnings per share (in euros)	4.18	0.13	(0.17)	(0.83)

STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	6 months		12 months
	30.06 2010	30.06 2009	31.12 2009
Net profit/(loss)	**2,974**	**(2,498)**	**(12,969)**
Other comprehensive income:			
Change in fair value of financial instruments	1,196	(7,440)	(4,172)
Deferred tax on fair value of financial instruments	(399)	2,480	1,391
Total gains and losses recognised directly in equity	797	(4,960)	(2,781)
Comprehensive income	**3,771**	**(7,458)**	**(15,750)**
Attributable to equity holders of the parent	3,691	(7,664)	(16,144)
Attributable to minority interests	80	206	394

STATEMENT OF FINANCIAL POSITION

In thousands of euros	Notes	30.06 2010	31.12 2009
ASSETS			
Goodwill	4.1	380,586	353,122
Intangible assets	4.2	483,349	483,059
Property, plant and equipment	4.3	304,944	294,325
Investments in associates	3.1	2,101	0
Other financial assets		18,081	17,389
Available-for-sale assets		1,360	1,718
Deferred taxes	4.10	178	1,141
Derivative financial instruments	4.4	465	1,054
Total non-current assets		**1,191,064**	**1,151,808**
Inventories and work in progress		1,924	1,915
Trade receivables		32,849	29,927
Tax receivables		1,234	1,631
Other receivables		19,332	12,728
Other current assets		6,544	6,725
Cash and cash equivalents	4.5	18,678	38,546
Total current assets		**80,561**	**91,472**
Non-current assets and disposal groups held for sale	4.6	11,814	11,244
Total assets		**1,283,439**	**1,254,524**

In thousands of euros	Notes	30.06 2010	31.12 2009
LIABILITIES AND EQUITY			
Share capital		18,653	11,348
Additional paid-in capital		500,762	0
Net profit attributable to equity holders of the parent		2,894	(13,363)
Consolidated retained earnings		60,829	124,266
Equity attributable to equity holders of the parent		**583,138**	**122,252**
Minority interests in net profit		80	394
Minority interests in reserves		3,281	2,921
Total equity		**586,499**	**125,567**
Long term debt	4.7	375,490	393,621
Commitments to employees		4,978	4,674
Investments in associates		607	292
Other provisions	4.9	7,959	8,534
Deferred taxes	4.10	159,891	191,540
Derivative financial instruments	4.4	0	18,889
Other non-current liabilities		23,935	23,061
Total non-current liabilities		**572,860**	**640,612**
Short term debt	4.7	17,606	393,531
Commitments to employees		987	987
Trade payables	4.8	30,841	36,607
Other payables	4.8	62,221	56,145
Derivative financial instruments	4.4	9,606	0
Tax liabilities		2,818	1,075
Total current liabilities		**124,080**	**488,345**
Total liabilities associated with a disposal group held for sale			
Total liabilities and equity		**1,283,439**	**1,254,524**

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	Notes	6 months 30.06.2010	6 months 30.06.2009	12 months 31.12.2009
Total consolidated net profit		2,974	(2,498)	(12,969)
Elimination of profit or losses of associates		214	152	423
Elimination of depreciation, amortisation and provisions		10,005	8,976	18,486
Elimination of revaluation gains/losses (fair value)		(1,760)	(774)	(394)
Elimination of disposal and dilution gains/losses		(2,819)	(7)	1,098
Cash flow after cost of net debt and tax		**8,614**	**5,849**	**6,643**
Elimination of tax expense/(income)	4.17	2,215	(1,812)	(10,365)
Elimination of cost of net debt		25,043	31,557	80,449
Cash flow before cost of net debt and tax		**35,872**	**35,594**	**76,727**
Impact of change in working capital requirement	4.19	(10,166)	(8,054)	14,483
Tax paid		(314)	(173)	(1,370)
Cash flow from operating activities		**25,392**	**27,367**	**89,840**
Impact of changes in the scope of consolidation	3.2	(23,511)	(8,849)	(9,451)
Acquisition of property, plant and equipment	4.19	(22,419)	(13,534)	(33,836)
Acquisition of intangible assets		(670)	(991)	(1,260)
Acquisition of financial assets		(271)	(20)	(21)
Change in loans and advances granted		(242)	(1,349)	(3,063)
Disposals of property, plant and equipment and intangible assets		3,796	2	12,392
Disposals of financial assets		0	0	0
Dividends received		0	0	0
Cash flow from investing activities		**(43,317)**	**(24,741)**	**(35,239)**
Capital increase		257,372	1	0
Treasury shares		(1,144)	0	0
Proceeds from new borrowings		360,182	11,363	11,398
Repayment of borrowings		(579,778)	(7,425)	(15,146)
Net interest paid		(35,861)	(18,898)	(37,974)
Repayment of derivative financial instruments		(5,739)	0	0
Dividends paid to minority interests		(34)	(63)	(112)
Cash flow from financing activities		**(5,003)**	**(15,022)**	**(41,834)**
Change in cash and cash equivalents		**(22,929)**	**(12,398)**	**12,767**
Cash and cash equivalents at beginning of period		34,403	21,636	21,636
Cash and cash equivalents at end of period	4.5	11,475	9,238	34,403
Change in cash and cash equivalents		**(22,929)**	**(12,398)**	**12,767**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

In thousands of euros	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves	Consolidated profit/ (loss)	TOTAL	Attributable to equity holders of the parent	Attributable to minority interests
Equity at 31/12/2008	**7,286,040**	**116,577**	**0**	**50,337**	**(22,391)**	**144,521**	**138,396**	**6,126**
Appropriation of net profit/(loss) for the previous period				**(22,391)**	**22,391**	**0**	**0**	**0**
Dividends paid				(63)		(63)	0	(63)
Transactions with owners		**0**	**0**	**(63)**	**0**	**(63)**	**0**	**(63)**
Net profit for the period					(2,498)	(2,498)	(2,703)	206
Change in fair value of financial instruments				(4,960)		(4,960)	(4,960)	
Comprehensive income		**0**	**0**	**(4,960)**	**(2,498)**	**(7,458)**	**(7,664)**	**206**
Equity at 30/06/2009	**7,286,040**	**116,577**	**0**	**22,923**	**(2,498)**	**137,000**	**130,732**	**6,269**

In thousands of euros	Notes	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves	Consolidated profit/(loss)	TOTAL	Attributable to equity holders of the parent	Attributable to minority interests
Equity at 31/12/2009		**7,286,040**	**11,348**	**0**	**127,188**	**(12,969)**	**125,567**	**122,252**	**3,315**
Appropriation of net profit/(loss) for the previous period					**(12,969)**	**12,969**	**0**	**0**	**0**
Capital increase	1	40,618,147	8,252	267,228			275,480	275,480	0
Dividends paid					(34)		(34)		(34)
Conversion of preferred shares	1		(5,827)	5,827			0		
Conversion of convertible bonds	1		4,880	239,779			244,659	244,659	
Cost of issuing equity instruments	1			(12,073)	0		(12,073)	(12,073)	
Treasury shares					(1,138)		(1,138)	(1,138)	
Change in fair value of financial instruments					797		797	797	
Equity component of bond issue	1				(49,734)		(49,734)	(49,734)	
Transactions with owners			**7,305**	**500,762**	**(50,109)**	**0**	**457,957**	**457,991**	**(34)**
Net profit for the period						2,974	2,974	2,894	80
Comprehensive income			**0**	**0**	**0**	**2,974**	**2,974**	**2,894**	**80**
Equity at 30/06/2010		**47,904,187**	**18,653**	**500,762**	**64,110**	**2,974**	**586,499**	**583,138**	**3,361**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Medica SA and its subsidiaries operate long-term care facilities and short-term medical care facilities for people of all ages.

The Group operates in France and in Italy, in two business segments:

- **Long-term care in France and Italy**, comprising nursing and residential care homes for the elderly; and
- **Post-acute and psychiatric care**, comprising short-term post-operative and rehabilitation care, as well as psychiatric services.

Medica SA is the holding company of the Medica Group, a French company with its registered office in Issy les Moulineaux.

These condensed interim consolidated financial statements were approved by the Board of Directors on 6 September 2010.

1. SIGNIFICANT EVENTS DURING THE PERIOD

IPO

On 24 January 2010, the Board of Directors agreed on the following proposals:

- To increase the share capital by a maximum of €6,084,219 through an initial public offering for cash of up to 15,625,000 new shares with a par value of €0.38939, without pre-emptive rights;
- To increase the share capital by a maximum of €610,630 through a private placement to Predica and independent directors of the Company;
- To increase the share capital by a maximum of €12,168 through an employee share offering restricted to members of the Group employee savings plan.

On 9 February, the Board of Directors set a price of €13 per share for the global placement and open price offering.

Medica shares were admitted to trading on compartment B of NYSE Euronext Paris on 10 February 2010, under visa no. 10-015 granted by the Autorité des Marchés Financiers (AMF) on 25 January 2010. The initial public offering raised a total of €275.5 million.

On 12 February 2010, the Board of Directors duly noted the conversion of all preferred shares and convertible bonds into ordinary shares.

All these transactions are reflected in the financial statements.

As a result, the company's share capital now stands at €18,653,466.50 divided into 47,904,187 fully paid-up shares all of the same class.

Costs directly attributable to the new share issue were deducted from the share premium.

Costs connected with the new share issue and the listing were recognised in equity for 85% and in other non-recurring operating income and expense for the remaining 15%. Other costs indirectly connected with the transaction were recognised in other non-recurring operating income and expense.

Following these transactions, additional paid-in capital at 30 June 2010 amounted to €501 million, after deducting expenses connected with the new share issue.

Concurrently with the IPO, the company repaid its mezzanine debt and part of its C-tranche debt, along with all the related interest, for a total amount of €208.5 million.

Arrangement of a new credit facility

On 16 June 2010, Medica obtained a €350 million five-year term loan facility from a pool of first-class banks under a club deal.

The loan, which is a floating-rate facility linked to Euribor, was used to pay the existing syndicated loans, with a margin reduced to 165 bps versus 270 bps previously.

At 30 June 2010, the amortised cost impact of the repaid syndicated loans led to the recognition of €5.1 million in financial expense.

The Group also has the following credit facilities:

- a €100 million revolving loan facility providing Medica with additional capacity to finance its controlled growth policy, with a margin reduced to 170 bps versus 350 bps previously.
- an additional basket of €150 million of authorised bilateral facilities, which can be used among other things in the form of lease finance for properties.

The Group has also cancelled some of its interest rate hedges following the partial debt repayment and has combined the remaining hedges into a single €350 million swap contract on the same terms and conditions in order to cover future interest payments (see note 4.4 "Derivative financial instruments"). The cash balance amounted to €5.7 million.

Changes in the scope of consolidation

Several changes in the scope of consolidation took place during the first half, which are described in note 3.1 "Changes in the scope of consolidation during the period".

2. ACCOUNTING POLICIES

The Medica Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The condensed interim consolidated financial statements for the six months to 30 June 2010 have been prepared in accordance with IAS 34 "Interim Financial Reporting", which permits the disclosure of selected information in the notes.

These financial statements do not include all the disclosures required for annual financial reporting and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2009. The accounts at 30 June 2009 have been established for the comparability of the half year account.

The accounting principles used to prepare the condensed interim consolidated financial statements are the same as those used to prepare the 2009 consolidated financial statements with the exception of those new standards and interpretations which are mandatory for periods beginning on or after 1 January 2010:

Standard	Title	Date of application
IFRIC 12	Service Concession Arrangements	29/03/2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	01/07/2009
IFRIC 18	Transfers of Assets from Customers	31/10/2009
IFRIC 17	Distributions of Non-cash Assets to Owners	31/10/2009
IFRIC 15	Agreements for the Construction of Real Estate	01/01/2010
IFRS 3 Revised	Business Combinations (phase 2)	01/07/2009
Amendment to IAS 27	Consolidated and Separate Financial Statements	01/07/2009
Amendment to IAS 39	Financial instruments: Recognition and Measurement – Eligible Hedged Items	01/07/2009
Amendment to IFRS 5	Annual Improvements May 2008	01/07/2009
Amendment to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17 and IAS 36	Annual Improvements April 2009	01/07/2009 (at the earliest)
Amendments to IFRS 2	Group Cash-settled Share-based Payment Transactions	01/01/2010

These standards have not had any apparent material impact on the Group's financial statements with the exception of IFRS 3 Revised, the impact of which has been described in the note on business combinations.

The Group has not early adopted the following standards, amendments or interpretations which have already been published by the IASB but have not yet been endorsed by the European Union or at European level and were not mandatory as of 1 January 2010.

- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments;
- IAS 32 (Amendment): Classification of Rights Issues.
- IAS 24 Revised: Related Party Disclosures
- IFRS 9: Financial Instruments

Use of estimates and assumptions

The preparation of financial statements implies that the Group's management carries out estimates and uses certain assumptions which have an impact on the carrying amounts of certain assets and liabilities, income and expenses together with the data provided in the notes.

The Group's management revises these estimates and assumptions on a regular basis in order to ensure their relevance with respect to past experience and the current economic context. Depending on the change in these assumptions, items in future financial statements may be different from current estimates. The impact of changes in accounting estimates is recognised in the period of the change and all future periods affected.

Furthermore, in addition to the use of estimates, management uses its discretion to determine the appropriate accounting treatment for certain transactions, pending the clarification of certain IFRS standards or when the applicable standards do not deal with the relevant issues.

Business combinations

Goodwill is the surplus of the cost of an acquisition over the acquisition-date fair value of identifiable assets acquired and liabilities and contingent liabilities assumed. It is tested at the level of each cash generating unit: long-term care and post-acute and psychiatric care. The Group has a period of twelve months from the acquisition date to finalise the fair value measurement of assets and liabilities acquired. They are tested at the level of each cash generating unit: long-term care and post-acute and psychiatric care.

IFRS 3 Revised has introduced some changes to the acquisition method of accounting for business combination, the main impacts of which during the period were:

- accounting for any adjustment to the acquisition price (contingent consideration) at fair value on the acquisition date;
- recognition of costs directly attributable to the acquisition in profit or loss for the period;
- consolidation of the "Les Parentèles" companies, the treatment of which is described below.

The acquisition of 100% of the "Les Parentèles" companies was treated as two separate transactions: first, measurement of the acquisition-date fair value of the 30% equity interest held prior to obtaining control, which led to the recognition of a €2.9 million gain in other non-recurring operating income and expense, and second, the subsequent acquisition and full consolidation of 100% of the "Les Parentèles" companies as of 1 January 2010.

Borrowing costs

In accordance with IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense.

The Medica Group considers all renovation, redevelopment or extension projects with a long completion time before they can be used as qualifying assets.

Borrowing costs eligible for capitalisation are those arising on all general credit facilities that are not allocated to a specific asset and all interest rate hedging instruments.

The capitalisation rate used is the weighted average of the qualifying borrowing costs calculated using the effective interest rate method.

Accounting treatment of the CVAE tax

The 2010 budget replaced the existing business use tax (*taxe professionnelle*) with a new levy called the *Contribution Economique Territoriale* or CET, which comprises two parts:

- The *Contribution Foncière des Entreprises* (CFE), which is based on the rental value of property subject to land tax. This levy is similar to the existing *taxe professionnelle* and is therefore treated as an operating expense in the financial statements; and
- The *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE), which is based on the value-added produced by companies. This levy has some similarities to an income tax as defined by IAS 12.

Following a memorandum published by the Conseil National de la Comptabilité (French accounting standards-setter) on 14 January 2010, the Medica Group believes that the CVAE meets the definition of an income tax and therefore recognised a deferred tax liability of €1.1 million, net of the associated deferred tax asset, in its consolidated financial statements for the year ended 31 December 2009. In the first half of 2010, a tax expense in this respect was recognised in the income statement.

Share capital

Ordinary shares are classified in equity.

The additional costs directly attributable to the issuance of new shares or options are recognised in equity and deducted from the proceeds of the issue, net of taxes.

Treasury shares

Treasury shares are deducted from equity and any gains or losses on their disposal are recognised in equity.

3. SCOPE OF CONSOLIDATION

3.1 CHANGES IN THE SCOPE OF CONSOLIDATION FOR THE PERIOD

During the first half of 2010, the Medica Group opened 247 new beds and acquired 770 beds.

Three new facilities were opened in France: Evrecy (Normandy) with 88 beds, La Roche sur Yon (Pays de Loire) with 75 beds and Saint-Martin de Crau (Provence Alpes Côte d'Azur) with 84 beds.

New acquisitions included:

- France: an 80-bed long-term care facility in the Paris region and two long-term care groups operating a total of about 620 beds:
  - A group with about 300 beds mainly in the Languedoc Roussillon region, a new area for the Medica Group, thereby increasing its geographical footprint in France.
  - A group with about 320 beds in the Paris region specialising in Alzheimer's and similar sufferers.
- Italy: a long-term care home in Florence with 70 beds.

At 30 June 2010, Medica operated a total of 12,300 beds.

The Group also acquired an interest in SCI Montfavet, which owns a short-term care facility, with a view to its extension. SCI Montfavet has been accounted for using the equity method.

3.2 IMPACT OF CHANGES IN THE SCOPE OF CONSOLIDATION ON THE INTERIM FINANCIAL INFORMATION

The table below presents the impacts of the events described above:

In thousands of euros	Italy	France	Total
ASSETS			
Intangible assets	0	4	4
Property, plant and equipment	86	1,029	1,115
Other non-current financial assets	74	2,641	2,715
Available-for-sale assets		1,725	1,725
Deferred tax assets		11	11
Other non-current assets		0	0
Non-current assets	**160**	**5,410**	**5,570**
Inventories	14	603	617
Trade receivables	1,138	1,951	3,089
Current tax receivables		1,104	1,104
Other receivables	338	2,044	2,382
Other current assets	3	37	40
Cash and cash equivalents		0	0
Current assets	**1,493**	**5,739**	**7,232**
Net profit attributable to equity holders of the parent		0	0
Minority interests		0	0
LIABILITIES			
Borrowings and financial liabilities		(1,680)	(1,680)
Commitments to employees		0	0
Other provisions		(417)	(417)
Deferred taxes		(5)	(5)
Other non-current liabilities	(20)	(1,460)	(1,480)
Total non-current liabilities	**(20)**	**(3,562)**	**(3,582)**
Bank loans and advances (due in less than one year)		(336)	(336)
Other provisions (portion under one year)		0	0
Trade payables	(242)	(1,435)	(1,677)
Other payables	(440)	(4,692)	(5,132)
Current tax liabilities	(80)	(2,966)	(3,046)
Derivative financial instruments		0	0
Other current liabilities		(11)	(11)
Total current liabilities	**(762)**	**(9,439)**	**(10,201)**
NET ASSETS	**871**	**(1,853)**	**(982)**

In thousands of euros	Italy	France	Total
Cash impact of changes in the scope of consolidation			
Cash and cash equivalents acquired	(615)	206	(409)
Cash paid for acquisitions	(3,040)	(20,062)	(23,102)
Sale price of consolidated securities	0	0	0
Net cash outflow arising on acquisitions	**(3,655)**	**(19,856)**	**(23,511)**
Other cash outflows arising on entries into the scope of consolidation			0
Cash impact of changes in the scope of consolidation	**(3,655)**	**(19,856)**	**(23,511)**
Gain on the remeasurement at fair value of the previously held equity interest		2,968	2,968
Intangible assets			
Administrative permits	0	0	0
Other intangible assets	0	0	0
Intangible assets excluding goodwill	**0**	**0**	**0**
Goodwill	2,784	24,680	27,464
Intangible assets including goodwill	**2,784**	**24,680**	**27,464**

3.3 SCOPE OF CONSOLIDATION AT 30 JUNE 2010

Consolidated companies	Currency	30.06 2010		
		Method	% control	% interest
MEDICA	€	FC	Parent	-
SFM (ex-MEDICA)	€	FC	100	100
SCI CHAMBERY JOURCIN	€	FC	100	100
SAS LES JARDINS D'HESTIA	€	FC	99.92	99.92
SOCEFI	€	FC	100	100
SDSA	€	FC	100	100
SARL LE MOLE D'ANGOULINS	€	FC	100	100
SARL INVAMURS	€	FC	100	100
SCI BRUAY SUR ESCAUT	€	FC	100	100
SCI SAINT GEORGES DE DIDONNE	€	FC	100	100
SCI LAXOU	€	FC	51	51
SCI LES SABLES	€	FC	100	100
SCI LYON GERLAND	€	FC	100	100
SCI ST MALO	€	FC	100	100
SCI VILLARS LES DOMBES	€	FC	100	100
SCI DU MANS	€	FC	100	100
SCI D'ARS EN RE	€	FC	100	100
SARL RA DE LILLE STE THERESE	€	FC	100	100
SARL RA DE LAXOU	€	FC	100	100
SARL RA DE SAINT MALO	€	FC	100	100
SARL RA DES SABLES D'OLONNE	€	FC	100	100
SARL RA DE LYON GERLAND	€	FC	100	100
SARL RA DU MANS	€	FC	100	100
SCI DE L'EUROPE	€	FC	100	100
SCI PIERRE DEBOURNOU	€	FC	99.8	99.8
SNC DE DINARD	€	FC	100	100
SNC DE L'EUROPE	€	FC	100	100
SARL SERAPA	€	FC	100	100
SAS RA DE NEUVILLE ST REMY	€	FC	100	100
SAS RA DE DINARD	€	FC	100	100
SARL RESIDENCE DE CHAINTREAUVILLE	€	FC	96	96
SAS CLINIQUE SOLISANA	€	FC	100	100
CLINIQUE DU VAL DE SEINE	€	FC	99.71	99.71
SARL CCN	€	FC	100	100
SARL LES ARBELLES	€	FC	100	100
SARL CENTRE MEDICAL DES ALPILLES (CMA)	€	FC	100	100
SARL CENTRE MEDICAL DU VENTOUX (CMV)	€	FC	100	100
SCI LE SPLENDID	€	FC	100	100
LES LILAS	€	FC	100	100
COGOLIN	€	FC	100	100
SARL BEL AIR	€	FC	100	100
MEDICA FRANCE	€	FC	100	100

Consolidated companies	Currency	30.06 2010		
		Method	% control	% Interest
SARL MF DEVELOPPEMENT	€	FC	100	100
TOPAZE	€	FC	100	100
LES PINS	€	FC	100	100
SCI DE BICHAT	€	FC	100	100
SCI CCN	€	FC	100	100
SCI CMA	€	FC	100	100
SARL GMR LA COTE PAVEE	€	FC	100	100
SAS CHATEAU de MORNAY	€	FC	100	100
AETAS S.P.A.	€	FC	100	100
II FAGGIO Srl	€	FC	100	100
RESIDENZA I PLATANI	€	FC	100	100
I ROVERI Srl	€	FC	100	100
CROCE DI MALTA Srl	€	FC	100	100
Il CASTAGNO Srl	€	FC	90	90
LE PALME Srl	€	FC	100	100
I GIRASOLI Srl	€	FC	95	95
BUTIGLIERA D'ASTI	€	FC	100	100
VILLA ANTEA Srl	€	FC	95	95
GLI OLEANDRI Srl	€	FC	95	95
CARE SERVICE	€	FC	100	100
LE ROSE Srl	€	FC	90	90
I RODODENDRI Srl	€	FC	90	90
IL CILIEGIO Srl	€	FC	70	70
IPPOCRATE SPA	€	FC	95.75	95.75
SAS AUBERGERIE DE QUINCY	€	FC	91.78	91.78
SAS AUBERGERIE DU 3E AGE	€	FC	91.78	91.78
SARL BOURGOIN COUQUIAUD	€	FC	100	100
SARL MAISON BLANCHE	€	FC	100	100
SAS CENTRE MEDICAL MONTJOY	€	FC	100	100
SAS CLINIQUE DE PIETAT	€	FC	100	100
SARL LUBERON SANTE	€	FC	100	100
SA CRF LES GARRIGUES	€	FC	100	100
SAS MACO	€	FC	100	100
SCI DU BOIS HAUT	€	FC	100	100
SAS CHATEAU DE CAHUZAC	€	FC	100	100
SARL CRC GESTION	€	FC	100	100
SAS SAINTE COLOMBE	€	FC	100	100
SARL CHAPUIS FERNANDE	€	FC	100	100
SAS MONTROND LES BAINS	€	FC	100	100
SCI VALMAS	€	FC	100	100
SAS ALMA SANTE	€	FC	100	100
SCI ALMA SANTE	€	FC	100	100
SA CLINIQUE SAINT MAURICE	€	FC	100	100
SCI CLINIQUE SAINT MAURICE	€	FC	100	100
SARL CLINIQUE DE SAUSSENS	€	FC	99.99	99.99
SARL MT SANTE	€	FC	99.99	99.99

Consolidated companies	Currency	30.06 2010		
		Method	% control	% Interest
SARL RESIDENCE LES PINS	€	FC	100	100
SAS LES QUATRE TREFLES	€	FC	99.93	99.93
SAS GASTON DE FOIX	€	FC	100	100
SAS ARJEAN	€	FC	100	100
SAS LE VAL DES CYGNES	€	FC	100	100
SAS DLS GESTION	€	FC	96.67	96.67
SARL MEDICA FRANCE LE VERDON	€	FC	100	100
SAS MAISON DE REPOS ET DE CONVALESCENCE LA PALOUMERE	€	FC	100	100
SCI LA PALOUMERE	€	FC	100	100
SAS FINANCIERE MEDICALE	€	FC	100	100
SAS LA VARENNE	€	FC	100	100
SCI LA VARENNE	€	FC	100	100
SAS LA ROSERAIE	€	FC	100	100
SCI LA ROSERAIE	€	FC	100	100
SAS CENTRE MEDICAL DE CONVALESCENCE MONTVERT	€	FC	100	100
SOCIETE CIVILE IMMOBILIERE DE MONTVERT	€	FC	100	100
MS FRANCE	€	FC	60	60
HAD FRANCE	€	EM	40.32	40.32
SARL B2L	€	FC	100	100
SAN BEGNINO	€	FC	100	100
MAGNOLIE	€	FC	100	100
SARL FONTAINE BAZEILLE	€	FC	100	100
SCI BAZEILLE	€	FC	100	100
SAS MEDIENCE	€	FC	100	100
CHARS LES PARENTELES	€	FC	100	100
BEZONS LES PARENTELES	€	FC	100	100
PIERRELAYE LES PARENTELES	€	FC	100	100
PARIS LES PARENTELES	€	FC	100	100
BAGNEUX LES PARENTELES	€	FC	100	100
MAUREPAS LES PARENTELES	€	FC	100	100
DELTA OCCITAN	€	FC	100	100
LES GARDIOLES	€	FC	100	100
LA PAQUERIE	€	FC	100	100
LA COLOMBE	€	FC	100	100
ACANTHE	€	FC	100	100
RESID GESTION	€	FC	100	100
SCI MONTFAVET	€	EM	32.7	32.7

4. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

4.1 GOODWILL

The main movements in goodwill for the period can be analysed as follows:

In thousands of euros	Long-term care France	Post-acute and psychiatric care France	Italy	Total
Net goodwill at 31 December 2009	**218,843**	**101,490**	**32,789**	**353,122**
Business combinations	24,680		2,784	27,464
Net goodwill at 30 June 2010	**243,522**	**101,490**	**35,574**	**380,586**

Goodwill arising on companies acquired during the period has been determined provisionally and will be finalised within the 12-month fair value measurement period. As there was no evidence of impairment in any of the business segments, the Group did not perform any impairment tests.

4.2 INTANGIBLE ASSETS

In thousands of euros	Operating permits	Software	Other intangible assets	Intangible assets in progress	Total
Carrying amount at 31 December 2009	**480,505**	**1,765**	**51**	**738**	**483,059**
Newly-consolidated companies		4			4
Acquisitions		54		586	640
Disposals		(5)			(5)
Reclassification	(50)				(50)
Amortisation		(292)	(7)		(299)
Carrying amount at 30 June 2010	**480,455**	**1,526**	**44**	**1,324**	**483,349**
Cost	480,455	5,149	74	1,324	487,002
Accumulated amortisation		(3,623)	(31)		(3,654)
Carrying amount at 30 June 2010	**480,455**	**1,526**	**44**	**1,324**	**483,349**

As there was no evidence of impairment at 30 June 2010, the Group did not test its operating permits for impairment.

4.3 PROPERTY, PLANT AND EQUIPMENT

Changes in 2010 mainly concerned investments in new buildings or extensions, and capital expenditure on existing facilities.

In thousands of euros	Land and buildings	Vehicles, equipment and tools	Other non-current assets	Non-current assets in progress	Total
Carrying amount at 31 December 2009	**252,205**	**10,626**	**19,960**	**11,534**	**294,325**
Newly-consolidated companies	280	235	397	203	1,115
Acquisitions	6,897	2,178	2,616	12,085	23,776
Disposals	(2)	(3)	(17)	(3,868)	(3,890)
Reclassification	2,497	(22)	114	(2,758)	(169)
Depreciation	(6,308)	(1,409)	(2,497)		(10,214)
Carrying amount at 30 June 2010	**255,569**	**11,605**	**20,573**	**17,196**	**304,944**
Cost	356,484	32,346	65,248	17,196	471,274
Accumulated depreciation	(100,915)	(20,741)	(44,675)		(166,331)
Carrying amount at 30 June 2010	**255,569**	**11,605**	**20,573**	**17,196**	**304,944**

Assets held under finance leases and recognised in the balance sheet are as follows:

In thousands of euros	30.06 2010	31.12 2009
Land and buildings		
Cost	191,718	191,718
Accumulated depreciation	(49,510)	(47,646)
Carrying amount	**142,208**	**144,072**
Vehicles, equipment and tools		
Cost	3,403	2,968
Accumulated depreciation	(492)	(316)
Carrying amount	**2,911**	**2,651**

4.4 DERIVATIVE FINANCIAL INSTRUMENTS

Medica's financial liabilities are mainly floating rate and the Group therefore uses derivative financial instruments to hedge against changes in interest rates.

These derivatives are documented as cash flow hedges in accordance with the provisions of IAS 39.

The change in fair value of the effective portion of the hedges is recognised in equity on each reporting date. The fair value of hedging instruments is calculated as the net present value of estimated future cash flows. Valuations of hedging instruments are provided by the Group's banks.

Following the debt repayment and arrangement of a new credit facility, the Group:

- unwound some of the notional interest rate swaps that no longer met the conditions for hedge accounting under IAS 39 in exchange for a payment of €5,739 million;
- combined the balance of the remaining swaps eligible for hedge accounting into a single hedge.

At 30 June 2010, the notional amount of fixed-rate swap held by the Group was €350 million expiring on 30 June 2011, with a fixed-rate of 3.6587% against 3-month Euribor.

The notional amount of 6% caps against 3-month Euribor was €500 million with a projected hedging period between 30 June 2011 and 30 June 2013. Caps do not qualify for hedge accounting as defined by IAS 39 and changes in fair value are therefore recognised in profit or loss.

In thousands of euros			Fair value on the balance sheet				Recognition of changes at 30 June 2010		
Type of contract	Notional amount in millions of euros		30.06.2010		31.12.2009		Profit or loss	Equity – other comprehensive income	Cash and cash equivalents
	30/06/2010	31/12/2009	Assets	Liabilities	Assets	Liabilities			
Swaps	350	545		9,606		18,889	2,348	1,196	5,738
Caps	500	500	465		1,054		(589)		
Derivative financial instruments(*)			**465**	**9,606**	**1,054**	**18,889**	**1,759**	**1,196**	**5,738**

(*) the impact on cash and cash equivalents was a cash outflow

4.5 CASH AND CASH EQUIVALENTS

In thousands of euros	30.06 2010	31.12 2009
Money market funds	1,304	7,849
Pooled cash and debit accounts	17,374	30,696
Cash and cash equivalents	**18,678**	**38,546**
Bank overdrafts	(7,203)	(4,142)
Net cash and cash equivalents	**11,475**	**34,403**

In accordance with IAS 7.6, money market funds are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.6 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale amount to €11.8 million, mainly comprising a long-term care facility in Franconville, France. In accordance with IFRS 5, to qualify as a non-current asset held for sale, management must be committed to a plan to sell the asset and have initiated an active programme to locate a buyer. The asset must be actively marketed and the sale should be expected to be completed within one year. Actions required to complete the plan should indicate that it is unlikely that significant changes will be made or that the plan will be withdrawn.

4.7 FINANCIAL LIABILITIES

The Group's financial liabilities changed significantly in the first half of 2010 as a result of the IPO on 10 February 2010 (and the concurrent conversion of the convertible bonds) and the arrangement of a new credit facility on 16 June 2010 (see "Significant events during the period").

In thousands of euros	30.06 2010	31.12 2009
Bank loans	374,135	392,110
Other borrowings and similar debts	1,355	1,511
Total non-current financial liabilities	**375,490**	**393,621**
Bonds	0	100,217
Current borrowings and bank loans	9,909	203,775
Other current borrowings and similar debts	307	313
Accrued interest on borrowings	187	85,084
Bank overdrafts	7,203	4,142
Total current financial liabilities	**17,606**	**393,531**
Total financial liabilities	**393,096**	**787,152**
Bonds (equity component)	0	74,597
Cumulative impact of amortised cost	5,523	5,118
Total redemption value of bank loans and financial liabilities	**398,619**	**866,867**

The above loans are analysed as follows:

In thousands of euros	Nominal interest rate (%)	30.06 2010	31.12 2009	Maturity
Bonds				
€174.8 million bond issue	10.00% capitalised	0	241,910	2019
Redemption value of bonds		**0**	**241,910**	
Syndicated loans				
€350 million loan	Euribor + 1.65%	350,000	0	2015
€92 million mezzanine debt	Euribor + 4.00% + capitalised interest 4.625%	0	109,638	2016
Syndicated loans	Euribor + 1.75% at +2.50%	0	466,626	2013 - 2015
Accrued interest on borrowings		196	361	
Other borrowings and similar debts				
Finance leases	Fixed and variable rate	30,713	34,067	
Other bank loans	Fixed and variable rate	10,507	10,123	
Bank overdrafts		7,203	4,142	
Redemption value of syndicated loans and other financial liabilities		**398,619**	**624,957**	
Redemption value of bank loans and debt		**398,619**	**866,867**	
Bonds (equity component)		0	(74,597)	
Cumulative impact of amortised cost		(5,523)	(5,118)	
Total bank loans and financial liabilities		**393,096**	**787,152**	

Net debt:

Net debt as defined by the Group corresponds to the total of financial liabilities and bank loans less cash and cash equivalents.

In thousands of euros	30.06 2010	31.12 2009
Total bank debt and financial liabilities	393,096	787,152
- Cash and cash equivalents	(18,678)	(38,546)
Net debt	**374,418**	**748,606**

Bank ratios:

Under the terms of the new credit facility, the Group is required to comply with the usual financial covenants for this type of loan. In the event of non-compliance with one or more conditions, the banks may force the Group to repay some or all of the loan or renegotiate the financing conditions.

The applicable covenant is a net debt to EBITDA ratio of less than 4.5 until 2011 and declining thereafter.

Maturity dates of financial liabilities:

The following table shows a breakdown of the redemption value of bank loans and debt by maturity:

In thousands of euros	Less than one year	Between one and five years	More than five years	Redemption value
Syndicated loans and other financial liabilities	2,893	356,344	1,466	360,702
Finance leases	7,523	15,891	7,299	30,713
Bank overdrafts	7,203			7,203
Total redemption value	**17,619**	**372,235**	**8,765**	**398,619**

4.8 TRADE PAYABLES AND OTHER CREDITORS

In thousands of euros	30.06 2010	31.12 2009
Trade payables	**30,841**	**36,607**
Tax and social security payables	45,648	43,876
Downpayments received	5,191	4,998
Amounts payable to suppliers of non-current assets	4,079	3,776
Other payables	3,577	2,742
Prepaid income	3,727	753
Other payables	**62,221**	**56,145**

4.9 OTHER NON-CURRENT PROVISIONS

Other non-current provisions are as follows:

In thousands of euros	Industrial tribunals	Restructuring	Other	Total
At 31 December 2009	**3,429**	**2,750**	**2,355**	**8,534**
- Increase in provisions	611	511	13	1,135
- Reversals (unused)	(981)	0	(1,092)	(2,073)
- Changes in scope	163	168	87	418
- Reclassification	0	0	(54)	(54)
At 30 June 2010	**3,223**	**3,428**	**1,308**	**7,959**

4.10 DEFERRED TAXES

Changes in net deferred taxes are set out below:

In thousands of euros	30.06 2010	31.12 2009
Opening balance	**(190,399)**	**(203,580)**
Change in scope	0	39
Tax charged to the income statement	3,354	11,752
Tax charged directly to equity or goodwill (1)	27,332	1,390
Closing balance	**(159,713)**	**(190,399)**

(1) Deferred taxes on conversion of the "equity" component of the bond issue for €24.9 million and on IPO expenses for €2.9 million.

4.11 OPERATING SEGMENTS

In accordance with IFRS 8 "Operating Segments", segment information is disclosed on the basis of the Group's operational structure and internal reporting system:

- ***Long-term care, France*** covers all the Group's nursing and residential care homes for the elderly in France;
- ***Post-acute and psychiatric care, France*** covers the Group's facilities providing short-term post-operative and rehabilitation care, as well as psychiatric services;
- ***Italy*** covers all care facilities in Italy.

In thousands of euros	6 months		12 months
	30.06 2010	30.06 2009	31.12 2009
Revenue			
Long-term care, France	160,815	139,654	289,589
Post-acute and psychiatric care, France	71,641	70,124	141,397
Italy	26,632	24,334	49,741
Total	**259,088**	**234,111**	**480,727**
EBITDAR (EBITDA before rental expense)			
Long-term care, France	41,891	36,583	79,270
Post-acute and psychiatric care, France	18,263	17,902	36,282
Italy	6,609	5,576	11,727
Total EBITDAR	**66,763**	**60,061**	**127,279**
Rental expense	**(23,440)**	**(20,961)**	**(42,664)**
EBITDA	**43,323**	**39,100**	**84,615**

EBITDAR is defined as EBITDA before rental expense.

In thousands of euros	30.06 2010	31.12 2009
Assets		
Long-term care, France	834,387	800,026
Post-acute and psychiatric care, France	349,677	357,024
Italy	99,374	97,474
Total	**1,283,439**	**1,254,524**

4.12 REVENUE

Consolidated revenue for the first half of 2010 amounted to €259.1 million, an increase of 10.7% compared with the same period of 2009.

All business segments contributed to the growth:

- Long-term care, France posted revenue of €160.8 million, an increase of 15.2% compared with the first half of 2009. This good performance stemmed mainly from organic growth, which amounted to 8.8% due to the ramp-up of facilities opened in 2009 and 2010.
- Post-acute and psychiatric care, France posted revenue of €71.6 million, an increase of only 1.9% compared with the same period of 2009, due to the Group's major redevelopment programmes.
- Italy posted revenue of €26.6 million, an increase of 9.4% compared with the first half of 2009.

4.13 EXTERNAL CHARGES

In thousands of euros	6 months		12 months
	30.06 2010	30.06 2009	31.12 2009
Temporary staff	(959)	(845)	(2,131)
Professional fees	(5,546)	(4,492)	(9,047)
Property rental expense	(23,440)	(20,961)	(42,664)
Equipment rental expense	(3,041)	(3,110)	(5,985)
Maintenance and upkeep	(3,137)	(2,784)	(5,622)
Subcontracting	(22,587)	(21,368)	(43,381)
Purchases not taken to inventory	(5,999)	(5,561)	(11,084)
Other	(4,138)	(4,860)	(9,289)
External charges	**(68,847)**	**(63,981)**	**(129,203)**

Subcontracting includes €15,278 thousand of expenses incurred by the Italian subsidiary Aetas, where almost the entire staff is subcontracted.

4.14 EMPLOYEE BENEFITS EXPENSE

In thousands of euros	6 months		12 months
	30.06 2010	30.06 2009	31.12 2009
Wages, salaries and termination benefits	(86,614)	(75,833)	(154,665)
Social security charges	(34,069)	(29,320)	(59,021)
Retirement expenses – defined-benefit plans and long service awards	(162)	(162)	(323)
Employee benefits expense	**(120,845)**	**(105,315)**	**(214,009)**
End-of-year workforce (full-time equivalent)			
France	6,684	6,226	6,328
Abroad	117	75	94
Total	**6,801**	**6,301**	**6,422**

The increase in employee benefits expense was due to changes in the scope of consolidation, the opening of new facilities and an increase in medical care dispensed in the Group's facilities (following the recruitment of care assistants under tripartite agreement renewals).

4.15 OTHER NON-RECURRING OPERATING INCOME AND EXPENSE

In thousands of euros	6 months		12 months 31.12 2009
	30.06 2010	30.06 2009	
IPO expenses	(3,019)		(2,390)
Carrying amount of property, plant and equipment and intangible assets sold	(3,894)	(3)	(13,497)
Facility closure costs	(2,153)	(3,137)	(3,756)
Other expenses	(798)		
Other non-recurring operating expense	**(9,864)**	**(3,140)**	**(19,643)**
Negative goodwill recognised in profit or loss			872
Proceeds from the sale of property, plant and equipment and intangible assets	3,796		12,392
Proceeds from the sale of securities		8	
Proceeds from closure of facilities			48
Remeasurement at fair value of previously held equity interests (1)	2,968		
Other non-recurring operating income	**6,764**	**8**	**13,312**

(1) Remeasurement at fair value of previously held equity interests in "Les Parentèles".

4.16 NET FINANCE COSTS

In thousands of euros	6 months 30.06 2010		6 months 30.06 2009		12 months 31.12 2009	
	Expense	Income	Expense	Income	Expense	Income
Interest expense on borrowings	(9,665)		(24,631)		(48,788)	
Interest on finance leases	(919)		(1,412)		(2,434)	
Income and expense relating to interest-rate hedges	(6,998)		(5,602)		(13,604)	
Impact of amortised cost on borrowings	(5,138)		74		(15,672)	
Cost of gross debt	**(22,720)**	**0**	**(31,571)**	**0**	**(80,498)**	**0**
Proceeds from the sale of cash equivalents		25		15		49
Cost of net debt	**(22,720)**	**25**	**(31,571)**	**15**	**(80,498)**	**49**
Financial component of the cost of employee benefit plans	(142)		(142)		(284)	
Non-utilisation fees	(600)		(185)		(287)	
Discounting effects	(37)		(44)		(107)	
Change in fair value of financial instruments	(588)			818		501
Impairment of financial assets						
Other financial expense	(516)		(41)		(123)	
Other financial income		35		46		74
Other financial income and expense	**(1,883)**	**35**	**(412)**	**864**	**(801)**	**575**
Net finance costs	**(24,603)**	**60**	**(31,983)**	**879**	**(81,300)**	**624**

4.17 INCOME TAX EXPENSE

The Medica Group has elected for group tax relief with its French subsidiaries that are more than 95%-owned. All subsidiaries that meet this condition are included in the tax consolidation group except for those acquired during the first half of 2010.

In accordance with IAS 34, the Medica Group has based its income tax expense on a projected full-year tax rate for 2010.

In thousands of euros	6 months 30.06 2010	6 months 30.06 2009	12 months 31.12 2009
Current tax expense	(5,569)	396	(1,387)
Deferred tax income or expense	3,354	1,417	11,752
Income tax expense	**(2,215)**	**1,812**	**10,365**

4.18 EARNINGS PER SHARE

Earnings per share (in euros)	30.06 2010	30.06 2009	31.12 2009
Profit attributable to equity holders of the parent (in thousands of euros)	2,894	(2,703)	(13,363)
Weighted average number of shares	38,428,291	7,286,040	7,286,040
Earnings per share (in euros)	**0.08**	**(0.37)**	**(1.83)**

Diluted earnings per share (in euros)	30.06 2010	30.06 2009	31.12 2009
Profit attributable to equity holders of the parent (in thousands of euros)	5,636	(2,703)	(13,363)
Weighted average number of shares	38,428,291	1,823,301	1,823,301
Dilutive impact of bonds	2,924,262	12,532,551	12,532,551
Dilutive impact of preferred shares in issue	1,607,114	1,721,909	1,721,909
Diluted earnings per share (in euros)	**0.13**	**(0.17)**	**(0.83)**

4.19 MAIN ITEMS OF THE STATEMENT OF CASH FLOWS

Impact of the change in working capital

In thousands of euros	30.06 2010	30.06 2009	31.12 2009
Impact of the change in inventories and work in progress	8	12	(292)
Impact of the change in trade receivables	257	722	6,021
Impact of the change in trade payables	(7,222)	(13,490)	(110)
Impact of the change in other receivables and payables	(3,209)	4,702	8,864
Impact of the change in working capital requirement	**(10,166)**	**(8,054)**	**14,483**

Acquisitions of property, plant and equipment (breakdown)

In thousands of euros	30.06 2010	30.06 2009	31.12 2009
Acquisitions of property, plant and equipment (see note 4.3)	(23,776)	(20,518)	(44,699)
Non-current assets acquired via a lease contract	435	5,810	7,671
Capitalisation of borrowing costs (IAS 23)	941		
Reclassification between intangible assets and property, plant & equipment	946		
Change in payables relating to acquisitions of property, plant and equipment	(965)	1,174	3,192
Acquisition of property, plant and equipment	**(22,419)**	**(13,534)**	**(33,836)**

4.20 OFF-BALANCE SHEET COMMITMENTS

Commitments under operating lease agreements where a Group company is the lessee:

The table below details all the future minimum payments under non-cancellable operating lease agreements:

In thousands of euros	30.06 2010
Less than one year	48,655
Between one and five years	194,753
More than five years	221,270
Future minimum payments for operating leases	**464,678**

Other off-balance sheet commitments have not changed significantly since 31 December 2009, including collateral and guarantees following the debt restructuring and capital expenditure commitments.

4.21 RELATED PARTY TRANSACTIONS

Related parties with control over the Group:

There were no transactions between the Medica Group and the shareholders that control the Group except for interest paid on the convertible bonds, which were converted into shares on 12 February 2010. Interest on the convertible bonds amounted to €2.7 million for the period from 1 January to 12 February 2010.

Executive compensation:

Executive compensation paid during the period was as follows:

In thousands of euros	30.06 2010
Short-term benefits *(*)*	273
Post-employment benefits	77

(*) excluding employer charges

Other information concerning related parties:

Medica SA has not paid any dividends since the acquisition of the SFM sub-group in August 2006.

4.22 POST-BALANCE SHEET EVENTS

Interest rate hedging policy

In July 2010, the Group took out fixed-rate swaps at 1.7% commencing in January 2011 for an amount of €350 million, with €100 million maturing on 31 December 2013 and €250 million on 30 June 2014.

STATUTORY AUDITORS' REPORT

ON THE INTERIM FINANCIAL INFORMATION

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STATUTORY AUDITORS' REPORTON THE INTERIM FINANCIAL INFORMATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS FROM 1 JANUARY TO 30 JUNE 2010

To the Shareholders,

In our capacity as Statutory Auditors to the company and in accordance with the provisions of article L. 451-1-2 III of the French Monetary and Financial Code, we have:

- reviewed the accompanying condensed interim consolidated financial statements of Medica SA for the period 1 January to 30 June 2010
- verified the information provided in the interim business review.

The condensed interim consolidated financial statements were prepared under the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. CONCLUSION

We conducted our review in accordance with the professional standards applicable in France. A review consists of making enquiries, primarily of the senior management members responsible for financial and accounting matters, and applying analytical review procedures. A review is substantially less in scope than a full audit conducted in accordance with the professional standards applicable in France and consequently provides only a moderate and lower level of assurance than a full audit about whether the financial statements, taken as a whole, are free of material misstatement.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared in all material respects, in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

Without qualifying the conclusion expressed above, we draw your attention to note 2 of the notes to the condensed interim consolidated financial statements on the new accounting standards whose application is mandatory for periods beginning on or after 1 January 2010, and in particular IFRS 3 Revised "Business Combinations", which has been applied to acquisitions made during the period.

2. SPECIFIC VERIFICATION

We also verified the information provided in the half-yearly financial report accompanying the condensed interim consolidated financial statements reviewed by us.

We have no matters to report as to its fairness or its consistency with the condensed interim consolidated financial statements.

Paris-La Défense, Levallois-Perret and Paris, 8 September 2010

The Statutory Auditors

MAZARS	CONSTANTIN ASSOCIES	Patrick Grimaud
Denis Grison	Jean –Paul Séguret	

STATEMENT BY THE PERSONS RESPONSIBLE

STATEMENT BY THE PERSONS RESPONSIBLE

We declare that, to the best of our knowledge and belief, the financial statements have been prepared in accordance with the applicable accounting standards and present fairly in all material respects the assets, liabilities, financial position and results of operations of the company and the consolidated companies comprising the Medica Group for the six months to 30 June 2010 as well as the main related party transactions, and that the interim business review provides a true and fair view of the significant events that occurred during the first six months of the year as well as a description of the key risks and uncertainties for the remaining six months of the year.

Issy les Moulineaux, 13 September 2010.

Chairman and Chief Executive Officer

Jacques Bailet